Sector Report

The Tourism Market in China
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According to the United Nations World Tourism Organization (UNWTO), China has been and remains by far the fastest-growing tourism source market in the world over the past decade. Within this market, domestic tourism is the most important segment, inbound tourism has stabilised in recent years, while the outbound tourism industry has seen the largest growth.

The total number of outbound trips organised for Chinese tourists rose to 109 million in 2014 – a 16.6% increase on the previous year. Figures from 2012 indicate that the Chinese have overtaken the Germans and the Americans as the highest spenders on international travel. A report released during the 2014 World Tourism City Federation (WTCF) put the amount of money spent by Chinese outbound tourists on overseas trips in 2013 at USD 128.7 billion. In 2014, it is estimated that total outbound expenditure reached USD 155 billion.

According to the China National Tourism Administration (CNTA), China’s tourism industry received approximately USD 17 billion in direct investment in 2014 – a year-on-year increase of 32%.

From the above data, it may appear that EU SMEs should be eagerly grasping all the opportunities created by this booming market. The reality, however, is that despite these alluring figures, China’s travel industry remains highly regulated. Indeed, no foreign travel agency based in China is allowed to operate outbound travel services for Chinese nationals. This restriction was eased to a certain extent in 2011, when CNTA granted “outbound” licenses to three foreign-invested operators following a tedious, lengthy approval process. The regulations at the newly established Shanghai Pilot Free Trade Zone, where the National Tourism Administration has shown their intention to further open up the industry, are another promising sign.

EU SMEs can benefit from the current wave of Chinese tourists coming to Europe, even though 88% of outbound tourists prefer to use travel agencies as a means to avoid visa application complications. Companies can seek partnerships with Chinese outbound agencies, or offer dedicated services and packages catering to Chinese tastes and demands, using the internet as a platform. Ctrip, one of the leading Chinese tourist operators, revealed that 78% of Chinese tourists gathered information for their trip from the internet in 2014.

There are also some interesting opportunities in the inbound market, where expats, foreign visitors and the high-end segment of the Chinese market have a demand for creative and service-oriented packages. There are currently several examples of EU SMEs operating successfully in this area.

A number of factors are a cause for optimism when predicting further growth for China’s travel and tourism industry. Among these are an improved legal framework, the expansion of China’s middle class, the relaxation of visa procedures, and favourable exchange rates.
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1. Definition

According to the World Travel and Tourism Council (WTTC), the business leader’s forum for travel and tourism, China has the potential to become one of the world’s great tourism economies. The industry can be divided into three main categories, each of which presents its own characteristics, opportunities and challenges for EU SMEs:

**Domestic travel** is defined as tourism involving Chinese residents travelling within the country. Local players dominate this sector, even though there is no restriction on foreign companies. Over the last five years, domestic tourism has seen a continuous year-on-year increase of above 10%, and now contributes over 4% to the growth of the country’s GDP.

**Inbound travel** refers to non-residents or foreigners who visits China. In 1978, after opening its borders to the world, China received a little over 200,000 visitors.¹ In 2014, over 128 million tourists visited the country, a slight decrease from the previous year.² This drop can be explained by several factors, including air pollution, food safety concerns, and a strong CNY. Nevertheless, the outlook for this sector seems bright.

**Outbound travel** involves Chinese citizens leaving China to visit another country. This industry has experienced the largest growth in recent years. However, it is highly regulated, and no foreign travel agency based in China is allowed to operate outbound travel services for Chinese nationals.

![Chart 1: Inbound, Outbound and Domestic Market Share In China](image)

Source: *CNTA, February 2015.*

2. Policy indicators and Regulatory Structure

2.1 China National Tourism Administration

The China National Tourism Administration (CNTA) is the agency in charge of tourism in China, and is directly affiliated to the State Council.³

CNTA’s main responsibilities are:

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Establish and organise the implementation of market development strategies for domestic tourism, inbound tourism and outbound tourism.

Supervise the operations of the tourism economy; take charge of tourism statistics; and control trade information releases.

Normalise the operations of the tourist market; supervise and manage the quality of service; and maintain the legal rights and interests of tourism consumers and operators.

Establish and oversee the implementation of policies on outbound tourism and border tourism.

Examine and approve foreign travel agencies established in China.

Examine the market access qualifications of foreign-invested travel agencies and travel agencies engaged in international tourism.

Examine and approve outbound tourism and border tourism cases.

Establish and oversee the implementation of policies on travel to Hong Kong, Macao and Taiwan.

Organise and conduct tourism education and training.

CNTA is also a platform that provides information on policies, news and statistics related to the tourism sector in China. CNTA has 20 overseas branches in 15 countries and regions, including six offices in Europe: [http://en.cnta.gov.cn/about/Forms/AboutCnta/OverseaOffice.shtml](http://en.cnta.gov.cn/about/Forms/AboutCnta/OverseaOffice.shtml)

**Chart 2: Network of CNTA Offices in Europe**

Source: *CNTA, June 2015.*

**2.1.1. CNTA limitations for outbound tourism**

The outbound tourism market is among the most heavily regulated in China. Access to it is not easy, even for Chinese travel agencies.

To obtain an “outbound” license, applicants must increase the travel agency quality guarantee by CNY 1.2 million, in addition to a CNY 20,000 increase in the general travel agency guarantee. In addition, they must have held a travel agency business license for at least two years, and they must not have been subject to any administrative punishment more serious than fines incurred due to the impairment of tourists’ legitimate rights and interests.
Regarding limitations on foreign fully-owned or invested travel agencies, the Decision of the State Council on Amending the Regulations on Administration of Travel Agencies (adopted at the 49th executive meeting of the State Council on December 5th 2001 and promulgated by decree no. 334 of the State Council of the People’s Republic of China on December 11th 2001 and effective as of January 1st 2002) states that:

**Article 32** Foreign-invested travel agencies may engage in the inbound tourism business and domestic tourism business [...].

**Article 33** No foreign-invested travel agency may engage in the tourism business of Chinese citizens traveling abroad and of citizens from other Chinese territories traveling to the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

The registered capital for said joint ventures is also subject to certain requirements:

**Article 28** The minimum registered capital of a Chinese-foreign equity joint venture travel agency shall be [CNY] 4 million. The minimum registered capital of a Chinese-foreign contractual joint venture travel agency may be adjusted. The competent tourism administration department of the State Council shall, together with the competent foreign trade and economic cooperation department of the State Council, determine the time limit for adjustment.

The current trend seems to be towards opening up the market. In 2009, the government lifted some market restrictions. For instance, it lowered the registered capital threshold for a foreign-invested company or WOFE from CNY 4 million to CNY 300,000. In August 2010, CNTA issued “tentative measures for supervising pilot operations of outbound tourism business by Sino-foreign equity joint venture travel agencies”, allowing foreign-invested travel agencies to apply to CNTA for the pilot operation of an outbound tourism business, provided that they meet the following criteria:

- The travel agencies must be a Sino-foreign equity joint venture;
- The applicants must have obtained a travel agency business license at least two years previously; and
- The applicants must not have been subject to any administrative punishment more serious than fines incurred due to the impairment of tourists’ legitimate rights and interests.

The application period was from September 1st to September 30th 2010. There were 14 applicants, of which three were granted an outbound licence: CITS American Express Business Travel, JTB New Century International Tours Co. Ltd, and TUI China Travel Co. Ltd.

From 2011 until June 2015, no new joint venture travel agency has obtained a license using this procedure, and only one joint venture travel agency has obtained a license for outbound tourism in the Shanghai (Pilot) Free Trade Zone.

### 2.2 Better Regulation by the Authorities

#### 2.2.1. New Tourism Law (effective October 2013)

Until very recently, it was not uncommon to see package tours sold at highly competitive prices (sometimes even advertised as “free of charge”) by the major Chinese tourism operators. These package tours included endless shopping sessions imposed on Chinese tourists as a way to guarantee that tour guides and travel agencies received commission from their “partner shops”. This commission was considered a legitimate compensation for the extremely low prices of the tours. Tour guides, who received no fixed salary, also relied on this commission for payment.
To prevent repeated abuse and to protect the consumer, a new tourism law was introduced in April 2012 during the second session of the China’s People Congress, and implemented by CNTA on October 1st 2013.

