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Research on the Chinese Outbound Travel Market Report

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Research on the Chinese Outbound Travel Market Report

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Executive Summary

Background

Over the last decade, the Chinese government has been gradually liberalizing outbound travel regulations, and departures have responded by growing at an average rate of 21 per cent per year. According to the World Tourism Organization, China will be the fourth largest tourism generating market in the world by 2020. Because China represents an attractive potential market for Canada, the Canadian Tourism Commission (CTC) has initiated discussions with Chinese officials to obtain approved destination status (ADS), which is essential for further market development. Moreover, as a sign of its strong commitment to this market, the CTC recently opened a local office in Beijing.

In order to improve its understanding of this emerging market, the CTC engaged PricewaterhouseCoopers LLP to conduct some basic primary research to:

- Estimate the size of the potential long-haul pleasure travel market in China and the size of the potential market for Canada; and
- Determine the strengths, weaknesses, opportunities and barriers for Canada in the Chinese market.

Two research components were commissioned by the CTC – in-depth interviews with 30 key players in the Chinese travel industry (e.g., airlines, travel agencies, travel publications), and omnibus research with n=4,500 Chinese consumers in six major cities. For market sizing purposes, long-haul pleasure travel was defined as a pleasure trip of four nights or more, taken by plane, outside China, Hong Kong and Macau.

Key Findings

- There is no question that China is a market with considerable future potential. Based on the omnibus research, a conservative estimate of the current size of the potential *long-haul pleasure travel market* in China is close to 3.0 million travellers. This is very large for an emerging market, particularly one that still has so many travel restrictions in place.
- The size of the potential long-haul pleasure travel market will undoubtedly increase in the future as the buoyant Chinese economy continues to expand and the people become more affluent. Currently, there are only 15 ADS countries that are approved as potential destinations for leisure travel, but all indications are that the government will continue to open up outbound travel to new destinations as time goes on.
- Other *growth factors* include an increasing desire to travel among the populace and more leisure time in which to do so. In addition, China's imminent entry into the World Trade Organization will mean increased international communications and air routes.
- The omnibus research reveals that Chinese *long-haul pleasure travellers* tend to be 25 to 44 years of age (62%), male (58%) and married (76%). Compared with the general adult population, they are much better educated (61% have gone to college /university), are more likely to hold professional or managerial positions (37%) and are considerably more affluent (69% with household incomes of more than 3,000 RMB per month). The travel trade agreed that long-haul pleasure travel is still a luxury available only to China's elite, although they expect this will gradually change over time.

- The *potential market for Canada* currently sits at around 1.9 million pleasure travellers. This is remarkable, considering that Canada is still a non-ADS destination. Interest in visiting Canada among Chinese long-haul pleasure travellers is in excess of 64 per cent, which is very high compared with interest in other international markets. Shanghai, Beijing and Guangzhou offer the most potential for Canada in terms of actual traveller volumes, however, the highest interest levels are in Shenyang, a smaller city in Liaoning province.
- China is still an emerging market for destinations like Canada, so potential will inevitably increase down the road. Long-haul pleasure travel is still in its infancy, and the vast majority of travellers are going to closer, more familiar destinations in Southeast Asia (e.g., Thailand, Singapore, Malaysia), but this will change as the market matures and outbound travel continues to open up.
- In addition to generating high numbers of potential travellers, the Chinese market is also potentially a very lucrative one for Canada. In many destinations, Chinese travellers have become known as big spenders, topping the list when it comes to shopping expenditures. This is partly due to the fact that Chinese travellers typically purchase items for an extended group of friends, relatives and co-workers as well as for themselves.
- Canada's *key competitors* in the long-haul marketplace are Australia, the U.S. and Europe (particularly France, but also Germany, the U.K., and Italy). Of these, only Australia currently has ADS status, and China has become one of its biggest tourism generating markets within the space of a few years. Clearly there are some major opportunities to be had for Canada should it gain ADS status ahead of its competitors, so negotiations should proceed with all possible haste.
- According to the quantitative research, the *key travel motivations* for this market are outstanding scenery, and safety and cleanliness, with over 90 per cent of all long-haul pleasure travellers looking for these two elements in selecting a vacation destination. Opportunities to increase knowledge, experience a different culture, see wildlife and nature and visit important historical sites are important motivations for over 80 per cent of the market.
- In addition, the travel trade noted that cost is one of the most important factors when choosing a destination, particularly for first-time travellers who will often base their decision almost entirely on cost considerations. The trade also commented that the quality of accommodations, a welcoming environment, nice weather and value for money all factor into this market's destination decision-making.
- Canada is well perceived by Chinese long-haul pleasure travellers for scenery, safety/cleanliness, nature and increasing knowledge, and these are Canada's chief *marketing strengths* according to the quantitative research.
- The travel trade agrees that Canada's nature product and its image as a land of natural beauty and panoramic landscapes will be the key to unlocking this market in the future. The trade also cited Canada's relaxing and peaceful atmosphere, its friendliness and hospitable nature, and its advanced tourism infrastructure and top-notch hotels as other key strengths. Moreover, its proximity and similarity to the U.S., which is the dream destination of many, if not most Chinese travellers, is a major draw.
- The quantitative analysis suggests that a major *marketing weakness* for Canada is that it is not seen by Chinese long-haul pleasure travellers as a destination with a strong historical offering. The travel trade also noted that Canada's image with respect to history and

heritage needs to be enhanced. Less of an issue is Canada's culture, which presently veers toward being a marketing strength, but requires some minor improvements to take it all the way there. The point is that both are key destination determinants for Chinese travellers, but Canada's products are not as well-perceived as they could be.

- Another weakness cited by the trade is the market's perception that Canadian winters are long and cold, although west coast winters are felt to be more pleasant. Although there are some Chinese travellers that are interested in winter festivals, scenery and sports, this is definitely a niche market.
- In the trade's view, the main *barrier to market development* is Canada's lack of ADS approval, which Canada obviously recognizes and is attempting to secure. The second major barrier is definitely the high costs of travelling to Canada, with virtually everyone interviewed noting this as a major deterrent. Airfare, hotels and other tourism commodities are all felt to be expensive, and the 15 per cent tax on goods and services adds to the expense burden. As noted above, long-haul pleasure travellers are an elite group to begin with, but even within this market, Canada tends to attract only the wealthiest of travellers because of cost perceptions.
- Other travel barriers according to the trade include the complexity of securing a visa, the language barrier, limited air access and lack of awareness of both the country and its tourism products. It is strongly felt that Canada should ease travel application processes as much as possible, particularly for VFR travellers and for government personnel, diplomats, scholars and specialists.
- The trade believes that the main *opportunity for Canada* lies down the road after Canada obtains its ADS status and as incomes in this market continue to rise. Canada should start to see major increases as travellers become more sophisticated and seek out destinations further afield. However, the trade feels that Canada should undertake market development initiatives now to prime the market, and then step up activities once ADS approval comes through. In this regard, the trade feels that Canada needs to strengthen ties with the Chinese industry and introduce itself as a destination to the travel trade. This could be done through seminars, conferences, trade shows, FAM tours, websites and trade press advertising.
- In terms of consumer marketing, at this early stage, efforts should probably be concentrated on increasing awareness and general knowledge of Canada both as a country and a potential tourism destination through news coverage, cultural festivals and events, articles in travel magazines, etc. Some preliminary image building of Canada as a place that offers a unique mix of nature, culture and history might also help to prime the market for future successes.
- In terms of product development, Canada should ensure that there are appropriate packages for this market, since the majority of long-haul trips are taken via package tours. Shorter packages of less than seven days, using three-star or medium-priced hotels are preferred. Ecotourism products, study tours, youth summer camps, combined U.S.-Canada products and products that incorporate a business component are just some of the specific products suggested by the trade.

Introduction

Background and Objectives

Since the Chinese government took the first major step to liberalizing outbound travel in 1991, outbound travel volumes have grown rapidly. Between 1991 and 1999, the number of departures from China more than quadrupled, and the number of travel agencies licensed to handle outbound travel grew from nine in 1992 to over sixty in 1998.

Although there are still severe travel restrictions in place, the sheer size of the populace (close to 1.3 billion people) makes this an important market to watch. Even though less than 1 per cent of the population took an outbound trip in 2000, this amounted to over 10 million outbound trips that year, making China one of the largest source markets of outbound travellers in the Asia-Pacific region.

China represents an attractive potential market for Canada, and the CTC has been in discussions for some time with Chinese officials to obtain approved destination status (ADS), which is essential for further development of this market. As evidence of their strong commitment to this market, the CTC recently opened a local office in Beijing.

In order to improve its understanding of this emerging market, the CTC engaged PricewaterhouseCoopers LLP to conduct primary research to provide some preliminary intelligence on the Chinese market. Specific objectives were to:

- Estimate the size of the potential long-haul pleasure travel market in China and the size of the potential market for Canada; and
- Determine the strengths, weaknesses, opportunities and barriers for Canada in this market.

Methodology

To meet these objectives, two primary research components were commissioned by the CTC:

A quantitative component consisting of omnibus research with Chinese consumers to determine the size of the potential long-haul pleasure travel market in China, the potential for Canada, and market perceptions of Canada; and

A qualitative component consisting of in-depth interviews with the Chinese travel trade to obtain their views on Canada as a potential vacation destination, opportunities and barriers for Canada and how Canada should develop the market in China.

The quantitative research was conducted by placing a number of questions on an existing omnibus survey in China. These questions determined whether respondents had taken a long-haul pleasure trip in the past three years or planned to take one in the next two years, and if so, where they went or intend to go. For the purposes of this study, long-haul travel was defined as a trip of four or more nights, by plane, outside China, Hong Kong and Macau. The table below provides further details on the omnibus survey, and the questionnaire itself may be found in *Appendix A*.

Omnibus Specifications	
Sample Size	n=4,500
Population	Representative sample of non-agricultural residents aged 15 to 59 within key Tier I and Tier II cities
Tier I Cities	Shanghai (n=1,000), Beijing (n=1,000), Guangzhou (n=1,000)
Tier II Cities	Chengdu (n=500), Shenyang (n=500), Wuhan (n=500)
Field Dates	Feb 13-26
Margin of Error	± 1.5% for full sample, ±3.1% for Tier I cities, ±4.4% for Tier II cities

The database was weighted by city to be representative of the distribution of the adult population (aged 15 to 59) in the sampled cities.

For the qualitative component, we conducted interviews with 30 key players in the Chinese travel industry, including airlines, travel agencies, and other organizations such as travel magazines. In all cases, discussions were held at the management level, including general managers, operations managers, sales managers and market managers, as appropriate. Most of the organizations were located in Beijing, but we also interviewed those in Shanghai, Chengdu, Zhuhai, Wuhan, Shenyang and Kunming.

Some interviewees provided us with articles and statistics, which we have drawn upon to enrich this report beyond what can be gleaned in a half hour interview.

Organization of this Report

The remainder of this report is organized as follows:

- *Chapter 2* highlights the key findings from the qualitative interviews with the Chinese travel industry and their views on Canada as a potential Chinese travel destination;
- *Chapter 3* presents the results of the quantitative component, including an estimation of the size of the potential long-haul pleasure travel market in China and the potential for Canada; and
- *Chapter 4* concludes the report.

Interviews With the Chinese Travel Trade

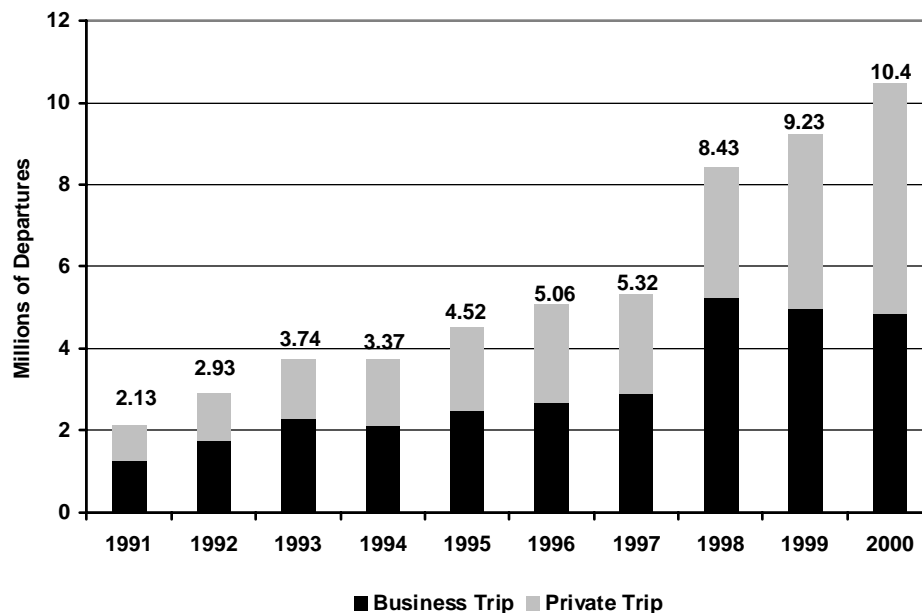
This chapter contains the results of the interviews with members of the Chinese travel industry. Caution should be used in interpreting these results as they are based on qualitative research, i.e., the views and opinions of the interviewees, and are not substantiated by quantitative research within the industry. In other words, the results may have been quite different had we conducted our interviews with a different sample of industry representatives. As well, the findings are based on the interviewees' individual experience with the market, which may not be representative of the consumer market as a whole.

