

HOW THE CHINESE TRAVELER IS EVOLVING

A pre-COVID analysis

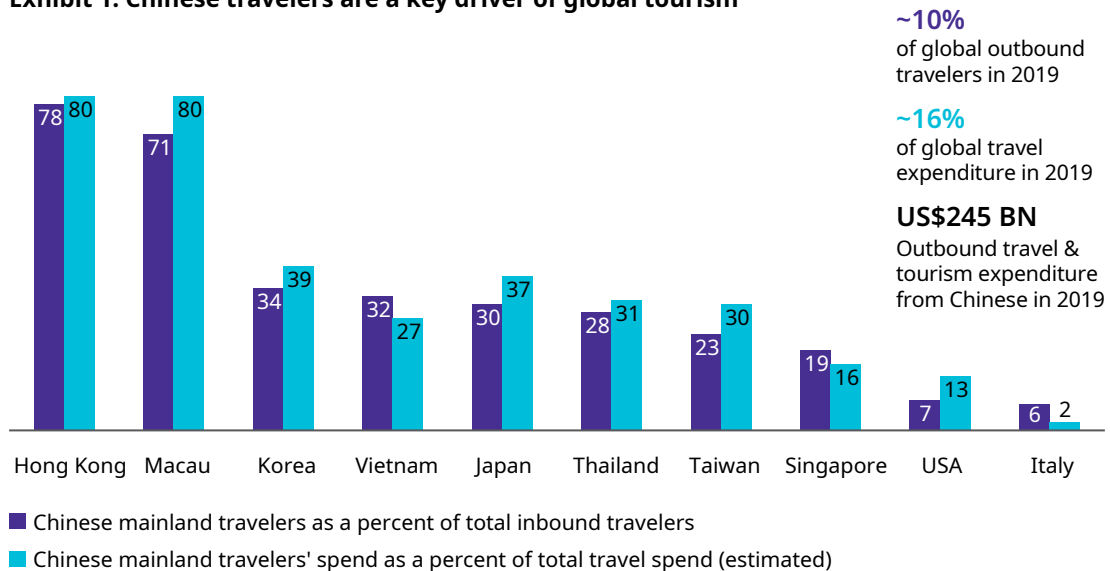


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Over the past decade, Chinese travelers have played an increasingly important role in global tourism. Alongside the continuous surge in numbers since our inaugural survey in 2016, Chinese travelers have exhibited dramatic changes in terms of their travel behavior, preferences, and spending. As Chinese travelers are a key source of revenue for many industries, including Retail and Consumer Goods, Leisure, Hospitality, and Transportation, it is imperative to understand their spending preferences in detail. To get a more complete picture, Oliver Wyman conducted a survey of 2,000 Chinese consumers who had travelled abroad in the past year.

In 2019, Chinese travelers were a key driving force of global tourism in terms of both numbers and spending. During the year, Chinese travelers accounted for 10 percent of global outbound travelers, and they contributed to 16 percent of global travel expenditure, generating outbound travel expenditure of \$245 billion. Travelers from the Chinese Mainland have been vital to the respective tourism of the Hong Kong SAR and Macau SAR, representing more than 70 percent of inbound travelers and 80 percent of tourism spending. Chinese outbound travelers have also had significant positive impacts on the travel industries of several Asian countries and regions, such as Korea, Vietnam, Japan, and Thailand, to name a few, contributing between 25 and 40 percent of the travel spending within each of these places.

