

China Tourism Market Update

December 17th, 2014



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A photograph of the Chicago skyline featuring the Willis Tower on the left, the Wrigley Building in the center, and the Tribune Tower on the right. A bridge is visible in the foreground over a river with several sailboats. A blue vertical bar with white circles is on the far left.

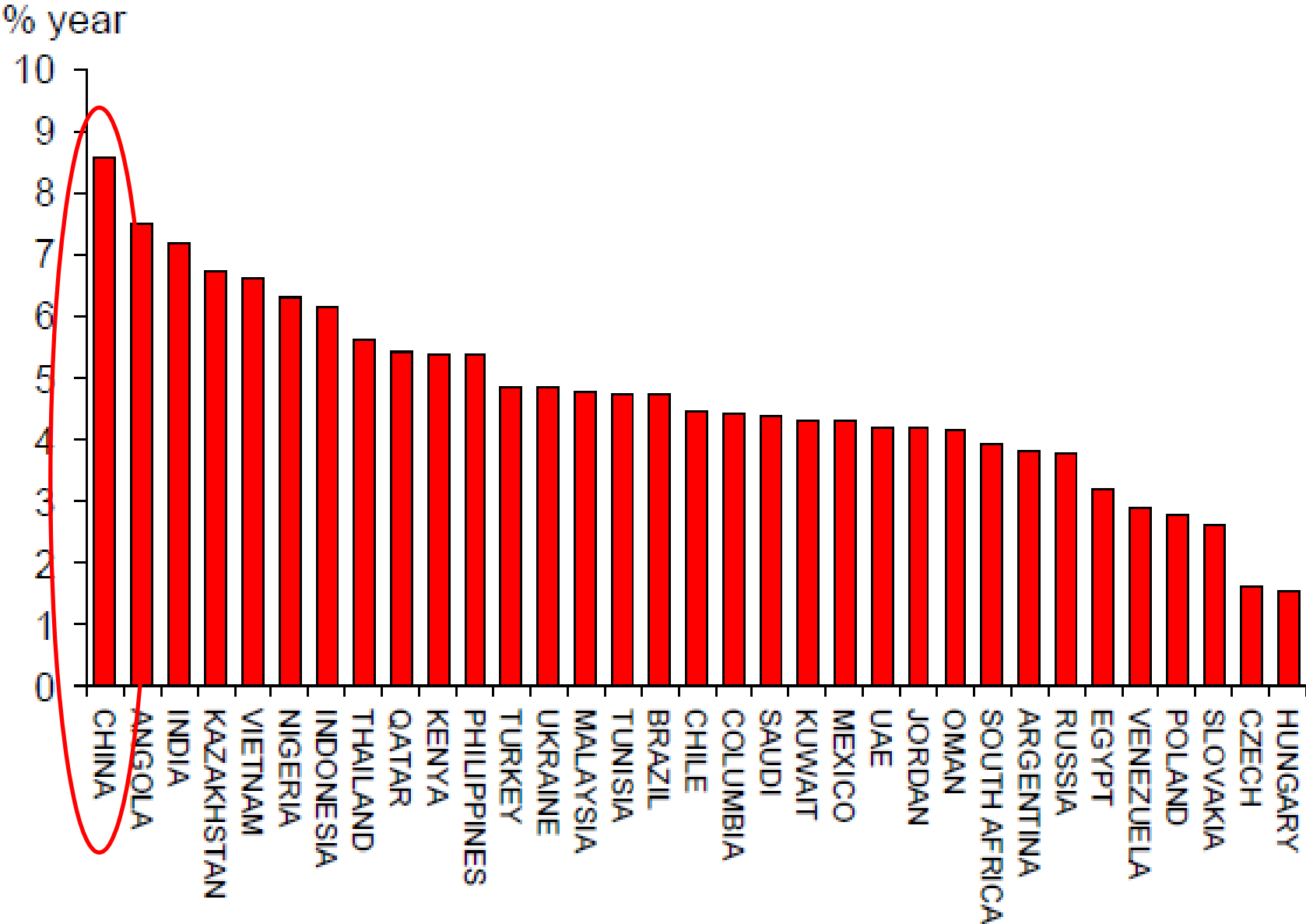
China Outbound Travel Market

China Economic Snapshot

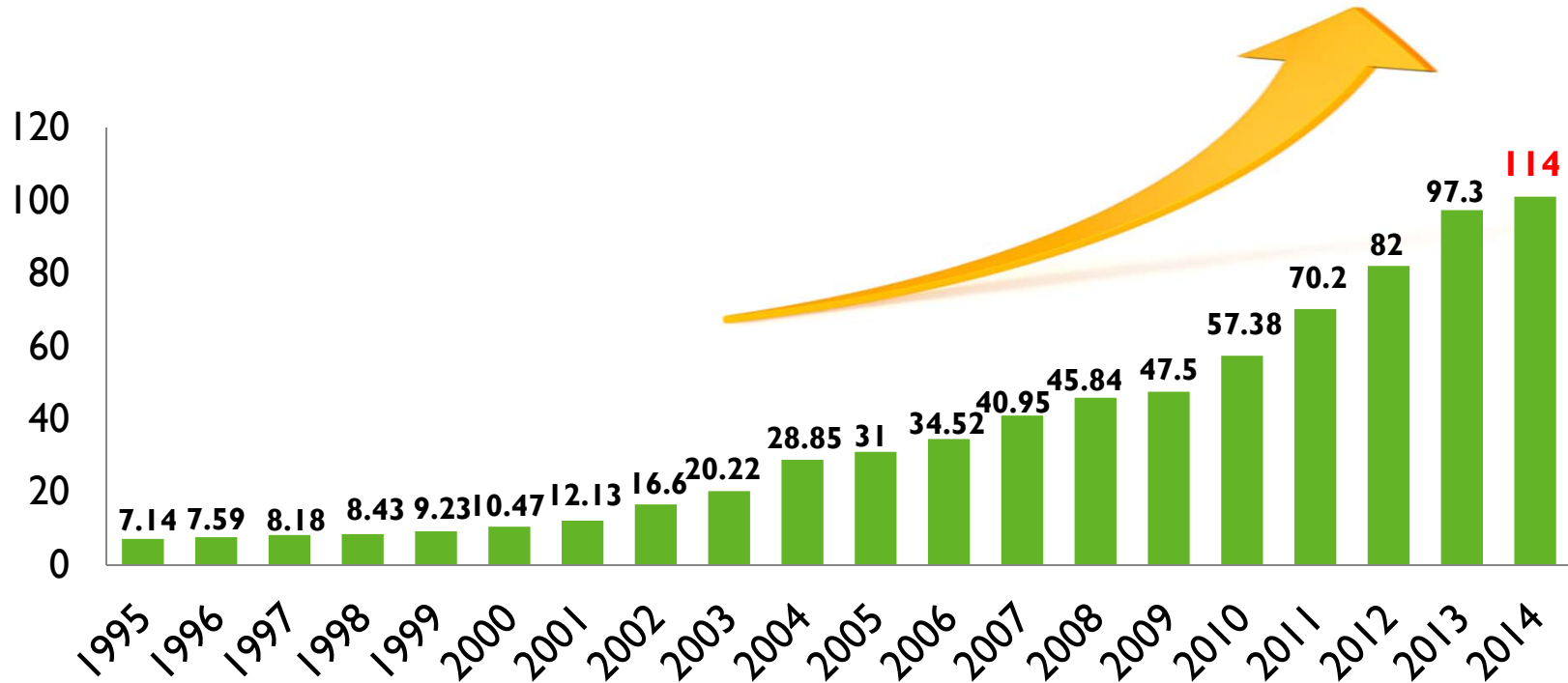
	2010	2011	2012	2013	2014 first half
Population (m)	1,341	1,347	1,354	1,361	--
Nominal GDP (US\$ bn)	6,040	7,298	8,447	9,250	--
Real GDP growth (%)	10.4%	9.3%	7.7%	7.7%	7.4%
GDP per head (US\$ at PPP)	4,361	5,414	5,432	6,796	--
Growth in Household Consumption Expenditure (%)	8.2%	10.3%	9.4%	8.0%	10.8%



