

## **2021 New Tourism Trends in China**

**China is experiencing a rural tourism boom during pandemic:** China is in the middle of a boom in rural tourism as city dwellers escape the country's rapidly expanding urban centers to head out to small communities, farms and orchards for a taste of simple life. The Ministry of Culture and Tourism estimated there will be more than four billion trips made across China in 2021, a market worth just over US\$500 billion. Chinese-owned OTA Trip.com said by March 2021 rural tourism trips in China had increased year-on-year by more than 300%.

**MOBILE INTERNET AND E-COMMERCE PENETRATION** - By the end of 2020, China had 989 million internet users, with nearly one third of them in rural areas. 80% of China's citizens shopped online last year, making the country the world's largest e-commerce market. 40% of the country's internet users ordered takeaway food, 30% of users learned online and worked remotely, and 20% of users received medical consultations online. China, the world's largest online retail market for an eighth consecutive year, saw the annual online retail sales total about \$1.82 trillion in 2020, which equals to an increase of 10.9% year-on-year.

**DOMESTIC DUTY-FREE SALES** - Duty-free sales in China's island province of Hainan reached about \$585.5 million in January; an increase of 143.6% year-on-year. Hainan's offshore duty-free shops received some 509,000 customers and sold 5.11 million products during the period, which equals to an increase of 29% and 146.6% year-on-year respectively.

**LUXURY DEMAND** - China has become the only country in the global luxury market to experience growth in 2020. Luxury consumption in the Chinese mainland is expected to buck the trend and report a 48% yearly sales increase in 2020. China is projected to become the world's largest luxury market by 2025.

**Number of full-time travel bloggers in China exceeds 100,000 in 2021:** Thanks to the boom in "we media" platforms, there are currently more than 100,000 full-time travel bloggers in China, a dramatic increase from less than 1,000 in 2016, according to state news media People's Daily. The number of travel bloggers in November 2020 on Douyin, the Chinese version of TikTok, grew six-fold from January in the same year, while the number of followers per live-streaming session also increased by 528%, according to a white paper released by peopletrip.cn, a People's Daily tourism news website.

**Live-streaming service users hit 617 million in 2020:** The number of online live-streaming service users in China reached 617 million in 2020, according to a report on

development of the industry. Live streaming was already booming before the Covid-19 epidemic, and the market was estimated to be worth over 193 billion yuan (about US\$30 billion) in 2020, according to the report.

Livestreaming started in 2019, but saw a big boom in 2020. In 2021 consumers, including outbound travelers will continue to explore emerging platforms such as Kuaishou and Bilibili. For KOC (Key Opinion Customer) marketing live streaming will be an effective way of reaching new audiences.

The number of Fliggy livestreaming viewers has increased tremendously, with very strong engagement for museums like the British Museum of Natural History and Musée d'Orsay.

**DOMESTIC DESTINATIONS AS COMPETITORS** – The forced focus on China as the only possible destination in 2020 made many Chinese realize that there are still many new and unexplored places to discover, also within China. Combined with government support for “patriotic” tourism, places like Hainan are seen as an alternative destination with enough bragging power. Even though the pricing, quality of attractions and level of service are still below the level of other tropical islands such as Phuket or Bali. Visiting a countryside destination in Sichuan or a smaller city close to a Tier 1 city does not automatically signal anymore that you are too poor to travel abroad, but might show your sophistication to your peers in some social groups.

**China to see increased domestic tourism in 2021:** A total of 4.1 billion domestic tourist trips will be made in China in 2021, up 42% from 2020, according to a report from China Tourism Academy. China will gain 3.3 trillion yuan (about US\$511 billion) in revenue from domestic tourism in 2021, an increase of 48% year-on-year, said the report. Amid the impact of the Covid-19 pandemic, China saw approximately 2.88 billion domestic tourist trips in 2020, a 52.1% year-on-year slump, according to the Ministry of Culture and Tourism. However, people's passion for travel returned quarter by quarter. During the Chinese Spring Festival holiday which began on Feb. 11 and continued until Feb. 17, the tourism industry recorded positive figures. The number of tourists traveling to and from major tourist destinations like Guangdong, Henan, Jiangsu, Shanghai, Chongqing and Beijing exceeded or almost reached levels of the 2019 Spring Festival.