Exhibit 1. Chinese travelers are a key driver of global tourism



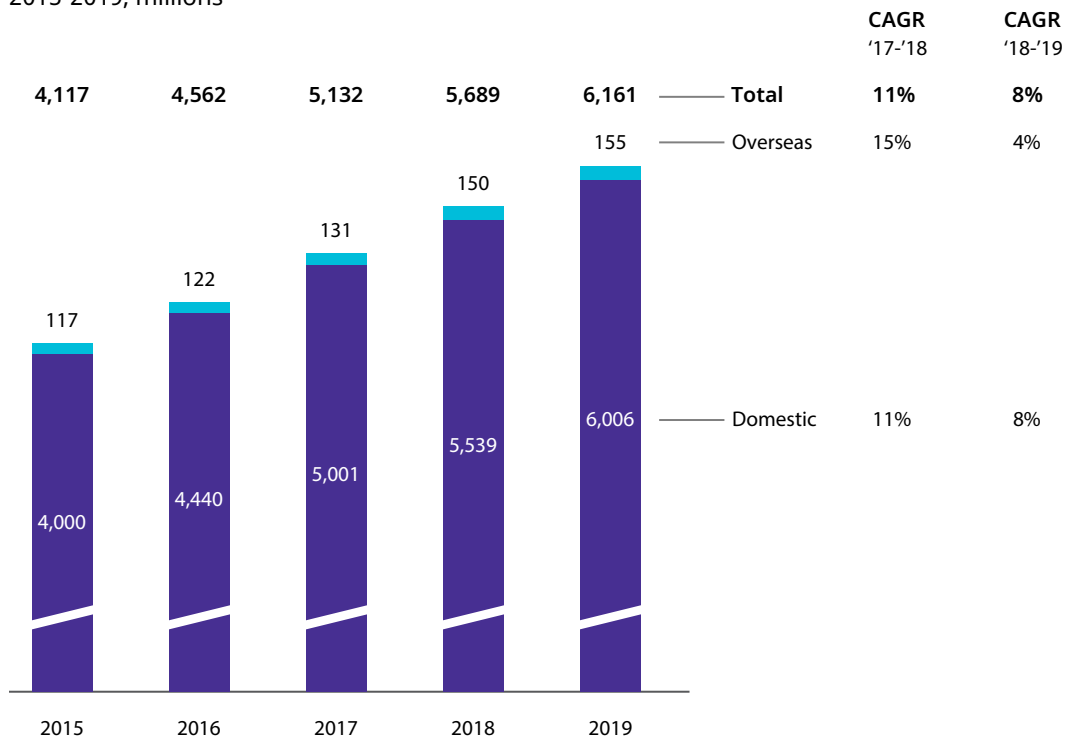
Source: CEIC, Government databases, news articles, World Travel and Tourism Council, Statista, Oliver Wyman analysis

In 2019, Chinese travelers made a total of around 6.2 billion trips, an increase of 8 percent compared to 2018. The continuing growth was driven by rising disposable incomes, more affordable travel options, and the rapid expansion of online travel agencies.

The vast majority of the trips were domestic. In fact, six billion trips were domestic and only 0.2 billion trips were outbound. In addition, the growth of domestic travel has been outpacing outbound travel, growing at a rate of 8 percent versus 4 percent.

Exhibit 2. Steady annual growth trips made by Chinese travelers

Number of trips by Chinese travelers
2015-2019, millions



Source: CEIC, Government databases, World Tourism Organization, Statista, Oliver Wyman analysis

Outbound travel has benefited from the continuous relaxation of travel policies. As of January 2020, 71 countries had implemented visa-free or visa-on-arrival access to Chinese citizens.

The wider adoption of Chinese mobile payment options around the globe has also made outbound travel easier. As of February 2019, 54 markets, including 28 in Europe and 22 in Asia, had begun accepting Alipay payment options.

Exhibit 3. Significant efforts globally to attract Chinese travelers

Relaxation of entry requirements for Chinese citizens

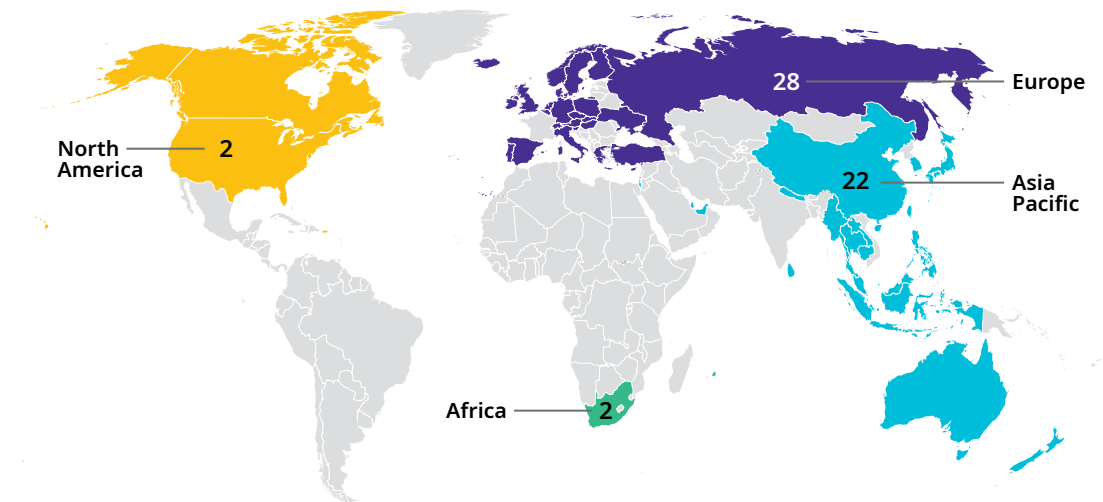
71 countries that allow Chinese citizens to have **visa-free/visa on arrival** access¹