GNP Growth 2012/14 Average



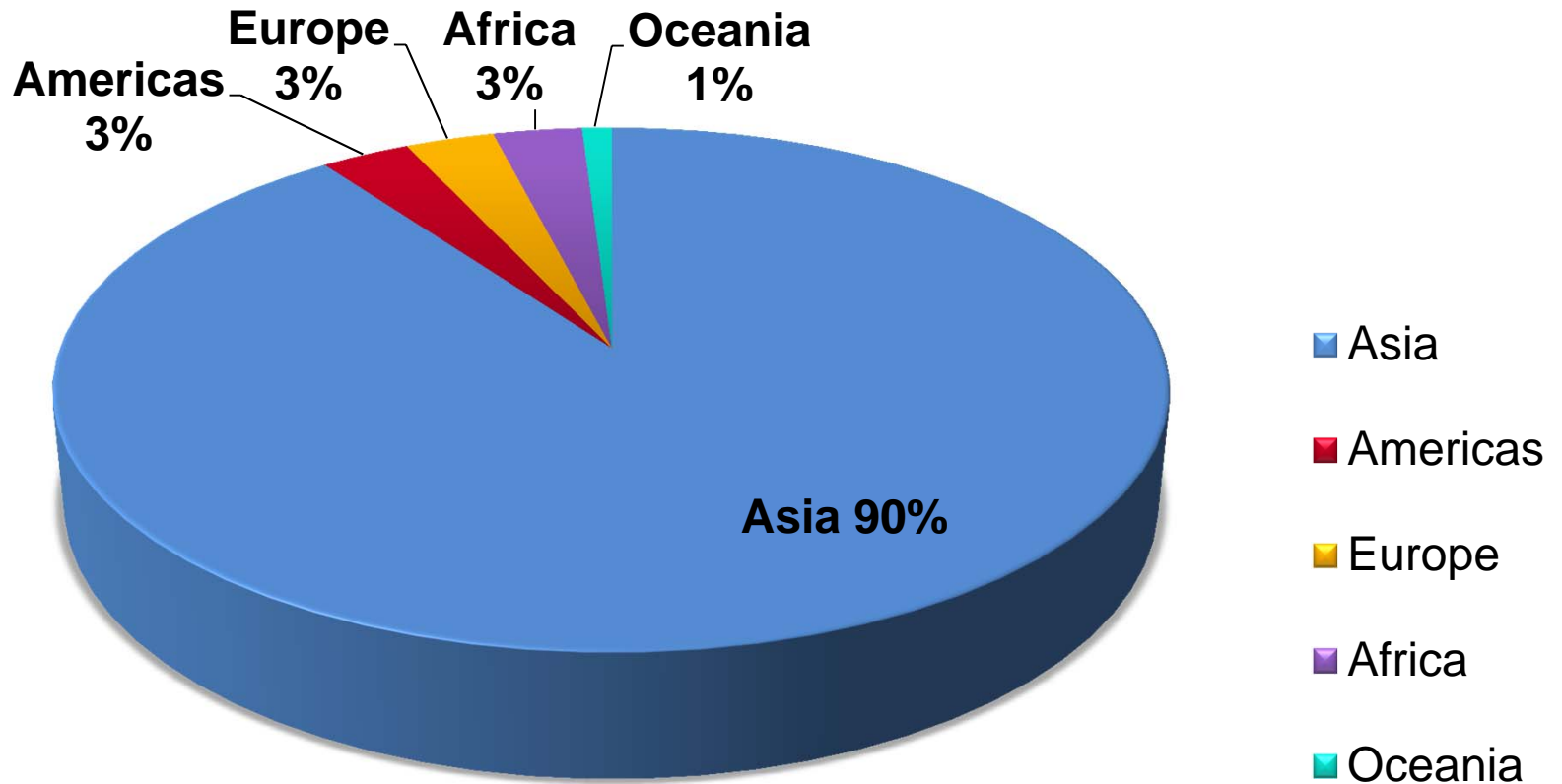
China Outbound Travel Market



- 2012:** 83 million - 6% of China's population
- 2013:** 97 million - world's #1 source market
- 2014 (est.):** 114 million outbound spending \$140 billion
Double 2010 levels & Triple 2004 levels
- 2020 (est.):** 200 million outbound

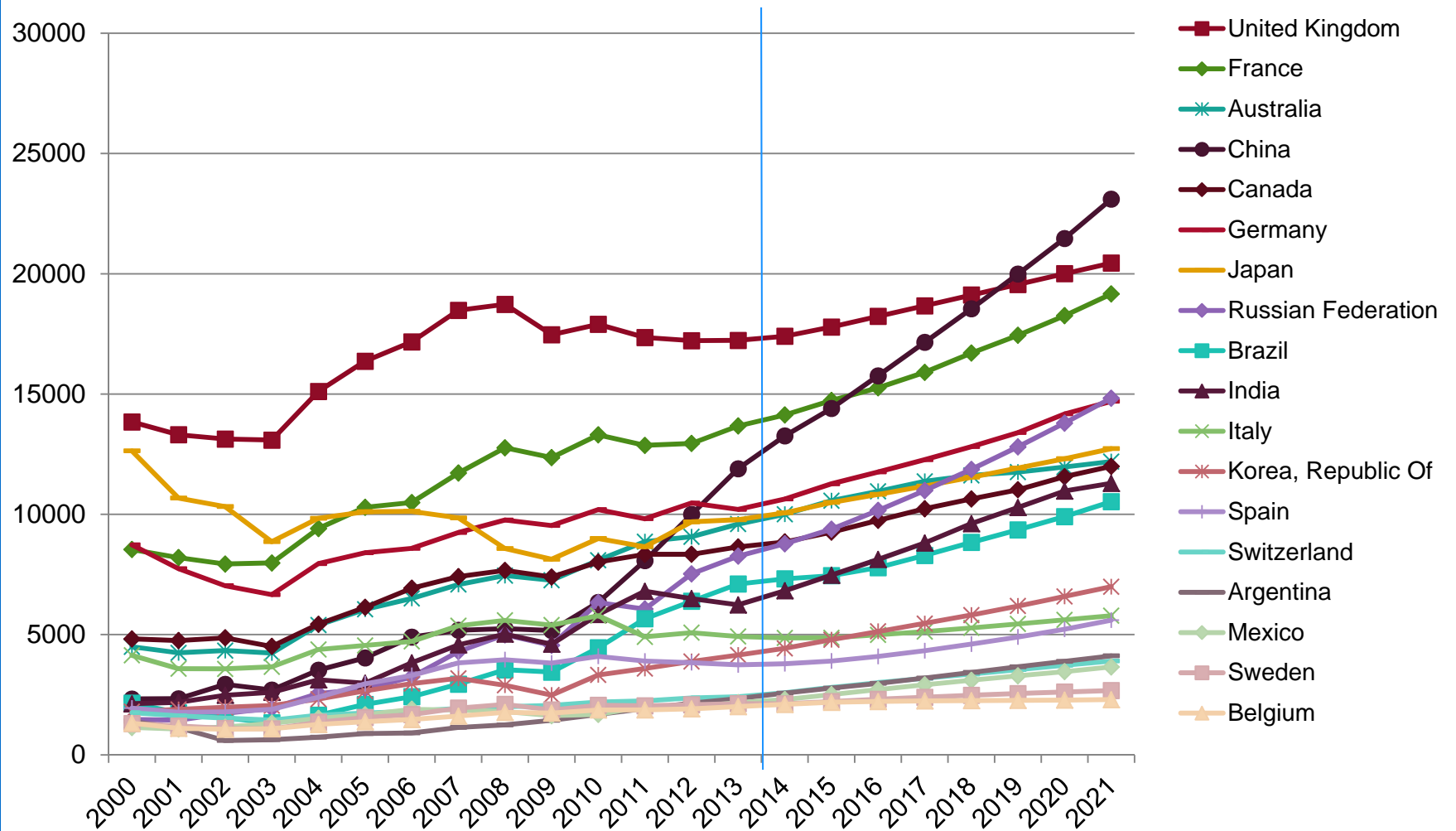


Chinese Overseas Travel Destinations



- **25% of Chinese outbound travel is to Hong Kong & Macau**
- **The U.S. is the only long-haul destination among China's Top 10 destinations**

Total Estimated Long Haul Departures ('000)



*Tourism Economics

Key Chinese Travel Spending Trends

- **Spend Per Person Per Trip:** \$6,000-\$7,200 spend per person per trip to the U.S. makes Chinese the highest spending visitor group per person per trip to the U.S.
- **Travel Spend:** China's middle and upper classes spend 19% of their annual salaries on overseas travel – dramatically more than any other source country
- **Luxury Spend:** 75% of Chinese tourists purchase more than 3 luxury items per trip
- **Global Force:** Chinese tourists make up 25% of global spending on luxury goods

