

CHINA MARKET PROFILE

The Demographics

- In 2004, China, the most populous country in the world, had a total population of 1,298,847,624 (July 2004) – one-fifth of the world's total.
- The population density is high, with 135 people per sq km (roughly four times greater than the US) but unevenly distributed – along the densely populated coastal areas in the east the density is more than 400 people per sq km; in the central areas, over 200; and in the sparsely populated plateaus in the west, there are less than 10 people per sq km.
- Most of the population lives in the 19 eastern provinces.
- Estimated population growth between 1995 and 2025 is expected to be 1.14 per cent. This is considered high growth.
- China is a united multi-ethnic nation of 56 ethnic groups – Yunnan Province, home to more than 20 ethnic groups, has the greatest diversity of ethnic groups.
- There are 3 times more people under the age of 14 for every person over the age of 65.

The Economy

- In the last 50 years China has evolved from an agricultural (rural) society to an industrial urban-based society (urbanization rate has increased from 13% in 1953 to 41% in 2001).
- China's annual GDP growth has averaged more than 8 percent in the past 25 years, and in 2003, its GDP grew by a record-breaking 9.1 percent despite the outbreak of Severe Acute Respiratory Syndrome ("SARS").
- The Chinese economy is estimated to grow at an average rate of 7% between 2005 and 2015.
- In the past two decades average income has increased steadily – people in China today have money to buy or invest in houses and apartments, cars, computers, stock and traveling abroad.
- Affluence is rising, particularly among the expanding middle class.
- Between 1978 and 2003, the net income per rural resident increased at the average annual growth rate of 7.1 percent in real terms; and the disposable income per urban resident increased at an average annual growth rate of 6.8 percent in real terms.
- The labour force, by occupation, is comprised of agriculture 50%, industry 22%, and services 28% (2001 est.)
- The primary industries in China are iron and steel, coal, machine building, armaments, agriculture, textiles and apparel, petroleum, cement, chemical fertilizers, footwear, toys, food processing, automobiles, consumer electronics, telecommunications.
- It is said that by 2012 the People's Republic of China will have the highest GDP in the world, even higher than the United States.

Outbound Market Characteristics

- While travel from China began in 1983 with trips to Hong Kong and Macao, outbound travel generally began in 1990 when tours to Thailand, Malaysia and Singapore were authorized by the government.
- Outbound travel is still relatively new so the majority of outbound travelers are first-time travelers and still largely restricted to urban populations in areas where disposable income is rising.

- In 2004, the number of outbound Chinese visitors reached 28.85 million – China has more outbound international travelers than Japan (13.3 million in 2003).
- China's outbound market is expected to grow by 20% annually – 49 million by 2008, 60 million by 2010 and 100 million by 2015.
- According to the World Tourism Organization (WTO) China will become one of the top 3 outbound tourism markets by the year 2020 and the largest inbound tourism market.
- China issues three types of passports
 - public passports
 - people sent abroad by the government for economic, technical, education and health-aid projects;
 - people going abroad to attend international conferences;
 - media people going abroad;
 - people going abroad for performances or exhibitions;
 - athletes going abroad for competitions;
 - people in state-owned enterprises going abroad for economic and trade activities; and,
 - aircraft members;
 - private passports
 - people going abroad to settle down, to visit friends or relatives, to inherit property, to study or for employment or travel;
 - new type of private passport (tourist passport) introduced several years – valid for only one year and for one exit and entry.
 - seaman passports
- The number of outbound travelers with private passports is now larger than the number of people with public passports.
- Over the past decade the purpose of travel has changed – travelers using public (e.g., government, business-related) funds has decreased and those using their own money has increased – travel for pleasure.
- About 50% of outbound travel is now for leisure purposes due in part to the relaxation of government rules regarding “private purposes” – in the past such a trip had to be 100% financed by an overseas friend/relative/sponsor whereas now the traveler can finance the trip themselves.
- The Chinese outbound tourist market generally follows a three step sequence – first, travel to Hong Kong and Macao; second, travel to border areas (Korea, Russia, Vietnam, etc.); and, thirdly, travel to foreign countries (Thailand, Malaysia, Australia, Europe, etc.).
- Asian destinations account for over 80% of outbound Chinese trips.
- Approved Destination Status (ADS)-system was introduced in 1995.
- ADS is a bi-lateral agreement that restricts the destinations that Chinese nationals can travel to for leisure purposes, allowing group leisure tours only to ADS approved international destinations¹.
- Approximately 70% of total outbound Chinese travel is to countries with Approved Destination Status.
- ADS tours must be booked through China National Tourism Administration (CNTA) approved agents – as of September 2004 there were 528 approved outbound agents.
- The Chinese are among the highest spenders per capita on travel abroad – about US\$2,090 for a 12 night trip.

¹ An individual Chinese passport holder, provided he/she has the financial resources and a visa, has no restrictions on traveling abroad, as long as the country of destination issues individual visas for tourists.