More lenient policies on multiple-entry visa validity since 2014

USA extends validity from 1 year to **10 years**

South Korea extends validity from 3 years to **5 years**

Alipay adoption in 54 markets as of Feb 2019



1. As of Jan, 2020

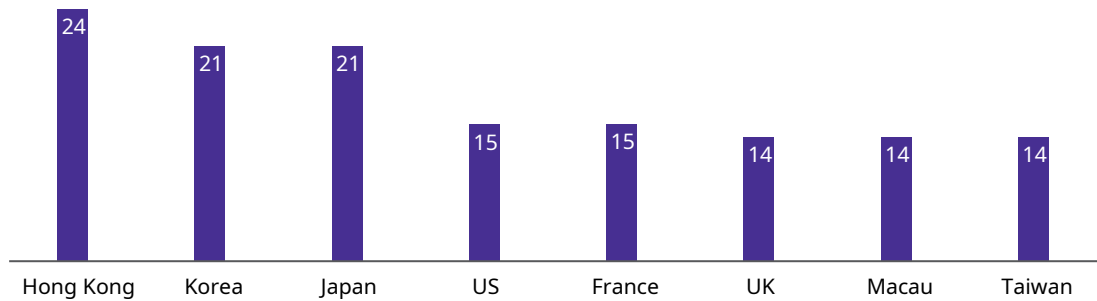
Source: Henley Passport Index, Business Insider, News articles, Oliver Wyman analysis

In terms of the selection of outbound destinations, traditionally popular destinations among Chinese travelers, such as Hong Kong and the US, saw sharp declines in tourist numbers in 2019. This was mainly due to the intense political climate existing in these locations. Hong Kong's inbound travelers from Chinese Mainland dropped by 14 percent year-on-year due to the social unrest there in the second half of 2019. Meanwhile, the number of trips to the US shrank by 5 percent year-on-year as a result of Sino-US trade tensions. Separately, Japan and Korea retained their popularity as top outbound destinations for Chinese travelers in 2019.

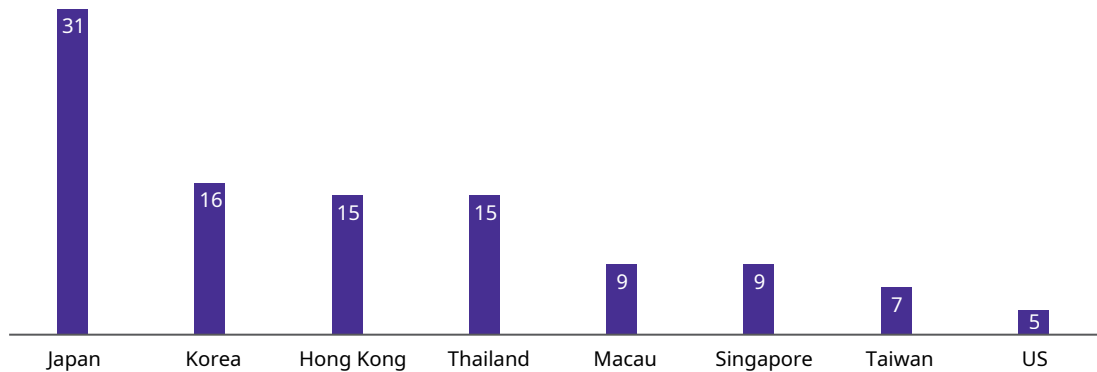
Exhibit 4. Political considerations impacted the selection of outbound destinations

Top 8 outbound destinations, where percentage of respondents had visited.
Number of respondents, N=2000