Overview of the Outbound Market

Market Growth

According to the travel trade, the Chinese outbound tourism market took off in the early 1990s and has been growing rapidly ever since. Between 1991 and 2000, outbound travel grew at an average rate of 21 per cent per year. By the year 2000, there were over 10 million departures from China (including short-haul travel to Hong Kong and Macau).

Outbound Departures from China



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
% change	--	37.6%	27.6%	-9.9%	34.1%	11.9%	5.1%	58.5%	9.5%	13.0%

Note: Includes short-haul trips to Hong Kong and Macau

Expenditures on international tourism have also increased, and China now ranks as one of the world's top 10 tourism spenders. As evidence of this market's incredible growth, China was

ranked 40th in terms of international tourism spending in 1995, but had moved up to 10th spot by 1997.

Several key factors were noted by the interviewees as triggering this rapid market growth, including the following:

Government liberalization of outbound travel regulations. Since 1983, the Chinese government has been slowly liberalizing policies governing outbound travel, loosening restrictions on outbound travellers and simplifying procedures to apply for travel abroad (see table below). Over the years, Beijing’s attitude has changed from one of not encouraging outbound travel to one of moderated development. Today there are 15 countries with Approved Destination Status (ADS) making them legitimate leisure travel destinations for Chinese residents.

Liberalization of Outbound Travel	
Since 1949	Outbound travel permitted only for government business
1983	Private outbound travel officially permitted, but only for citizens with relatives overseas (i.e., “relative visiting” tours to Hong Kong and Macau).
1991	Chinese permitted to join leisure tours organized by authorized travel agencies to Malaysia, Singapore and Thailand. But private passports difficult to get, taking at least 6 months.
1994	Private foreign exchange limit increased from US\$60 to \$1,000. Outbound travellers need show only a passport and valid visa to obtain this.
1995	Private passport application process streamlined and waiting time reduced to a month.
1997	First tourism law passed to regulate outbound leisure travel, with minimum outbound package rates set.
1997	Private passports available within 10 days for urgent situations. Foreign exchange limit increased to US\$2,000 for destinations other than Hong Kong and Macau.
1998	Travel to Australia, South Korea and New Zealand opened up.
1999/2000	Number of approved destinations increased to 15.
1999	Limit of one opportunity to purchase foreign exchange per year rescinded; citizens can now do this an unlimited number of times each year.
June 2000	Passport applicants no longer have to produce documents and guarantees, but required to pay deposit. Private passport processing times reduced to 15 days.

- *Healthy economic growth.* Since the Chinese government adopted an open-door policy in 1979, the economy has developed rapidly, maintaining annual growth rates of close to 10 per cent throughout the 1980s. Over the last six years, GDP growth averaged 8.6 per cent per year, despite the regional economic crisis. And, China has maintained this high level of growth into 2001 in sharp contrast to the general slowdown in most world economies.
- *Growing affluence of the Chinese.* As a result of good economic growth, a new middle-class is emerging in urban China that is driving the consumer market. Household incomes in the urban centres have grown rapidly (increasing by over 60% between 1991 and 1998), resulting in a better standard of living and greater disposable income. This new middle class has flexed its newly acquired purchasing power, buying colour televisions, refrigerators and other appliances en masse. They now have money to spare, and many are using this to finance outbound travel.
- *Increased desire for outbound travel.* Chinese people are looking to enhance their quality of life, see new things and broaden their knowledge, and outbound travel is seen as an ideal way of doing this. The country’s more open economic policy has shown the Chinese a fascinating new world with different cultures and modern ways of life, which they are

anxious to explore. It is now very trendy to travel abroad – international travel brings respect to the traveller, and people do not want to be left behind when their friends and acquaintances are doing it.

- *Growing leisure time and more public holidays.* The government recently introduced three “golden weeks” of public holidays each year to promote “the holiday economy” – Labour Day (May 1), National Day (October 1) and Spring Festival (late January/early February), which has greatly increased the opportunity to take trips abroad. In fact, a major shift has been seen in the way people celebrate the Spring Festival. While traditionally, it was a time to stay home with family and friends, it is now fashionable for people to travel during the holiday period. Beyond the golden weeks, employees are also entitled to 3 to 14 vacation days per year, depending on the length of service. The trade also notes that the introduction of the five day work week has resulted in more weekend domestic and short-haul travel.
- *Decreasing costs for outbound travel.* The depreciation of many of the Asian currencies during the economic crisis, compared with the relative stability of the Renminbi (RMB), has led to greatly decreased costs for travel abroad, with the price of some air routes declining by as much as 50 per cent. Competition among travel agencies has also driven prices downward.

Market Outlook

Most of the interviewees felt that outbound tourism from China will increase substantially over the next five years, buoyed by continued development of the economy, increasing affluence, and the high cost of domestic travel (in some cases, travelling to domestic destinations is as expensive as outbound travel). Interviewees pointed to the 30 per cent to 40 per cent increase in outbound travel during this year’s Spring Festival as evidence of this continued growth. In fact, some commented that Chinese society will advance even faster over the next two decades than in the past, and that people’s living standards and travel demand will grow at an accelerated pace in the future.

Interviewees also believe that China’s imminent entry into the World Trade Organization will have a positive impact on the market since it will mean enhanced international communications and increased international air routes. In addition, interviewees noted that talks are ongoing with Canada, France, Egypt and other countries regarding the possibility of ADS status. This would permit pure vacation travel to these destinations, which would open up the outbound market even more.

One of the factors that governs market growth in China are the quotas that are established by the government for outbound travel to each destination. These quotas are set in relation to the number of inbound travellers from the same destination on an agency by agency basis. So as more and more foreign travellers visit China, increasing numbers of Chinese citizens will be permitted to travel abroad. In other words, the development of the outbound market currently depends to a large degree on the development of inbound tourism, which is growing every year. With China’s entry into the World Trade Organization, and the enhanced international linkages that this will bring, the trade feels that it is possible that the current policy of “moderated development” of the outbound market will be reassessed and accelerated.

World Tourism Organization (WTO) forecasts support the view of the travel trade. WTO expects outbound tourism from China to increase from 10 million departures per year currently (including business and short-haul travel) to 50 million by 2010, and 100 million by 2020. This

would make China the fourth largest source market for outbound tourists worldwide, after Germany, Japan and the U.S.

Some people noted that the WTO forecast may be a bit ambitious, with closer to 15-16 million outbound departures expected by 2005 (including travel to Hong Kong and Macau, as well as business travel). The Chinese government does not entirely approve of outbound travel, and from time to time, has clamped down on the market (e.g., as recently as 1993). There are signs that this cycle is beginning again, as the government recently acted against what it considered to be misconduct by certain outbound travel agencies, in some cases shutting down their outbound operations. It was also mentioned that the government is considering the implementation of a travel tax for outbound trips, although there are no firm plans to proceed at the moment. So, it is difficult to ascertain precisely how this market will develop, as the opening up of outbound travel often seems to progress on the basis of two steps forward and one step back.

Characteristics of Outbound Travellers

According to the travel trade, Chinese who currently engage in outbound leisure travel are typically well-educated, with good jobs and high incomes (e.g., managers, professionals, senior employees of foreign companies, private business owners, people in the entertainment sector, white collar workers, etc.). They tend to be concentrated in the big cities, where a growing middle-class resides and the average income is more than 2.5 times that of the rural areas. People who have relatives living abroad are also likely to travel to visit them.

The interviewees identified a number of market segments that they feel are growing in importance:

- *Seniors* account for about 11 per cent of the total population today, but are growing in number. With retirement fairly early in the life cycle (60 for men, 55 for women), seniors are healthy and have the time to travel. Moreover, they tend to have good savings levels to finance their trips, and often their trips are subsidized by their children who want their parents to see the world. These “grey hair” tourists tend to prefer travelling in tour groups during the off-peak seasons.
- *Young people* aged 25 to 35 are a growing target group. This segment is more adventurous and enjoys FIT travel during the school summer holidays. Students who go overseas to study are another key segment.
- *Family travel* is on the rise, with some high income families travelling abroad annually, or even twice a year. Southeast Asia is a popular destination for family travel (due to good prices).

Interestingly, in some provinces, especially those on the coast, the incomes of farmers are increasing rapidly, and are reaching the point where they can afford limited outbound travel. The trade views this as a potential developmental market for the longer-term.

Origin of Outbound Travellers

According to the travel trade, outbound travellers are primarily concentrated in certain provinces/municipalities of China. The following were identified as major sources of outbound travellers currently or as having potential for future development:

- *Beijing* is evolving into a business and financial centre for China, and there is a huge expatriate population in the city. It has the third highest per capita GDP in China and is home to many of China’s wealthier citizens. Not surprisingly then, it is a leader in terms

of outbound travel volumes, with many established outbound travel agencies in the city. One interviewee commented that some Beijingers spend as much as 20 per cent of the family income on travel.

- *Shanghai* is also very prosperous, being home to many foreign companies. It is well developed economically, and has the highest per capita GDP in China. The presence of two international airports makes outbound travel more convenient for its residents, with the new Pudong airport opened in 1999.
- *Guangdong*, which has the highest GDP of any province in China, is also a major source of outbound travellers. Key sources within Guangdong include the capital city of Guangzhou, as well as Shenzhen and Zhuhai. Guangzhou is near Hong Kong and Macau, and the province itself borders onto ADS approved destinations in Southeast Asia, which has helped to stimulate outbound activity in this region. In addition, the travel agencies in the province tend to be very competitive, and price wars have led to some very good prices for outbound travel. Being the home of many foreign consular offices, Guangdong generates considerable inbound flows, which, as noted earlier, provides advantages in terms of outbound quotas.
- Other provinces with potential identified by the trade include Liaoning (the city of Shenyang is home to many young people and white collar workers), Hainan (easy access to Southeast Asia), Fujian (many overseas Chinese originate from this province) and Yunnan (close to Southeast Asia).

Purpose of Outbound Travel

The two main types of outbound travel are business and private travel. Recently, private travel has been on the rise at the expense of business travel. Private travel now outstrips business travel in the marketplace, accounting for 5.63 million departures or 54 per cent of the market in 2000. However, it should be noted that many of these trips are short-haul trips to Hong Kong and Macau.

Business travel can include study trips, convention/ exhibition trips, specialist tours, technical visits, government delegation visits, sports delegation visits, or business investigation trips (e.g., seeking business or export opportunities). However, the trade notes that business travel often has a pleasure or sightseeing component. In fact, tours that combine business and leisure typically do very well in this market. Business travellers travel on official or business passports, which tend to be more difficult and time-consuming to obtain.

Private travel (on private passports) includes those who take leisure package tours to ADS destinations. VFR also tends to make up a large proportion of private travel, particularly for older travellers. Typically, only the elite can afford pure vacation travel.

Travel agencies handle both business travel and private travel arrangements, and the percentage split varies widely. As in most markets, some agencies are more business-oriented and others are more leisure-oriented. For example, some of the interviewees reported that 75 per cent to 95 per cent of their revenues were derived from business travel, while others were the exact opposite, with 70 per cent to 90 per cent of their revenues coming from leisure travel.

Travel Expenditures

More and more Chinese are spending their savings on travel, which they view as a life-enriching experience. According to the interviewees, most travellers will spend 3500 to 9000 RMB per person on an outbound trip (i.e., about CDN\$650 to \$1,700). However, some noted that they are

seeing an increase towards the 10,000 to 20,000 RMB range. One person noted that travellers typically spend about an eighth to a fifth of the annual family income on travel.

Traditionally, travel consumption was focused primarily on getting there and staying there (i.e., airfare and accommodation). But there has been a recent movement towards “six essence consuming” that takes into account not only accommodation and transportation, but dining, education, recreation/entertainment and shopping. In other words, Chinese travellers are taking a broader approach to travel and paying more attention to getting the most out of their trips (as well as their lives). This has led to higher travel expenditures and longer, multi-destination trips.