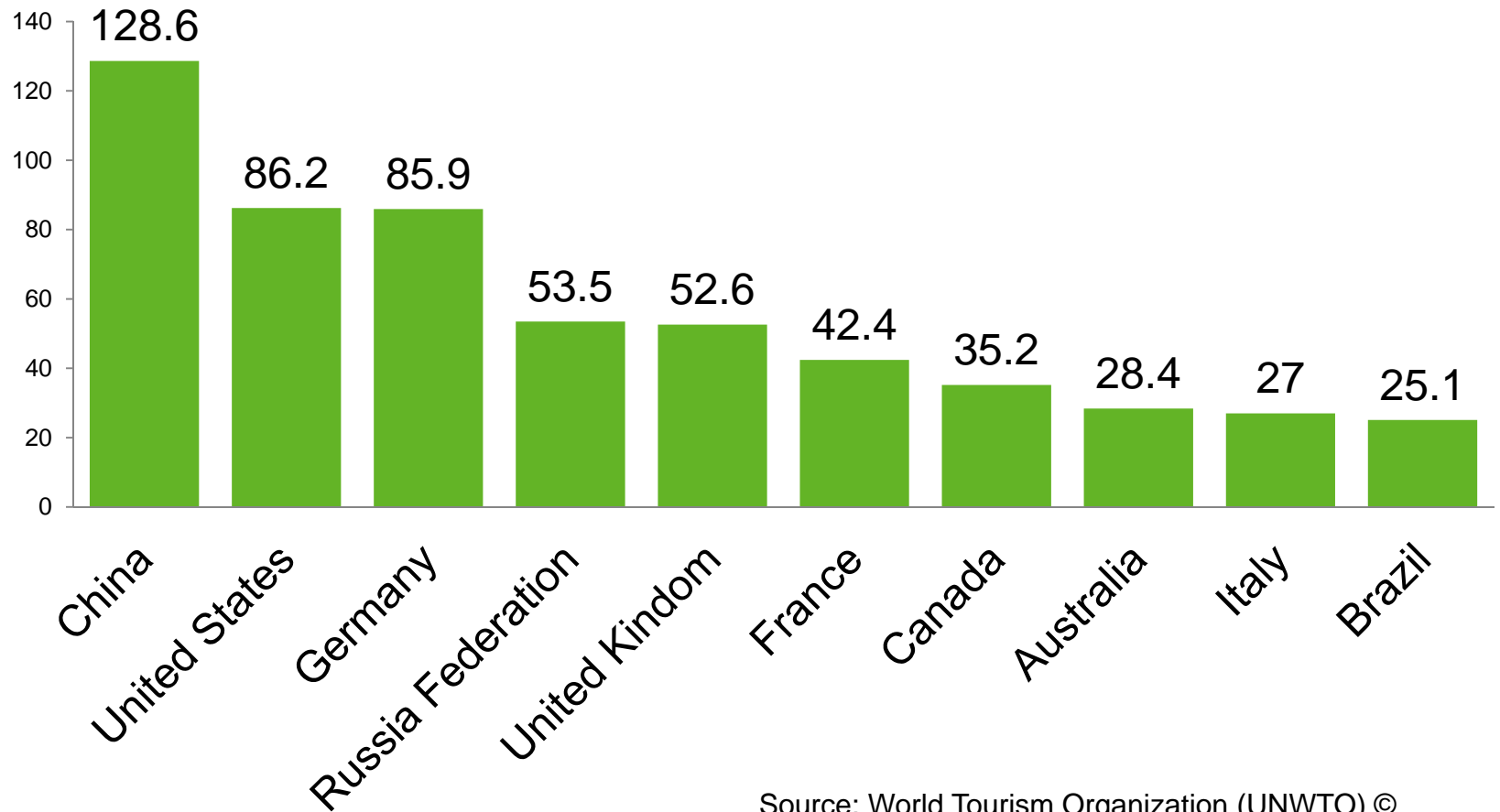


Chinese Overseas Travel Expenditures

- **2012:** China ranks #1 globally in overseas tourism spending at \$102 billion, soaring ten-fold since 2000 when China ranked #7 globally
- **2013:** Chinese spending soars by a massive \$27 billion to a record \$129 billion, widening the gap with the U.S. and Germany (now the 2nd and 3rd ranked globally) by over \$42 billion
- **2014:** first six months up another 16%
- **2015:** projected to soar an additional 19%
- **Business Travel:** China will overtake the U.S. as the number one business travel market in the world in 2016, generating 20% of global business travel spend

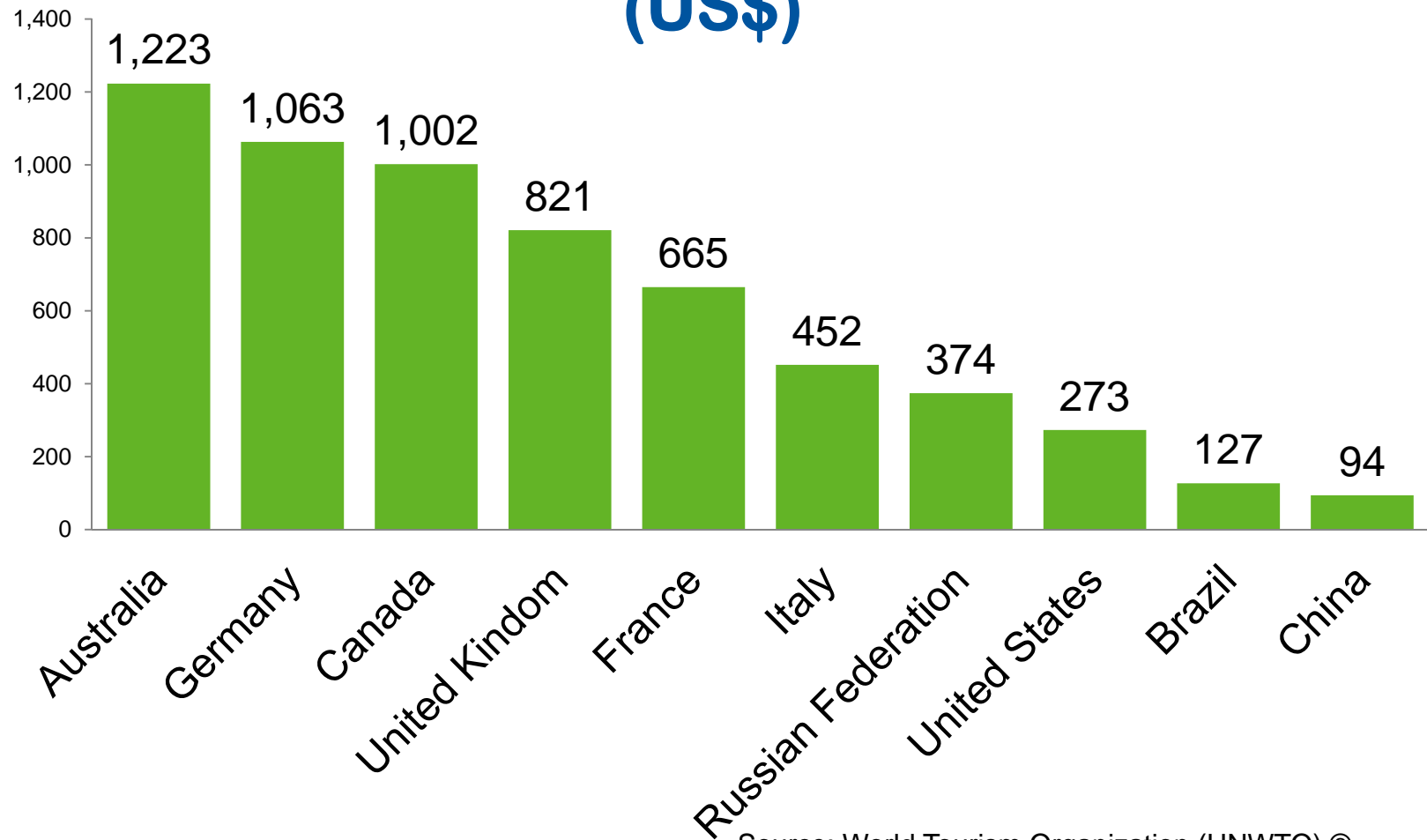


International Travel Expenditures 2013 (US\$ billion)