2018



2019

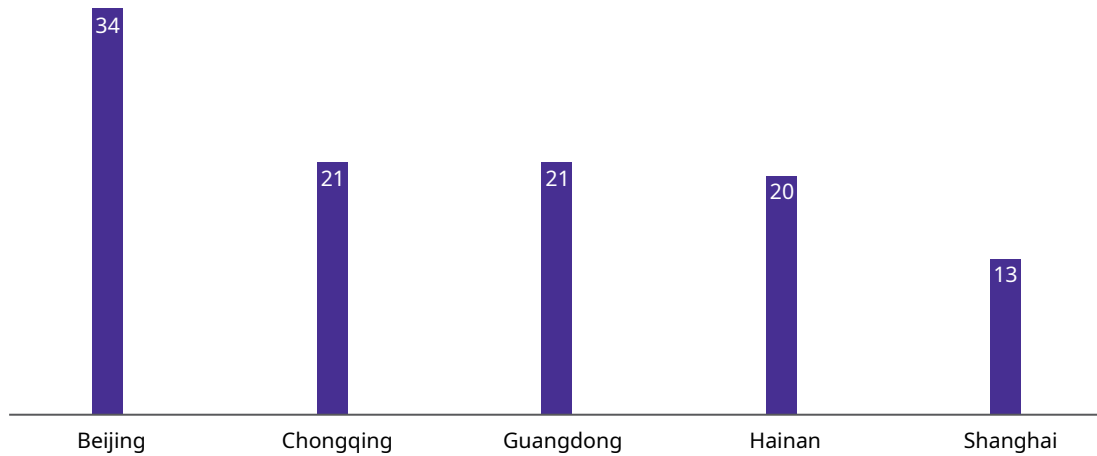


Question: Which of the following countries have you visited in the past 12 months?
Source: Chinese Traveler Survey, November 2018 & 2019, Oliver Wyman analysis

For domestic travel destinations, while key Tier 1 cities, namely Beijing, Guangzhou, and Shanghai, have remained top domestic destinations, Chinese travelers’ preferences in terms of domestic travel themes have started shifting from metropolitan sightseeing to enjoying nature. Leisure explorations to Chongqing, Yunnan, and Sichuan ranked as top domestic travel themes in 2019, followed by those to preserved water towns in Jiangsu and Zhejiang, which are within accessible driving distance from Shanghai.

Exhibit 5. Percentage of top domestic destinations 2019 dominated by Tier 1 cities

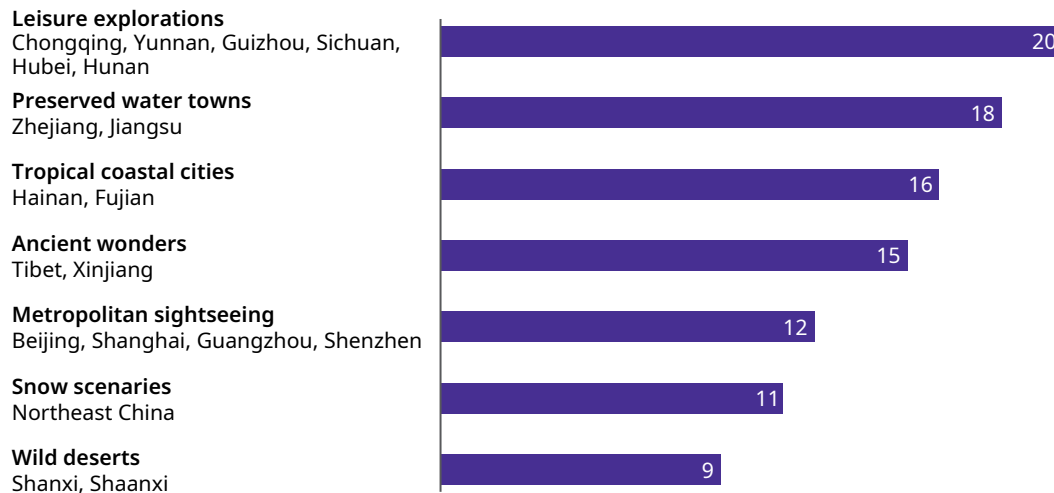
Number of respondents, N=2000



Question: Which of the following cities have you visited in the past 12 months?
 Source: Trustdata, Chinese Traveler Survey, November 2019, Oliver Wyman analysis

Exhibit 6. Domestic travelers increasingly prefer enjoying nature

Percentage of preferred themes for domestic travel. Number of respondents, N=2000



Question: What destination themes/ styles do you prefer for domestic travel?
 Source: Chinese Traveler Survey, November 2019, Oliver Wyman analysis

In terms of the key decision factors for selecting travel destinations, scenery ranked first for both domestic and outbound travel. While dining experiences and child/family friendliness were also important for the travelers making domestic trips, local culture/history and value for money were the other main priorities for the travelers making outbound trips.