One sign of this new attitude towards travel spending is that Chinese travellers have become big spenders when it comes to shopping, purchasing a variety of goods and souvenirs during the trip. In fact, this has become one of the most outstanding characteristics of Chinese tourists in receiving countries. In Singapore, for example, Chinese tourists spend more per capita than tourists from any other country, including Japan. These high expenditure levels result, in part, from each tourist making purchases on behalf of their friends, relatives and co-workers back home. Often Chinese travellers are prepared to give up a more expensive hotel in order to have more money to shop.

Travel Interests and Trends

Some key trends noted by the travel trade are highlighted below. Again, these are based on interviewees’ own experience of the market and may not be generalizable to the outbound market as a whole.

- Although the market is an emerging one, some traditional tour routes have been around for a long time now and have started to lose their charm. Early adopters who have been travelling to Southeast Asia since the market opened up a decade ago are now yearning to see places further afield such as Europe and North America. These travellers are taking full advantage of the newly authorized routes to Australia, New Zealand and Japan, and strong growth to these destinations lies ahead.
- Chinese are starting to shift from passive travellers to more active ones. Some members of the trade commented that general sightseeing does not meet their requirements any more. They are now seeking variety in their trips and different types of activities to experience.
- Some people are beginning to travel outside the peak travel periods (i.e., the three Golden Weeks) in an attempt to avoid the crowds. During the Golden Weeks, planes and trains are completely booked and travel has to be reserved well in advance. Travelling during off-peak periods can also result in cost savings. However, off-peak travel is typically shorter in duration (i.e., less than a week), since travellers do not have the benefit of week-long public holidays.
- Some have noticed that the length of stay at any one destination has dropped. The trade believes that this is because more destinations are opening up so Chinese travellers are taking more multiple-destination and touring trips, and spending less time in each individual place. Thus trip durations overall are not getting shorter.
- Being a relatively immature travel market, many travellers are interested in the big city experience, and enjoy seeing the famous cities that everyone has heard about (e.g., the European capitals). Most packages on offer in China focus largely on touring the big cities and city sightseeing.

- Culture has a tremendous appeal in this market, with Chinese travellers looking for a destination that offers strong local culture and history. This is partly because travel is seen as an opportunity to learn, and cultural trips are believed to enhance their knowledge.
- Nature, ecotourism and exploratory travel are also thriving. Because of the pollution and poor environmental quality in many of China's big cities, people are attracted to "green" destinations. Some travel agencies have started to specialize in these types of trips.
- There is also a growing segment of more sophisticated travellers that enjoy sun and sand, beach resorts and water sports, although this is a niche market. The idea of relaxation and leisure while travelling is still a relatively new concept for the Chinese who tend to try to do and see as much as possible. However, the trade feels that these types of relaxation trips will gain in popularity over the next few years. For example, trips to enjoy "hot springs" in Japan are starting to become popular.
- Skiing and winter trips are quite popular in some areas of China. For example, Chinese travellers will often take domestic trips to the northern part of the country to attend one of the country's numerous winter festivals and ice shows, or go to South Korea for skiing. But again, this is a niche market.
- As noted earlier, shopping is a favourite activity for Chinese travellers, and must be part of any travel itinerary. Gambling, which is not permitted in China, is also a lure for many Chinese.

Travel Decision-Making and Planning

Key Decision-Making Factors

According to the interviewees, there are many factors that influence travel decision-making, but *cost* is definitely one of the most important considerations when choosing a destination. Chinese consumers are very cost conscious and will use the internet to do price comparisons. First-time travellers will often base their decisions almost entirely on cost considerations.

Increasingly, people are emphasizing *quality of accommodations and comfort* in their decision-making. Some agencies have attempted to increase their profits by incorporating cheaper accommodation into package tours, and travellers are beginning to wise up to this practice and demand satisfaction. While Chinese tourists don't usually indulge in luxury hotels, they do want good quality, moderately priced accommodations.

Also important are *safety, cleanliness and a friendly attitude*. Generally, travellers will choose countries where Chinese people are made to feel welcome, since this makes them feel safe and comfortable while away from home. Hospitality and warmth are all important – e.g., Chinese signage, a Chinese speaking tour guide and Chinese restaurants in the itinerary. Little touches can make a big difference, for example, providing a tea kettle in the hotel room for making tea.

Other important decision-making factors mentioned by the interviewees include *scenery* and nice *weather*. Chinese travellers are also after *value for money*; if they are going to Europe, for example, they want to see as many countries as possible on their trip. They prefer places with many attractions and lots of things to see and do. Having in-country, pre-trip destination information also plays a role in destination selection.

Decision-Making Processes

According to the travel trade, Chinese tourists currently rely on the media (e.g., newspapers and television) and word of mouth from friends and relatives to provide them with information about potential travel destinations. In the case of first-time or more unsophisticated travellers, travel agents will provide their clients with suggestions and recommend where they should go.

However, with the growth of the Internet in China, more and more people are starting to rely on the web to get the information they need. Interviewees mentioned that most people use it to look up pricing information, browse the travel-related sites and plan their itineraries. However, online booking of trips is not yet a widespread practice, although the capability does exist. It is estimated that tens of millions of Chinese currently have access to the internet, and there are already over 300 travel-related sites in China. “Internet bars” are getting popular among the young people who go there to have a drink and surf the net.

In terms of the type of information that travellers need for decision-making, the itinerary, sightseeing details and cost are among the most important.

Organization of Outbound Travel

Planning horizons are necessarily long in China. This is because visas are required for most destinations, and this can be a time-consuming process. Moreover, many outbound travellers travel during the three peak travel periods – Labour Day, Spring Festival and National Holiday – leading to a mass exodus during these times. Outbound flights during these periods tend to be booked up well in advance, so trips have to be planned at least two to three months ahead of time.

According to interviewees, approximately 80 per cent to 90 per cent of outbound pleasure trips are booked through travel agencies. Travellers choose an agency on the basis of their reputation, prices, products and itineraries, impressions from advertising, and recommendations of friends and relatives. More sophisticated consumers tend to look for agencies that provide a high level of service, with attention to detail and opportunities to customize their trips. People generally use the large state-owned travel agencies to arrange their trips (e.g., China Travel Service, China International Travel Service and China Youth Travel Service), with the reputation of these agencies being the main attraction. However, some consumers are attracted by the lower costs of the smaller agencies.

Estimates of the proportion of the outbound market using package tours varied widely, ranging from 50 per cent to well over 90 per cent, but all agreed that the majority of leisure travellers take package tours. Use of packages varies depending on the destination of course. For example, packages tend to be used for travel to South Korea and Japan, which are regarded as more “difficult” destinations for independent travel. Generally, packages are preferred by travellers who are concerned about the language barrier, ease of getting around, cultural differences and safety.

However, many Chinese travellers are becoming very dissatisfied with group package tours and are opting for “self-service” travel or FIT. These travellers enjoy the freedom of being able to control their itineraries, activities and expenditures. Self-service travellers are typically younger (25 to 34), well-educated and hold managerial or professional positions. VFR travellers will also sometimes eschew packages for independent travel. So far, self-service travel has been more evident for familiar short-haul destinations like Hong Kong and Macau. However, this may start to change in the future since the trade believes most travellers actually prefer self-service travel, but have not reached the level of sophistication needed to feel comfortable with it for most international destinations.

Competitive Destinations

ADS Destinations

The Chinese market differs from many other international markets in that destinations have to be approved by the government for leisure or private travel. For non-ADS countries, only business travel, VFR travel and study trips are formally permitted. For countries with ADS status, private travel is permitted, but visas are still necessary for entry (with some exceptions). In several cases, ADS status does not open up travel to all Chinese, but only to those living in specific cities or provinces.

To obtain ADS status, the receiving country must negotiate an agreement with the Chinese government including the China National Tourism Administration (CNTA) and the Ministry of Foreign Affairs. This agreement authorizes a limited number of travel agencies to handle outbound travel to the destination. These agencies are provided with the necessary forms and documents that must be completed and approved for travel to be permitted. Agencies also have to post a bond of about one to two million RMB (CDN\$190,000 to \$370,000) depending on their size, reputations, etc. As part of the ADS agreement, the travel agency must collect “insurance” from their clients, the exact amount depending on which country is being visited. According to one interviewee, this amount is 50,000 RMB (CDN\$9,300) for travellers to Australia and New Zealand.

Currently, there are 15 ADS countries. Hong Kong and Macau were among the first to be granted ADS status. Most Southeast Asian countries also have agreements in place, e.g., Thailand, Singapore, Malaysia, the Philippines, Vietnam, Myanmar, Brunei, Laos and Cambodia. South Korea and Japan are also ADS countries, although there are some restrictions in the case of Japan. The only countries outside of Asia with ADS status are Australia and New Zealand, and this has been a fairly recent development. As noted earlier negotiations are underway with Canada and a number of European destinations, so the number of approved countries is expected to expand over the next few years. However, ADS negotiations can take a long time, e.g., more than two years in the case of Japan, so the opening up of the outbound market will be a gradual thing.

Hong Kong and *Macau* are Special Administrative Regions (SARs) of China. However, they are included in Chinese departure figures and account for the lion’s share of the outbound market because of their proximity. Passports and visas are not required to these destinations, but a travel permit must still be obtained.

Southeast Asia has been opened up to Chinese visitors for several years now, and still tops the popularity polls, particularly Thailand, and to a lesser extent, Singapore and Malaysia. Thailand has been the clear number one choice for outbound travellers for several years now – its proximity and reasonable prices makes it a highly appealing vacation spot. Vietnam also sees its share of Chinese visitors, mostly from the neighbouring province of Yunnan. The vast majority of travellers to the Southeast Asian region are young (25 to 34), with monthly incomes in the RMB2000 to 4000 range. The main attraction is the beautiful scenery, unique local culture and customs, and relatively low costs. The Southeast Asian region is particularly popular for honeymooners and first-time outbound travellers.

Japan has been on and off the ADS system since 1999, and was reapproved in March of this year, although only citizens residing in Beijing, Shanghai and Guangdong are permitted to vacation there. Japan is a newly emerging destination for this market and fulfils the desire of some Chinese travellers to go somewhere fresh and different. Market growth has not been as fast as expected, however, with constraining factors being a difficult visa process, limited air

access and the high costs of tours to Japan. However, Japan's visitor numbers are boosted by a considerable amount of business travel from China.

South Korea is fairly popular among the younger crowd, with the main attraction being skiing and winter tourism. Shopping and the hot springs are other attractions. Korea also tends to see a lot of business travellers, mostly middle-aged men. Tourism to Korea has been boosted immensely by increased air access between the two countries, with over 100 scheduled flights on nine different airlines. However, the social turmoil in the country is a turn-off for travellers, and airfare to and within Korea is considered high.

Australia and *New Zealand* are among the fastest growing outbound destinations for Chinese travellers, but are felt to be expensive. As with Japan, only residents of Beijing, Shanghai and Guangdong provinces are permitted to go to these destinations through 22 authorized agents. Trips to these destinations tend to be taken in September to April (e.g., during the Spring Festival) to avoid the cooler weather. In fact, the sunshine and nice weather is a major draw for Chinese travellers, particularly those from the north. The trade anticipates massive growth to these destinations in the future for several reasons:

- The recent publicity as a result of the Olympic Games being held in Sydney;
- The opportunity to experience western culture, for example, through special cultural trips;
- The high rest and relaxation factor, with the sun and beach scene having made an impression on the Chinese;
- The popularity of Australia as a study destination for Chinese students; and
- The presence of a large Chinese community in Australia.

Australia has recently ramped up its promotional activities in China to better tap into this market, which has already become one of its biggest tourism generating markets.

Other Competitors

There is in fact a fair amount of travel to certain non-ADS destinations, including the U.S. and Europe, but this is not strictly pleasure travel and must include a business, study or VFR component to be permitted. Many Chinese take combined business-pleasure trips to the U.S. and Europe, which has established these as leading destinations for this market despite their lack of ADS status. According to the trade, market interest is unquestionably high for these destinations, and if they are opened up in the future, will see strong gains. However, they are dream destinations for many travellers, with only the wealthy who can afford to go.

Europe is a key competitor for Canada according to the interviewees, with the Chinese highly attracted to European art and culture. Visas are relatively easy to obtain, and there are a number of direct airlinks between China and key European cities. Countries such as France and Germany have been actively pursuing the Chinese market through aggressive advertising campaigns. The Nordic countries have also had their share of Chinese visitors, and Switzerland recently opened a travel office in China. Europe is perceived as offering good value for money, since a traveller can see several different countries on one trip. However, Europe tends to attract those with relatively higher incomes, as it tends to be on the expensive side.

