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# Market Intelligence

— Report for China





## About China

- China is the largest country in East Asia and the world's most populous. Covering approximately 9,600,000 square kilometers (3,700,000 sq. miles), it is the third or fourth largest country by total area. The state exercises jurisdiction over 22 provinces, five autonomous regions, four direct-controlled municipalities (Beijing, Tianjin, Shanghai, and Chongqing), and the Special Administrative Regions of Hong Kong, Macau and Taiwan.
- With a population of 1.435 billion and a booming upper middle-class, it is Asia's largest economy and the world's second largest. Since 2019, China has the highest number of rich people in the world. China has been characterized as a potential superpower, mainly because of its massive population and rapidly-growing economy.

## China Key Economic Indicators

- **Economy Size:** Second largest economy in the world in absolute size; largest economy in the world on a Purchasing Power Parity (PPP) basis; 20% larger than the U.S.
- **Key Gateways:** Beijing (political capital), Shanghai (economic capital), Guangzhou (industrial capital), Shenzhen (hi-tech capital), Hangzhou (e-commerce capital), and Chengdu (fast-growing new market in Southwest China)
- **Economic Growth:** 6.1% GDP growth in 2019. China has the world's fastest-growing major economy, with growth rates averaging 6% over 30 years.
- **GDP per capita:** EURO 9,475 in 2019
- **Disposable Incomes:** Disposable incomes in China grew 5.8% in 2019; upper-, middle-, & high-income classes are set to make up 30% of the population by 2030
- **Population:** 18.6% of the world's population and 3-times the population of the entire EU.
- **Social Strata:** China's new middle-class households as those with annual income of over 200,000 yuan (approx. EURO 26,061), whose members have received higher educations and are in professional or administrative roles. There were 33.2 million middle-class households in China in 2018, half of which were located in Beijing, Shanghai and Guangzhou. Travel, sports and healthy living are favourite middle-class pastimes.

## Historical Exchange Rates

Year	Euro (EUR) to Chinese Yuan Renminbi (CNY) Average Annual Exchange Rate
2019	7.74
2018	7.81
2017	7.63
2016	7.35
2015	6.97
2014	8.19



## Tourism Snapshot

Chinese tourists made 155 million outbound trips in 2019, up 3.3% year on year, China Tourism Research Academy reported.

- 82% of Chinese traveled to Asian countries. Thailand and Japan were the top 2 most popular Asian destinations.
- 4% of Chinese travelers went to North America.

The 2019 China Outbound Tourism Report released in August 2019 showed:

- 149 million Chinese traveled outbound in 2018, up 14.7% on 2017.
- Chinese spending levels remained No. 1 but the increase showed signs of slowing.
- Group travel decreased, and FIT increased.
- The traditional travel style of Sightseeing & Shopping is being replaced by local experience-focused visits. The younger Millennials' generation, those born after 1995, are focused on getting authentic local exposure, seeing culture and art, and having uniquely personal experiences.
- Unique, remote, and niche destinations are gaining in popularity, such as Mexico, Argentina, Peru, Antarctica and Iceland

## Tourism Trends to Europe

- Three million Chinese visited Europe in the first half of 2019, an increase of 7.4%. The most popular European destinations were Russia, Italy, France, UK, Germany and Spain, in that order.
- Chinese tourism to Europe continued steadily in 2019, with Southeastern Europe in particular standing out as a new hotspot, and surging Chinese arrivals to countries like Montenegro, Serbia, Croatia, and Slovenia. These destinations are benefiting from relaxed visa policies and warm government relations with China, as well as being a new and exciting part of the world to explore for China's increasingly experienced travelers.
- Seven East European countries experienced triple to quintuple increases thanks to China's Belt and Road policy, easy visa accessibility, and the strong yuan against the euro and pound.
- Europe may already be benefitting from the backlash of negative Chinese sentiment towards the U.S. The continent experienced a 16.9% increase in bookings across the first four months of 2019 and the hotel sector is also profiting, with figures from May showing a 40% year-on-year increase in reservations.
- Although traditional Western European destinations remain highly appealing — UK destinations were researched 133% more times by Chinese compared to 2018 — the highest growth is happening in southern Europe where Chinese are looking for new and exciting destinations.
- Year-on-year increases of Chinese tourists are as follows: Montenegro 44%, Serbia 39%, Croatia 53%, and Cyprus 125%. Although such growth is from a relatively low base, it is being boosted by the increasing ease of accessing these locations coupled with smart visa schemes.