According to this new law:

**China Tourism Law, Article 35.** Travel agencies are prohibited from organizing tourism activities and luring tourists with unreasonably low prices, or getting illegitimate gains such as rebates by arranging shopping or providing tourism services that require additional payment. When organizing and receiving tourists, travel agencies shall not designate specific shopping places, or provide tourism services that require additional payment. However, this does not include circumstances where both sides have agreed, or where the tourists have requested such arrangements and there is no disruption to the itinerary of other tourists. In case of any violation to the above two paragraphs, tourists shall have the right to, within thirty (30) days from the end of the trip, require the travel agency to return their purchases and pay the price of the returned purchases on behalf in advance, or refund the payment made for tourism services that require additional payment.

From May 2015, CNTA has been taking action against “price slashing”. CNTA has tasked the Yunnan tourism authorities to investigate a case in which a female tour guide allegedly verbally abused tourists and forced them into shopping trips. The agency vows to penalise any such offenders.

CNTA also dispatched investigators to Guangxi, Guangdong, Zhejiang, Shanxi and Hainan provinces during the May Day holiday to conduct investigations into local price slashing and improper behaviour.

However, CNTA's Deputy Director, Wenhue Wu, has admitted that there is still no authoritative consensus on the definition of price slashing under tourism law. In general, it may be taken to mean any pricing that deviates from the general rule of pricing, where marked prices are lower than the original cost of the item as a means to lure customers and resulting in disruption to the market. According to Mr Wu, “Zero-fee” outbound tour packages are clear examples of this practice.

There is consensus in the industry that price slashing has already seriously hurt the healthy development of the sector, and that all companies in the industry have the responsibility and the obligation to work together to maintain market standards. Many of the main players have shown full support to CNTA's efforts to combat price slashing practices.

It is also interesting to note that existing tourism laws make it legally binding for tourists to behave well and respect local customs and traditions.

### 2.2.2. The Shanghai Free Trade Zone (FTZ): An Opportunity for Foreign Travel Agencies?

On September 29th 2013, the Chinese government launched the new FTZ covering 28 Km² in South Shanghai. According to China’s Prime Minister, Li Keqiang, “The priority will be to facilitate investment and the opening up of the service industries”. This new FTZ is therefore mainly focused on tertiary sector industries such as finance or tourism, and will most likely be used as a “test zone” for future government reforms. The three-year development plan, initiated in October 2013, is likely to be adjusted in the near future.

At the latest Shanghai municipality conference on the tourism industry in January 2014, Shanghai municipal officials reiterated their support for the creation of foreign-invested travel agencies for outbound tourism (excluding Taiwan) inside the FTZ.

In December 2014, China approved the first Sino-foreign joint venture travel agency, The Mediterranean Travel Agency Co., to operate in the Shanghai pilot FTZ and organise overseas tours.

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4 [http://europe.chinadaily.com.cn/business/2015-05/16/content_20734578.htm](http://europe.chinadaily.com.cn/business/2015-05/16/content_20734578.htm)
The agency can now organise tour groups from Shanghai to overseas destinations including Hong Kong and Macau (but not Taiwan).

The travel agency was set up jointly by a Shanghai company and MSC Cruises in 2009, with a registered capital of CNY 5 million (EUR 716,000).

According to the deputy director of the policy and law division of the local administration, “it is the first time the restriction on joint ventures operating overseas tours has been lifted. Other joint venture travel agencies have applied and are waiting for approval.”

2.3 Express Visa Procedures To Further Boost China’s Outbound Tourism

2.3.1. Visa-Free Travel For Ordinary Chinese Citizens

*Chart 3: Visa Requirements for Chinese Citizens*


The potential economic benefits of outbound Chinese tourists have led a growing number of countries to simplify visa application procedures for Chinese citizens.

*a. Europe*

In Europe, there are currently two types of visa that can be granted to Chinese nationals entering the Schengen area, either individually or as part of a group.

The “C” visa (valid for 90 consecutive days) can be broken down into two types:

- An Approved Destination Status (ADS) visa is granted to groups of more than five people. Applications for ADS visas must be made through an ADS-accredited travel agency.

- Individual visas, for those traveling under their own means and following their own itinerary. The application process for this type of visa is more complex, time consuming, and more likely to be rejected.
In case of a multi-country tour, the visa application must be made in the country where the tourist will be spending the most amount of time. If there is no main destination, then the application is made in the country of entry.

This rule, and the explosion in the number of Chinese tourists visiting Europe in the last few years, have led to fierce competition between Schengen area member countries. The benefits to the entry country’s economy can be substantial: flights with the country’s air carrier and shopping expenditure (estimated at EUR 1,500 for an average Chinese tourist in 2013), to name but two. Consequently, many countries are implementing express application visa procedures.

**b. Italy**

Italy has also decided to streamline visa procedures for Chinese citizens in preparation for the Expo Milano 2015. Since October 2014, only five days are required to obtain tourist visas (compared to eight days previously) and two days for business visas (four days previously). In 2015, in cases where visa application materials are complete, the Italian Embassy and Consulate have promised to issue personal travel and business visas within 36 hours.

**c. United Kingdom**

In October 2013, the UK government announced that it would relax visa application procedures for Chinese citizens by eliminating the need for Chinese nationals to submit a separate UK visa application when visiting Europe. On 19th June 2015, the British Home Office announced that Chinese citizens’ visa applications can be processed by the same visa application centre for both the United Kingdom and other European countries.

**d. Germany**

Around the same time, the German Embassy also announced that the processing time for Chinese citizens’ visa applications has shortened from five days to three. According to an earlier agreement between two countries, ordinary tourists are expected to get visas to Germany within two days by the end of 2015. The volume of application materials will also be reduced.

**e. Other Countries**

In 2012, the former US Ambassador to China, Gary Locke, announced a new process to streamline visa application procedures for Chinese nationals. From March 16th 2012 onwards, Chinese applicants have been able to schedule their visa interviews, pay fees, and check on the status of their visa online. Prior to 2012, the waiting period for an interview could be as long as 60 days.

Building on the momentum from the most recent consular dialogue in April 2015, the United States and China have implemented reciprocal ten-year tourism/business visas and five-year student visas. The two countries also reaffirmed their commitment to identifying suitable properties for establishing new consular facilities in Shanghai, Chicago, San Francisco and Los Angeles.

Australia has announced that it will provide ten-year multiple entry visas for the Chinese citizens. From July 1st 2015, Chile will also waive the visa fee on tourist visas for Chinese citizens in situations where they possess a visa for the United States or Canada (except for transit visas, this visa is valid for more than half a year). In such cases, Chinese citizens can have free access to Chile for a single stay of up to a maximum of 90 days.

In October 2014, Tunisia’s Ministry of Foreign Affairs announced that Chinese tourists coming to Tunisia as part of organised trips do not require an entry visa, as long as they have valid travel documents and pre-paid hotel bookings.
Malaysia is also considering granting visa exemption to all tourists from China – not only tour groups. Currently, the Malaysian government had agreed to grant visa exemption to tour groups from China on a trial basis.

3. Market Overview

According to CNTA, there were 26,650 travel agencies in Mainland China by the end of 2014. Of that number, only 2,774 were authorised for outbound services, while 26,005 submitted operating figures. In the course of the year, they organised trips for 131.2 million domestic tourists, and received 144.6 million overseas tourists. The number of outbound visitors handled by agencies was 39,149,822. For inbound visitors, the agencies organised trips for 14,100,446 people and provided a service for 20,025,557 – a decrease of 2.6% and 2.2%, respectively, from 2013.

3.1 Domestic Tourism and Travel

In the last decade, China’s domestic tourism market is reported to have grown by 10% on average each year. In 2013, China’s domestic tourism industry serviced 3.26 billion people – a 10.3% year-on-year increase – with an aggregated revenue of CNY 2.6 trillion. In 2014, China’s domestic tourists numbered 3.63 billion, and domestic tourism expenditure increased by 16.3% from the previous year.

China’s economic growth has given rise to a significant middle-class population, who can now afford to travel. These people are willing to experience new places as a function of their prosperity. The abundance of iconic spots and an ever expanding, convenient and fast public transportation system having also contributed to the rising levels of domestic tourism.