France in particular appeals tremendously to the Chinese because of its famous landmarks (e.g., the Eiffel Tower), European boulevards, arts and culture, and Parisien perfumeries. Young people perceive it as a place for romance. Moreover, air access between Beijing and Paris has

improved, with more frequent flights and reduced fares. Economic and political ties between the two countries have been strengthened through trade missions and special events such as the Chinese Cultural Week in Paris. In response to the cultural festival held in France, the China National Tourism Administration (CNTA) permitted the China Travel Service to organize a special tour group of 200 Chinese to visit France during this year's Spring Festival. Given these events, the trade believes that France's sought-after ADS status will come through shortly.

Germany, Italy and the U.K. were cited as other potential competitors for Canada. These destinations are felt to be steeped in culture and history, with interesting cities and many famous landmarks and sites (e.g., Big Ben).

Russia also attracts a fair number of Chinese travellers as the two countries share a four thousand kilometre border. Much of the traffic to Russia, however, is business-related, with political factors and instability preventing this destination from developing to its full potential.

The U.S. is a "huge magnet" for the Chinese who are attracted to western culture and ways of life. Interest revolves around the country's diverse culture, scenery and geography, as well as its thriving arts scene. People are also fascinated by the U.S.'s big cities (e.g., New York, Washington), theme parks such as Walt Disney World and natural attractions such as the Grand Canyon. There is also a large community of Chinese students and professionals living in the U.S., which encourages considerable VFR travel. The favourable weather conditions in the south and along the coast (e.g., California) also appeal, with April to November preferred for trips to the U.S. However, outbound volumes have been constrained by high visa refusal rates and high travel costs, as well as the lack of ADS standing. Although market interest is high and growing all the time, the future of Chinese travel to the U.S. will be dictated largely by politics and the strength of Sino-U.S. relations.

In the future, all of these destinations may find market development more difficult without official ADS status. Late last year the government began clamping down on the outbound travel market. Agencies that send tourist groups to non-ADS countries will have their licence revoked. The interviewees also indicated that the government is taking a tougher stand on the abuse of visas for business purposes. Authorized travel agencies can no longer handle business visa applications for their clients; this process will be managed instead by separate government organizations, and travellers will need to go through a long and complicated screening procedure to obtain a "for official business only" passport.

Travel to Canada

This section discusses Chinese travel to Canada, perceived strengths and weaknesses of Canada as a destination, and ways to stimulate travel to Canada. Given the emerging nature of Canada as an outbound destination and its lack of ADS status, most of the interviewees had limited experience with Canada as a destination and could only comment on the basis of general perceptions and impressions.

Canada as a Travel Destination

Most of the interviewees noted that Canada is currently not a popular destination for Chinese vacation travel, primarily due to its non-ADS status. However, market interest in Canada is definitely there and growing all the time. As a westernized country in North America, Canada is perceived in this market as one of the best places in the world to live and an excellent place for study. Many younger Chinese have immigrated to Canada recently, which is attracting growing attention to the country. Moreover, Canada is seen as being a friendship country with China,

which makes it seem welcoming. Officials (e.g., customs, immigration) are thought to be friendly, and overall, visas are not felt to be unduly difficult to obtain (e.g., compared to places like the U.S.).

The trade emphasized that most Chinese do not know much about Canada as a vacation destination, and awareness of specific tourism attractions and products is low. However, Canada has an overall image in China of being a beautiful, wide-open country that is safe and clean, which would make it appealing as a vacation destination.

The trade also notes that Canada has a good tourism infrastructure in place and a well-organized travel industry. Resort and hotel accommodations are perceived as being top-notch.

Most of the interest in Canada is centred in the western part of the country (e.g., Vancouver, Victoria, Rocky Mountains, Banff, Jasper) because of its proximity, milder weather and scenic beauty (e.g., gardens, parks, lakes, mountains). There is also a degree of interest in central Canada, particularly Toronto, but also Niagara Falls, Ottawa, Montreal and Quebec City. Central Canada is attractive for its scenery and outdoor activities (e.g., fishing, boating, lakes in Ontario). Very rarely are people interested in other parts of the country.

According to the interviewees, current trips to Canada tend to be taken for VFR, study, or combined business-pleasure purposes due to Canada's non-ADS status. Trips for personal business or business investigation (i.e., seeking business, investment or immigration opportunities) also make up a large share of the market. Younger people tend to come to Canada primarily for study or to find work, while older people tend to go to visit friends and relatives. For example, many parents will make a trip to visit their children while they are studying in Canada. VFR travellers will often take a tour of part of the country during their stay, sometimes travelling together with family members who are resident in Canada. Often the latter will select the tours and make arrangements. For a business-pleasure trip, business colleagues or companies will often arrange for the visitor to do some sightseeing.

The trade reports that travellers to Canada tend to be city-dwellers between the ages of 25 and 55, well-educated, earning high incomes and holding executive, senior management or professional positions. Typically this segment is attracted to western culture and wants to see a different lifestyle, with most also interested in visiting the U.S. Often, Canada is the choice of the more sophisticated traveller with at least some previous experience travelling abroad. However, as noted above, there are key segments of older travellers and retirees (i.e., over 60) that go to visit their children, as well as youths that go to attend Canadian universities.

Many travellers to Canada will elect to take a group tour because of the unfamiliarity of the country, culture and language. All-inclusive packages tend to be preferred for their convenience and safety. The vast majority of the bookings and arrangements for travel to Canada (e.g., over 80%) are made through travel agencies. Often, the U.S. will be visited in combination with Canada.

Key Strengths and Opportunities for Canada

The travel trade representatives cited many strengths of Canada as a potential vacation destination, some of which were mentioned above. Canada offers a unique combination of touring, nature and culture, which is appealing to the Chinese. However, its major strength, as in most other international markets, is its *natural beauty* and *outstanding scenery*. Its panoramic landscapes are felt to be immensely appealing – in fact, the visual image that is associated with Canada in this market tends to be Lake Louise surrounded by mountains and glaciers. Canada's national parks and forests, gardens (e.g., Victoria), lakes and coastal areas also contribute to its

attractiveness, as well as offering opportunities for a myriad of outdoor activities, including wildlife viewing.

Another of Canada's key strengths, according to the trade, is its *relaxing and peaceful atmosphere*. Canada is felt to have a slower pace of life than China, which makes it a relaxing place. Its expansive, wide-open spaces and clean, uncrowded cities also contribute to this impression, as does its pleasant summer weather.

As noted earlier, some Chinese are interested in *ecotourism*, and Canada is felt to be a "green" destination, with good environmental quality. A couple of interviewees mentioned that eco-tours and tours of protected areas might be a viable Canadian product for the Chinese market. The turn of the seasons is also a potential selling feature, particularly the fall colours.

Although it is a relatively small segment, there are some Chinese travellers that are interested in *winter* festivals, scenery and sports. Northern China holds many winter festivals itself, and some travellers will go to South Korea for skiing. For these travellers, visiting Canada's North would be a dream trip.

Touring *big cities* such as Vancouver, Toronto and Montreal also offers some opportunities, but here Canada tends to be overshadowed by U.S. cities.

Another of Canada's key strengths in the Chinese market is that it is viewed as a *friendly and hospitable* country that is open and accepting of Chinese people. This impression is partly due to the large Chinese-Canadian community that exists in the big cities. Having signage and services in Chinese at Canadian airports, Chinese restaurants in most big cities, and local Chinese people around helps to ease the worries of travelling to a strange place and makes the trip more relaxing. In particular, the large Chinatown areas in places like Vancouver and Toronto help to make Chinese travellers feel at home while in Canada. According to the trade, a welcoming attitude is highly important to this market, and its importance should not be underestimated.

One undeniable attraction of Canada is its *proximity to the U.S.*, which is the ultimate travel destination for many Chinese. Canada is close to the U.S. and felt to be similar to it in many ways. So some Chinese view Canada as the next best thing, given that visas to the U.S. are usually much more difficult to obtain. According to the trade, combination trips are a major opportunity for Canada if visa issues can be resolved, since virtually everyone who visits Canada wants to see the U.S. Combined trips are also perceived by the Chinese as offering much better value for the money, hence the allure of Europe.

Despite its numerous strengths, several of the interviewees commented that the main opportunity for Canada will be in longer term (e.g., next five to ten years) after ADS status is successfully negotiated, and as outbound travellers become more affluent and sophisticated in their travel experience. Only then will the market truly take off, however in their view, Canada should begin preparing now.

Without ADS status, opportunities in the near term will be primarily limited to *VFR, business and study travel*. However, there are good opportunities here. There are many Chinese immigrants in Canada and this number is increasing every year, which bodes well for future VFR travel. In addition, the fact that Canada is a highly developed country, with advanced science and technology makes it attractive for business study tours, specialist tours and trade delegations. Canada is also felt to be a good place for young Chinese to study, not only because of the advanced technology, but also because it is perceived as being less expensive than the U.S. Canada will also attract considerable "look-see" travel for the possibility of immigration and investment opportunities.

In the future, the *youth market* may offer some potential for Canada. Young people are highly interested in going to Canada, but most do not have the economic means to go just yet. For wealthier families that can afford to send their children overseas, tours of scholastic institutions or youth summer camps may be attractive products.

Weaknesses and Travel Barriers

The trade cited several weaknesses of Canada as a travel destination for the Chinese. *High cost* was mentioned as a major deterrent by virtually everyone. Cost is one of the most important travel decision-making factors for this price-sensitive market, and Canada is felt to be an expensive destination. Airfare to Canada is felt to be high because of the distance, and hotels and other tourism commodities are perceived to be expensive (i.e., similar to Europe). The 15 per cent tax on goods and services is considered a major burden. It makes shopping more expensive, and moreover, some mentioned that there is a limited variety of things to buy.

Canada's long, *cold winters* are also felt to be a negative, with only the spring and summer perceived as being suitable for viewing Canada's natural attractions and participating in outdoors activities. Drastic differences in the climate are perceived between different regions of Canada, with the west coast and Vancouver area believed to be more pleasant in the winter than the rest of the country.

Another weakness mentioned by the interviewees is that Canada's *history and heritage* are not really evident, and there are too few important historical sites. The same comment was made about its *culture*. Some mentioned that there is nothing special in the way of culture, while others noted that the culture is there, but is not obvious and could be better promoted.

Interviewees also felt that Canada is *too dispersed*, with the major points of interest scattered across a great distance, making it difficult to get to all of the key spots in a single trip. Some people noted that there are too few large cities that can be visited – only Vancouver, Toronto and Montreal, and that these are too far apart.

In terms of travel barriers, obviously the major one for Canada at the moment is its *non-ADS status*. As noted above, this is the key limiting factor for Canada in developing the Chinese market, and the trade feels that obtaining ADS status should be Canada's first and foremost priority.

Another barrier is that although *entry visas* are easy to get compared with destinations like the U.S., it is still a tedious and time consuming process. The number of Canadian consulates in China is limited, which makes it difficult for travellers in some parts of China to obtain a visa. The trade commented that some travellers prefer just to go to Thailand or other Southeast Asian destinations where entry visas are not required than to deal with the complexities of obtaining a Canadian visa. Complicating matters is the fact that outbound trips must be booked several months in advance, particularly during peak periods. This can make travel planning difficult, since travellers cannot be certain that they will get a visa, or issuance may be delayed.

As with many other foreign destinations, *language* is a barrier for Chinese travel to Canada. The fact that French is spoken in Quebec was also pointed out as a potential deterrent. *Unfamiliarity* with Canada was mentioned as another key travel barrier. There is a general lack of awareness and understanding of both the country, and its tourism products and attractions. This is true for consumers and trade alike. One interviewee commented that they could only remember seeing about seven articles on Canada in the major travel publications over the last four years.

Air access is another potential problem area in terms of Canada being able to develop this market. At present, the only Chinese airline that flies to Canada is Air China, and this carrier has only non-scheduled flights to Canada. The airline feels that it is unable to compete with the low

rates offered by Canadian-based airlines, so it tends to have a rather lukewarm attitude towards the provision of service from China to Canada.

Canada also faces the same hurdles as many other destinations wishing to pursue the Chinese market, with strict *government controls* on outbound travel and limited outbound quotas. Outbound quotas for each country are set and audited by the government. Each year, the government sets an outbound quota for each agency based on the number of inbound travellers that the agency handles from a particular destination. So travel flows to Canada depend partially on the number of Canadians that visit China each year. The trade feels that it will be important for Canada and China to maximize the quota between the two countries.

