Chinese Outbound tourism: Sophistication and Dispersion Offering New Opportunities for Rural Destinations in Europe

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About COTRI

“COTRI is the world’s leading institute for research and consulting services related to the Chinese outbound tourism market, and cooperates with all leading international and Chinese tourism organisations.”
(China Daily, March 2016)

COTRI was started in 2004 as independent institute offering research and consulting by Prof. Dr. Wolfgang Georg Arlt FRGS.

Offices are located in Hamburg/Germany and Beijing/China, with a global network of regional partners on all continents.
COTRI’s founder and director

- First visit to People’s Republic of China in 1978
- 1991-1999 owner of Inbound Tour Operator China -> Europe with offices in Beijing and Berlin
- Since 2004 COTRI founder and director
- Professor for International Tourism Management at West Coast University of Applied Sciences Germany (Heide)
- Visiting professor at universities in China, United Kingdom and New Zealand
- Fellow Royal Geographical Society (London)
- Research Fellow Japanese Society for the Promotion of Science (Tokyo)
- Board member PATA Pacific Asia Travel Association (Bangkok)
- Western Europe representative ITSA International Tourism Studies Association (Beijing/Washington D.C.)
- Member of UNWTO Expert Panel (Madrid)
China’s outbound tourism – Background

1: Constant Change

China keeps changing – it certainly changed from the first time I visited Beijing in 1978.

China is taking on a greater and more responsible role in the world, by the One Belt, One Road programme, by establishing Confucius Institutes all over the world, by increasingly investing outside of China, by sending Chinese soldiers as UN blue helmets to dangerous places and by sending Taikonauts to construct space stations.
Chinese outbound tourism 1: Change

Chinese Investors are Targeting a more Diverse mix of Sectors in Europe
Distribution of Chinese OFDI in the EU-28 by industry 2000-2015
EUR million

Chinese outbound foreign investment in Europe 2015: 20 bio. Euro, including major investments in hospitality and entertainment, continued in 2016 (Inter Mailand, Manchester City, Odeon UCI cinemas, Port of Piraeus).
China’s worldwide reach
Rich countries, led by the US, are the major recipients of Chinese investment. In contrast, engineering and construction activity is concentrated in developing countries, topped by Nigeria and Venezuela (Figures in US$, since 2005)

Sources: American Enterprise Institute and Heritage Foundation
Since 2012 China is the biggest international tourism source market both in terms of border crossings and in terms of spending.

In 2016 137 million border crossings from Mainland China took place, more than 220 billion US$ was spent by Chinese travellers*. In 2016 for the first time less than half of the trips ended in Greater China – Hong Kong SAR, Macau SAR, Taiwan.

* Source: COTRI.
UNWTO: 135 mio. trips, 261 bio. US$ spending
CNTA: 122 mio. trips, 109.8 bio. US$ spending
China’s outbound tourism 2: Going further

China continues to be the biggest international tourism outbound source market, but for 2016 the growth rate for the first time dropped below double-digit figures.
China’s outbound tourism 2: Going further

The growth rate fell to only **2.7%**, the lowest in the modern history of China’s outbound tourism. Trips to the Rest of the World still grew by **11.7%**, but trips to Greater China fell by **-5.2%**, the second year in a row in negative territory.
China’s outbound tourism 2: Going further

66.7 million trips to Greater China vs. 70.1 million trips to the Rest of the World.
First quarter 2017

- In the first quarter of 2017 Hong Kong could stop the negative trend, registering a growth of 3.8% in Mainland Chinese arrivals, Macau increased arrivals even by 7.6%, only Taiwan still suffered a dramatic drop of -41.9% in arrivals from Mainland China compared to Q1 2016 with the lowest total number of Mainland arrivals since five years.

- Most other destinations, especially smaller ones, saw strong increases in the same period of time, in some cases doubling or almost doubling the arrival numbers (in the Mediterranean region for instance: Israel, Morocco, Tunisia).

- The trend to go beyond Greater China and to discover new destinations is certainly continuing.
“The” Chinese tourists does not exist (anymore).

The mass-market package tours frantically rushing around ticking off main sights with a selfie are still existing with 100+ million Chinese still waiting for their first trip abroad.

However, the interest of many more experienced Chinese tourists are changing, after the first phase of sightseeing tours they now look for experiences and immersion during customised or self-organised trips.
China’s outbound tourism 3: Diversification

The destinations visited by Chinese outbound travellers are changing from “must-see” destinations to discovering new places, instead of postcard confirmation the more experienced travellers look for authenticity, following their own interests to visit – instead of yet another cathedral or shopping mall – football stadiums, medieval city centres, natural clean spaces, river cruises, wineries or ski slopes.

Immersion means doing and learning things rather than just looking at them, going to places – and staying in hotels – which provide stories to tell on WeChat, reasons to brag after return and feelings of being welcome and respected.

Still, almost all Chinese travellers are „Money rich, but time Poor“.
Chinese traveller demographics are changing.

From a majority of middle-aged travellers in the first wave of Chinese outbound tourism, now persons born after 1980 (balinghou’s) and even after 1990 (jiulinghou’s) make up almost 60% of all Chinese international travellers.