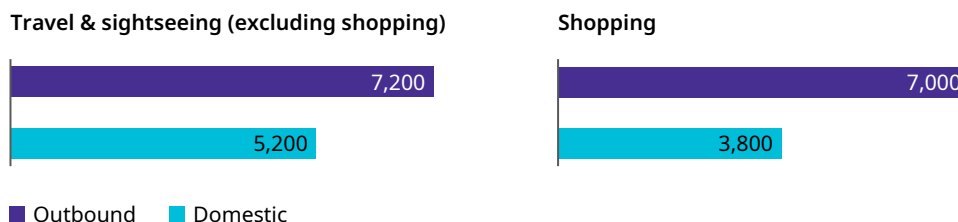
Chinese travelers are big spenders, averagely spending RMB14,000 on each outbound trip and RMB9,000 on each domestic trip. During their outbound trips, Chinese travelers show a high willingness to spend on shopping, with their shopping budgets often matching the combined amount they spend on accommodation, flight tickets, meals, and sightseeing. While domestic travelers also have large shopping budgets, these are proportionally not as large as they are for outbound travelers.

Exhibit 7. Domestic travelers want family-friendly destinations with good scenery and dining
Key decision factors for travel destination, weighted score

Outbound travel			Domestic travel	
1	Scenery	5.0	Scenery	5.0
2	Local culture and history	2.6	Dining	3.1
3	Value-for-money	2.4	Child-/Family-friendliness	2.7
4	Online popularity	2.2	Value-for-money	2.6
5	Dining	2.2	Local culture and history	2.4
6	Child-/Family-friendliness	2.1	Online popularity	2.4
7	Themes (e.g. Film scenes)	1.6	Themes (e.g. Film scenes)	1.6
8	Shopping	1.4	Activities and sports (e.g. Skiing, Golf, Concerts)	1.5
9	Activities and sports (e.g. Skiing, Golf, Concerts)	1.4	Shopping	1.2

Question: What do you look for in a tourist destination? (Top 3)
Source: Chinese Traveler Survey, November 2019, Oliver Wyman analysis

Exhibit 8. Chinese travelers are big spenders on traveling and shopping
Average spend per capita per trip, RMB

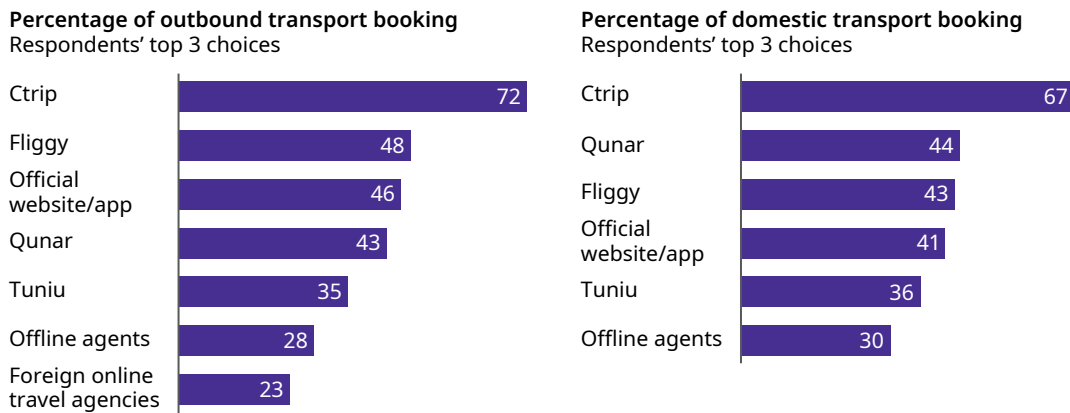


Question: What was your average spending in this trip (in RMB)?
Source: Chinese Traveler Survey, November 2019, Oliver Wyman analysis

In terms of booking flights, local booking agencies dominate the market. C-trip and official airline websites are the most common channels through which Chinese travelers book their flights, for both overseas and domestic trips. Closely following these travel-booking resources are Fliggy and Qunar, with Fliggy being more preferred for outbound travel and Qunar more preferred for domestic travel.