Ways to Stimulate Chinese Travel To Canada

Establishing ADS status for Canada is again the number one suggestion from the trade in regards to stimulating Chinese travel to Canada. Given the restrictions in place for non-ADS countries, this is a necessary first step in developing the Chinese market. It is the view of the travel trade, that once the door has been opened, the people will naturally come.

The trade also offered a number of other suggestions for Canada on how to maximize travel flows from this market. A number of these pertained to *easing travel application processes*, namely:

- Simplifying the visa application process would help to stimulate the market and convert those who are not even considering Canada due to the complexities of visa approval. Canada should also relax entrance requirements and be more “open-minded” in granting visa approvals;
- In particular, the family visiting system and visa application process for VFR travel should be made easier. This would encourage more travel to visit relatives in Canada, especially by families who want to visit children enrolled in Canadian schools;
- Canada should also make it easier for government and diplomatic personnel, specialists and visiting scholars to visit the country. These individuals are well-respected in society and their advocacy of Canada as a travel destination would help to raise market awareness. Good word of mouth is essential to tapping into this marketplace.

In terms of *marketing to the travel trade*, Canada should take the first steps now and step up its initiatives once the market is opened up. Some specific initiatives mentioned by the interviewees include:

- Strengthen the ties and level of cooperation between Canadian travel agencies and those in China;
- Hold seminars and conferences for the trade to learn more about Canada and introduce it as a vacation destination. Attend trade shows and disseminate information to Chinese travel agencies about Canada and its tourism products;
- Offer FAM tours to members of the travel trade to give them first hand experience with the destination. According to the trade, both Australia and New Zealand have had good successes with this strategy in the past;
- Use trade press advertising, travel magazines, travel guides, videos, brochures, and direct mail to reach the industry. Develop a website (in Chinese) targeted at travel professionals;

- Supply the trade with detailed information about Canada, including tour itineraries, hotel, restaurant and transportation availability, information on where to shop and what cultural differences can be expected.

Marketing directly to consumers was also deemed important, as evidenced by the following suggestions:

- Increase publicity to raise market awareness of Canada. The trade believes there is huge potential, but most people do not know much about it. Marketing should focus first on awareness promotion of Canada as a whole and then focus in on promoting specific sights and attractions, cities, and tours;
- Target Beijing, Shanghai, Guangzhou, Shenyang, Chengdu and other large cities through consumer advertising in multiple media, e.g., newspapers, magazines and particularly, television. Invite the media to cover general news about Canada, as many Chinese learn about other countries through the news.
- Use advertising to build an image for Canada centred arounds its natural beauty and wondrous nature. Inform the Chinese people about Canada's nature product, and the fact that that certain landscapes and wildlife can only be seen in Canada. Promote the exciting experience of close contact between man and nature;
- Promote Canada's multicultural nature and opportunities to see diverse cultures as a secondary emphasis. According to one interviewee, marketers should stress the fact that going to Canada is like visiting both the U.S. and Europe on a single trip;
- Make use of famous Canadians in history that would be familiar to the Chinese (e.g., Norman Bethune) to build market interest and promote Canada's history;
- Because Chinese travellers want to go to a place where they feel accepted, promote the fact that there are large Chinese communities living in Canada, and that Canada welcomes Chinese people. Ensure that there is visible signage in Chinese at airports, hotels and public places so visitors will feel at home;
- Promote the fact that Canada offers value for money – i.e., despite the fact that it is far away and expensive, it is a once in a lifetime opportunity to see North American culture and experience western society. Moreover, Canada offers variety and diversity not found elsewhere – nature, culture, outdoors, cities and touring, all in one country;
- Use members of the Chinese community in Canada to reach their friends and relatives in China and spread the word about Canada and its offerings, and to encourage or sponsor a visit;
- Hold major televised sporting events between Canada and China (e.g., table tennis, gymnastics, swimming, soccer) that are open for Chinese viewers at home to watch. This will stimulate awareness and interest in Canada as a travel destination;
- Attend large travel exhibitions that are held in various cities every year to disseminate information and spread the word about Canada. Establish a travel inquiry and information centre and a travel hotline for people to call.

In terms of *product development*, the trade had the following recommendations:

- Develop a variety of packaged products to give travellers a better selection of tour routes. Include options that allow them to choose from different alternatives. Include detailed

information about the type of transportation to be used and hotels. Include special services such as a tea kettle for tea, Chinese cuisine and Chinese guides;

- Develop affordable packages while maintaining a minimum level of quality. For example, package costs may be kept low through the use of medium-priced hotels (Chinese travellers are usually well satisfied with three star hotels rather than luxury accommodations);
- Offer shorter tours (e.g., less than seven days) that can be taken during the three Golden Weeks;
- Develop combination tour products with routes that include the near-border cities of both Canada and the U.S.;
- Offer ecotourism and ecology-oriented products in China, as interest in this type of travel to Canada is extremely high. Include a stay in traditional, rugged country lodges located in wilderness areas to provide a unique accommodation experience;
- Develop history, heritage and cultural products that include museum visits, and other culturally-oriented activities;
- Develop tour products that include a business component (e.g., corporate tours) in addition to the leisure itinerary to help travellers meet government travel regulations.

Travel Industry Trends

China's newly born travel industry is growing rapidly, and has become a "pillar industry" for the nation. Over one million Chinese currently work in the travel industry, and new jobs are constantly being created. The industry is concentrated in Beijing, which accounts for fully a fifth of the output of the entire country. The CNTA has overall responsibility for the travel industry, including the development of policy and regulations for inbound, domestic and outbound travel.

There were over 7,300 *travel agencies* in China in 1999, with over 1,200 authorized to handle inbound visitors. However, only a fraction of these (around 65) are formally permitted to handle outbound travel. The key players in the outbound market are China Travel Service (CTS), China International Travel Service (CITS) and China Youth Travel Service (CYTS), all headquartered in Beijing. A fourth large travel group is Comfort Travel. Each of these organizations has many branches throughout China, but they tend to operate autonomously. These four large travel groups reportedly hold a 56 per cent share of the outbound market in China.

In addition to handling inbound visitors, outbound agencies provide travel information to potential overseas travellers, make travel arrangements for business, convention and leisure travel, sell overseas tour packages to ADS destinations, book tickets, and assist clients with foreign exchange, visa application and travel document procurement. They also actively develop international tours for the Chinese market, negotiating with foreign receptive agencies, transportation companies and hotel chains to bring the packages together.

According to the travel trade, there is no real differentiation between wholesale tour operators and retail travel agencies in China (as is the case in many Asian markets). Wholesalers sell directly to consumers, and travel agencies develop foreign tours, so the distinction is not really meaningful.

Recently, the CNTA has begun to permit foreign investment in the Chinese travel industry. Foreign travel companies are permitted to establish a joint travel service with a Chinese partner,

so long as ownership remains in Chinese hands. The first such foreign joint venture was Beijing Morning Star. However, this has had little impact on outbound travel to date since these agencies primarily handle inbound and domestic travel.

As a sign of the growing popularity of tourism in this country, *travel service centres* are springing up in the large cities. These centres offer a whole range of services for travellers including consultation services, currency exchange, ticket booking and the ability to compare itineraries from various tour products on display.

There are a number of China-based *airlines* that have international routes, including Air China, Eastern Airlines and Southern Airlines. Others, such as Hainan Airlines and Yunnan Airlines have more limited international flights, covering primarily regional destinations in Southeast Asia. According to the Civil Aviation Administration of China (CAAC), the government body that is responsible for the country's aviation industry and air ticketing policies, there are over 150 international and regional air routes that connect China with 33 different countries. More air routes will be opened up over the next few years, fleets are being expanded, and many new airports are being built to handle an anticipated increase in air traffic over the next decade.

Since the market opened up, 209 "*travel colleges*" that provide training for tourism-related careers have been established in China. Although enrolment is still low, this is expected to increase rapidly as tourism (domestic, inbound and outbound) take off.

Interviewees identified a number of key issues and challenges facing the Chinese travel industry today:

- The CNTA is actively promoting e-commerce in the industry, and China's travel companies are starting to develop a presence on the Internet. Not surprisingly, some travel agents feel that the on-line tourism market represents a threat to the traditional way of doing business. There are currently more than 300 tourism-related websites in China, including web-only travel agencies, airline and hotel reservations sites. The first on-line service was the China Travel Network Co (CTN.com.cn), which was established by CITS and two partners. Via, another pioneer online travel agency, enables travellers to complete travel application forms on-line, as well as make payments. Shanghai Air also has a sophisticated site that enables on-line booking.
- Clients are becoming more demanding in terms of quality. Many travellers have become dissatisfied with the standard package tours, with either the itinerary or the tour guide being the major causes of dissatisfaction. The industry has had to develop better quality products and more customization to retain customers. The industry has also had to cope with new regulations whereby complaints from returning customers result in a government investigation of the agency and possible loss of the organization's licence to do business.
- There has been intense competition among China's travel agencies, with price-cutting leading to decreased profits. In the region of Guangdong, where price leading is a key sales tactic, it is estimated that profits declined by 20 million RMB in 2000 over the previous year, and price wars are continuing into 2001. It was noted that some price-sensitive travellers from the region are purchasing outbound travel through agencies in nearby Hong Kong, thus putting more pressure on the industry.
- The government has recently taken some measures to better control the travel industry due to misconduct by certain travel agencies. These measures have focused on the issue of non-licensed travel agencies and agencies that are offering services beyond their permitted lines of business, particularly for travel to Singapore, Malaysia and Thailand. The

government is also attempting to standardize the performance and services of travel agencies (e.g., with respect to pricing) by setting minimum pricing levels for travel abroad, which has led to some price increases. This is intended to stop the agency practice of deeply discounting tour packages to lure tourists in, only to urge them to spend money shopping and collecting commissions from retailers to make up for their losses. Since November 2000, Chinese agencies and travellers can only deal with government approved host travel agencies and selected retail stores in the three Southeast Asian countries. The trade anticipates that 2001 will bring further government controls to manage, reorganize and purify the outbound market.

- Another major challenge faced by the industry is China's impending entry into the World Trade Organization. The trade fears that this will lead to foreign travel agencies establishing branches in China and hence increased competition in what is already felt to be a buyer's market. The industry is concerned that this influx will affect both their inbound and outbound business, as well as their ability to retain employees.
- Similarly, Chinese airlines are very concerned about China's admission to the World Trade Organization. They are concerned that they will not be able to compete with some international airlines that offer very low fares, particularly in the low season. In order to prepare for increased competition and strengthen its position, the industry is regrouping around three major air groups based on Air China, China Eastern and China Southern. This restructuring will be completed this year.
- Due to the recent travel boom, the lack of international flights during peak travel periods (e.g., Spring Festival) has become a major problem. According to the trade, outbound travel during this year's Spring Festival increased 30 to 40 per cent over last year. Demand far exceeded supply, and flights were fully booked months in advance.

Quantitative Research

This chapter provides an overview of the research findings from the quantitative component of the study. The results are based on an omnibus survey conducted in China in February 2001 with 4,500 adults aged 15 to 59.

The omnibus was conducted in three Tier I cities – Beijing, Shanghai and Guangzhou. These are the more advanced cities in China with developed economics and a relatively high standard of living. These three cities represent the immediate market for most consumer products in China, including travel.

The omnibus was also conducted in three representative Tier II cities – Chengdu, Shenyang and Wuhan. Tier II cities include most of the capital cities of the various provinces in China. Other Tier II cities that were not sampled as part of the omnibus, but were included in estimates of potential market size, include Tianjin, Chongqing, Harbin, Xi'an, Nanjing, Changchun, Dalian, Taiyuan, Qingdao, Jinan, Zhengzhou, Kunming, Changsha, Lanzhou, Hangzhou, Nanchang, Guiyang, Shijiazhuang, Shenzhen, Fuzhou, Hefei and Nanning.

Size of the Potential Chinese Long-Haul Pleasure Travel Market

For the purposes of sizing the market, long-haul travel was defined as a trip *of four nights or more, by plane, outside China, Hong Kong and Macau*. Because the omnibus study was only conducted in six cities (the maximum coverage in China), some assumptions were necessary to estimate the size of the potential long-haul pleasure travel market for the entire country. These assumptions are detailed below:

- *Tier I Cities:* All Tier I cities were sampled so the actual incidence of long-haul travel for these cities was determined from the Omnibus results.
- *Tier II Cities:* The actual incidence of travel for the three sampled Tier II cities was determined directly from the Omnibus results. The incidence for the other 22 Tier II cities was estimated using the weighted average results for Shenyang and Wuhan. While Chengdu is also a Tier II city, it is not considered representative of Tier II cities in general.
- *Other Areas:* The assumption here is that the potential for long-haul pleasure travel from the other areas of China (mostly rural) is negligible. People living in rural areas would not only be unable to afford overseas travel, but are unlikely to have passports or be able to obtain a visa to leave the country. Many do not even have telephones. As a result, our population estimates are based on Tier I and Tier II cities only. As such, it is probably a conservative estimate.