- Key Takeaway: “Visa waivers from Serbia and Montenegro have had a big impact and there is also a trend of Chinese travelers looking for a new destination.”
- Top 5 source markets for Europe (in order): Shanghai, Beijing, Chengdu, Chongqing and Guangzhou.
- Average spending in Europe: CNY 11,920, up slightly on 2018. Upmarket European tour products are popular.
- The number of customized small size groups to Europe increased 315%.
- MICE groups to Europe increased 400%, the most popular destinations being (in order) France, Switzerland, Russia, Italy and Germany.

## Tourism Industry in China

China tourism has industrialized speedily in the past few decades, since the open policy had been applied in 1978. The development of a newly rich middle class and since there has been an ease on the restrictions by the Chinese authorities are both helping in increasing the travel industry in China. China has become one of the world’s most visited and latest outbound tourist markets. There are 1349 intercontinental travel agencies which exist in China, and 248 of them are in Beijing, Shanghai, Tianjin and Chongqing-the four municipalities.

China’s travel market is different to many other markets, as there is no clear distinction between tour operators and travel agencies. Many operators thus also act as travel agents. In order to sell international tour packages, operators need a specific license which is obtained from the government. Travel agencies are still a preferred booking source, despite the significantly growing online channels. The following list shows the leading EU outbound travel agents/operators in China, sorted by their geographical location.

LEADING TRAVEL AGENTS		
North China	East China	South China
Caissa Travel	Jin Jiang International	Successway
Beijing U-Tour International Travel Service	CITS Shanghai	ETI Holidays
CYTS MICE	Ctrip.com	GZL International Travel Service
China Bamboo Garden International Travel Service	CTSHK Shanghai	Nanhu International Travel Service
Phoenix Travel Worldwide	U-Family Shanghai	CITS Guangdong
Huayuan International Travel Co.	Caissa Travel	Guangdong CTS

These travel agencies/operators have the largest market share in sending outbound travellers to Europe and are hence a logical suggestion for matchmaking. Additionally, other online agencies such as Springtour.com or Tuniu.com are growing rapidly and will be included in a detailed market report once the project is assigned.

## Travel Market Behaviour

- Chinese outbound travel continues to grow in traveler numbers and trip frequencies
- Leisure travel drives Chinese outbound travel demand. Sightseeing and shopping are key purposes of leisure trips. Highly seasonal peak periods are May, October and Chinese New Year holidays.
- Chinese outbound travelers are venturing further for long-haul destinations.



- Young professionals with high income make up the major consumer segment driving outbound travel demand in China.
- The majority (80%) of travelers are searching for information about destinations prior to booking and departure. The major information channels are mobile phones and online.
- Tour operators continue to be the dominant booking channel, but the popularity of online travel agents is growing quickly, especially for long-haul trips.
- Average spending per visit shows double-digit increases, with 35% of budget spent on shopping.
- Sharing of travel experience through online platforms is increasingly popular, especially among younger generations.
- Chinese consumers are moving towards an experience-based choice model from a price-based model.
- New generation Chinese tourists are demanding higher quality services and moving from traditional tour groups to individual experiences.
- There is a rapid increase in FIT and repeat travelers to Europe.
- Growth is continuing in themed tours and in-depth tours focusing on one or two European countries and offering more authentic, richer experiences.
- The Fly & Drive market is booming among FITs
- Travel from China's secondary markets is growing faster than from traditional Tier 1 cities.

## Chinese Consumer & Traveler Profile

- The number of middle class households in mainland China was 33.2 million at August 2018, more than half of which were in Beijing (17.54%), Shanghai (17.35%), and Guangdong (15.19%), according to a Hurun Report. Ranked by region, East China retains the highest density, with more than 14.84 million middle-class households, accounting for over 40% of the total. Over 10 million of the 33.2 million households made up the new middle class.
- The annual household income of China's middle class is at least 300,000 yuan (US\$43.5k) in Tier 1 cities or 200,000 yuan (US\$29k) in other cities.
- The average age of the new middle class is 35. They have a bachelor's degree or higher education level, own at least their own home and are paid a competitive salary.
- Traveling (53%) and working out (40%) are the two most popular entertainment activities of China's new middle class.
- Group travel is still more common than FIT , but we can see an increasing number of individual Chinese visitors are willing to visit lesser-known destinations, because they want to be different from other travelers and travel to places off the beaten track.
- On average, the new middle class took 5 private person-trips in the past two years. The post-'90s generation traveled the most, with 17% of them traveling more than 9 times. In terms of themes, 69% of them chose leisure travel and 37% traveled together with parents or children.