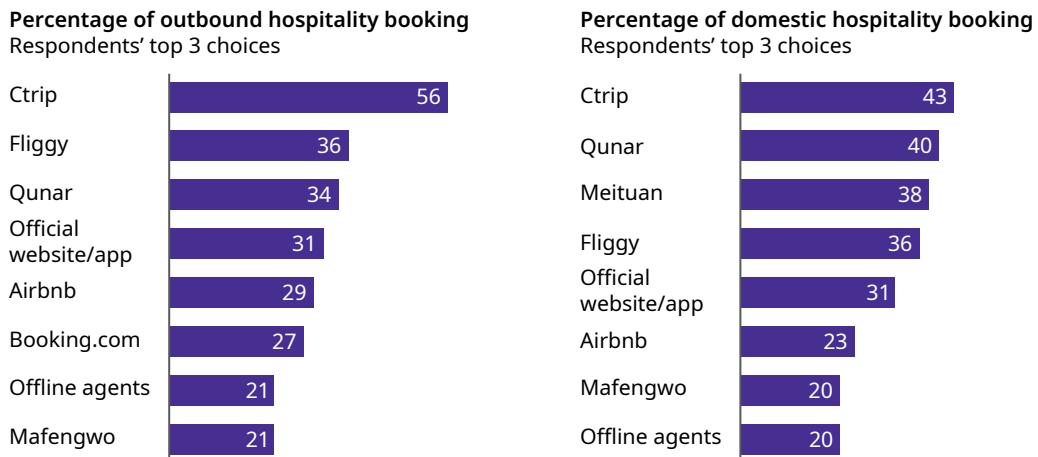
For accommodation booking, C-trip is still the most popular booking channel for both overseas and domestic trips. For domestic trips, while Qunar ranks second, Meituan has been gaining market share and is now the third most popular option.

Exhibit 9. Local players dominate the market for booking flights



Question: Where do you book your flight mostly?
 Source: Trustdata, Chinese Traveler Survey, November 2019, Oliver Wyman analysis

Exhibit 10. C-trip dominates hotel bookings and Meituan is gaining domestic market share



Question: Where do you book your stays mostly?
 Source: Trustdata, Chinese Traveler Survey, November 2019, Oliver Wyman analysis

Chinese travelers are increasingly traveling with a special purpose in mind. Two out of three survey respondents said that they have plans to travel for a particular purpose over the next 12 months, with 39 percent planning special sightseeing trips, such as African safaris. Meanwhile, 36 percent are planning sports-related trips, such as for diving, skiing, and hiking, and 32 percent said they would enjoy a photography tour.

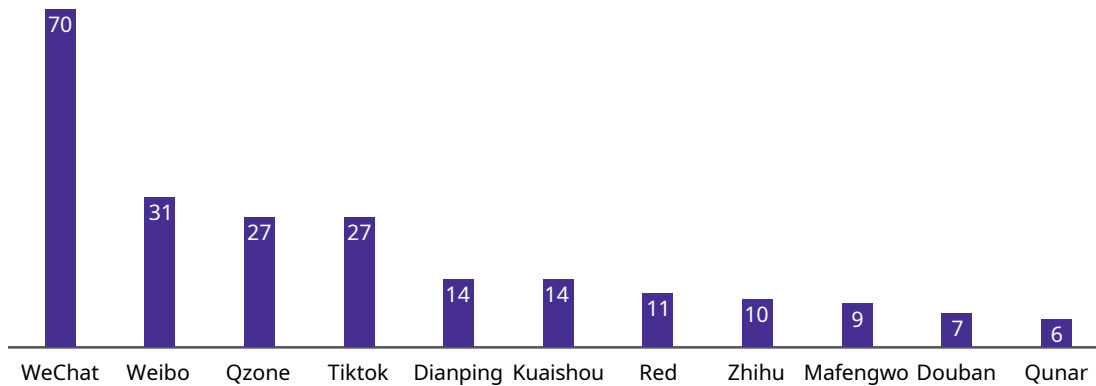
Chinese travelers also wish to place an increasing emphasis on unique local activities and experiences. Survey respondents indicated that they would prefer to try local cuisine and stay in boutique hotels. Compared to 2018, more people learned about specialty travel agencies in 2019. However, the adoption rate is still slow, with less than 1 percent of respondents having previously used such services.

Chinese travelers are hungry for social media worthy moments. On average, they post four times as often on their social-media travel moments when they are on their trips. WeChat is still the most popular social media platform, followed by Weibo, Qzone, and Tiktok.

Chinese travelers value convenience very much. They prefer using the Dianping app to look for food and tourist attractions, and Alipay or WeChat to pay for their purchases. Furthermore, they appreciate it when Chinese signage is posted at overseas tourist destinations.