Source: World Tourism Organization (UNWTO) ©

2013 International Travel Expenditure per capita (US\$)

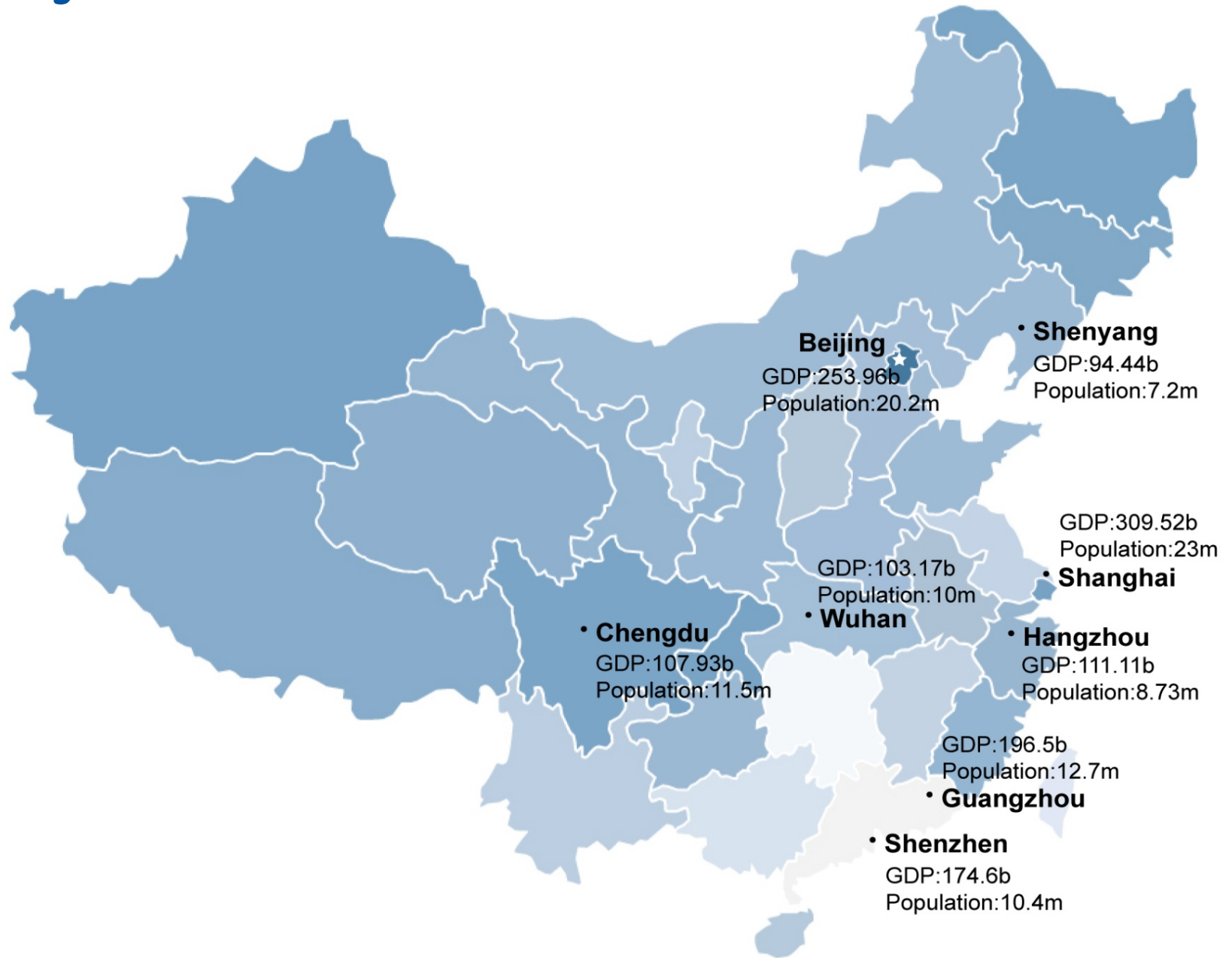


Source: World Tourism Organization (UNWTO) ©



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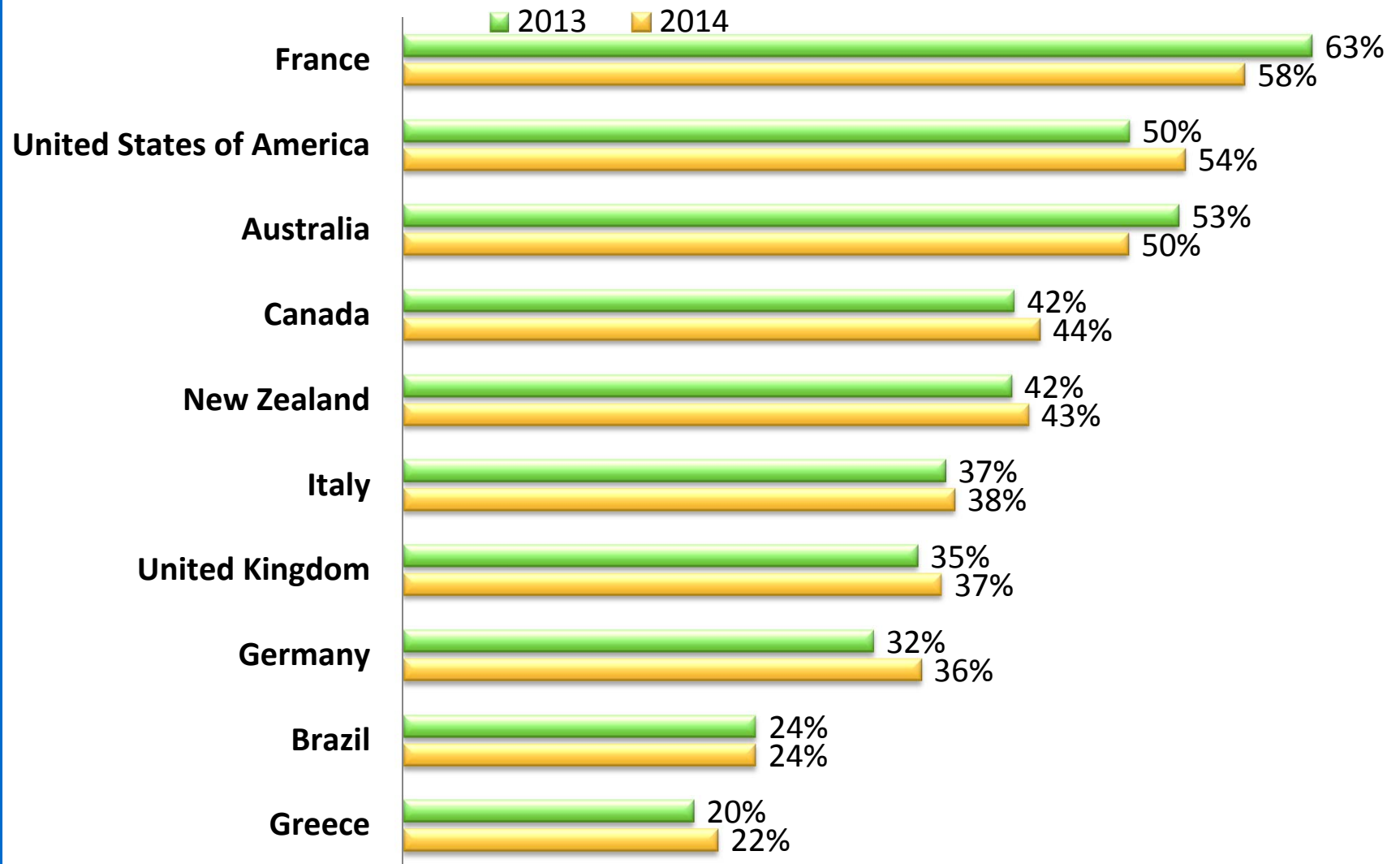
Key China Source Markets





Chinese Travel to the U.S.

Aspirational Long-haul Destinations for Chinese



Question: What country(ies) will you likely visit during your next holiday to a destination outside of Asia? Select all that apply.

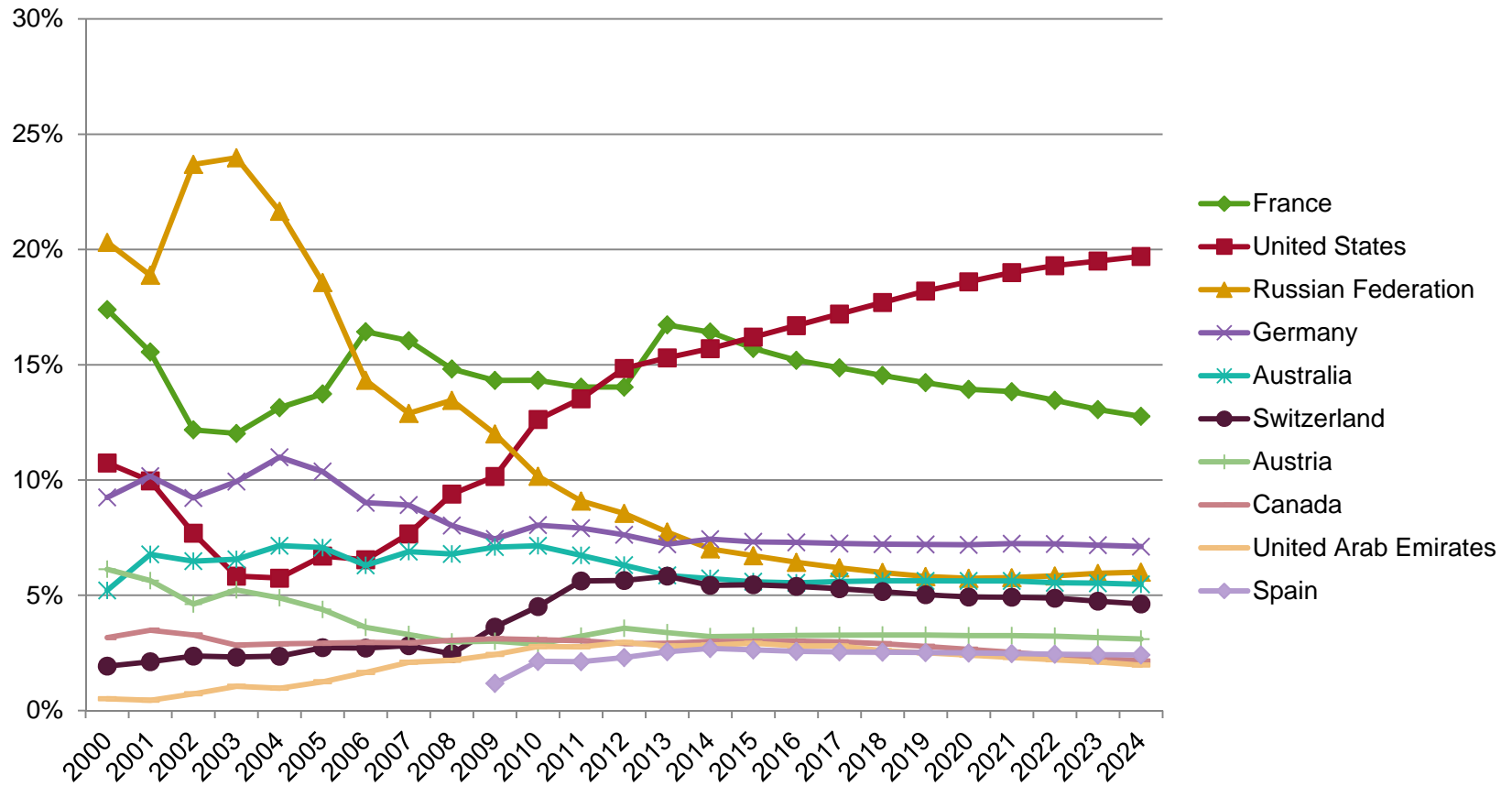
Base: China intercontinental travelers (2013 N=1,475, 2014 N=1002)

Source: Brand USA Custom Study



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China Market Share of Long Haul Destinations 2000-2024



Chinese Visitors to the U.S.