**SNOW TRAVEL** – With the Winter Olympics in Beijing 2022 coming closer, skiing and other winter sports will become more popular in China. Local infrastructure has improved, so more Chinese will be able to learn the basics before venturing out to international winter sports destinations, no longer afraid to embarrass themselves in front of foreign eyes.

Chinese tourists are expected to make 230 million trips featuring ice and snow during the current winter season, generating more than \$60 billion in revenue for the

industry. Local regional visitors are expected to account for 60% of visitors, with 49.4% of tourists preferring 4-6-day packages.

**KEY STRATEGIC TAKEAWAY** – The growing interest in snow themed winter sports travel is expected to expand to international markets in 2021. Traditionally, snow travel has been a niche market in China, but the pandemic has generated a major shift among Chinese consumers with significant new interest in winter sports. With the arrival of the Beijing Winter Olympics next year, there is a significant opportunity for international snow destinations to leverage this trend and target the Chinese market during recovery.

**NEW DESTINATIONS** – Chinese travelers, locked into their own country, had enough time to dream about new and less-visited destinations. Smaller countries and less visited areas within popular countries will have a bigger chance than ever before to attract Chinese travelers. On the condition that they offer them good reasons to visit with bespoke services.

**TRAVEL RETAIL** – For retailers, greater online presence including hotel delivery services or click-and-collect arrangements with the help of Apps will become essential. Chinese also start to care more about environmental and ethical issues: is the brand or retail chain doing enough to place planet before profit?

**RENTAL CAR INDUSTRY** - according to Ctrip, Chinese demand for car rentals increased by 40% year-on-year in 2020, with budget car and SUV rentals becoming the most common rented categories.

**FAMILY TRAVEL** - Ctrip users had a higher education level and income than the industry average. Research and data platform Fastdata has released a report on the development of China's online travel industry in 2020 and trends for 2021.

- Domestic travel volume in China slumped 52.1% year-on-year in 2020, with only 2.88 billion domestic tourist trips and 61.1% less revenue at RMB 2.2 trillion (USD 340.5 billion). Online travel transaction volume dropped more than 50%. However, China's travel industry began to rebound steadily since May. In December, the number of air passengers was back to 74.5% of the same period in 2019; railway passengers were back to 78.9%.
- With restrictions on international travel to control the spread of the coronavirus, travelers turned to domestic travel, customized trips and in-depth experience activities. Consumers with higher spending power preferred small and curated group tours. Family trips were expected to continue to grow robustly this year as people are more willing to spend time with family members.
- Consumers from first-tier and emerging cities remained a driving force on online travel platforms, accounting for nearly half (45.4%) of the platforms' total bookings. Gen Y consumers (people born in 1980-1995) were leading the

consumption trend, and Post-95 consumers accounted for nearly 25% of the online travel demand, according to the report.

- The Chinese online travel industry was dominated by Trip.com Group's domestic brand Ctrip, which claimed 40.7% market share, followed by Meituan (18.9%), Qunar (17.5%) and Tongcheng-Elong (10%). Ctrip and Qunar were most favored by Gen Z users who spent more than RMB 10,000 (USD 1,542) per capita per year.
- Ctrip users tend to have higher education level (58.9% of the active users in December have an undergraduate degree or above) and higher income than the industry average, while Meituan was more popular among users at lower income and education level (72.7% of these users don't have an undergraduate degree). Qunar was the top choice for college students, while females aged between 30 and 40 years old formed the largest user group for Fliggy.
- Short-haul trips will continue to be a primary choice for most users in 2021. The data showed that 51.2% of users would opt for destinations within three hours' travel and 16.7% are willing to travel farther. The report projects that the number of small and private group tours is likely to double in the first half of this year compared with H1 2020.
- Immersive adventure tours, theme tours and family trips are gaining popularity. 27.7% of users are projected to take family trips in the first half of 2021, up by nearly 30% compared to last year. A majority of users tend to drive to destinations by themselves.

About 45% of the family travelers opted for four- or five-star hotels. China's leading OTA Trip.com has released a report showing the consumption preferences of Chinese travelers for family trips in 2020.