In terms of total revenue, Beijing topped the list of Chinese tourist cities in 2014 with CNY 428 billion. Shanghai and Guangzhou ranked second and third, with CNY 341.6 billion and CNY 252.2 billion, respectively.

*Chart 4: List of Total Revenue of Chinese Tourist Cities*

Peak periods for domestic travel are the two so-called “golden weeks”: the National Day holiday (from October 1st-7th) and the spring festival holiday (based on the lunar calendar, this falls between end of January and mid-February), as well as Labour Day in May. Since Chinese nationals have 10 days of paid holiday on average, tourists tend to travel at the same time. This creates major problems at popular
destinations for a range of issues including traffic, safety, quality of service, and environmental protection.

According to the 2015 spring festival holiday statistics, the total number of domestic tourists during this period reached 261 million – a 12.9% increase on the previous year. Tourism revenue for the same period also increased by 14.6% to EUR 20.69 billion.

Below is a link to a table that provides a detailed list of public holidays in 2015, 2016 and 2017:


The most popular destinations include China’s ancient capitals, renowned historical cities, cultural sites and scenes of natural beauty. It is interesting to observe that the Chinese government has heavily promoted Hainan Island, with its beaches and its golf courses, as a world-class resort. Their aim is to transform it into the “Hawaii of the East.

**Chart 5: Most Popular China Tour Destinations in 2015**


### 3.2 Outbound Tourism and Travel

Outbound travel by Chinese citizens increased from 10 million in 2001 to 109 million in 2014 – a 16.6% increase – making China the world’s largest outbound market ahead of the USA and Germany. In 2014, total outbound expenditure increased by 16.3%, reaching USD 155 billion.

Reports from CNTA reveal that Hong Kong is still the favourite destination among Chinese outbound tourists (17%), followed by Thailand (15%) and South Korea (14%).

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**Chart 6: Chart Favourite Destinations of Chinese Outbound Tourists**

Source: *CNTA, February 2015.*

Hong Kong was the destination where Chinese tourists spent the most money in 2014. A reason for this is that Chinese citizens believe goods to be more competitively priced in Hong Kong than in Mainland China.

Rising disposable income and a shift in spending patterns have also stimulated outbound tourism. Reports show that a growing number of Chinese outbound tourists come from the upper-middle class. The average personal monthly income of these tourists is EUR 1,644, which is three times that of China's major cities (EUR 542) in 2013, and five times that of China’s overall urban per capita monthly disposable income (EUR 321).

**Chart 7: Chinese Outbound Tourists’ Personal Monthly Income in 2014**

Source: *Ipsos, 2014.*
July and August (the summer holiday) is the peak season for overseas travel. The National Day holiday in October is another popular time.

Chinese outbound tourists travel mainly in groups (37.4%), while 31.4% of outbound tourists prefer to travel independently. The “semi-free walker” option – a newly launched product – is currently chosen by 18.7%, and is most popular among tourists aged 26-35.

3.3 Inbound Tourism and Travel

In 2014, the total number of inbound arrivals to China was over 128 million (−0.45% compared to 2013). Of these, 55.6 million stayed overnight in China. This decline is probably linked to the uncertainty of the global economy, with people reluctant to sacrifice large parts of their income to leisure activities such as travel. The appreciation of the CNY also may have had a negative effect on this statistic.

Asian visitors still comprised the largest portion of foreign tourists. In 2014, there were 16.3 million visitors from Asia (62.1%). Of these, the largest number came from South Korea (4.1 million). The next largest region was Europe, with a total of 5.4 million visitors (20.8%). And the United States was third, with of 3.1 million (11.8%).

Table 1: Arrivals Breakdown by Country for People Visiting China from January to April, 2015

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Arrivals (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Korea</td>
<td>1392.4</td>
</tr>
<tr>
<td>2</td>
<td>Japan</td>
<td>777.0</td>
</tr>
<tr>
<td>3</td>
<td>U.S.A</td>
<td>665.7</td>
</tr>
<tr>
<td>4</td>
<td>Vietnam</td>
<td>646.3</td>
</tr>
<tr>
<td>5</td>
<td>Russia</td>
<td>366.8</td>
</tr>
<tr>
<td>6</td>
<td>Malaysia</td>
<td>320.3</td>
</tr>
<tr>
<td>7</td>
<td>Mongolia</td>
<td>297.9</td>
</tr>
<tr>
<td>8</td>
<td>Philippines</td>
<td>295.4</td>
</tr>
</tbody>
</table>

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6 Semi-free walker is a way of travelling somewhere between group and independent tourism. A feature of it is that the travel agency is only responsible for transportation and accommodation. The tourists make all the arrangements for sightseeing, eating and drinking etc. themselves.

From the top 18 of these countries, visitors from South Korea, the United States, Vietnam, Mongolia, Singapore, India and Germany have all increased. Conversely, 11 countries, including Russia, Japan, Thailand and Kazakhstan have seen visitor numbers decrease. Among these, South Korea has increased its visitors to China by 5.4%, and India by 4.9%. Meanwhile, Russia’s numbers have dropped by 6.4% due to its domestic economic downturn; Thailand’s figure fell 5.9% due largely to its domestic political problems; and Kazakhstan has been in continuous decline for the last three years due to recession.

Some other reasons that may explain why foreign tourists are reluctant to travel to China may include concerns about air pollution, food safety, security, and even cultural and language barriers.\(^8\)

The main reason for tourists coming to China was for sightseeing/leisure (about 8.93 million or 33.9%). The second most popular reason was for business (about 5.4 million or 20.5%). These numbers are similar to those of 2013, when 38.5% of inbound tourists came to China for leisure purposes, and 23.6% on business.

**Chart 9: Breakdown of Foreign Visitor Arrivals by Purpose 2013**

![Chart 9: Breakdown of Foreign Visitor Arrivals by Purpose 2013](http://sinosphere.blogs.nytimes.com/2014/12/19/beijing-battles-decline-in-tourism/?_r=0)

Regarding inbound tourism destinations, it is notable that Beijing, Shanghai, Shenzhen and Guangzhou received the most international visitors. Shenzhen and Guangzhou’s popularity can be explained by their proximity to Hong Kong. The city of Guilin has also recorded a large growth in international arrivals during the last few years.

\(^8\) [http://sinosphere.blogs.nytimes.com/2014/12/19/beijing-battles-decline-in-tourism/?_r=0](http://sinosphere.blogs.nytimes.com/2014/12/19/beijing-battles-decline-in-tourism/?_r=0)
Another notable change is the recent development of the new 72-hour transit visa exemption policy in major cities throughout the country, making visiting China easier than it once was. Travellers from the Europe, the US, Canada, and 49 other countries can now include China as an additional destination for an existing trip, without the need for a visa. Under the policy, visitors are able to enter select Chinese cities for up to 72 hours, without a visa, as long as they have an onwards plane ticket for another country or region within the same 72-hour period.9

A list of countries eligible for 72-hour free entry visa is as follows:

- **European countries with Schengen visa agreements (24):** Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland.
- **Other European countries (7):** Russia, England, Ireland, Cyprus, Bulgaria, Romania, Ukraine.
- **The Americas (6):** the United States, Canada, Brazil, Mexico, Argentina, Chile.
- **Oceania (2):** Australia, New Zealand.
- **Asia (6):** South Korea, Japan, Singapore, Brunei, the United Arab Emirates, Qatar.