Exhibit 3-1a shows the details of the incidence rate and potential market calculations for each city based on the omnibus survey and the above assumptions. The overall incidence rate is essentially a weighted average across the individual Tier I and Tier II cities.

The overall incidence rate for the Tier I and Tier II cities is 6.4 per cent. This includes 4.0 per cent who took a long-haul pleasure trip of four nights or more by plane in the past three years and an additional 2.4 per cent who have not taken a long-haul trip in the last three years, but definitely plan such a trip in the next two years. This incidence rate translates into a total market of 2,989,600 potential long-haul pleasure travellers in China.

Exhibit 3-1a – Estimation of Size of the Potential Chinese Long-Haul Pleasure Travel Market for Tier I and Tier II Cities

	Tier I Cities			Tier II Cities				Total
	Guangzhou (n=1,000)	Beijing (n=1,000)	Shanghai (n=1,000)	Chengdu (n=500)	Shenyang (n=500)	Wuhan (n=500)	Other Tier II Cities (Estimated)	Total Tier I and Tier II
Approximate Adult Population (15 To 59) ¹	2,278,500	4,570,400	5,782,600	1,482,000	2,732,300	2,789,200	26,929,500	45,564,500
Incidence Of Travel:								
Pleasure Travellers To Long-Haul Destinations	9.6%	8.0%	9.0%	9.7%	2.1%	1.6%	1.9%	4.0%
Planning Long-Haul Pleasure Trip	5.4%	2.3%	2.1%	2.1%	1.8%	2.8%	2.3%	2.4%
Incidence Of Long-Haul Pleasure Travellers	15.0%	10.3%	11.1%	11.8%	3.9%	4.4%	4.2%	6.4%
Potential Adult Long-Haul Pleasure Travellers	341,775	470,751	641,869	174,876	106,560	122,725	1,131,039	2,989,600

Note: ¹ Population estimates are for the non-agriculture population (i.e., those who have the registered permanent residence in urban areas).

Looking at the Tier I cities, Guangzhou enjoys the highest incidence of long-haul pleasure travel (15.0%), however, in terms of potential travellers, it is the smallest of the Tier I cities (at 342,000) due to its smaller adult population base. On the other hand, Shanghai's large population translates into the largest potential market at 642,000 long-haul pleasure travellers. Combined, the three Tier I cities offer a potential long-haul market of just under 1.5 million travellers (almost half of the total potential for China).

In terms of Tier II cities, Chengdu has a very high incidence of long-haul travel at 11.8 per cent, which is actually in the range of the Tier I cities. Despite the fact that income levels in Chengdu are no higher than those found in other Tier II cities, residents from Chengdu typically enjoy leisure living and are more likely to spend disposable income on leisure activities, including travel. The tourism industry is also more mature in Chengdu than in some other Tier II cities, and there have been some good bargains on trips to Thailand on offer there. So although Chengdu is not a Tier I city, it should probably not be ignored in Canada's marketing efforts as there is good potential here.

Incidence in the other Tier II cities averages around 4.2 per cent, which translates into a potential long-haul market of almost 1.4 million travellers (including Shenyang and Wuhan).

Exhibit 3-1b summarizes the potential market results for China. Compared with other emerging Asian markets studied recently, the long-haul travel incidence seen among China's Tier I and Tier II cities (6.4%) is stronger than that for both Thailand (4.4%) and the Philippines (3.9%). Moreover, the sheer number of people in the major cities results in a potential market size of about 3.0 million long-haul pleasure travellers, and this is a conservative estimate. It is important to note that this figure represents potential travellers rather than trips, and that each traveller may take more than one long-haul pleasure trip.

In addition, this is a measure of long-haul pleasure travel potential based on the current situation in China. At the moment, only 13 long-haul destinations have ADS status, and only 1.4 per cent of the urban population have household incomes of more than US\$7,000 per year. Most urban residents still cannot afford to purchase homes or cars, and the situation in the rural areas is far worse. These two factors greatly limit most people's ability to become world travellers.

However, this situation is likely to change in the future on both counts as more destinations become approved for pleasure travel and as Chinese household incomes continue to rise.

Exhibit 3-1b – Size of the Potential Chinese Long-Haul Pleasure Travel Market

Total Population	1.27 billion
Approximate Adult Population in China (15 to 59)	809,767,000
Approximate Adult Population in China (15 to 59) in Tier I and Tier II Cities¹	46,564,500
Estimated Incidence of Travel (Among All Tier I and Tier II Cities ¹):	
Pleasure Travellers to Long-Haul Destinations (Past Three Years)	4.0%
Planning Long-Haul Pleasure Trip (Definitely Planning Next Two Years)	2.4%
Incidence of Long-Haul Pleasure Travellers	6.4%
Potential Chinese Long-Haul Pleasure Travellers	2,989,600

Notes: ¹ Population estimates are for the non-agriculture population (i.e., those who have registered permanent residence in urban areas). Numbers have been rounded.

Potential for Canada

As shown in *Exhibit 3-2a*, the potential market for Canada was estimated in a similar manner (i.e., applying the percentage interested in visiting Canada in the next five years to the potential long-haul pleasure travel market estimate on a city by city basis, with Shenyang and Wuhan used to estimate interest for the non-sampled Tier II cities).

Overall, 64.6 per cent of Chinese long-haul pleasure travellers in Tier I and Tier II cities are estimated to be interested (very + somewhat) in visiting Canada in the next five years. Based on a total potential market of 3.0 million long-haul pleasure travellers, this translates into 1.9 million potential travellers to Canada over a five-year timeframe.

Interestingly, the highest interest in visiting Canada among the sampled cities is in Shenyang (79%). In fact, the Tier II cities generally exhibit higher interest levels than the Tier I cities do. However, in terms of potential travel volumes, the three Tier I cities come out on top due to larger long-haul markets overall, with Shanghai and Beijing offering the most potential for Canada.

Exhibit 3-2a – Estimation of Size of the Potential Chinese Pleasure Travel Market to Canada for Tier I and Tier II Cities

	Tier I Cities			Tier II Cities				Total Tier I and Tier II
	Guangzhou (n=1,000)	Beijing (n=1,000)	Shanghai (n=1,000)	Chengdu (n=500)	Shenyang (n=500)	Wuhan (n=500)	Other Tier II Cities (Estimated)	
Potential Adult Long-Haul Pleasure Travellers	341,775	470,751	641,869	174,876	106,560	122,725	1,131,039	2,989,600
Potential for Canada:								
Interest in Visiting Canada in the Next Five Years	58.4%	56.5%	56.5%	60.0%	79.2%	67.9%	73.5%	64.6%
Potential Pleasure Visitors To Canada in the Next Five Years	199,597	265,974	362,656	104,926	84,395	83,330	831,314	1,923,200

Exhibit 3-2b summarizes the market potential findings for Canada. China is still an emerging market for destinations like Canada, so this potential will obviously increase in the future. Chinese travellers are still primarily going to ADS destinations in nearby Southeast Asia, but this will change as China continues to open up outbound travel and as travellers become more sophisticated.

Exhibit 3-2b – Size of the Potential Chinese Pleasure Travel Market to Canada

Potential Chinese Long-Haul Pleasure Travellers	2,989,600
Estimated Potential for Canada (Among All Tier I and Tier II Cities ²):	
Interest in Visiting Canada in the Next Five Years	64.6%
Potential Pleasure Visitors To Canada in the Next Five Years	1,932,200

Note: Numbers have been rounded.

The remaining part of this chapter looks at the demographics, destinations visited/intend to visit, travel motivations and strengths and weaknesses of Canada among potential long-haul pleasure travellers as defined previously (i.e., travelled long-haul in the past three years or definitely plan to in the next two years). These findings are representative of travellers in the six sampled cities only (i.e., Shanghai, Beijing, Guangzhou, Chengdu, Shenyang and Wuhan) and do not reflect the entire country.

Demographic Characteristics of Chinese Long-Haul Pleasure Travellers

Exhibit 3-3 shows the demographic characteristics of potential Chinese long-haul pleasure travellers in the six sampled cities. Long-haul travellers in this market tend to be 25 to 44 years of age (62%), male (58%) and married (76%).

Compared with the general adult population in the six cities, long-haul pleasure travellers are much better educated (61% have a college or university education vs. only 34% of adults overall), and considerably more affluent (69% have monthly household incomes of more than 3,000 RMB per month, compared with only 33% of the general population). They are also more likely to be in professional or managerial positions (37% vs. 25%). These results are not at all surprising and confirm that on the whole, only the wealthier city dwellers can afford long-haul travel.

The exhibit also profiles long-haul travellers that are interested in visiting Canada in the next five years. Compared with long-haul travellers who are *not* interested in visiting Canada, they are better educated (68% with college/university) and have somewhat higher incomes (52% have monthly incomes of 4,500 RMB or more). This suggests that Canada tends to attract more upscale long-haul pleasure travellers, which is perhaps due to the perception that it is a relatively expensive destination.

Exhibit 3-3 – Demographic Characteristics of Chinese Long-Haul Pleasure Travellers

Characteristics	All Long-Haul Pleasure Travellers (N=462)	Travellers Interested in Visiting Canada (N=272)	Travellers Not Interested in Visiting Canada (N=190)
Age:			
15 to 19	4%	4%	5%
20 to 24	7%	7%	6%
25 to 34	31%	32%	30%
34 to 44	31%	30%	33%
45 to 59	27%	28%	26%
Gender:			
Male	58%	61%	55%
Female	42%	39%	45%
Occupation:			
Cadre in party and government organization	4%	4%	3%
State owned enterprise staff	4%	5%	3%
Professional / technician	23%	24%	23%
Enterprise managerial personnel	14%	15%	12%
Trade / service industry worker	14%	15%	12%
Industry / manufacture industry worker	7%	5%	9%
Self-employed	5%	6%	5%
Unemployed	4%	4%	4%
Study	8%	6%	10%
Housewife	1%	1%	1%
Retired	4%	4%	5%
Others	12%	11%	14%
Educational Level:			
No Formal Schooling / Primary School	2%	2%	3%
Junior High School	7%	6%	9%
Senior High School / Technical School	29%	24%	37%
College	27%	32%	20%
University / Post-Graduate	34%	36%	32%
Marital Status:			
Married/ Partnered	76%	77%	75%
Single	22%	21%	24%
Other	2%	2%	1%
Size of Household:			
Average No. of Persons in Household	3.22	3.18	3.30
Have Children in Household Under 15	40%	41%	40%

Characteristics	All Long-Haul Pleasure Travellers (N=462)	Travellers Interested in Visiting Canada (N=272)	Travellers Not Interested in Visiting Canada (N=190)
Total Monthly Household Income (RMB):			
1,500 or less	11%	9%	14%
1,500 to 3,000	20%	21%	19%
3,001 to 4,500	22%	18%	27%
4,500 to 6,000	20%	23%	16%
6,001 to 10,000	14%	14%	13%
10,001 or more	13%	15%	12%
Region:			
Guangzhou	18%	18%	19%
Beijing	25%	24%	27%
Shanghai	35%	33%	37%
Chengdu	9%	10%	9%
Shenyang	6%	8%	3%
Wuhan	7%	8%	5%

Base: Those who took a long-haul holiday trip (outside of China, Hong Kong and Macau) of four nights or more by plane in the past three years, or who plan to take one (definitely) in the next two years. Represents potential long-haul travellers in six sampled cities only.

Destinations Visited by Chinese Long-Haul Pleasure Travellers

Exhibit 3-4 shows the top destinations that potential Chinese long-haul pleasure travellers visited in the past three years or intend to visit in the next two years. Respondents were asked to indicate only those destinations outside China, Hong Kong and Macau that they had visited (or intend to visit) by plane for four or more nights.

Thailand is by far the top destination for past long-haul pleasure travellers (46%), with Singapore (22%) and Malaysia (19%) also popular. The U.S. and Japan (both at 10%) round out the top five destinations. It is worth noting that all of these are ADS destinations, except the U.S. Other approved destinations such as South Korea (6%) and Australia (5%) also rank in the top ten, which certainly underlines the importance of obtaining ADS status in developing this market.