Exhibit 11. Chinese travelers are hungry for social media worthy moments

Use of social media during travels
Percentage of respondents



Questions: On which social media platform(s) did you post about your last trip?
Source: Chinese Traveler Survey, November 2018 and 2019, Oliver Wyman analysis

TRAVELERS FROM DIFFERENT TIER CITIES EXHIBIT DIFFERENT PREFERENCES

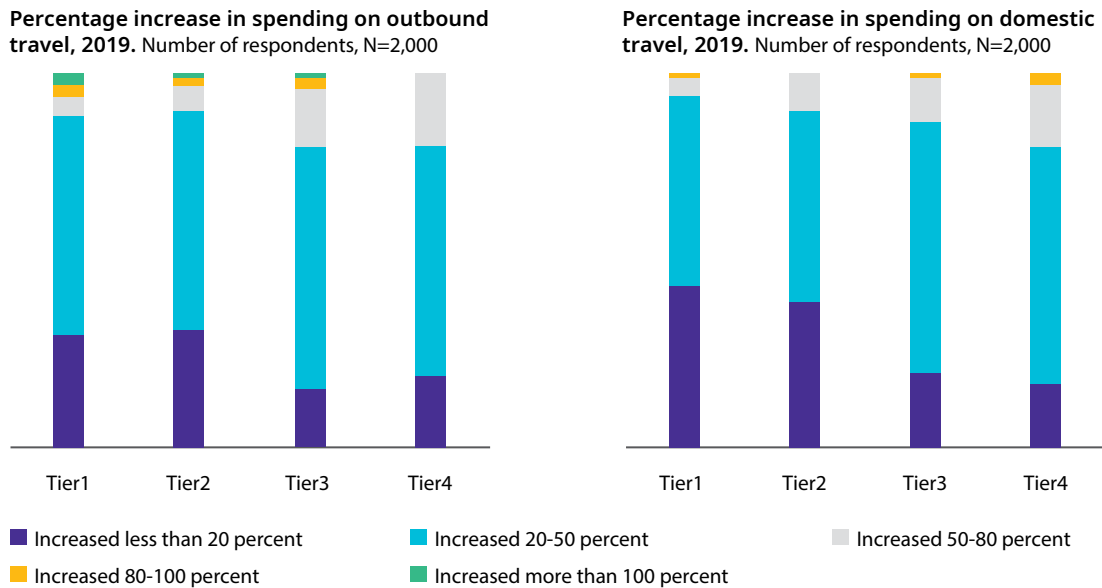
In general, family trips are more common during domestic travel, while travelling with partners or friends is equally common for both domestic and overseas travel. Travelers from Tier 1 and 2 cities tend to conduct more solo trips, while those from Tier 3 and 4 cities tend to conduct more family trips.

In terms of travel spending, Tier 3 and 4 travelers have begun to exhibit higher tourism consumption potential. More than 80 percent of these respondents have increased their travel spending from at least 20 percent to 50 percent in the past 12 months, for both outbound and domestic trips.

In terms of spending patterns, travelers from Tier 1 and 2 cities prefer to spend more on accommodation, food and beverages, while travelers from Tier 3 and 4 cities prefer to spend more on transport, sightseeing, and activities.

The number of travelers from Tier 3 and 4 cities traveling for special local activities is almost double that of the travelers from Tier 1 and 2 cities. They show a preference to travel for music festivals, concerts, and unique local experiences and sightseeing, such as viewing wild animal migrations. Travelers from Tier 1 and 2 cities, meanwhile, prefer a more relaxing trip that focuses on leisure and entertainment.

Exhibit 12. Travelers from Tier 3 and 4 cities are showing higher tourism consumption potential



Questions: How much has your spending on domestic and outbound travels increased in the past 12 months vs 1 year ago?
 Source: Chinese Traveler Survey, November 2018 and 2019, Oliver Wyman analysis

CONCLUSION

Overall, Chinese tourists are playing an increasingly important role in the global tourism industry, as their travel frequency and purchasing power continue to increase steadily. At the same time, tourist destinations around the globe are aiming to create a more convenient and suitable travel experience for Chinese tourists through the relaxation of visa policies and the prevalence of mobile payments. With this combination, we believe the impact of Chinese tourists on the global tourism industry will continue to grow.

In addition, Chinese tourists continue to show a higher consumption potential. In particular, they are demonstrating more sophisticated needs compared to the past. For example, Chinese tourists are increasingly keen to understand local culture and explore authentic local cuisine to help them achieve a localized experience. They are also showing a higher willingness to travel for non-mainstream sightseeing spots and share social posts with location hash tags. In addition, they are willing to spend more to reward themselves with better service, and they appreciate the convenience of being able to use established mobile apps. Last but not least, sharing social media worthy moments during their trips has become a must. These changes illustrate the growing significance of Chinese tourists' increasingly cultural, exploratory, individualized, and social needs when they travel.