### 3.4 Main players

CNTA published a list of the top 100 travel agencies for 201310. We have selected the top three tourists groups:

**Table 2: Top Three Tourists Groups by CNTA, 2013**

<table>
<thead>
<tr>
<th>Top Three Tourists Groups by CNTA, 2013</th>
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</thead>
<tbody>
<tr>
<td><strong>Shanghai Spring International Travel Service Co., Ltd:</strong> Shanghai Spring International Travel Service is the operator of the low-cost carrier Spring Airlines and China's largest travel service provider. Flights, accommodation and vacation packages can be browsed and booked online. Founded in 1981, their turnover in 2014 was over EUR 857 million. Spring Travel provides inbound, outbound, and domestic travel services. It is the only Chinese travel company to own a low-cost airline (Spring Airlines, which began operations in July 2005). The group is present in all the main cities in China, as well as having branches in the USA, Europe and Asia. <a href="http://www.spring-tour.com/sss/Default.aspx">http://www.spring-tour.com/sss/Default.aspx</a></td>
</tr>
<tr>
<td><strong>CGZL International Travel Agency:</strong> Founded in December 1980, CGZL is the largest travel agency in Southern China. Their business operations include outbound travel, domestic travel, inbound travel, and e-commerce travel. At present, CGZL has 185 direct points of sales in China. In addition, they have branch offices in Hong Kong, Macao, Malaysia, Beijing, Yunnan, Sichuan, Kashi, and more, with a presence in over 100 countries and regions. In 2013, CGZL's turnover exceeded EUR 558.7 million, and the company has provided its services to more than 3.22 million people: <a href="http://www.at0086.com/CGZL/">http://www.at0086.com/CGZL/</a></td>
</tr>
</tbody>
</table>

10 [http://www.cnta.gov.cn:8000/Forms/TravelCatalog/TravelCatalogList.aspx?catalogType=travelrresultType=inlndrdateType=2013](http://www.cnta.gov.cn:8000/Forms/TravelCatalog/TravelCatalogList.aspx?catalogType=travelrresultType=inlndrdateType=2013)
4. The Online Market

With around 600 million users, China leads the world in terms of the percentage of time its population spends using the internet. E-commerce has developed dramatically in recent times, and Chinese people use the internet not only to look for information on tourism but also to purchase all kinds of related products and services.

The user generated content (UGC) market for Chinese online travel is different from that of other countries. Here, it is directly in the “free” stage, skipping the “paid” phase, which indicates that users can obtain and share travel information freely. According to the “2014 China Online Travel UGC Industry Research Report” released by iResearch, online travel UGC users will exceed 360 million by the end of 2015. In recent years, UGC enterprises have played a more important role in the online travel market, generating traffic and attracting users by providing accurate travel needs for online travel agencies (OTAs) and other suppliers. At the same time, they can help users make better informed decisions. At present, the Chinese online travel UGC market involves two different parties: vertical companies, such as Mafengwo.cn or Qyer.com; and travel guide communities, like Ctrip guide online.

**Chart 10: China’s Online Travel UGC Market**

![Chart 10: China’s Online Travel UGC Market](image)

Source: China Internet Watch.

In 2014, iResearch reported that the Chinese online travel UGC market reached 240 million users – a 128% increase from the previous year. The Ctrip Guide community tops the list, with 80 million users, followed by Mafengwo.cn and Qyer.com with 55 million and 50 million, respectively.

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4.1 OTA - Online Travel Agencies

Research into the Chinese online travel vacation market conducted in 2014 and released in 2015 by iResearch places Ctrip, Tuniu and LY as the top three websites. Ctrip ranked first, with 23.2% of the market. Tuniu was second, with 13.4% – a 1.8% rise from 2013. And LY ranked third, with 5.6%.

_chart 11: 2014 Online Tourism Agencies Market Share_

Source: iResearch, 2015.

Table 3: The 5 Most Popular and Most Visited Tourism-Related Websites in China

<table>
<thead>
<tr>
<th>5 Most Popular And Most Visited Tourism-Related Websites</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ctrip (携程) belongs to Shanghai Ctrip International Travel Service Co., Ltd. It is a comprehensive travel website providing booking services for Chinese hotels, flights, tour packages, and other domestic travel services. It also provides global travel services for both Chinese citizens and foreign tourists seeking to visit China. <a href="http://english.ctrip.com/">http://english.ctrip.com/</a></td>
<td></td>
</tr>
<tr>
<td>Tuniu (途牛) currently provides more than 80,000 tourism products, including group travel services, independent travel packages, cruises, hotels, visas, scenic holidays, company travel, etc. <a href="http://www.tuniu.com/">http://www.tuniu.com/</a></td>
<td></td>
</tr>
<tr>
<td>Elong (艺龙) is a website for booking hotels and flights in China. The site includes thousands of hotels from across the spectrum, from luxury to budget. Overseas hotels are also available for Chinese citizens seeking to travel abroad. <a href="http://elong.com/">http://elong.com/</a></td>
<td></td>
</tr>
<tr>
<td>Qunar (去哪儿) is one of the most popular travel websites offering great discounts on flights and hotels. Compared to others in the market, Qunar has some of the lowest prices and best flight and hotel deals. <a href="http://www.qunar.com/">http://www.qunar.com/</a></td>
<td></td>
</tr>
</tbody>
</table>
5. Key Growth Drivers

Domestic and Outbound tourism are both on the rise. The reasons behind this trend are sometimes complementary, and include:

- Rising disposable income levels among Chinese consumers: Since China’s international expansion in 1978, the per capita disposable income of China’s urban residents has increased by a factor of 71 (i.e. a 13% annual growth rate). This has led to the rapid growth of China’s middle class, with more and more people having disposable income to spend on lifestyle pursuits such as sports, culture and tourism.

- Continuous development of the transportation networks in China, including high speed trains, highways, new airports and ports, facilitating both domestic and international travel.

In the case of outbound tourism, certain factors have contributed significantly to current growth levels:

- A strong CNY, which encourages Chinese citizens to travel abroad as their relative spending power increases. Many different branded and luxury products are more affordable abroad than in China, sometimes due to lower taxes. According a recent study by Ctrip, 16% of tourists said the exchange rate was a major factor in their choice of destination.

- Increased exposure to the outside world linked to new technology, particularly the internet. Allied to this is the progressive internationalisation of Chinese society, with many foreigners living in China and growing numbers of Chinese working or studying abroad.

Inbound tourism seems to have entered a more stable phase, and is forecast to be a robust sector in the coming years. The appeal of Chinese culture and the abundance of tourism resources will be contributory facts. In recent years, this sector has seen a small reduction in numbers for reasons linked to the global economic recession, as well as pollution and food and safety scandals, which have affected the country’s image.

6. Client Segmentation

On May 6th, 2015, Ctrip released the “2015 Chinese Tourists’ Vacation Willingness Report”. This report states that both the demand for travel and the travel budget of Chinese residents will continue to grow in 2015, especially in the areas of outbound travel, leisure travel, high-end travel, and tours for the elderly.

Travel has become increasingly popular among Chinese citizens. In a survey regarding people’s willingness to travel, 93% of respondents said that they intended to travel this year. There is a perception that people must travel to obtain social status, which is very important in Chinese society.

The survey indicated that the desire to travel increases with age. Willingness to travel for those over 45 years old was almost 100%. These results indicate that along with increases in disposable income and leisure time, travel has become a “necessity” for certain parts of the Chinese population.
In particular, travel by the elderly has increased dramatically, with those over 45 now a major force in the group travel industry. As disposable incomes for the elderly population increase, more and more have began to go abroad to visit their families. By 2030, this market is expected to be seven times larger than at present, with 12.6 million elderly passengers annually.

**Chart 12: Overseas Tourism by Age**

![Chart 12](image)

Source: *Shanghai daily.*

### 6.1 Divorced Women

A closer look at travel statistics for women reveals that the number of divorcees who travel has increased significantly in the last ten years.

**Chart 13: Number of Registered Divorces per Year**

![Chart 13](image)

Source: *Ministry of Civil Affairs, China Daily.*

### 6.2 Two Main Segments: High-end and Low-end

Chinese tourists have matured over the years. In the early days, they wanted to travel to a lot of countries in a short space of time. Now, these travellers are looking for unique, authentic experiences.

High-end travellers desire the best quality experience. Research carried out by Frost & Sullivan for Amadeus\(^\text{12}\) indicates that high-end travellers go abroad around 2.5 times per year, and that travel

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\(^{12}\text{Amadeus, Shaping The Future Of Travel in Asia Pacific: The Big Four Travel Effects, 2013. Available at: http://www.amadeusapac.com/cmcapac/APACWhitepapers/downloads/Shaping_the_future_of_travel_in_APAC.pdf}\)
accounts for 25% of their total expenditures. Some travel agencies have set up dedicated departments for this segment, with great success.