Demographics are also becoming more diverse: The first cohorts of affluent 60+ citizens are entering the market, more children (linglinghou’s, born after 2000) accompany their parents or go on school trips.

2016 growth rates for outbound travellers below 18 and above 55 years of age: +90%
Average life expectancy for a person living in China 1960: 43 years.  
Average life expectancy for a person living in China 2016: 76 years.

More than 200 million Chinese citizens are aged 60 and over.

Some of them have enough money – or children with enough money – to take part in outbound tourism.

Senior outbound travel is the fastest growing market segment, since 2013 every year more than 50% YoY growth.
Who is travelling?

- Less than 10% of Chinese citizens have a passport
- Ability to spend money on international travel mostly based on wealth, not on income
- Gender balance: MICE more men than women, leisure more women than men
China's Outbound Tourism 5: Who is travelling?

- For **affluent 1st tier city inhabitants** international travel is already fixed part of consumption pattern, mostly travel self-organised or customised tour for fixed group

- More and more segmentations into niches including big niches like health tourism, cruises etc.

- Second Wave experienced Chinese travellers: Niche topics, themed tours, bespoke arrangements, activity based trips, moving from “money rich but time poor” to “money and experience rich but time poor”

- Key motivation to choose destination: Not too many (but not none) Chinese have travelled yet to this place
China's Outbound Tourism 5: Who is travelling?

- **Aspiring 2\(^{nd}\) and 3\(^{rd}\) tier city inhabitants** catching up fast, most growth comes from lower tier cities

- Older customers starting with package tour, younger travellers move directly to half-/ or self-organised tour

- More likely to still working on the „must-see“ list of destinations and sights

- Key motivation to choose destinations: All KOLs and some of my friends have already been there

- For **young families or 6+1 multigenerational groups** self-drive and nature-oriented trips gaining importance
China's Outbound Tourism 5: Who is travelling?

Why are they traveling?

Long-distance outbound travel is not a private decision, but an investment, not a holiday:

- Direct investment: Buying real estate and companies for profit and for passports
- Indirect investment: “Leisure” Travel and shopping for self-esteem and peer group confirmation of status and prestige
- Long-term investment: Formal and informal education, market knowledge, experiences
Group vs. FIT is not a simple “either-or” but a sliding scale

On the one end are old-fashioned package tours “8 countries in 7 days” mainly done for the “me in front of the Eiffel Tower” selfie

On the other end are fully autonomous backpackers

In between are all kinds of ‘semi-self-organized’ packages, customised or bespoken tours with varying degrees of flexibility and in-build modules: Modular Travellers

(Online) travel agencies increasingly develop products of one or two day organised tours, which can be booked before or during the otherwise self-organised trip
The relative importance of self-organised travel varies between different markets, from 0% for destinations, which cannot be reached without an organised tour (example: Antarctica) to more than 80% for destinations like Hong Kong and South Korea.

Chinese “FIT” are different from “Western” FIT, most of them are not backpacking on a shoe-string budget, but can afford hybrid spending patterns.

Most of them are seekers of prestige and self-affirmation, trying to find *themselves* abroad.
Second Wave travellers more open to suggestions, but also more confident and demanding than ever

Second Wave Chinese travellers can be attracted to new places, new activities, new times of the year, bringing not only more, but a different kind of business

But: To satisfy the Second Wave Chinese travellers needs more preparation and understanding to keep the balance between treating Chinese Second Wave guests as international citizens and still showing respect to the Chinese culture by providing the right kind of reasons to come, the right story to tell and providing the feeling of being more welcomed as Chinese traveller than any other kind of customer
New demand for rural outbound tourism is developing in China, based on the

- following of “Western” (actually Japanese and Korean) pattern of tourism development from sightseeing to immersion, from adult groups to family groups

- severe pollution and almost complete disconnection to nature in Chinese cities, home to almost all Chinese visitors to Europe

- increasing wish of second-generation megacity dwellers to teach child(ren) about nature, hardship and the meaning of life

- Growing interest in smaller destinations
China’s Outbound Tourism 6:
How to make use of the new opportunities for Rural destinations in Europe?

Necessity to communicate and to adapt products

- The Hallstadt Ferien Auf dem Bauernhof example
- The Old Lady learns to swim during the cruise example

- Authenticity to a degree (Old Macdonald’s Farm vs. EU agro reality)

- Farm/village Lonely but accessible, traditional but WiFi

- “Money rich, Time poor” experiences

- Documentation and certification
China’s Outbound Tourism 6: How to make use of the new opportunities for Rural destinations in Europe?

- Communication channels: Telling stories in words and videos on Chinese social media, using UGC and popular science information.
  - Example: Chinavia [https://www.youtube.com/watch?v=VqqCVI0ibI0](https://www.youtube.com/watch?v=VqqCVI0ibI0)

- Distribution channels: OTAs!

- Rural Tourism as one element within a network of offers

- The [http://glenkeenfarm.com](http://glenkeenfarm.com) example
Thank you for your attention!

Looking forward to your comments and questions!

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