2003	Under 200,000	
2012	1.4 million	
2013	1.8 million (+22.6%)	#5 overseas market
2014 est.	2.18 million (+21%)	#4 overseas market

Pre 10-year visa Estimates:

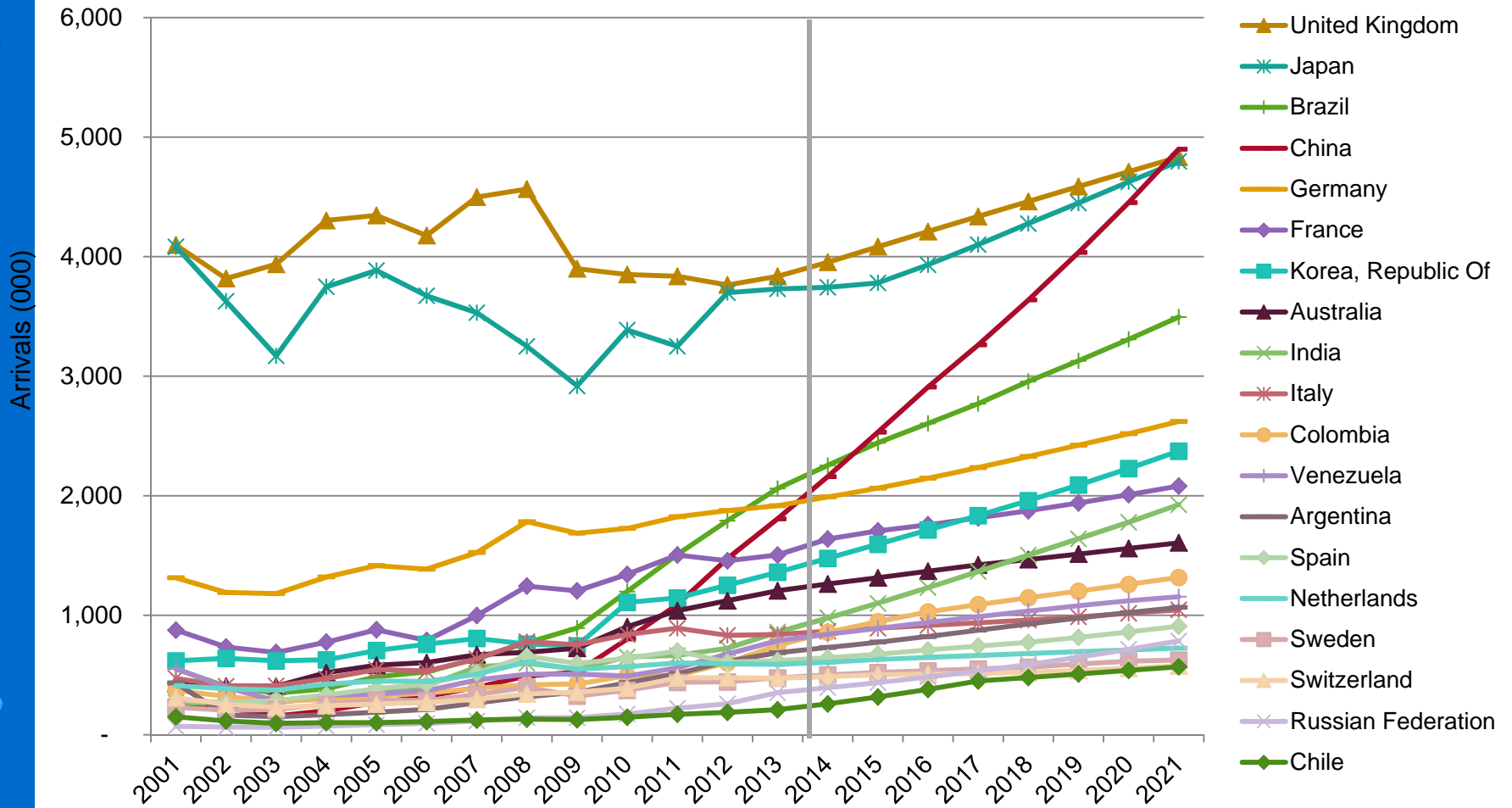
2017 est.	3.66 million (+18%)	#3 overseas market
2018 est.	4.31 million (+18%)	#2 overseas market

Post 10-year visa Estimate from DOC:

2021 est. 7.3 million

Sources: U.S. Department of Commerce, ITA, National Travel and Tourism Office

USA Overseas Arrivals ('000)



China Airlift to the U.S.

China's Gateway Cities to the U.S

- Beijing
- Shanghai
- Guangzhou
- Chengdu
- Wuhan
- Hangzhou (new in 2015)



China Airlift to the U.S.

U.S. Gateway Cities to China

- Los Angeles
- San Francisco
- New York
- Honolulu
- Seattle
- Washington D.C.
- Boston
- Chicago
- Houston
- Dallas
- Saipan
- Detroit
- Guam
- Anchorage





New China-U.S. Flights 2014-2015

January 2014	Beijing to Honolulu (Air China)
April 2014	Beijing to Honolulu (Hawaiian Airlines)
June 2014	Beijing to Boston (Hainan Airlines)
June 2014	Beijing to Washington (Air China)
June 2014	Shanghai to Dallas (American Airlines)
June 2014	Chengdu to San Francisco (United Airlines)
August 2014	Guangzhou to New York (China Southern)
October 2014	Shanghai to Guam (United Airlines)
December 2014	Wuhan to San Francisco (China Southern)
January 2015	Changsha to Anchorage/L.A. (Charter)
April 2015	Hangzhou to Los Angeles (Hainan Airlines)
May 2015	Beijing to Dallas (American Airlines)

U.S. Visa Updates

- **Interview Wait Times:**
 - ❖ **2011:** over 50 days
 - ❖ **Now:** under 5 days
 - ❖ **France & Australia:** 4-5 days
- **Close to 90% of non-immigrant applications from Chinese nationals are approved**
- **New on-line system allows Chinese applicants to:**
 - ❖ **Schedule visa interview appointments**
 - ❖ **Pay visa processing fees**
 - ❖ **Check on status of issued visas on-line rather than in person**
- **Effective November 12, 2014, the validity of business and tourist visas has been extended to 10 years with student visas extended to 5 years**



Impact of new 10-year Visa Validity Policy

- No market research yet available on impact of policy
- Anecdotal feedback from key travel agencies projects a 25-30% increase in Chinese travel to the U.S. in 2015 – 50% above previously projected growth rates
- DOC is projecting 7.3 million arrivals by 2021 – 50% above previous estimates and 3 times 2013 arrivals
- Rapid increase in repeat travelers (currently 45%)
- Rapid rise in FIT/Semi-FIT travelers (currently 30%)
- Growth of in-depth tours focusing on one or two states (currently 61% of Chinese FITs visit just one state)
- Rapid growth in beyond-the-gateway travel in the U.S.
- Shorter shoulder seasons and longer peak seasons
- More tourists from secondary markets of China
- More investment in China tourism promotions by airlines, destinations, new partners
- More MICE groups to the U.S. given increased visa confidence



Challenges with the new 10-year Visa Policy

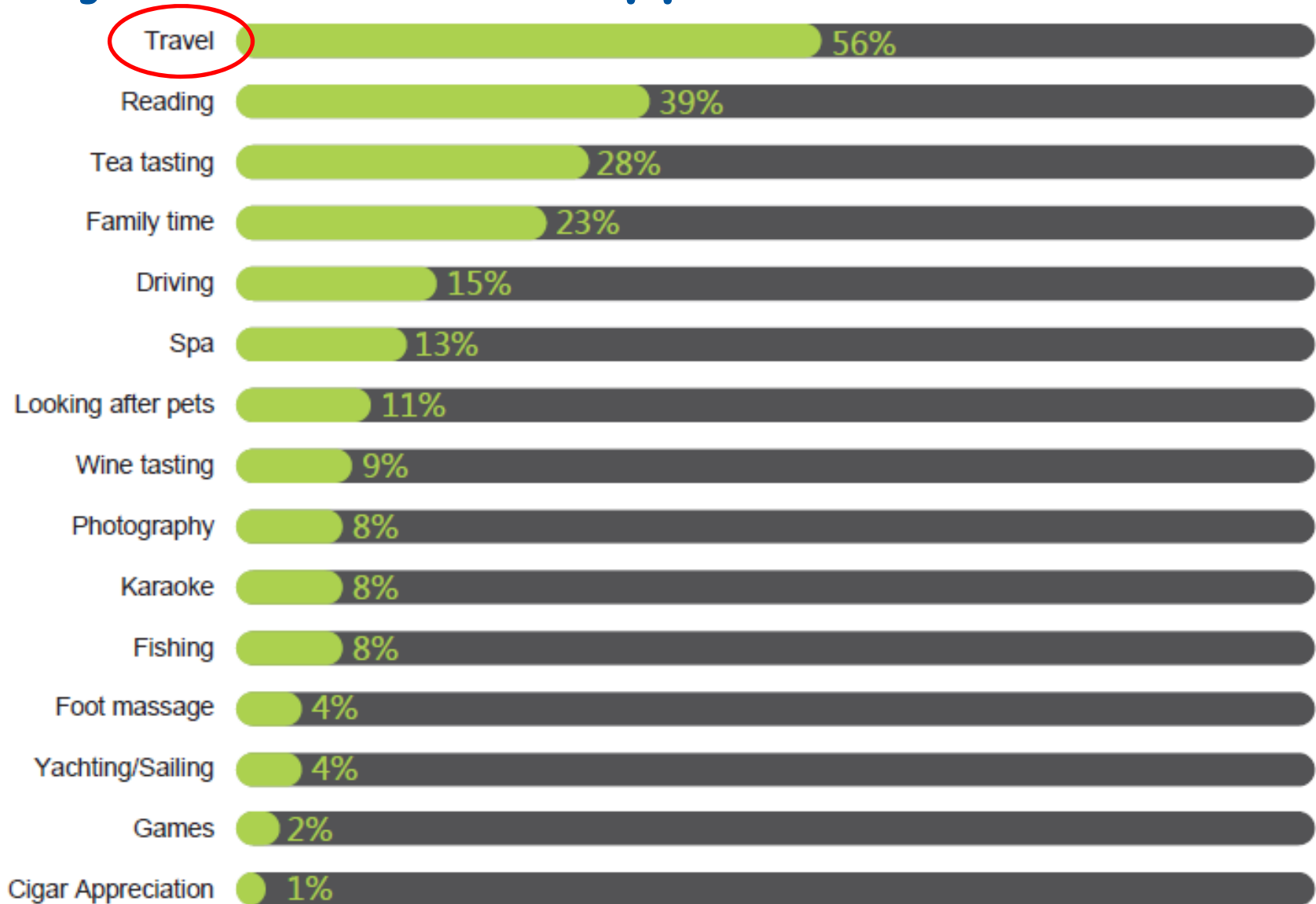
- **Lack of airline seats projected:** air capacity to the U.S will be impacted by rapid growth in arrivals -- Brand USA is partnering with airlines to encourage new routes from non-traditional gateways in both China and the U.S. but Open Skies will ultimately be the key
- **Tour Package Quality;** to boost the number of repeat Chinese travelers to the U.S., tour product quality and education/certification of Receptive Tour Operators (RTOs) becomes increasingly important
- **China Ready Program:** to train and prepare U.S. hotels, attractions, retailers for the projected rapid growth in Chinese arrivals becomes key