According to Dr. Yong Chen, a specialist in Chinese outbound tourism from the Hong Kong Polytechnic University, Chinese tourists are unlike other global travellers in that they focus mainly on shopping. This has been increasingly evident in recent years. Ten years ago, Chinese tourists mainly bought souvenirs. Nowadays, they buy luxury products. Compared with Western countries, however, the majority of Chinese tourists are still concerned with low-cost travel. The same Frost & Sullivan report shows that in the past year, 32% of business travellers and 50% of leisure travellers opted for low-cost cross-border flights.

6.3 Growth Interests in Diversified Travel Modes

A 2014 Baidu index report on Chinese tourism shows that tourism-related searches associated with car travel, entry tickets and tour guides have more than doubled compared to the previous year. As Chinese tourists’ age, gender, income, etc. become more diverse, the types and modes of travel have diversified as well.

Shanghai overtook New York to become the eighth busiest cruise port in the world in 2014, with 240 cruises using Shanghai as their home port – a 42.9% increase from 2013. Shanghai accounts for half of China’s cruise industry.

Industry experts from Ctrip believe that Chinese tourists these days spend both more than they used to and more wisely. Current booking trends suggest that products focusing on itinerary design and quality, such as private groups, semi-independent groups and “free walkers” will all sell in their millions this year.

6.4 Travel for Medical Treatment

Travel for medical treatment is a niche market that already has some momentum. According to the China Daily, there are nearly 30 agencies that organise overseas medical treatment. The number of Chinese people going abroad for medical treatment has doubled to 40 million since 2006. In 2013, total spending on overseas medical treatment reached USD 438.6 billion.

Cai Jiangnan, director of the Centre for Healthcare Management and Policy at the China Europe International Business School, states that affluent professionals or entrepreneurs choose overseas healthcare for three main reasons: better medical environment and level of service; state of the art technology; and access to the latest medicine that is not yet available in China.

6.5 Outdoor and Adventure Sports

Beijing will host the Winter Olympics in 2022. While 20 years ago there were almost no ski resorts in the country, there are now more than 200, with millions going skiing every year. The sport is still in its infancy in China, but it has a bright future. It is common these days to see advertisements for Japanese or Canadian ski resorts at the larger Chinese slopes. Scuba diving is also getting a lot of interest from the Chinese population. This is a sport with close links to travel, as the most attractive diving spots are outside China.13

6.6 Educational Travel

China sends more students abroad than any other country in the world. The number grows every year, and is unlikely to stop any time soon. On the contrary, the students get younger every year. And on many occasions, parents and relatives will choose to visit them during their time abroad. The International Business Times reports that 90% of Chinese people with assets of more than CNY 100

13 Mainly destinations in Southeast Asia such the Philippines or Thailand, which are affordable and convenient. However, world-renowned places like Sipadan in Malaysia and the Maldives are also attracting a large number of Chinese customers, as evidenced by the constant requirement from Chinese-speaking instructors.
million (EUR 14 million) plan to give their children an overseas education, while 85% of those with at least EUR 800,000 said they would do the same. China’s growing middle class also has aspirations in regard to this. The leading destination is the US, followed by the UK, with European countries also proving popular.

According to the latest data from China’s Ministry of Education, 459,800 Chinese students went abroad in 2014 – an 11.1% increase on the previous year. Despite their shortcomings, foreign universities are seen by Chinese people as emblems of the highest academic achievement. Middle-class families are more likely to spend their income on education than on leisure. Equally, there is an increased desire among Chinese families to find alternatives to the rote-based learning of the domestic system.

7. Outlook and Forecast

7.1 Domestic Travel

The National Outline for Tourism and Leisure (2013–2020), released in 2013 by the State Council, is expected to further boost domestic tourism by implementing a national system of paid holidays by the end of 2020. The government’s 12th Five-Year Plan, which aims to increase living standards, should also contribute to this development.

The number of domestic trips is expected to increase by 16% annually. China aims to double domestic spending on tourism by 2020 by offering financial and other support to develop the sector. The government plans to boost spending at home and spur economic growth, and EU SMEs could benefit by setting up companies for inbound tourism by foreign clients, as well as for high-end local customers.

Also included in this plan is that Chinese citizens should take an average of 4.5 holidays a year – whether at home or abroad is unspecified – up from an average of 2.5 in 2013. Tourism companies will be encouraged to list on the stock market, and loans and other financial support will be given to small firms operating in the sector, especially at the village level. In addition to this is the on-going development of the high-speed railway system and the road network, and the increasing number of airlines and flights across the country, including some low-cost airlines. Self-drive travel will also continue to gain in popularity due to the steady growth in car ownership.

Revenue from domestic travel should total EUR 557.1 billion by 2020, while total domestic tourist expenditure should see an annual growth of 10%.

Table 4: Domestic Tourist Expenditure Forecast 2012-17

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Million EUR)</th>
<th>% Value growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>420,038.4</td>
<td>9.6</td>
</tr>
<tr>
<td>2016</td>
<td>458,968.0</td>
<td>9.3</td>
</tr>
<tr>
<td>2017</td>
<td>498,604.8</td>
<td>8.6</td>
</tr>
</tbody>
</table>


7.2 Outbound

The total number of outbound trips is projected to rise by 15% annually over the next few years. Outbound tourist expenditure is set to reach EUR 113.2 billion by 2017, while outbound trips should reach 28.5 million by 2020.

The development of a national system of paid holidays, as well as the increase in express visa procedures or even exemptions in some countries for Chinese tourists, should contribute to further growth in the Chinese outbound tourism market.

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As in many other sectors in China, the speed of change is impressive. In the coming years, it is probable that travellers will no longer be limited to residents of first-tier cities in developed eastern areas, with second- and third-tier cities in central and western China increasingly a factor in the market. Travelling abroad will no longer be perceived as an elite pursuit; rather, something available to all. Current policies on cross-border e-commerce and duty free zones mean that fewer Chinese will travel abroad for shopping. However, more will be looking to experience different cultures and landscapes. A large number may prefer to travel by themselves.

7.3 Inbound

Despite a slow 2014 for inbound travel, international arrivals are projected to grow by 2% annually in the coming years. Estimations by the World Tourism Organisation predict that there will be an annual increase of 43 million foreign tourists visiting China over the next two decades.

In the next few years, an increasing number of foreign tourists are predicted to come from countries with a growing middle class and rising levels of disposable income, such as Russia, Indonesia, or the Philippines. Incoming tourist revenues are projected to reach EUR 545,700 by 2017.

Table 5: Forecast Arrivals by Country of Origin (2015–17) in Thousands of Trips

<table>
<thead>
<tr>
<th>Country</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>830.9</td>
<td>905.6</td>
<td>989.0</td>
</tr>
<tr>
<td>Canada</td>
<td>707.7</td>
<td>750.1</td>
<td>802.7</td>
</tr>
<tr>
<td>France</td>
<td>561.9</td>
<td>612.5</td>
<td>669.4</td>
</tr>
<tr>
<td>Germany</td>
<td>700.2</td>
<td>763.3</td>
<td>839.6</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>27,393.6</td>
<td>27,804.5</td>
<td>28,332.8</td>
</tr>
<tr>
<td>India</td>
<td>643.5</td>
<td>680.8</td>
<td>721.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>639</td>
<td>668.4</td>
<td>700.5</td>
</tr>
<tr>
<td>Italy</td>
<td>306.7</td>
<td>335.9</td>
<td>368.5</td>
</tr>
<tr>
<td>Japan</td>
<td>2,784.4</td>
<td>2,840.1</td>
<td>2,911.1</td>
</tr>
<tr>
<td>Macau</td>
<td>3,593</td>
<td>3,646.9</td>
<td>3,719.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>814.4</td>
<td>829.1</td>
<td>845.7</td>
</tr>
<tr>
<td>Mongolia</td>
<td>1,064.8</td>
<td>1,134</td>
<td>1,213.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,076.9</td>
<td>1,182.5</td>
<td>1,304.3</td>
</tr>
<tr>
<td>Russia</td>
<td>2,503.3</td>
<td>2,703.5</td>
<td>2,946.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>741.7</td>
<td>767.7</td>
<td>798.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>3,577.7</td>
<td>3,731.6</td>
<td>3,903.2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4,569.2</td>
<td>4,624.1</td>
<td>4,688.8</td>
</tr>
<tr>
<td>Thailand</td>
<td>578.2</td>
<td>607.1</td>
<td>640.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>561.2</td>
<td>594.9</td>
<td>636.5</td>
</tr>
<tr>
<td>USA</td>
<td>2,155.5</td>
<td>2,220.1</td>
<td>2,297.9</td>
</tr>
<tr>
<td>Other countries</td>
<td>4,205.5</td>
<td>4,415.8</td>
<td>4,680.7</td>
</tr>
<tr>
<td>Arrivals</td>
<td>60,009.4</td>
<td>61,818.4</td>
<td>64,011.1</td>
</tr>
</tbody>
</table>


8. Opportunities and Challenges

In their analysis of tourism marketing in China, Suosheng Wang and John Ap of Oklahoma State University and Hong Kong Polytechnic University, respectively, suggest that “China’s international tourist products tend to be old fashioned and highly structured. They have been largely designed for culture-oriented sightseeing tour groups. The itineraries have included fixed tour routes, tour contents,
activities, meals, shopping, and shows, with little innovation. These kinds of products can no longer suit the demands of contemporary international tourists who are seeking more independence and greater flexibility and choice."