### **Being me:**

In seeking to express their individuality, consumers are absorbing alternative lifestyle influences and experiences from a globally-connected community.

### **Pressure Play**

Higher levels of social stress are driving China's youngest generations to demand more informal and playful interactions in both the virtual and physical world.

### **All We Need Is Mobile**

Mobile devices are blurring the lines of formality and consumers are embracing this change for the convenience it brings.

## **Target market segments for China**

### **Chinese FIT/independent travelers**

- *18 to 35 years old:* The younger target market Chinese generation has grown up with the smart phone and social media, want to be themselves, be free, and are more adventurous in expressing their own individuality. They embrace the image of an alternative lifestyle and unique experiences. They enjoy art, design, fashion, architecture, nightlife and outdoor activities, all of which are available in abundance in Europe.
- *36 to 49 years old:* This group typically consists of family vacationers with one child or 2 and often are multi-generation travelers. They prefer to indulge in luxury hotels and cruises, gastronomy, history and culture. They like to take road trips in Europe and enjoy private quality time with family activities.
- *50 years old and above:* Making up a large and growing sector in the China outbound market, travelers aged above 50 generally have free time, comfortable resources and disposable income and patience to travel to overseas destinations during shoulder seasons. They are also interested to visit lesser known ETC member destinations and the significant landmark boxes.
- Lovers of Fashion, Design, Art, Architecture
- Lovers of European culture and history
- Sports and outdoors fans
- Adventure-seeking, off-the-beaten-path travelers
- Millennials
- Well-educated and well-traveled Chinese without language barriers
- Repeat visitors
- Road trips / Fly & Drive



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- Customized smaller groups (less than 6 in each group)
- Photography club fans
- Food & Wine fans
- RV & camping fans
- Urban escapers
- Getaway couples & Friends' escape trips
- Families
- Students & Education (Schools & Universities)
- Themed tours

## Chinese Festivals and Holidays

Eleven days are celebrated as public holidays in the People's Republic of China and employees don't have to work on these days. These holidays are:

- New Year's Day (1 January);
- The Spring Festival (Chinese New Year celebrated during the first lunar month);
- Tomb-Sweeping Day (4 or 5 of April)
- Labor Day (1 May);
- The Dragon Boat Festival (the fifth day of the fifth lunar month, usually in May-June);
- The Mid-Autumn Festival (15th day of the 8th lunar month (usually in September);
- National Day (1–3 October).

The Chinese government decides on the schedule for the next year's public holidays in December of the preceding year. If possible, public holidays are usually scheduled before or after weekends to create long weekends.

### 1. New Year's Day

New Year's Day is one of the public holidays in China and people usually have **3 days off**. Although it's not a traditional festival in China, most malls are decorated during this holiday and the shops launch sales promotions.



## 2. The Spring Festival (Chinese New Year)

The Spring Festival is China's **most important festival and holiday**. People enjoy a week's holiday for family reunions, and many travels and activities are pursued during that time.

## 3. The Qingming Festival

In China, the Qingming Festival is also called Tomb-Sweeping Day. It's a time for worshipping ancestors and starting to enjoy the greenery of spring.

## 4. Labor Day

Chinese people have a 5-day holiday. This is another peak time for travel during the year.

## 5. The Dragon Boat Festival

The Dragon Boat Festival, also known as the Duanwu Festival, is a traditional cultural festival in China. Chinese people enjoy 3 days off during the Dragon Boat Festival.

## 6. The Mid-Autumn Festival

The Mid-Autumn Festival is the second most important festival in China. It's also known as the Moon Festival or the Mooncake Festival. Generally, Chinese people have a 3-day holiday for the Mid-Autumn Festival. Sometimes, when the date is close to the weekend, people can have more days off. In 2020, the Mid-Autumn Festival is falling on October 1st, which is also the National Day in China.

## 7. National Day (Golden Week)

Chinese people have a week off in early October each year for the National Day. This is also a peak period for tourism since many people use this holiday to travel with their families.

### \*Summer School Holidays (early July to late August)

The summer holidays for most Chinese students run from early July to late August. Many families plan a long journey for a relaxing family tour during the summer holidays.

### \*Winter School Holidays (about 15 days before and after Chinese New Year)

Compared to the summer holidays, the winter holidays are in the off-season and people don't travel as much. People are focused on Chinese New Year and family time.