

CLA Intelligence
Interview Series
China Luxury Advisors

Tour Operator Interviews: Summer 2016*



**CLA regularly conducts interviews with Tour Operators, Tour Guides, Tourists, Destination Marketing Professionals and other key stakeholders in the global Chinese tourism universe. For further information on this topic, or for specific research consultation, please contact us: info@chinaluxuryadvisors.com*

Develop unique, experience driven products tailored to the interests of Chinese visitors.

-Carol Chen



Carol Chen, Marketing Director, Diadema

What trends are you seeing in travel in 2016?

Interest in Africa, as well South America destinations that offer unique experience, is growing in the high-end segment. We are also seeing steady growth for outbound tourism to Japan.

What % of travelers are you expecting to be traveling on a package trip? True FIT? Group?

Our tour packages are either fully customized for the customers or branded with a theme. Most of our customers who visit nearby island destinations would travel independently, but they would still seek our help to book the high-end hotels. They trust our expertise and experience and need that extra step of service.

How do you see activities and travel habits differ between group and individual tourists?

High-end customers (FIT) are looking for service from travel agency. They want experts who can provide one-stop service to save their time.

What trends have you seen in tourist shopping this year?

The government has introduced tighter scrutiny on goods purchased overseas. Goods that are purchased overseas and exceed a certain value are subject to duties.

What is your outlook for the rest of the year?

The growth is slowing down due to the status of the economy. Customers are adjusting their budget accordingly. Those who provide quality service will eventually win the market share.

What recommendations do you have for destinations to better attract and service Chinese tourists?

Develop unique, experience driven products tailored to the interests of Chinese visitors. These products must be "China Ready," meaning there are designed and developed specifically for the market.

Ruby Guan, President, All Americas Tour

What trends are you seeing in travel in 2016?

China is already the largest tourism source market in the world. Long-distance, especially inter-continental trips are increasingly popular. The outbound market are slowly moving upward, with mid to high-end groups expanding its marketshare. The group packages are increasingly segmented -- often with a theme such as wine, private jet, cruise, shopping, hiking, scuba diving an adventure tours.

What % of travelers are you expecting to be traveling on a package trip? True FIT? Group?

40% group travel and 60% FIT. I expect FIT to grow to 70% within five years. While group travel will continue to exist, mostly fueled by first-time travelers from second and third tier cities, a majority of millennials will explore destinations like United States on their own. This trend will only grow bigger as more millennials enter into work force.

How do you see activities and travel habits differ between group and individual tourists?

The travel activities of groups are highly influenced by tour guides. Due to the tight schedule, they don't have many choices beyond what the tour guide tried to sell to them. A majority of their shopping activities will be at the outlets. FIT travelers, especially the younger generations tend to favor credit card over cash. They are more interested in local brands or local souvenirs. They are increasingly interested in activities or experiences that emphasize their social status, including auction, awards gala, exclusive events. Outlets alone won't satisfy their shopping needs.



What trends have you seen in tourist shopping this year?

- Strong interest in local American brands
- Shopping experience beyond outlets

- Start to buy household goods (cookware, kitchen appliances, medicine) in addition to clothing

What is your outlook for the rest of the year?

Inbound to U.S. will continue to grow, boosted by 1) 2016 U.S. China Tourism Year 2) Centennial of National Park Service 3) 10-year visa policy. Interest in the U.S. has expanded from tier one cities to tier two and three cities. First-time visitors to the U.S. will continue to favor group travel limited by language barrier and unfamiliarity of the destination. FIT, especially repeat visitors are more interested in authentic America culture and experience. They are moving toward inland and will explore more regions of the country. Transportation is no longer limited to coach bus, demand for self-drive, RV, private jet and motorcycle are taking off. Theme parks alone can no longer satisfy this group. They want novel experiences and activities such as sailing, rock climbing, hunting, fly lessons, hiking, golf, etc.

What recommendations do you have for destinations to better attract and service Chinese tourists?

- Clear Chinese language signage and collateral
- Mandarin speaking service staff
- Expand promotion activities in market. Don't rely on traditional tourism promotion channels like CVB. Maybe partner with local partners (public spaces, shopping malls) to do direct consumer marketing.



Alex Li, Operations Manager, Caissa Touristic

What trends are you seeing in travel in 2016?

- We expect France, Switzerland, Belgium, Netherlands and Germany to be negatively impacted the recent terrorist attacks, since they are often marketed on the same itinerary. We saw 15%-30% decline in the first quarter in these markets. As the memory of recent attacks fade down, we expect these markets to eventually bounce back. Bright spots for Europe are Spain, U.K. and the Scandinavian countries, largely attributing to their increasing marketing efforts in China, expanding direct flights and relatively large distance from France and Belgium.
- Japan will continue to grow exponentially this year.
- Island destinations in the Asia-Pacific

region such as Hawaii and Tahiti have drawn strong interest in the past few years and will continue to grow. Price and distance are major favorable factors.

What % of travelers are you expecting to be traveling on a package trip? True FIT? Group?

The percentage of group travel and FIT are about 40% group and 60% FIT. The FIT market is only going to grow. However, a majority of Chinese FIT falls into the semi-FIT category. Families, friends, colleagues, club members often travel together in a fully-customized small group format. They have 100% control of their hotel, transportation and itinerary.

- Multi-generation family groups will lead the growth.
- Destination wedding, dating trips and other themed travel packages will become more popular.



How do you see activities and travel habits differ between group and individual tourists?

Customers in groups tend to prefer traditional luxury brands while FIT prefer local brands. Most spending by groups were made at add-on tour activities or shopping locations favored by tour guides. 80% repeat travelers will prefer to do shopping on their own.

What trends have you seen in tourist shopping this year?

- Prefer big department stores that are favored by local residents

- Conspicuous spending is down
- Spending is shifting from luxury watches and handbags to cosmetics, health supplements and clothing.

What is your outlook for the rest of the year?

- The Europe market is expected to recover from the terrorist attacks.
- People from third and fourth tier cities will join the big group of outbound tourists
- South America will gain momentum boosted by the Olympics in Rio
- In-depth tours in one destination will become more popular.
- Overall speaking, steady growth for Europe and North America, faster growth for Africa and South America.

What recommendations do you have for destinations to better attract and service Chinese tourists?

- Simplify visa requirement and increase mandarin speaking service staff.
- Most of outbound travelers from first and second tier cities are seasoned travelers. They are increasingly tired of packed itineraries that simply checks the box. Instead, they want products that are experience driven and service oriented. Their needs become more delicate and their demand for quality service will also increase.
- Travel destinations should design products that are both authentic to local culture and tailored to fit the taste of Chinese travelers. Chinese travelers prefer those activities that will enrich their life experience or foster learning.
- Culinary experience has become one of the strongest motivation for Chinese to travel. They consider dining an inherent part of the travel experience. It is also the best bridge to connect Chinese travelers with the local culture. Chinese travelers tend to be most adventurous when it comes to food.