China Travel Trends

Preferred Leisure Pursuits by Chinese Middle/Upper Class



Source: Hurun Report Chinese Luxury Consumer Survey 2014



2014 Chinese Traveler Profile

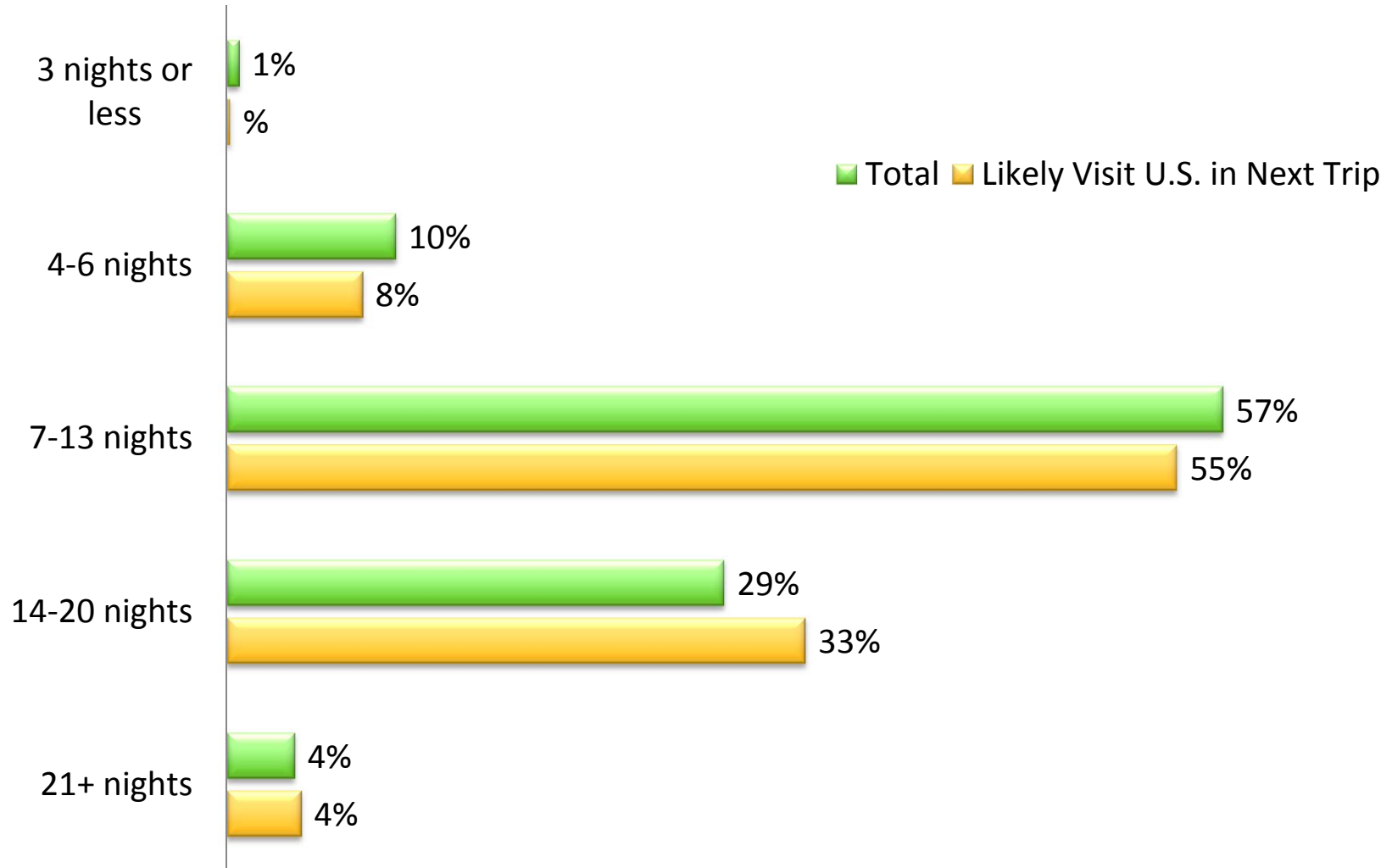
- **Rapidly Evolving Profile of Chinese Travelers**

- ❖ Leisure travel soaring: 63% share and rising
- ❖ Package tours still key (70% share) and will dominate for the next decade
- ❖ Rapid shift from multi-destination to multi-experience
- ❖ Accelerating shift from package tours to air-tel/FIT – 30% and rising thanks to visa flexibility and rapidly growing sophistication of Chinese travellers
- ❖ \$1,100 spent per day when traveling (excluding accommodation)

- **Generation 2 (G2) Profile → China's Little Emperors**

- ❖ 25-40 year-old Chinese long-haul travelers
- ❖ Educated, consumption-driven, seeking authenticity
- ❖ 82% have a Bachelor's degree (vs. 43% of market)
- ❖ 75% of China's FIT market
- ❖ 73% of China's luxury market
- ❖ 41% willing to pay for the best product (vs. 31% of market)
- ❖ An urban population of 200 million → within 10 years, will be 3 times as numerous as U.S. baby boomers

Duration of Next Trip: 2014



Question: How long will this holiday likely be?

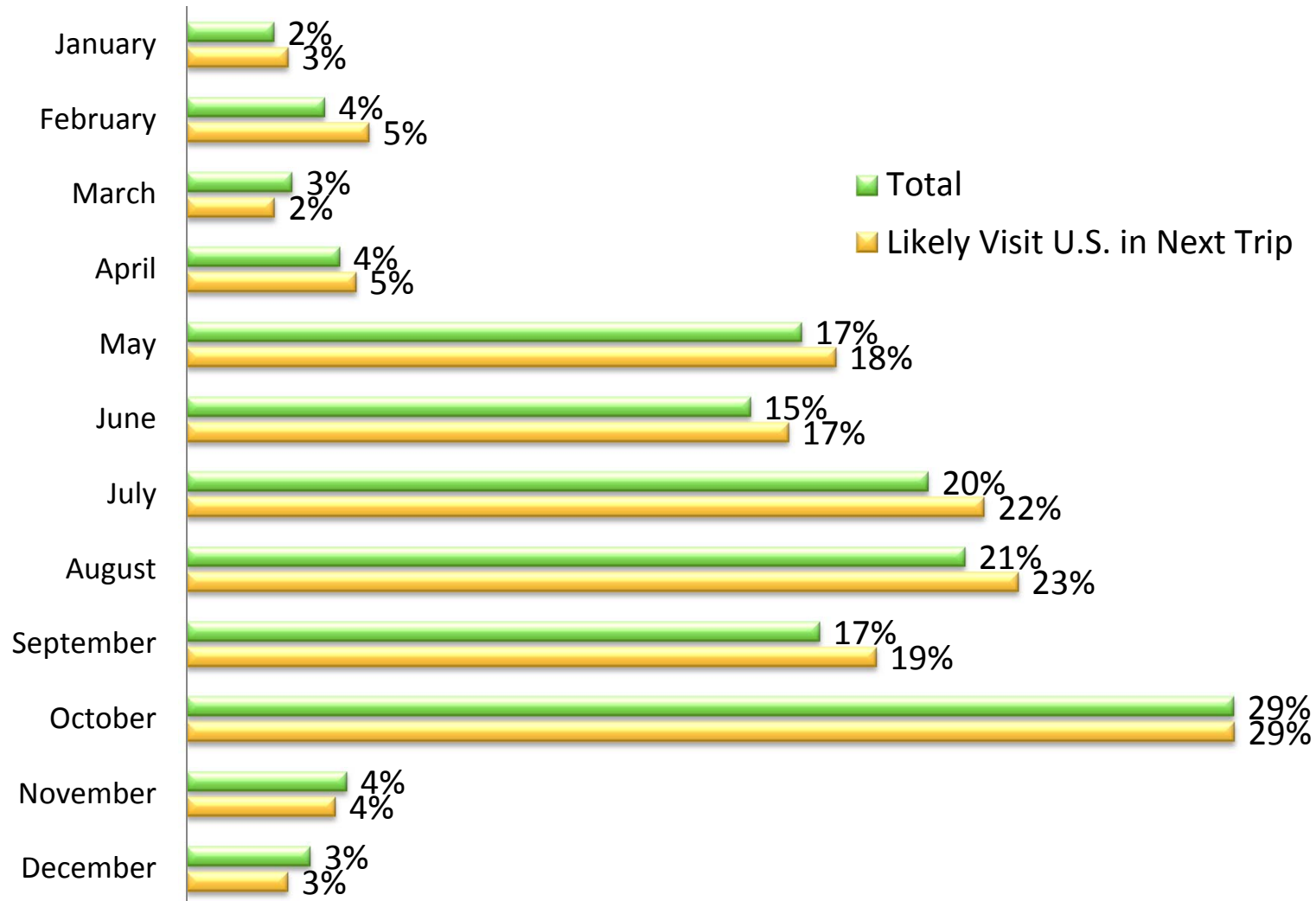
Base: China intercontinental travelers (N=1,002), China travelers who will likely visit the U.S. in their next intercontinental trip (n=539)