- Due to the impact of Covid-19, the number of trips taken by Chinese families in 2020 reduced to an average of 2.4 trips, compared to 2.7 trips in 2019. However, the overall quality of such tours had improved significantly, according to the report. It showed that the proportion of Post-90s parents (people born in the 1990s) was increasing to 32%, second only to the Post-80s parents who accounted for 41% of the total. School-aged children aged 7-12 made up 60% of the younger-generation travelers.
- Cities with rich natural and cultural resources as well as major theme parks attracted more families. The top 10 popular destinations were Shanghai, Chengdu, Chongqing, Beijing, Guangzhou, Sanya, Hangzhou, Haikou, Nanjing and Shenzhen. Family groups were showing increasing interest in boutique and theme hotels. Chimelong Panda Hotel Guangzhou, Crowne Plaza Sanya Haitang Bay Resort, Atlantis Sanya, Shanghai Disneyland Hotel and Chimelong Penguin Hotel Zhuhai were the top 5 hotels for these travelers.
- With outbound travel suspended due to the impact of Covid-19, many families turned to domestic trips, and showed greater demand for quality travel products. 45% of the family tours opted for four- or five-star hotels.

- In 2020, family holidays were shortened to an average of six days from 12 days in previous years. More people chose to travel on weekends and set out on Fridays. The National Day, summer vacation, Spring Festival, Labor's Day and Dragon Boat Festival holidays were the top 5 travel peak periods for family travel last year. A majority of families (45%) spent three to five days for their holidays. About 40% of family groups took self-driving trips, and short-haul destinations were the most popular choices.

According to Ctrip, the frequency of average family trips fell to 2.4 times in 2020 from 2.7 times in 2019 due to the pause of international travel, with road trips becoming the most popular form of family travel. About 40% of Chinese families chose road trips for their family vacation, with 28% of families choosing rail trips, while 32% flew, reflecting the shift in 2020 to local regional holidays.

The share of post -80s parents who booked family trips via Ctrip reached 41%, followed by post-90s (32%) and post-70s (20%). Most family trips last three to five days, accounting for 45% of the total, followed by six to eight days (31%) and over eight days (4%).

In terms of themes, theme parks accounted for 27% of family trips, followed by natural scenery (22%), architecture (19%), city tours (12%), museums (11%) and historical sites (9%).

**KEY STRATEGIC TAKEAWAY - The shift to family travel in the domestic market is expected to expand to international travel once borders re-open. With a rising percentage of family groups, mini-groups for those within the same bubble, and FIT travel representing an ever greater share of Chinese travel than before the pandemic. As a result, destinations need to make sure that new FIT and mini-group products are presented to travel trade partners in China to catch the first wave of bookings once borders re-open. Developing new FIT and mini group products while maintaining traditional group travel will become the key strategic takeaway for 2021. Road trips, family travel, outdoor, nature and culinary will be the most popular themes.**

**SMALL PRIVATE GROUPS BOOMING - China's leading OTA Trip.com confirms that private and tailor-made groups have been the fastest-growing segment in 2020 with the number of private group tour offerings on Trip.com ballooning 400% in 2020 to over 60,000 different tour offerings and with 60% of group tours booked on Trip.com in 2020 being small private groups.**

**DOMESTIC TRAVELER DEMOGRAPHIC** - Chinese travelers born in their 80s and 90s continue to dominate China's travel market, representing 47% of domestic small private group bookings.

**SAFE GROUP TOUR INITIATIVE** - Trip.com launched the Safe Group Tour Initiative in mid-July in partnership with 4,000 travel agencies nationwide. Each of which put forward an average of 25 "Safe Group Tour" itineraries, generating over 100,000 new "Safe Group Tour" Itineraries. The number of Chinese booking these "Safe Group Tour" itineraries has exceeded over 500,000 in just one month.