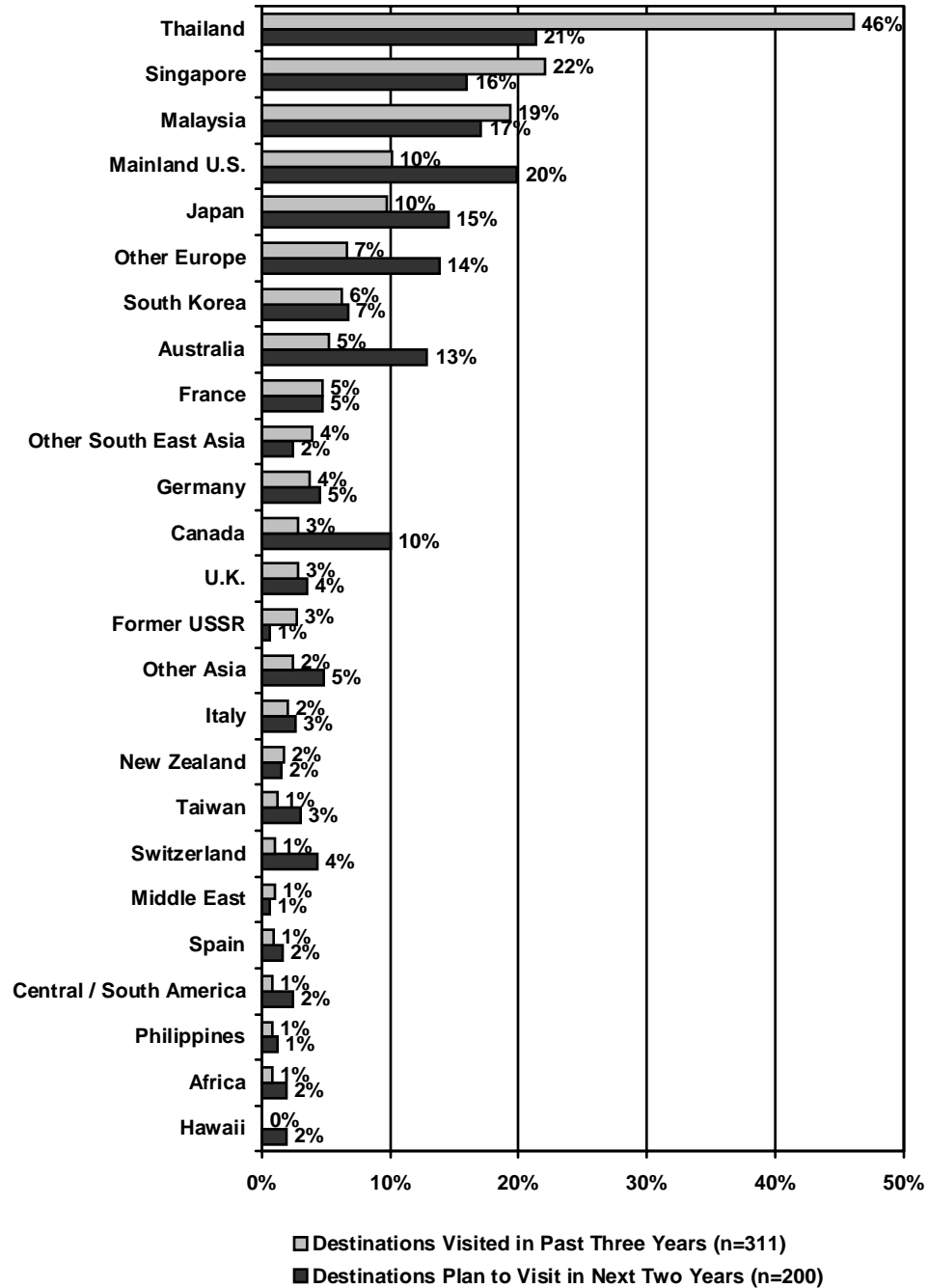
According to the travel trade, Europe, particularly France and Germany, also receives a certain measure of Chinese long-haul travel, and this is supported by the quantitative findings.

Future travel patterns confirm the trade's impression that destination preferences are shifting. Travel to Thailand has been opened up for quite a while, and it is beginning to lose its charm. On the other hand, there appears to be more interest in traveling to Australia, which just recently opened up. Future travel intentions are also much stronger for the U.S. which confirms the growing popularity of this destination, despite its non-ADS status.

While Canada is currently not a top destination for Chinese long-haul travellers, ranking 12th for past travel, interest is on the rise as indicated by an 8th place ranking for future travel. Approximately 10 per cent of those who definitely plan to take a long-haul pleasure trip in the next two years mentioned that they intend to visit Canada for four or more nights. Again,

obtaining ADS status for Canada would markedly improve its standing and competitiveness among potential long-haul pleasure travel destinations.

Exhibit 3-4 – Long-Haul Destinations that Chinese Travellers Visited in the Past Three Years or Intend to Visit in the Next Two Years



Base: Those who took a long-haul holiday trip (outside of China, Hong Kong and Macau) of four nights or more by plane in the past three years, or who plan to take one (definitely) in the next two years. Representative of six sampled cities only.

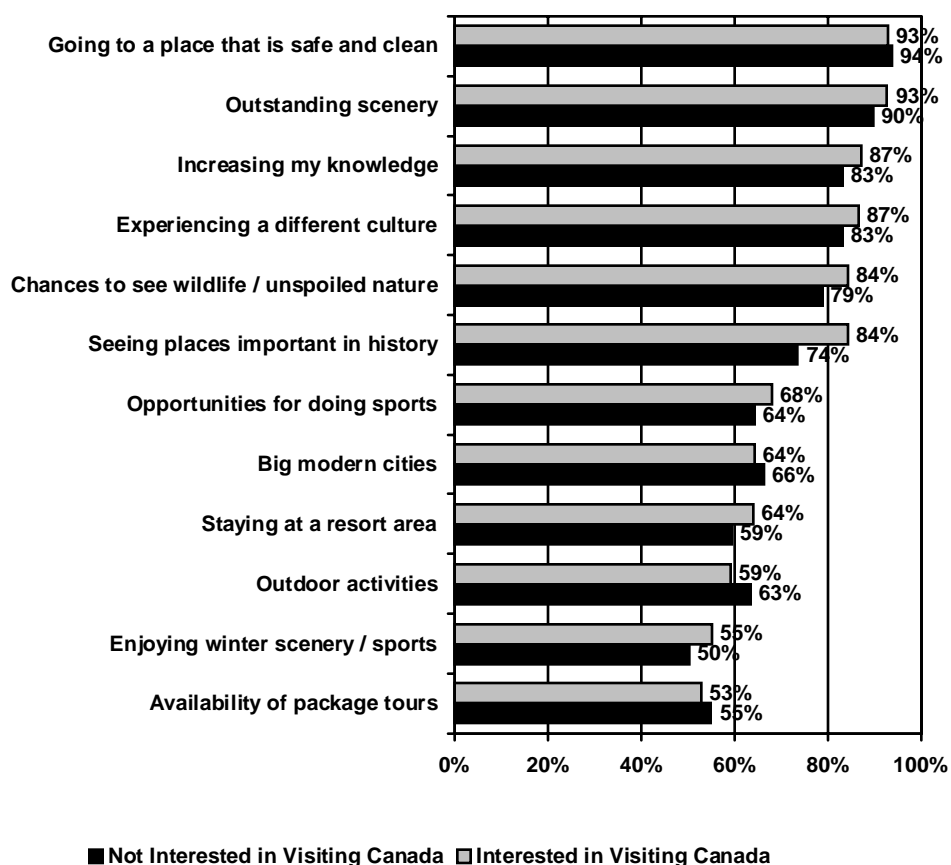
Travel Motivations of Chinese Long-Haul Pleasure Travellers

Potential Chinese long-haul pleasure travellers were asked to rate the importance of 12 travel motivations in selecting a long-haul holiday destination. These motivations represent the general “mindset” of travellers and are not tied to a specific trip or time period.

As shown in *Exhibit 3-5*, the top motivating factors for Chinese long-haul pleasure travellers are going to a place that is safe and clean and outstanding scenery. Opportunities to increase knowledge, experiencing a different culture, chances to see wildlife / unspoiled nature and seeing places important in history are also important motivators.

Again these are very consistent with the qualitative findings. Chinese travellers enjoy culture, nature and history, and they want to learn something when they travel. Sports, cities, resorts, outdoors and winter are all much lower down the list. Above all, this market looks for a backdrop of safety, cleanliness and beautiful scenery regardless of what vacation activities they prefer.

Exhibit 3-5 – General Travel Motivations for Chinese Long-Haul Pleasure Travellers



Base: Those who took a long-haul holiday trip (outside of China, Hong Kong and Macau) of four nights or more by plane in the past three years, or who plan to take one (definitely) in the next two years. Represents potential long-haul travellers in six sampled cities only. Interested in visiting Canada, n=272; Not interested in visiting Canada, n=190.

Marketing Strengths and Weaknesses for Canada

The concept of marketing strengths and weaknesses involves looking at a combination of the general importance of various tourism attributes for Chinese travellers and the impression ratings of these items for Canada.

The marketing strengths and weaknesses for Canada in China are shown in *Exhibit 3-6*. The purpose of this analysis is to emphasize the attributes of broad importance to Chinese long-haul pleasure travellers where Canada is perceived favourably, or where perceptions are a problem. The arrow marked *Desired Strategic Trend* indicates the direction in which products should ideally move. Movement in this direction would result from simultaneous improvements to the products (leading to better perceptions and higher product ratings), as well as targeted marketing efforts to increase the importance of these attributes in destination decision-making.

General marketing strengths for Canada are those attributes that are both important in the minds of travellers when selecting a vacation destination *and* for which Canada is highly rated. Canada's perceived general marketing strengths include:

- Safety and cleanliness;
- Outstanding scenery;
- Increasing one's knowledge; and
- Chances to see wildlife and unspoiled nature.

Most of Canada's strengths in the Chinese market are not really surprising – safety, cleanliness, scenery and nature are strengths in most of its other international markets as well. The fact that Canada is viewed as a destination that improves one's knowledge, however, is fairly unique, and likely results from the Chinese desire to learn about western culture and lifestyles.

General marketing weaknesses, on the other hand, are attributes that heavily influence destination selection, but for which Canada is not favourably rated. General marketing weaknesses typically indicate areas where there may be serious problems (perceptual or actual) to be mitigated. The exhibit shows that Canada is not seen as a destination with a strong historical offering, an attribute of importance to Chinese travellers. As seen in the previous chapter, the trade also noted that Canada's historical products are an area of weakness and should be improved or better marketed in China.

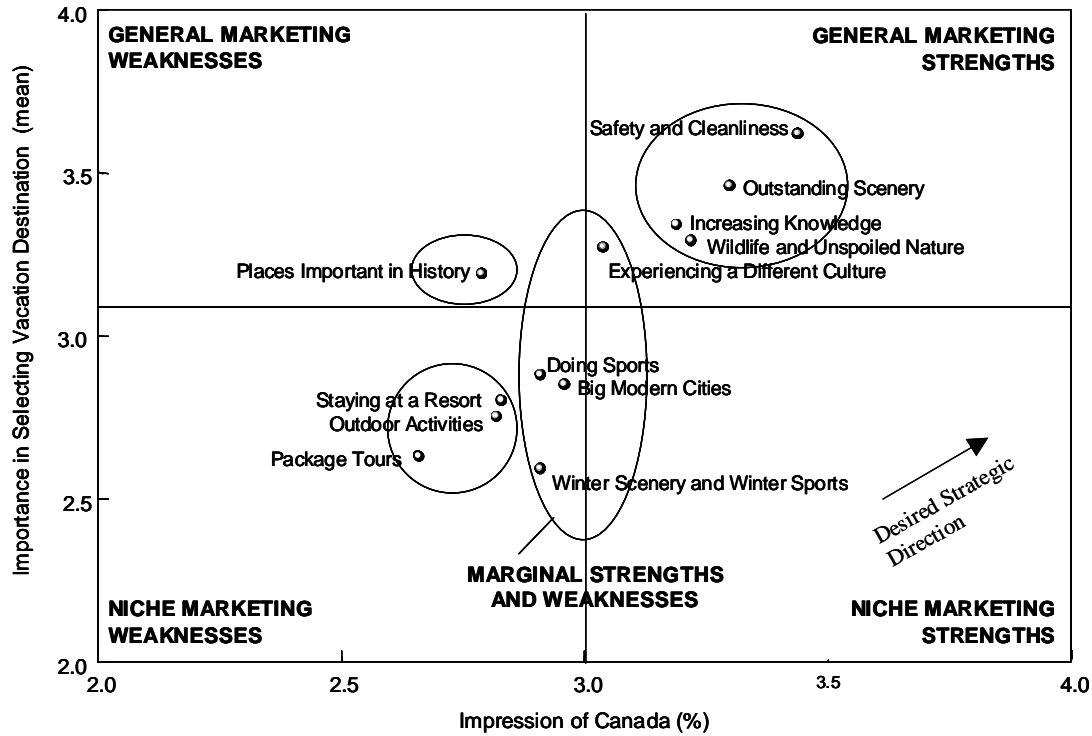
Niche marketing weaknesses indicate attributes on which Canada is not favourably perceived, but appeal to a smaller group of travellers. Some of these areas may be less worthwhile to develop, since considerable investment may be required to improve Chinese perceptions of the attribute for a lower return. Canada's perceived niche marketing weaknesses include:

- Staying at a resort area;
- Outdoor activities such as hiking, climbing; and
- Availability of package tours.