Source: Brand USA Custom Study



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Months Likely to Travel



Question: In what month(s) will you likely take this holiday? Select all that apply.

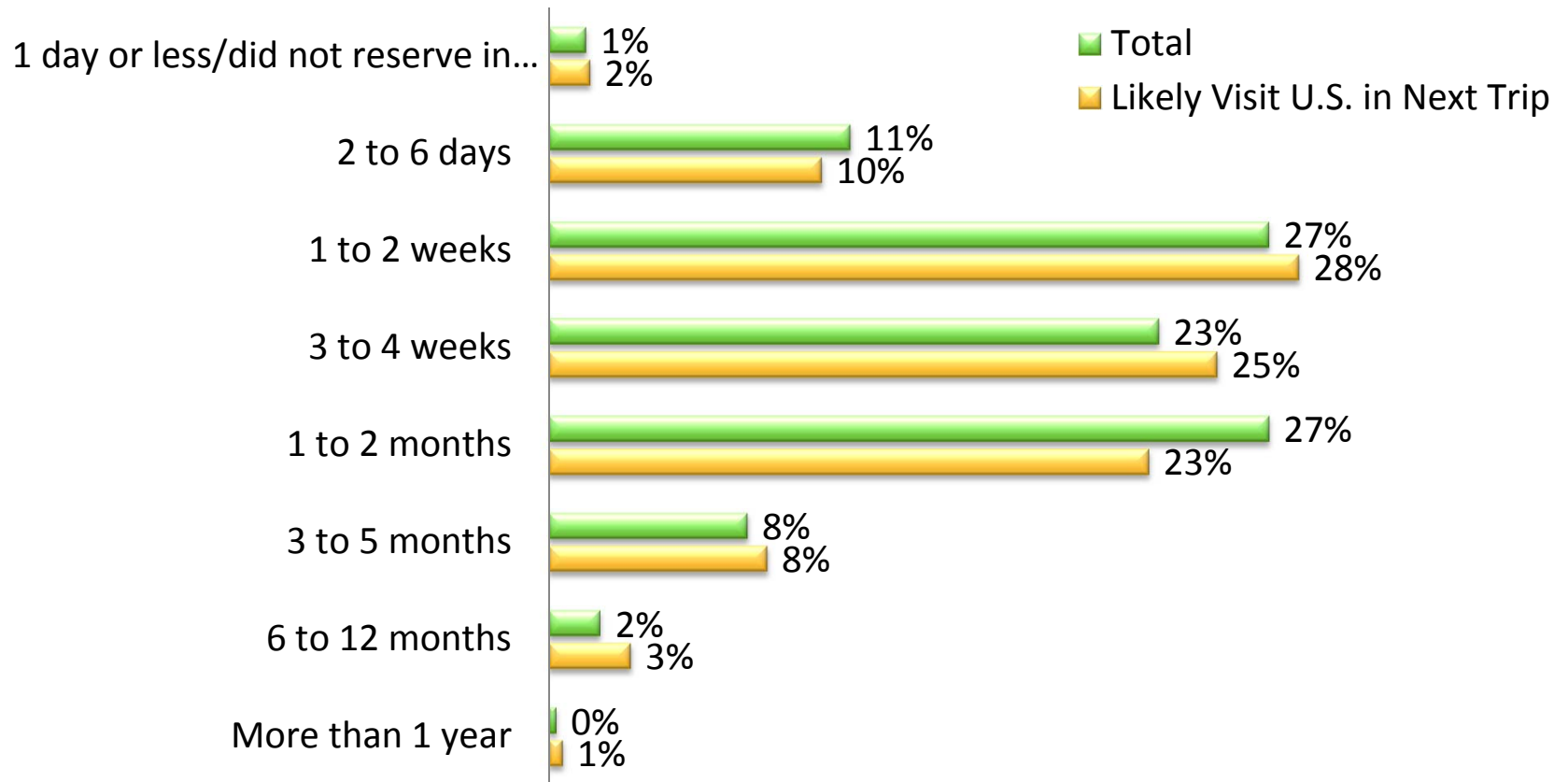
Base: China intercontinental travelers (N=1,002), China travelers who will likely visit the U.S. in their next intercontinental trip (n=539)

Source: Brand USA Custom Study



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Booking Window for Pre-packaged Holiday/ Guided Tour Packages - 2014



Question: How far in advance of your departure date did/will you book the travel products for this holiday? Select one option from the drop-down box.

Base: China intercontinental travelers who booked /will likely book pre-packaged holiday or guided tour package (N=360), China travelers who will likely visit the U.S. in their next intercontinental trip (n=194)

Source: Brand USA Custom Study



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Chinese Destination Selection Drivers

Top 3 Desired Destination Attributes

- Affordability 61%
- Quality of Food 58%
- Safety 57%

Preferred Activities for Chinese visiting the U.S.

- Shopping 85%
- Sightseeing 78%
- Experience fine dining 48%
- Natural Parks 37%
- Art Galleries/Museums 36%
- Amusement/Theme parks 34%
- Small towns 34%
- Visit Historical Sites 26%
- Guided tours 22%



Destination Selection Tools

- 1. Travel Agencies:** travel agencies remain the dominant destination selection tool with most Chinese travelers still using local bricks-and-mortar travel agents and travel agency or airline websites in making a final destination selection
- 2. Online channels:** including destination websites, travel portals, social networking channels, and blogs are soaring in importance as a destination selection channel
- 3. Word of Mouth:** "bragging rights" are extremely important in the China market -- being able to boast to friends and family about having visited a given destination and purchased given luxury goods – increasingly on-line word of mouth is becoming key via blogs and video sharing sites



China Travel Trade Landscape

- **Total Outbound travel agencies in China: over 1,500**
- **Top 10 travel agencies:**
 - ◆ CITS
 - ◆ CYTS
 - ◆ CTS
 - ◆ TTS
 - ◆ U Tour
 - ◆ Jinjiang Tours
 - ◆ Spring Intl Travel
 - ◆ GZL
 - ◆ Nanhu International Travel
 - ◆ Guangdong CTS
- **Top MICE agencies:**
 - ◆ CITS MICE
 - ◆ CTS MICE
 - ◆ CYTS MICE
- **Top OTAs:**
 - ◆ Ctrip
 - ◆ Qunar
 - ◆ Tuniu
 - ◆ E long



China Media Landscape

Newspapers

Over 200

16 National dailies with circulations of 480,000+
Regional newspapers with circulations of 260,000+

Magazines

Countless

50 Lifestyle, tourism and fashion magazines
Average circulation of 80,000+

Travel Trade Publications

13

11 Travel Trade magazine, circulations of 50,000+
2 Travel Trade newspaper, circulations of 150,000+

- **Major Newswires:** China News Service, China News Agency, etc.
- **Daily Broadsheets/Newspapers:** Global Times, China Daily, Shanghai Morning Post, Southern Metropolis Daily etc.
- **Weekly Lifestyle Publications:** Lifestyle, The Bund, The Weekend, Let's, Traveler Weekly, Grazia, etc.
- **Power Fashion Publications:** Vogue, Cosmopolitan, ELLE, GQ, Esquire, Modern Bride etc.
- **Leading Consumer Travel Publications:** Condé Nast Traveler, Voyage, National Geographic Traveler, Top Travel, etc.
- **Video Sites:** iQiyi, Phoenix, Channel Young, World Traveller etc.
- **Radio stations**



China Online and Social Media Landscape

- 1.37 billion population
- 686 million internet users as of June 2014, 5% YoY growth over December 2013
- 1.24 billion mobile users
- 800 million mobile internet users as of April 2014
- Weibo: 500+ million users with 67 million daily active users
- Wechat: 600+ million users
- 61% ask for opinions online before a purchase/ destination selection
- 53% of Chinese book their hotels online or via mobile apps
- 73% go online to give their opinion on a purchase they made – 53% of Chinese will post negative experiences versus 29% in the U.S.