Why big tour operators pick one destination over another is largely related to demand. And the source of this demand – the public – is greatly influenced by the mass media. Government funded campaigns can play an important role in making a destination more appealing to Chinese people. Advertising through traditional channels, as well as more specific and tailor made campaigns, can be effective ways of creating awareness.

Most Chinese tourists will only stay in Europe for a short period of time – usually between one and four weeks – and visit between one and three European countries. It is hence important for EU SMEs to analyse and be realistic about the itineraries offered to these tourists. Destinations with direct flights attract are most popular due to their convenience. Logistics in general plays an important part when it comes to choosing a destination.

EU SMEs should look for partners in China of a suitable size. Smaller tour operators usually target more customised clients, who are more flexible and who look for different and more unconventional packages. Local partnerships give EU SMEs a better understanding of what Chinese tourists are looking for, allowing them adapt and offer more attractive products as a way to cater to these preferences.

8.1 Opportunities

Increasingly, Chinese travellers are demanding a more personalised travel experience. Currently, 44% of travellers make their travel plans independently, and this figure is expected to grow to 50% in the future.

Other important factors to consider are female business travellers and the increase in elderly travellers discussed previously. In China, more than one-third of business travellers are women – the highest number for the Asia-Pacific region. This figure is expected to increase by 232% by 2030.

8.1.1. Niche Markets

EU SMEs should pay special attention to the high-end market, where clients are looking for more personalised and value added services. Not many online portals offer global packages containing truly local experiences. Also, while some companies offer packages aimed specifically at Chinese divorcees, this is yet to go mainstream and may present some potential opportunities. Regarding medical treatment packages, most Chinese “patients” head to Korea, Japan, the US or the United Arab Emirates. According to the World Health Organization rankings, some European countries such as France, Italy or Spain have the most developed healthcare systems in the world.16 It is therefore reasonable to think that there are opportunities for European companies in this area.

Beijing hosting the 2022 Winter Olympics represents a very good opportunity for agencies specializing in winter sports. In addition, as the Chinese population becomes increasingly interested in sports and outdoor activities (e.g. scuba diving), there are plenty of opportunities for European companies in this sector.

8.1.2. Chinese Investment

Another opportunity for EU SMEs comes from the increasing number of investments by Chinese companies in European tourism assets. So far, this trend has only concerned big corporations, such as when HNA Group bought a 8.3% equity stake in the Spanish NH Hotel Group in 2014, or early this year when Jin Jiang Group agreed to buy France’s Louvre hotel chain for a sum in excess of USD 1.49 billion. However, the investment flow will eventually trickle down to smaller private investors.

Boutique hotels or travel agencies with tailor made packages will be a likely source of interest for Chinese investors.

8.2 Challenges

8.2.1. Legal and Regulatory

Restrictions on outbound operations for foreign companies. Further clarifications can be found in section 2 of this report.

8.2.2. Market Barriers

Fierce competition from local players, who have abundant resources and extensive knowledge of the market and customer preferences.

Cultural and language barriers.

8.2.3. Operational Barriers

Lack of human resources with adequate language levels and commitment to customer service.

Travel companies need to adopt new methods and technologies to respond and adapt to this rapidly growing market.

Chinese state media reported that Beijing was taking new measures to combat the growing problem of embarrassing behaviour by Chinese tourists abroad. CNTA is reported to have said that records may be kept of problem tourists, with these tourists “ranked” on the severity of their misbehaviour. Offenders would receive messages reminding them to behave when they landed at their destination, with punishments incurred should these reminders be ignored.

One interesting factor here is that much of the concern about Chinese tourists seems to come not from offended foreign countries but from China itself. Travel is another form of soft power, so it is only natural that the Chinese government is worried about the behaviour of its citizens.

9. Practical Advice

9.1 Establish Partnerships with Local Agencies

A significant number of Chinese tourists still travel in groups, which are led by local agencies. There are several reasons why this type of tourism is popular:

- Language barrier: many Chinese citizens are not able to speak English, so they need a guide.
- Visas: agencies take care of everything and make it easier to obtain visas.
- Sense of security: Chinese people are used to doing things in groups, and as many are new or first-time travellers they feel more secure in the company of others.
- Price: Travelling with an agency can be cheaper than travelling individually or in a small group, and Chinese consumers are very sensitive to price.

The local partner can also help you understand what Chinese tourists are looking for. A simple example would be the Chinese habit of boiling water. In almost every Chinese hotel you will find a kettle, and Chinese people really appreciate it if they see one when in Europe. Some Chinese agencies have provided kettles to cater for this. The market is changing very quickly, and only companies with a local presence can sense and anticipate the necessary changes.
9.2 Use the Internet to Reach your Customers

The most efficient marketing tools are SEO (particularly on Baidu, the number one Chinese search engine) and community management. You should aim to have a presence on every Chinese platform. With a relatively low initial investment, it is possible to obtain a good return. Another advantage of these tools is that their effectiveness can be easily measured.

It is recommended that you interact with customers, pay attention to e-reputation control, and get good comments and scores from forums or specialised websites. All of these can be extremely beneficial. Equally, Chinese social networks such as Weibo (http://weibo.com/) or WeChat (http://www.wechat.com/en/) are important channels through which to communicate effectively with customers.

9.3 Use Chinese Language to Communicate with the Public.

Having a website in Chinese is probably the first course of action that you need to take to let the public know about your product or service. While more and more Chinese are able to speak English or other European languages, many still prefer to search for information in Chinese.

Public relations campaigns are another way to promote your business. We recommend being active on the internet, as magazines become a less and less popular source of information for Chinese people. Holding events that involve direct interaction with clients is another good strategy. Key opinion leaders (KLOs) are a good marketing tool, as they have the power to influence large Chinese communities. Good comments from KLOs can directly benefit your business.

To be more effective and efficient, and to reach the largest number of consumers, all of the above should be done using the Chinese language.

9.3.1. The Example of the Maldives

The Maldives is a top holiday destination for Chinese tourists, particularly for newlyweds on their honeymoon.17

Hotels, agents and resorts offer special room discounts or free meals to newly married couples. These special offers may also include complimentary spa visits, or sometimes a simple basket of fruit or a bottle of champagne. Most resorts require tourists to apply within six months of their marriage date. However, marriage certificates can be easily forged. To get more customers, certain Chinese travel agencies are encouraging or even assisting their clients to forge fake marriage documents for honeymoon packages offered by Maldives travel agencies.

The Maldives has found a niche market, and knows how to exploit it to the full.

9.3.2. Lost in Thailand: a Cinematic Boost to Thai Tourism

A film that cost less than USD 5 million to make has recently made over USD 130 million in just two weeks since its release in China. A win-win dark horse for both film makers and travel agencies, the low-budget Chinese comedy Lost in Thailand has driven a throng of Chinese tourists to Thailand. Places featured in the movie have become tourist hotspots. In December of 2013 alone, up to 10,000 people purchased trips to Thailand – triple the number for the previous year – and local 5-star hotels are already full up.

The scale of Lost in Thailand’s success in the world’s most populous country makes its direct influence hard to deny.