The survey results show that Chinese consumers have a strong desire to travel and spend, whether they are traveling domestically or abroad. The insights regarding the changing preferences of Chinese tourists can help industry players to seize specific opportunities to grow their businesses. We believe companies in the tourism industry can dial up their efforts to offer boutique or customized travel options that feature unique local experiences of interest.

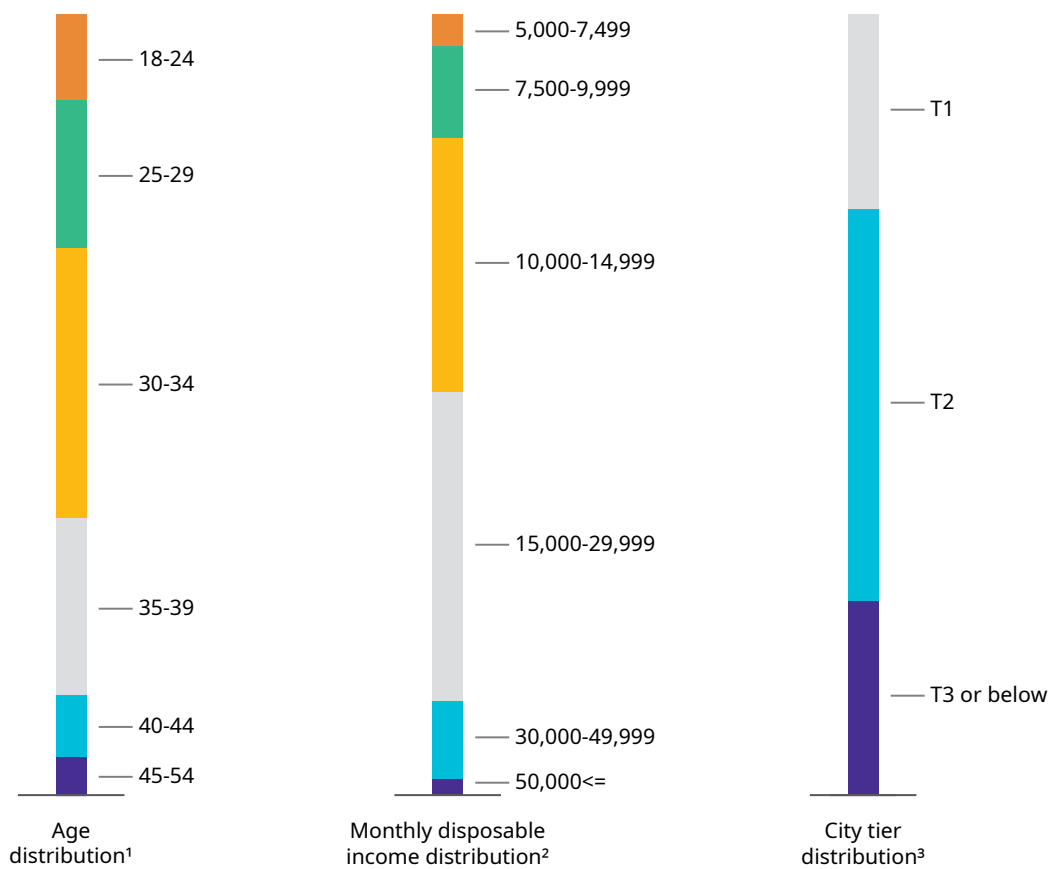
Oliver Wyman conducted a consumer survey in March, 2020 to understand the impact of COVID-19 and reveal the changes happening to the behavior of Chinese travelers. Please refer to [Chinese Travelers Favor Domestic Destinations](#) for more information.

ABOUT THE SURVEY

The online questionnaire was fielded in Mainland China in November 2019. Oliver Wyman surveyed 2,000 travelers to understand the evolving preferences of Chinese tourists. Of the 2,000 respondents, 51 percent were male, and 49 percent were female; 73 percent of the respondents had a monthly income between RMB10,000 and RMB30,000.

Exhibit 13. Sample demographics

Sample size, N=2000



1. Question: how old are you?

2. Question: what is your household's monthly disposable income (pre-tax, including salary, rent, investment income etc)?

3. Question: which province and city are you currently living in?

Source: Chinese Traveler Survey, November 2019, Oliver Wyman analysis

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