Interestingly, some of the attributes that are only marginally rated could probably be turned into strengths through increased promotion and awareness building in the Chinese market. For example, Canada's culture could easily become a general strength in this market. This was also commented upon by the trade, most of whom felt that Canadian cultural products exist, but just

need to be better marketed. Likewise, Canada's winter products could become a *niche marketing strength* by better informing the segment of Chinese travellers who enjoy winter travel about its winter offerings.

Exhibit 3-6 – Strength and Weaknesses of Canada



Base: Those who took a long-haul holiday trip (outside of China, Hong Kong and Macau) of four nights or more by plane in the past three years, or who plan to take one (definitely) in the next two years.

Scale for Impression Rating: 4=Excellent, 3= Very good, 2=fair, 1=poor.

Scale for Importance: 4=Very important, 3=Somewhat important, 2=Not very important, 1=Not at all important.

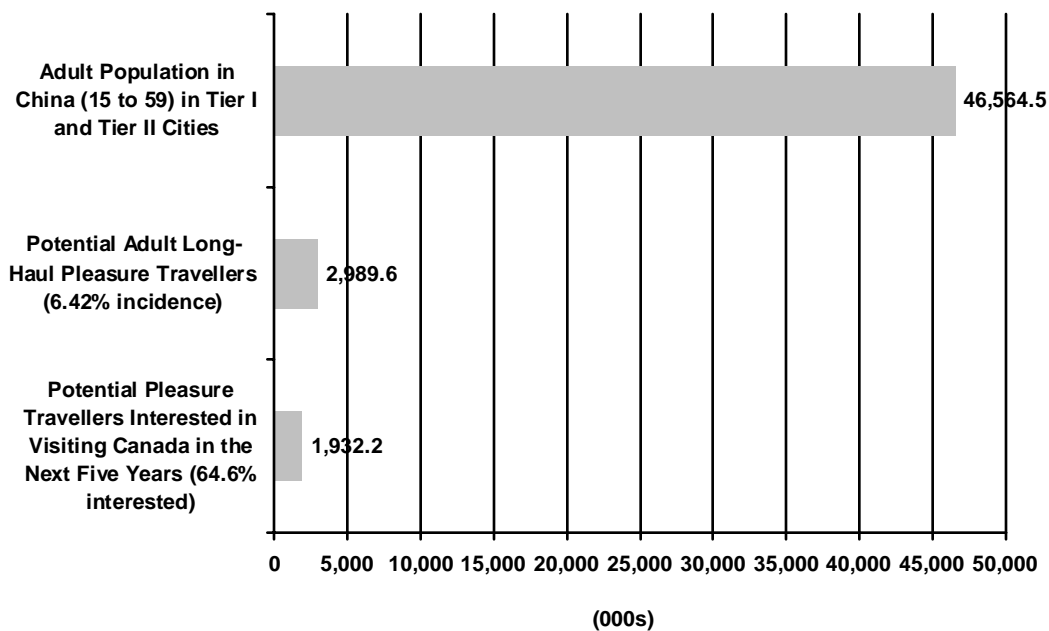
Represents potential long-haul travellers in six sampled cities only. N=462.

Conclusion

Without a doubt, China is a market with considerable future potential. A conservative estimate of the size of the current long-haul pleasure travel market in China is close to 3.0 million potential travellers. This is huge for an emerging market, especially one with so many travel restrictions still in place. The Chinese potential market is larger than the ones recently studied in Singapore, Thailand and the Philippines, and is about the same size as the potential market in Malaysia. It is also just under our estimate for Taiwan back when this market was first studied in 1994 (3.3 million).

What is important to note is that the 3.0 million figure is really a starting point given current conditions, and that China's potential will undoubtedly increase in the future as the economy expands, incomes rise and the middle-class continues to grow. All indications are that the government will continue to open up outbound travel, albeit within a closely regulated environment. At the moment, there are several new applicants clamouring for ADS status, including Canada. Obviously the world has begun to take notice of the future potential offered by this "sleeping dragon."

Size of the Potential Chinese Long-Haul Pleasure Travel Market



For Canada, the potential market currently sits at 1.9 million pleasure travellers. This is extraordinary, considering that Canada is a non-ADS destination. Interest in visiting Canada among Chinese long-haul pleasure travellers in Tier I and Tier II cities is in excess of 64 per cent, which is very high compared with other international markets. Chinese travellers are keen to experience Canada's westernized way of living and view Canada as having the potential to enhance their knowledge. Canada's nature product and its image as a land of mountains, lakes and wildlife will definitely be the key to unlocking this market in the future. Above all, Canada is well-positioned on the two main travel motivations for this market – outstanding scenery, and

safety and cleanliness. Over 90 per cent of Chinese long-haul pleasure travellers look for these two elements in selecting a potential vacation destination.

What is also clear is that the main barrier for Canada in developing this market further is its lack of ADS approval, which Canada obviously realizes and is attempting to secure. Only after this is obtained will arrivals truly take off. Canada's key competitors in this marketplace are Australia, the U.S. and Europe (particularly France, but also Germany, the U.K. and Italy). Of these, only Australia has ADS status, although France is believed to be close. Clearly there are some major opportunities to be had for Canada should it gain ADS status ahead of the U.S. or other competitors, so these negotiations should proceed with all possible haste.

The second greatest barrier to market development is definitely cost. Pure vacation travel to long-haul destinations is only affordable for the wealthy, and Canada tends to be perceived as an upscale destination even among this group. However, Chinese incomes are growing extremely rapidly and will continue to do so, so Canada's potential is bound to grow in the future.

Other barriers include Canada's cold winter weather and a general lack of awareness about the country's attractions, destinations and tourism products. In particular, Canada will have to improve the competitive positioning of its historical products, and to a lesser extent, its cultural products at some point in the future. Both are key destination determinants for Chinese travellers, but Canada's products are not as well-perceived as they could be.

The Chinese travel industry believes that Canada should start developing the market now, so that it will be primed once Canada's ADS status has been resolved and Canada can immediately start to reap the benefits that this will bring. Canada needs to develop better linkages with the industry through proper channels and introduce itself as a destination to the travel trade.

Although the travel industry offered many suggestions on how Canada should be marketed to consumers, at this early stage, consumer marketing should probably be limited to making people more aware of Canada as a potential tourism destination and increasing their general knowledge about the country, for example, through news coverage, cultural festivals, special events, articles in travel magazines, etc. Canada needs to create a thoroughly welcoming and relaxing atmosphere and a hospitable environment for the Chinese in order to hone market interest and position the destination for the future. While awaiting ADS approval, Canada should also focus on actively developing the existing business, VFR and study travel segments to their fullest potential.

Appendix A – Omnibus Questionnaire

Q1. In the past three years, that is since February 1998, have you taken a holiday trip by plane, outside China, Hong Kong and Macau for four nights or longer? Please include trips to visit friends and relatives and business trips on which you combined business with a holiday trip.

Yes..... 1
 No..... 2
 → SKIP TO Q3

Q2. Which countries outside China, Hong Kong and Macau did you visit by plane for a holiday of four nights or more in the past three years? DO NOT READ. MULTIPLE RESPONSE.

Canada..... 1
 Mainland U.S.A..... 2
 Hawaii 3
 Guam/American Samoa/Saipan 4
 Puerto Rico/US Virgin Islands..... 5
 Other South Pacific..... 6
 Mexico 7
 Central/South America..... 8
 Dominican Republic 9
 Cuba..... 10
 Other West Indies/Caribbean..... 11
 South Africa..... 12
 Other Africa 13
 Australia 14
 New Zealand 15
 UK 16
 Germany 17
 France..... 18
 Switzerland 19
 Spain 20
 Italy 21
 Other Europe..... 22
 Middle East..... 23
 Former USSR (CIS)..... 24
 Thailand..... 25
 Singapore..... 26
 Malaysia..... 27
 Philippines 28
 Indonesia 29
 Other Southeast Asia (Laos/Vietnam/Cambodia/Brunei) 30
 South Korea 31
 Japan 32
 Taiwan (ROC)..... 33
 South Asia (e.g., Pakistan, India, Sri Lanka, Nepal) 34
 Other Asia..... 35

Q3. In the next two years (i.e., before February 2003), how likely is it that you will take a holiday trip by plane outside China, Hong Kong and Macau for 4 nights or longer? Are you: READ LIST. SINGLE RESPONSE.

Definitely going to take such a trip	1
Very likely to take such a trip.....	2
Somewhat likely to take such a trip.....	3
Not very likely to take such a trip OR	4
.....	→ SKIP TO Q5
Not at all likely to take such a trip.....	5
.....	→ SKIP TO Q5

Q4. Which countries outside China, Hong Kong and Macau are you likely to visit by plane for a holiday of four nights or more in the next two years? DO NOT READ. MULTIPLE RESPONSE.

Canada.....	1
Mainland U.S.A.....	2
Hawaii	3
Guam/American Samoa/Saipan	4
Puerto Rico/US Virgin Islands.....	5
Other South Pacific.....	6
Mexico	7
Central/South America.....	8
Dominican Republic	9
Cuba.....	10
Other West Indies/Caribbean.....	11
South Africa.....	12
Other Africa	13
Australia	14
New Zealand.....	15
UK.....	16
Germany	17
France.....	18
Switzerland	19
Spain	20
Italy	21
Other Europe.....	22
Middle East.....	23
Former USSR (CIS).....	24
Thailand.....	25
Singapore	26
Malaysia	27
Philippines	28
Indonesia	29
Other Southeast Asia (Laos/Vietnam/Cambodia/Brunei)	30
South Korea	31
Japan	32
Taiwan (ROC).....	33
South Asia (e.g., Pakistan, India, Sri Lanka, Nepal)	34
Other Asia.....	35

Q5. How interested are you in taking a holiday trip to Canada in the next five years? READ LIST. SINGLE RESPONSE.

Very interested4
 Somewhat interested.....3
 Not very interested2
 Not at all interested.....1
DK 9

Q6. Thinking now about travel in general, here are some different things that may or may not be important to you if you were going to take a holiday outside China, Hong Kong and Macau. For each item that I read, please tell me how important it would be to you if you were selecting a holiday destination. The scale to be used is 4 = Very Important, 3 = Somewhat Important, 2 = Not Very Important and 1 = Not at All Important. READ LIST. SINGLE RESPONSE PER LINE. REPEAT SCALE AS NECESSARY.

	Importance in Choosing a Destination			
	Very important	Somewhat important	Not very important	Not at all important
Seeing big modern cities	4	3	2	1
Staying at a resort	4	3	2	1
Availability of package tours	4	3	2	1
Going to a place that is safe and clean	4	3	2	1
Increasing my knowledge	4	3	2	1
Experiencing a different culture	4	3	2	1
Seeing places important in history	4	3	2	1
Outstanding scenery	4	3	2	1
Chances to see wildlife and unspoiled nature	4	3	2	1
Outdoor activities such as hiking, climbing	4	3	2	1
Opportunities for doing sports	4	3	2	1
Enjoying winter scenery and winter sports	4	3	2	1

- Q7. What type of holiday place do you consider Canada to be? For each item that I read, please tell me if you think Canada is excellent, very good, fair or poor. Your impressions can be based on past experience or on anything you have seen, heard or read. READ LIST. SINGLE RESPONSE PER LINE. REPEAT SCALE AS NECESSARY.

	Is Canada ...			
	Excellent	Very good	Fair	Poor
Seeing big modern cities	4	3	2	1
Staying at a resort	4	3	2	1
Availability of package tours	4	3	2	1
Going to a place that is safe and clean	4	3	2	1
Increasing my knowledge	4	3	2	1
Experiencing a different culture	4	3	2	1
Seeing places important in history	4	3	2	1
Outstanding scenery	4	3	2	1
Chances to see wildlife and unspoiled nature	4	3	2	1
Outdoor activities such as hiking, climbing	4	3	2	1
Opportunities for doing sports	4	3	2	1
Enjoying winter scenery and winter sports	4	3	2	1