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17 Tourists from Asia make up 43.7% of this market – a 106.8% increase from 2013 – and China is the biggest player.
10. Annexes

10.1 Relevant Exhibitions – Trade Fairs

<table>
<thead>
<tr>
<th>Exhibitions</th>
<th>Dates</th>
<th>City</th>
<th>Contact Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ningbo International Travel Exposition 2015</strong></td>
<td>2015/09/04 - 2015/09/06</td>
<td>Ningbo</td>
<td>Email: <a href="mailto:87254009@163.com">87254009@163.com</a>, Tel: +86-574-8725 4006, Fax: +86-574-8725 4017, Web: <a href="http://www.exponingbo.com/travel.com/EN_index.asp">http://www.exponingbo.com/travel.com/EN_index.asp</a></td>
</tr>
<tr>
<td><strong>Expat Show 2015 - The 9th Expat Show Shanghai 2015</strong></td>
<td>2015/09/11 - 2015/09/13</td>
<td>Shanghai</td>
<td>Email: <a href="mailto:info@weacn.com">info@weacn.com</a>, Tel: +86-21-6418 5550, Fax: +86-21-6418 5751, Web: <a href="http://www.expatshowchina.com/expatshowshanghai/">http://www.expatshowchina.com/expatshowshanghai/</a></td>
</tr>
<tr>
<td><strong>CITF 2015 - Chengdu International Travel Expo 2015</strong></td>
<td>2015/12/03 - 2015/12/05</td>
<td>Chengdu</td>
<td>Email: <a href="mailto:citf.hbuyer@cems.com.sg">citf.hbuyer@cems.com.sg</a>, Tel: +86-010-8447 6820, Fax: +86-010-8447 6822, Web: <a href="http://www.sc-cite.com/en/page/16/home.html">http://www.sc-cite.com/en/page/16/home.html</a></td>
</tr>
<tr>
<td><strong>DRT Show 2015 - Diving Resort Travel Expo (Hong Kong) 2015</strong></td>
<td>2015/12/11 - 2015/12/13</td>
<td>Hong Kong</td>
<td>Contact: Ms Paulina Ng, Email: <a href="mailto:sales@divingandresorttravelexpo.com">sales@divingandresorttravelexpo.com</a></td>
</tr>
</tbody>
</table>
10.2 Institutions and Industry Associations

<table>
<thead>
<tr>
<th>Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China National Tourism Administration</strong></td>
</tr>
<tr>
<td>Tel: +86-10 65201114</td>
</tr>
<tr>
<td>Fax: +86-10 65137871</td>
</tr>
<tr>
<td>Email: <a href="mailto:webmaster@cnta.gov.cn">webmaster@cnta.gov.cn</a></td>
</tr>
<tr>
<td><strong>Shanghai Municipal Tourism Administration</strong></td>
</tr>
<tr>
<td>Contact: Patrick Chen</td>
</tr>
<tr>
<td>Tel: +86-21 23115523</td>
</tr>
<tr>
<td>Email: <a href="mailto:woya@meet-in-shanghai.net">woya@meet-in-shanghai.net</a></td>
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<tr>
<td><strong>China National Tourist Office</strong></td>
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<tr>
<td>Web: <a href="http://www.cnto.org">http://www.cnto.org</a></td>
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<tr>
<td><strong>China Tourism Academy</strong></td>
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<td>Web: <a href="http://eng.ctaweb.org/">http://eng.ctaweb.org/</a></td>
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<tr>
<td>Tel: +86-10 85166009</td>
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<td>Fax: +86-10 85166055</td>
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<td><strong>China Outbound Tourism Research Institute</strong></td>
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</tr>
<tr>
<td>Email: <a href="mailto:pan@china-outbound.com">pan@china-outbound.com</a></td>
</tr>
<tr>
<td>Contact: Long Zhou</td>
</tr>
<tr>
<td>Tel: +86 13787290908</td>
</tr>
</tbody>
</table>
10.3 Recent news relevant to the market

**News**

**June 3, 2015:**

Ctrip announced that it is no longer interested in pursuing a potential M&A discussion with Qunar


**June 12, 2015:**

Japan’s China-driven tourism boom


**June 24, 2015:**

Malaysian government urged to consider granting visa exemptions to all tourists from China


**June 25, 2015:**

Thailand visitor arrivals surge 25% from January-May 2015


**June 29, 2015:**

TripAdvisor partners with CNTA


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10.4 Investment in Tourism Industry News

**Investments**

**China’s Fosun wins bid for Club Med after two years**


**Spain’s NH Hotel moves into China with HNA**


**HNA Group buys 8.3% equity stake in Spain’s NH Hotel Group**


**China’s Jin Jiang to buy French hotel group for over USD 1.49 billion**


**Wang Jianlin scoops up Spanish skyscraper for USD 358 million**


**Hainan Airlines building 5-star hotel in Brussels**


**Potential investors looking at property on the island of Rhodes are mostly Russian and Chinese.**

### 10.5 Further reading

<table>
<thead>
<tr>
<th><strong>Further Reading</strong></th>
<th><strong>China Internet Watch</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Tourism Cities Federation</strong></td>
<td>Reports</td>
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<tr>
<td>Travel China Guide</td>
<td>2014 Tourism Information &amp; Facts</td>
</tr>
</tbody>
</table>
### 10.6 Popular “Tourism Related” Websites:

<table>
<thead>
<tr>
<th>Websites</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ctrip</strong> (携程)</td>
<td>Belongs to Shanghai Ctrip International Travel Service Co., Ltd. It is a comprehensive travel website providing booking services for Chinese hotels, flights, tour packages, and other domestic travel services. It also provides global travel services for both Chinese citizens and foreign tourists seeking to visit China. <a href="http://english.ctrip.com/">http://english.ctrip.com/</a></td>
</tr>
<tr>
<td><strong>Tuniu</strong> (途牛)</td>
<td>Currently provides more than 80,000 tourism products, including group travel services, independent travel packages, cruises, hotels, visas, scenic holidays, company travel, etc. <a href="http://www.tuniu.com/">http://www.tuniu.com/</a></td>
</tr>
<tr>
<td><strong>Elong</strong> (艺龙)</td>
<td>Is a professional website for booking hotels and flights in China. The website includes thousands of hotels from the most luxury hotels to the cheapest budget ones. Abroad hotels are also available for Chinese who want to go abroad: <a href="http://elong.com/">http://elong.com/</a></td>
</tr>
<tr>
<td><strong>Qunar</strong> (去哪儿)</td>
<td>One of the most popular travel websites offering great discounts on flights and hotels. Compared to others in the market, Qunar has some of the lowest prices and best flight and hotel discounts. <a href="http://www.qunar.com/">http://www.qunar.com/</a></td>
</tr>
<tr>
<td><strong>LY.com</strong> (同程)</td>
<td>Is China's leading online leisure travel service provider. Founded in 2004, with headquarters in Suzhou, China, the company employs about 4000 people. In April 2014, LY received more than USD 200 million in strategic investment from Ctrip. <a href="http://www.ly.com/">http://www.ly.com/</a></td>
</tr>
<tr>
<td><strong>Uzai</strong></td>
<td>A Chinese professional tourism e-commerce website, provides all kinds of tourist line booking service, covering the outbound tour, domestic tour, self-help, self-driving tour, etc., Its tens of thousands kinds of tourism product line booking offering is an easy, cost-effective, fast and considerate service. In 2015 it has built a strategic partnership with UTour, and will take over the retail business from UTour. <a href="http://www.uzai.com/">http://www.uzai.com/</a></td>
</tr>
<tr>
<td><strong>Lvmama.com</strong> (驴妈妈)</td>
<td>Founded in 2008, Lvmama is China's famous new business-to-consumer tourism e-commerce website, as well as China's leading independent travel information and booking platform. Thousands of domestic and foreign tourism bureaus and airline companies work with Lvmama, whose client base spans five continents and more than 50 countries and regions. The company’s famous partners include the Holland Tourism Bureau, the Turkey Tourism Bureau, etc.: <a href="http://www.lvmama.com/">http://www.lvmama.com/</a></td>
</tr>
<tr>
<td><strong>Mafengwo.com</strong> (马蜂窝) is a site aimed at top-end travel enthusiasts. It produces a wide range of travel strategy books, providing their clients with detailed information about local travel, shopping, entertainment, etc. <a href="http://www.mafengwo.cn/">http://www.mafengwo.cn/</a>.</td>
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<tr>
<td><strong>Baidu Travel</strong> (百度旅游) is an online travel guide website based on the Baidu search engine. It provides a guide to the full range of Chinese travel destinations. <a href="http://lvyou.baidu.com/">http://lvyou.baidu.com/</a>.</td>
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<tr>
<td><strong>Lvping</strong> (驴评网) is committed to helping users share information about “where to play, what to do and where to live”. The site offers ways to find high-end hotels, attractions and tourist destinations. It is integrated into Ctrip’s hotel reviews, destination exploration and community service. <a href="http://www.lvping.com/">http://www.lvping.com/</a>.</td>
<td></td>
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<tr>
<td><strong>Tripadvisor</strong> (猫途鹰) is the official site in China for tripadvisor.com. Since entering the Chinese market, tripadvisor has made a great contributions to correcting comments and advice regarding China's most popular hotels and destinations. <a href="http://www.tripadvisor.cn/">http://www.tripadvisor.cn/</a>.</td>
<td></td>
</tr>
<tr>
<td><strong>Youdodo</strong> (游多多) is a website aimed at the independent travel community. It provides information about tourism attractions and offers discount prices on hotels and attractions. <a href="http://www.yododo.com/">http://www.yododo.com/</a>.</td>
<td></td>
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<tr>
<td><strong>Qyer</strong> (穷游) is the largest one-stop outbound travel platform. Qyer provides users with original and practical travel advice, as well as hosting a travel community and Q&amp;A platform. Its core products are Travel Assistant and Tour Discount, and it also offers flights, help with hotel reservations, car rental and other services. In 2014, the company introduced a new mobile app. <a href="http://www.qyer.com/">http://www.qyer.com/</a>.</td>
<td></td>
</tr>
</tbody>
</table>
### Top 10 Tourists Groups by CNTA, 2013