- Chinese outbound travelers are big spenders because:
 - For many it is their first overseas trip. For those in the border areas it might be a long time before they can take another outbound trip, therefore, they are willing to spend a lot of money;
 - High propensity to shop for luxury goods – after accommodations, Chinese visitors to Canada spend 27 cents/dollar on souvenirs and shopping. They admire famous brands and articles with local characteristics. Chinese residents spend twice as much on luxury goods when vacationing as they do at home;
 - Traditional concept – “economize at home, but take enough money in route;” and,
 - Incentive travel on the rise as well as combined business/leisure travel – high spending ability.
- While Chinese travelers are big spenders whilst traveling, consumers are price conscious and competitive pricing is a feature of the market.
- Travel information is readily available in China via travel magazines, books, TV and the internet.
- Chinese consumers (and trade) require information in the Chinese language.
- Travel is concentrated during the three official holiday periods (Golden Weeks) – the Spring Festival (Chinese New Year) in January or February, the May Holiday and the National Day Holiday (October) – too much demand, too little supply.
- Recent increases in paid vacation allotments (average 10 to 15-day paid leave) should help distribute passenger volumes over the peak season and allow travelers to extend their holidays from one to two weeks or even longer.
- The Chinese have a preference for city holidays, followed by sun and beach holidays then touring trips.
- Travel with friends and/or family makes up the majority of outbound travel – over 85%.
- Because of SARS and Bird’s Flu, safe and clean (sanitary) destinations are heavily promoted.
- Europe will increase in popularity as ADS status is granted – Chinese very interested in history and culture.
- Emerging travel trends include: FIT, cruise tours, shopping tours, drive-a-car tours and study (ESL) tours.

Major Outbound Markets

- Leisure travel is the fastest growing market in terms of demand.
- The trend is from sightseeing to leisure and from multi-country visits to single or two-country visits.
- The top three markets (based on traveler volume) are: Guangdong, Beijing and Shanghai.
- The markets are not homogenous (e.g., 56 ethnic groups and 72 ethnic minority languages) and each market has very unique characteristics and different destination and/or product demands.

Beijing

- Political, economic, scientific, cultural and transportation centre.
- Annual economic growth rate (2006-2010) expected around 7% and per capita GDP should reach US\$6,000.
- Beijing Capital International Airport is the largest airport in China (with the most international flights) and the only port of exit and entry in Beijing.
- Outbound travel to foreign countries (does not include border travel) is increasing.

- Peak travel season is the three Golden Weeks – young/middle-aged market tends to travel peak season, while senior market prefers to travel off-season (cheaper prices).
- Family travel with children is important.
- Life and cultural experiences, and personal participation are important.
- Open to new destinations – trend setters.
- Recommendations of family and friends very important

Guangdong Province & The Pearl River Delta

- Located in the south adjacent to Hong Kong and Macao.
- Source of the majority of Chinese emigrants – residing in more than 100 countries.
- Highly urbanized population.
- The Pearl River Delta is the economic centre – responsible for 78% of Guangdong's economy.
- Two cities – Guangzhou and Shenzhen – responsible for nearly 50% of the provinces' outbound travelers.
- Guangzhou international airport is the major international airport in South China.
- Outbound travel from Guangdong has become a part of life for many residents and repeat outbound travel is growing (trend setters) – market becoming more mature, experienced and sophisticated.
- Important market characteristics include:
 - Enjoyment and comfort;
 - Direct flights to destinations;
 - Higher requirement on tour products – what's new, comparison shopping;
 - FIT travel is growing;
 - Tour groups of 10 people or less are growing in importance;
 - Corporate incentive travel is on the rise.
 - Generally, the more developed countries they travel to, the higher the spending and the demand for more personalized services.

Shanghai and the Yangtze River Delta

- Shanghai is the largest commercial city in China – more than 20,000 foreign enterprises.
- Per capita GDP continues to grow – white collar workers are increasing.
- Shanghai international airport is the major international airport in East China.
- Demand for travel is increasing – outbound travel rose from 27,500 in 1996 to 140,200 in 2000 (latest statistics).
- Very practical in travel planning – how much will it cost, how much can we see.
- Slower to respond to new destinations – wait and see attitude.
- Yangtze River Delta has the highest level of urbanization in the country.

Travel to Canada (Overnight Trips)

	2000	2001	2002	2003
Overnight person-trip	73,800	81,700	95,300	76,800
Canada's market share	3.3%	3.9%	4.1%	3.4%
Spending (\$M)	\$119.5	\$162.8	\$185.0	\$142.7
Spending per trip	\$1,619	\$1,993	\$1,941	\$1,858

- 2003 statistics show that 45% of overnight Chinese travelers to Canada came primarily to visit friends and relatives, 15% for pleasure, 25% for business and 15% for personal or "other" reasons.

- The top three Canadian destinations in 2003 were Ontario, British Columbia and Quebec.
- Chinese travelers are a lucrative market – the 2003 average per-trip spending was well above the Asia/Pacific average (\$1,427) and the European average (\$1,343).
- In 2003, nearly 60% of Chinese travelers to Canada were over 35 years old – however, the 25-34 age group showed growth (15% in 2000 compared to 24% in 2003).

Selling to the Chinese Market

- Best time for sales calls – March to early April and mid October to early December.
- Recommended to visit the market with an interpreter/guide as English is less common than in any other Asian market.
- Key market centres – Beijing, Shanghai and Guangzhou (Guangdong province).
- Know the unique characteristics and different destination and/or product demands of each market.

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