**GEOGRAPHICAL FOCUS** - as it was during the pre-pandemic era, the majority of domestic travel bookings in 2020 came from the four key regions of:

**East & Central China:** Shanghai, Jiangsu, Zhejiang, Hubei (Wuhan)

**North China:** Beijing

**South China:** Guangdong (Guangzhou)

**West China:** Sichuan (Chengdu), Chongqing, Kunming

All four regions of China have proven to be key drivers of domestic travel in 2020, with South and West China markets rising to equal prominence as the traditional dominant markets of Shanghai and Beijing.

**KEY STRATEGIC TAKEAWAY – A re-launch strategy which targets all four regions of China rather than limiting to the historic markets of Beijing and Shanghai is recommended. The relative dominance of Beijing and Shanghai has weakened during the pandemic as travel spend booms in all four quadrants of the nation.**

### **Chinese consumers optimistic on post-COVID travel**

Beaches, scenic tourist cities and natural and cultural world heritage sites are the top three post-pandemic destinations for Chinese consumers according to a Griffith University-led study. Chinese consumers want destinations offering comfort and escape. Chinese consumers will combine their recreational desires with health and safety concerns, ranking destinations like beaches, which also have more space for social distancing, higher than crowded destinations like theme parks.

The study shows “there is a sizable and stable segment of mainland Chinese tourists and they are the main source market for a post-pandemic rebound in domestic and outbound travel, so it is important to understand their motivations and concerns.”

“Identifying this consumer segment is vital because China’s tourism consumption patterns have evolved differently from Western nations.”

## **Mobile payment trends in China outbound tourism**

### **European merchants accelerated adoption of Chinese mobile payment.**

92% of Chinese tourists traveling to Europe said they are more likely to pay with mobile phones if more local merchants supported Chinese mobile payment solutions and 89% said that they are more likely to shop and spend locally.

In the U.K. and France, the percentage of Chinese tourists who used mobile payments increased to 65% in 2019, with per capita mobile spending increased by about 10%.

### **Mobile payments facilitate digital operations of merchants**

88% of merchants in the Nielsen survey who have used additional services on Chinese payment platforms recognized that these solutions helped market their stores, and 63% believed that mobile payment and related services improved the efficiency of store management.

Nearly 70% of the U.K. merchants surveyed have begun utilizing services beyond payment on Alipay. 82% witnessed an increase in sales and customer traffic after connecting to the Chinese mobile payment platforms.

The integration of online and offline retail with a more digitized operation has further enhanced the consumer experience for Chinese tourists when traveling overseas and has resulted in a new experience for overseas merchants in their digital transformation.

### **Beyond the gateways**

Increasing travel experience, higher disposable income levels and greater sophistication are factors contributing to a new generation of more demanding Chinese travelers. They are no longer satisfied with cookie-cutter itineraries and going beyond the gateways. Been there done that, no more: much like in the West, social pressure pushes sophisticated Chinese to “up” their peers and what were classic itineraries/destinations are no longer enough.

Attractive to the Trade: high-end Chinese travelers are less price sensitive – the higher margins of tailor-made travel beyond gateways the more appealing they are to the Chinese travel trade who are only too happy to develop appropriate itineraries.

Opportunities for lesser-known destinations: the tailor-made itinerary trend provides major opportunities for lesser-known destinations or smaller attractions to capture their share of the lucrative Chinese outbound travel market.

### **Digitalization in China**

Market landscape: BATS (Baidu, Alibaba, Tencent and Sina) and Tik Tok, the core of the China's social and digital landscape. Major digital market players: WeChat continues to dominate with its role and influence evolving rapidly; Weibo is still relevant, since it takes the pulse of what's viral. Main market: E-commerce categories reflect the complexity of China's retail market; Video continues to rise as it fragments Research popular site: "Ask Me Anything" (AMA) sites reinvigorated as platform for deep engagement. Popularity marketing: KOLs/influencers have become one of the mainstream ways for companies to attract the younger generations and generate great profits from their popularity

### **Politics on Tourism in China**

The destinations related "one belt and road" were booming in recent years. The Chinese visitors towards East European countries such as Portland, Czech, Hungary, Serbia, Slovakia increased more than over 200% after the Belt and Road agreement signed.

On the contrary, South Korea suffered a huge plunge in Chinese visitors that no organized group tour to South Korea allowed since March, 2017, according to the Korea Tourism Organization, because of the tension between China and Korea.