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shanghai Spring International Travel Service Co., Ltd.</td>
<td>Shanghai Spring International Travel Service is the owner of the low-cost carrier Spring Airlines, and China's largest travel service provider. Flights, accommodation and vacation packages can be browsed and booked online. A Shanghai-based company, founded in 1981, its turnover in 2014 was over EUR 857 million. Spring Travel operates inbound, outbound, and domestic services, and is the only travel service company to own a low-cost airline (Spring Airlines, which started operations in July 2005). The group is present in all main cities in China, as well as having overseas branches in the USA, Europe, and Asia. <a href="http://www.spring-tour.com/">http://www.spring-tour.com/</a>.</td>
</tr>
<tr>
<td>2</td>
<td>CGZL International Travel Agency (CGZL)</td>
<td>Founded in December 1980, CGZL is the largest travel agency in southern China. The company is mainly engaged in outbound travel, domestic travel, inbound travel, and e-commerce travel. CGZL has 185 direct points of sales, with branch offices in Hong Kong, Macao, Malaysia, Beijing, Yunnan, Sichuan, and Kashi, among others. They currently operate in more than 100 countries and regions. In 2013, the company's turnover exceeded EUR 558.7 million, and it provided services to more than 3.22 million people. <a href="http://www.at0086.com/CGZL/">http://www.at0086.com/CGZL/</a>.</td>
</tr>
<tr>
<td>3</td>
<td>China CYTS Tours Holding Co., Ltd. (CYTS)</td>
<td>CYTS was founded in 1980, and has been listed at the Shanghai Stock Exchange since December 1997. Headquartered in Beijing, CYTS invests in travel, high-tech product development, venture capital, and security. Their business operations include inbound travel, domestic travel, outbound travel, conferences and exhibitions, as well as technical support, travel-affiliated resource development, and online information services. In addition to its Beijing head office, CYTS has over 60 chain stores and outlets all over China, as well as three branch offices in Hong Kong, Japan and the US. <a href="http://www.chinatraveldepot.com/">http://www.chinatraveldepot.com/</a>.</td>
</tr>
<tr>
<td>4</td>
<td>Guangdong China Travel Service Co., Ltd (G.D.CTS)</td>
<td>Founded in 1956, G.D.CTS has its headquarters in Guangzhou, and branch offices in other cities in Guangdong Province. The company’s business operations include inbound travel, outbound travel, domestic travel and immigration and visa services. <a href="http://www.gdcts.com/">http://www.gdcts.com/</a>.</td>
</tr>
<tr>
<td>5</td>
<td>Beijing UTour International Travel Service Co., Ltd</td>
<td>The company mainly engaged in outbound wholesale, retail, and business award tourism. With headquarter in Beijing; the company has branch offices in Shanghai, Chengdu, Shenyang, Harbin, Xian, Wuhan, Xiamen, Tianjin, Chongqing and Hangzhou. In 2015 it has built a strategic partnership with Shanghai-based Uzai Internet Technologies, and will give the latter a RMB60 million entrusted loan with a four-year repayment period at 6.2% annual interest rate. Uzai will take over the retail business from UTour. <a href="http://www.utourworld.com/">http://www.utourworld.com/</a>.</td>
</tr>
</tbody>
</table>
China International Travel Service Limited (CITS)
CITS was founded in 1954. Since then, the company has bloomed from a foreign affairs reception unit under China’s State Council into a large state-owned key enterprises group offering all-inclusive travel services. CITS owns a national network with 122 branches and sub-branch offices across the entire country. They are the only travel service company listed among China’s top 500 enterprises, with assets worth CNY 10 billion. Besides regular tours, CITS also offers:
- Special interest and adventure tours;
- Business forums;
- Governmental relations tours;
- Incentive and conference tours;
- Educational training or study programs;
- Science and technology exchange programs;
- VIP or luxury packages;
- Society exploration tours.

http://www.cits.net/

Beijing Caissa International Travel Service Co., Ltd.
Founded in March 2000, this company was formerly known as the Poly International Travel Agency – a wholly owned subsidiary of China Poly Group. In August 2003, CAISSA Touristic (Group) Ag from Germany and Poly Group jointly restructured the company, changing its name to Beijing Caissa International Travel Service Co., Ltd. Caissa Touristic has been one of “China's Ten Major Outbound Tourism Wholesalers” for many years. In 2008, it was given five stars by the Beijing Travel Agency Rating Committee – the highest possible rating. To achieve these results, the agency relies on its advanced operating model, cutting edge product concepts, and large market share. http://www.caissa.com.cn/

China Cts M.I.C.E. Service Co., Ltd. (CYTS)
CYTS was the first established Chinese travel agency, whose focus is currently on the exhibition tourism market. The company works on behalf of government clients, associations and enterprises, offering integrated marketing services including conference and incentive travel, organization and management of international conferences, business inspections, event management, public relations and sports events. CYTS has a complete network in all the major Chinese cities, placing itself at the centre of the exhibition business through its companies in Beijing, Shanghai, Jiangsu, Guangdong, Shenzhen and Sichuan. http://www.cytsmice.com/#

Shanghai Ctrip International Travel Service Co., Ltd. (Ctrip)
Founded in 1999, Ctrip has its headquarters in Shanghai. The company has 17 branch offices in Beijing, Guangzhou, Shenzhen and other major cities throughout China, and currently employs more than 23,000 people. In 2010, Ctrip invested in Taiwan ezTravel and Hong Kong Wing On Travel, expanding its service to include Taiwan, Hong Kong and Macau, in addition to over 60,000 destinations and attractions throughout Mainland China. In 2014, Ctrip entered the US market by investing in ToursForFun.
Ctrip was listed on the NASDAQ on 9th December 2003. The company is China’s leading travel industry enterprise, providing over 141 million registered members with comprehensive services including mobile applications, hotel reservations, flight ticketing, package tours, corporate travel management, train ticketing, and destination guides. Each of these is integrated with online and offline resources for a complete travel service package. [http://english.ctrip.com/](http://english.ctrip.com/)

**Hubei Wanda New Routes International Travel Service Limited**

At present, the company has 14 branch offices and 13 business departments. They have an established global business network, and are mainly engaged in domestic tourism, outbound tourism, ticket sales, international student travel, and business investigation travel. [http://www.wanda.cn/businesses/tourism/](http://www.wanda.cn/businesses/tourism/)

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