China Market Recap: Alignment of Key Factors

- **Size:** massive market size of 1.3 billion
- **Potential:** only 7% of this population now traveling overseas – versus 25% for Korea
- **Growth:** number of outbound travelers to double in next 6 years to 200 million
- **U.S. Market Share:** only 3% of outbound Chinese travelers are now traveling to the U.S.
- **Disposable Income:** Chinese incomes growing at 20% per year
- **Willingness to Spend:** 19% of disposable incomes spent on travel
- **RMB appreciation:** making travel to the U.S. increasingly affordable
- **U.S. Visa Barrier:** 10-year visas now available under new policy
- **Booming Airlift:** new gateways and airlift to the U.S. rapidly developing
- **Hungry Travel Trade:** want new U.S. packages beyond the gateways
- **Hungry Media:** on-line and off-line media hungry to feature the U.S.
- **Positioning:** the U.S. is seeing the fastest growth in aspiration to visit
- **Spend:** per visitor per day already leads all overseas markets
- **Arrivals:** #1 overseas market for the U.S. within 5 years



Brand USA in China



2015 Brand USA China Pillars

- **Educate Travel Trade Nationwide**
- **Secure the development of a wide range of new U.S. tour product beyond the traditional U.S. gateways**
- **Co-op with Chinese travel trade & airline partners to secure increased investment in U.S. travel promotions**
- **Extend Brand USA marketing programs into Secondary Markets throughout China**
- **Promote new 10-year visa policy nationwide**
- **Target both Leisure & MICE markets**
- **Secure launch of new airlift/new gateways/new airline partners**
- **Rapidly boost earned media coverage/visibility nationwide**
- **Launch brand advertising campaign**
- **Leverage booming Online & Social Media channels**
- **Generate China Co-op investment opportunities for partners**
- **Offer China Market-Entry Platform for U.S. Partners**

Brand USA-Federal Cooperation in 2014

- **February :**
 - Guangzhou Seminar Series with Guangzhou Consulate
- **March:**
 - Hangzhou road shows with Shanghai DOC
 - Nanjing road show, with Shanghai DOC
 - Webinar with Embassy in Beijing
- **April :**
 - Chengdu road show, with Peter Haymond, Consul General Chengdu and visa officers
 - Xi'an road show with Mark Lewis from the Beijing Embassy



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Brand USA-Federal Cooperation in 2014

- **June**

- New U.S. Ambassador to China Max Baucus and Brand USA hosted celebration of travel to the USA at the Embassy in Beijing
- CNTA Chairman Shao Qiwei VIP guest
- 100 leading media, travel agencies and partners
- Performance by Cirque du Soleil



Brand USA-Federal Cooperation in 2014

● July

- Launch of “Discover America: Great American Food Stories” culinary guide in China in conjunction with the State Department
- Organized USA Culinary Promotions with Chicago Chef Rick Bayless in Beijing, Chengdu, and Shenyang
- Arranged media interviews and consumer promotions in Beijing including a major launch of the Cookbook at the Embassy on July 4th to 500 VIP guests



Brand USA-Federal Cooperation in 2014

- **August**

- Changsha road show -- James Dragon, Acting Consul General from the Consulate in Wuhan joined
- Xiamen road show -- James Rigassio, Commercial Consul from Guangzhou joined



- **September**

- MICE training seminar in Beijing, with the participation of Rebecca Balogh from the U.S. Embassy



Brand USA-Federal Cooperation in 2014

- **October**

- 8th China – U.S. Tourism Leadership Summit in Xiamen
- Hosted by the China National Tourism Administration, Brand USA and the U.S. Travel Association
- Attended by tourism delegation of 50 from the U.S. and 100 Tourism Directors from all China's provinces
- Isabel Hill joined the Summit as VIP guest from DOC to make keynote presentations to Chinese and U.S. delegates



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Brand USA-Federal Cooperation in 2014

● November

- Brand USA organized the USA Pavilion at CITM Shanghai with 300 U.S. delegates
- U.S. recognized as Guest Country of Honor
- Kelly Craighead joined the CITM as VIP from the U.S. government and made opening ceremony of U.S. Pavilion
- Brand USA sponsored a booth for DOC during CITM
- Harbin road show -- Sarah Kemp from the Embassy and Steve Green from the Shenyang Consulate joined for the 1st training program for the 10-year visa



Brand USA-Federal Cooperation in 2014

- **December:**
 - Visa cooperation on 12,000 pax Amway Group
 - Guangzhou Visa Policy briefing with Consular Section Guangzhou
 - Briefing for major travel agencies and tourism partners at the US Consulate Guangzhou
 - Part of efforts to build on the excitement of the new visa validity and answer questions from the industry

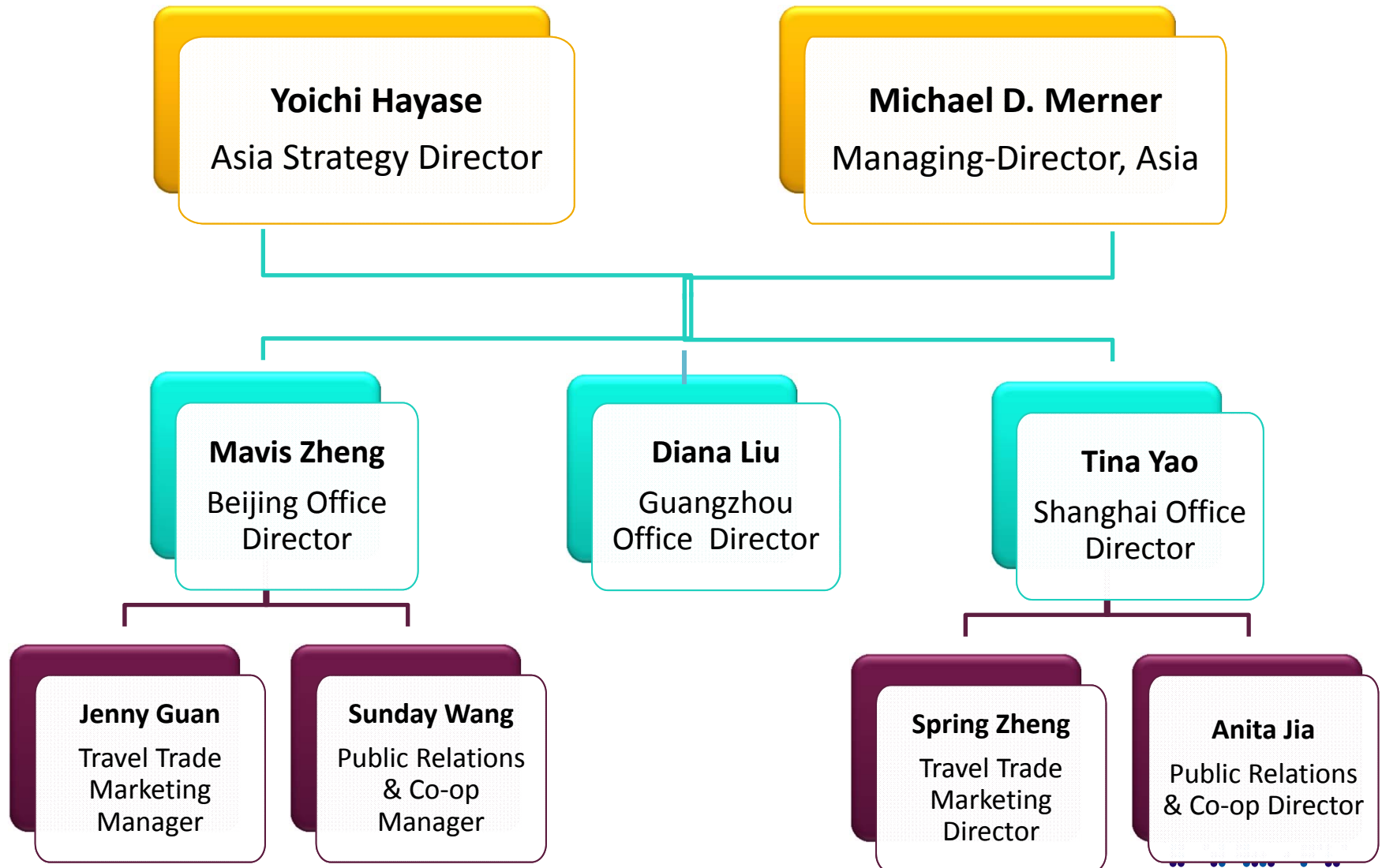


Tapping the China Market

- Send press releases, newsletters, promotions, images & videos to Brand USA China
- Translate into Chinese – at a minimum, a simple fact sheet and a map
- Host China FAM groups
- Join the Brand USA Mission or have the Brand USA China team set up a one-on-one Mission for you
- Have your website translated into Chinese by Mailman and co-hosted on www.GoUSA.cn
- Participate in Brand USA China co-op
- Join Brand USA's China Market Entry Program for a year-round coordinated program of PR, Travel trade, and digital programs



Brand USA China Team





Xie Xie!
Thank You!!!