Keeping Pace With The Second Wave Of Chinese Outbound Visitors To Europe? — Opportunities For Ireland

6th Tourism Policy Workshop
Dromoland
Nov. 21st, 2015

Prof. Dr. Wolfgang Georg Arlt, Direktor COTRI

China Outbound Tourism Research Institute
Prof. Dr. Wolfgang Georg Arlt

How can Ireland Attract More Visitors from China, the World’s Largest International Tourism Source Market?

Third Annual Tourism Policy Workshop
Dromoland/Ireland Nov. 3rd, 2012

Cork October 2012
COTRI is a privately organised and independent institute founded by its director, Prof. Dr. Wolfgang Georg Arlt, in Germany 2004. Since its inception, COTRI has become the world’s leading institute for services and insights related to the Chinese outbound tourism market, and cooperates with leading international and Chinese tourism organisations.

COTRI is headquartered in Hamburg, Germany, has an office in Beijing, China, and coordinates a global network of regional partners across all continents.
COTRI’s founder and director

First visit to People’s Republic of China in 1978
1991-1999, owner of Inbound Tour Operator China-Europe with offices in Beijing and Berlin
COTRI founder and director since 2004
Professor for International Tourism Management at West Coast University of Applied Sciences Germany (Heide)
Visiting professor at universities in China, United Kingdom and New Zealand
Fellow Royal Geographical Society (London)
Research Fellow Japanese Society for the Promotion of Science (Tokyo)

Prof. Dr. Wolfgang Georg Arlt

Latest & Forthcoming publications:
* COTRI China Market Report (Ed.)
* Li: China’s Outbound Tourism 2.0 (Chapter)
* Green Book of China’s Tourism 2015 (Ed.)
* COTRI Yearbook 2016 (Ed.)

www.china-outbound.com
COTRI Services

COTRI China Outbound Tourism Research Institute offers a wide range of services suitable for any need related to the Chinese outbound tourism market.

CONSULTING
With rich experience and deep knowledge about China’s outbound tourism market, COTRI can provide holistic solutions to any challenge or opportunity.

RESEARCH
COTRI’s in-house research department with offices both in Germany and China together with COTRI’s network of experts and analysts ensures world-class research and analysis.

TRAINING
The COTRI China Tourist Welcome (CTW) Training programme is a well-renowned program that helps tourism service providers to position themselves at the forefront of the biggest global outbound tourism market.

EVENTS
Since 2004, COTRI has organised a large number of events related to the Chinese outbound tourism market for private companies, public institutions, and at academic conferences across all continents.
2011: 70 million border crossings
        69 billion US$ total spending
2014: 116 million border crossings
        165 billion US$ total spending

China Outbound Tourism 2000 - 2015
in million border-crossings
Sources: COTRI, CTA
Relevance of outbound travel for Chinese tourism industry by number of travellers

China 2014
Number of trips (million)
Source: COTRI, CTA

Domestic trips
Outbound trips
Inbound trips HK/Macau/Taiwan
Inbound trip "Foreigners"

China 2014
Number of trips (million)
Source: COTRI, CTA
Relevance of outbound travel for Chinese tourism industry by spending

China 2014
Tourism spending in billion US$
Source: COTRI, CTA

- Domestic trips
- Outbound trips
- Inbound trips HK/Macau/Taiwan
- Inbound trip "Foreigners"

Tourism spending in billion US$
- Domestic trips: 550
- Outbound trips: 35
- Inbound trips HK/Macau/Taiwan: 22
- Inbound trip "Foreigners": 165

Source: COTRI, CTA

November 21, 2015
www.china-outbound.com
Europe still most important non-Asian destination, but losing market share

<table>
<thead>
<tr>
<th>Country (Region)</th>
<th>Jan-Nov</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>105,633,900</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Asia Total</strong></td>
<td>94,773,900</td>
<td>17.0</td>
</tr>
<tr>
<td>Of which Hong Kong + Macau</td>
<td>70,583,000</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Americas Total</strong></td>
<td>2,812,800</td>
<td>14.4</td>
</tr>
<tr>
<td><strong>Europe Total</strong></td>
<td>3,665,600</td>
<td>10.7</td>
</tr>
<tr>
<td>Of which Germany</td>
<td>455,500</td>
<td>14.9</td>
</tr>
<tr>
<td>Of which France</td>
<td>551,400</td>
<td>37.3</td>
</tr>
<tr>
<td>Of which UK</td>
<td>496,500</td>
<td>6.7</td>
</tr>
<tr>
<td>Of which Russia</td>
<td>902,600</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Oceania Total</strong></td>
<td>1,213,100</td>
<td>24.3</td>
</tr>
<tr>
<td><strong>Africa Total</strong></td>
<td>2,940,700</td>
<td>80.9</td>
</tr>
<tr>
<td><strong>Others Total</strong></td>
<td>227,800</td>
<td>21.7</td>
</tr>
</tbody>
</table>

*After Nov. 2014 change of method*

www.china-outbound.com  
November 21, 2015
Ireland increasingly trailing behind

- 2014: **40,000** Chinese arrivals in Ireland (half a per-mille of 8.4 million total arrivals)
- **10%** increase over 2013
- 2017: Tourism Ireland aiming at **50,000** arrivals
- **25%** increase over three years – a not very ambitious goal
- Chinese arrivals to many European destinations increased already **more than 25%** in Q1-Q3 2015
- Chinese outbound tourism will grow by more than **50%** in the period 2014-2017
Chinese Outbound Travel will increasingly represent a major part of global tourism and include more destinations, but will still be restricted to the Top 10% of the Chinese society.

- In 2014 one out of ten of all international border crossings started from Mainland China.
- In first half of 2015 one out of nine of all international border crossings started from Mainland China.
- In 2020 one out of seven of all international border crossings will start from Mainland China.
So getting more Chinese to switch from this mood...

Beijing, November 10, 2015
... to this mood is certainly possible
Chinese Outbound Travel will continue to grow despite the economic slowdown and political crisis in China

First of all, because long-distance outbound travel is not a private decision, but an *investment*, not a *holiday*:

- **Direct** investment: Buying real estate and companies for profit and for passports

- **Indirect** investment: “Leisure” Travel and shopping for self-esteem and peer group confirmation of status and prestige

- **Long-term** investment: Formal and informal education, market knowledge, experiences
Five Reasons why Chinese Outbound Travel will continue to grow despite economic slowdown and political crisis

1) By the end of October 2015, the Shanghai Composite and the exchange rate of the RMB are back to the levels of January 2015. Bubbles have burst, but for the top 5% of Chinese society, the ability to spend a few thousand dollars for a trip has not been seriously hampered.

2) The environmental problems connected to mismanagement problems as illustrated by the explosion of 3,000 tons of dangerous chemicals on Aug. 13, 2015 in Tianjin only increase to pull Chinese customers to travel to places offering a safe and clean environment.
A market not to be ignored

3) Visa procedures are getting easier for Chinese nationals with multiple-entry visa introduced by major destinations including USA, Canada, Australia, New Zealand, Schengen countries – EVEN UK!

4) Hong Kong and Macau are losing their appeal for Chinese travellers. The increase in outbound travel goes almost completely to destinations beyond Greater China, benefitting international destinations around the world.

5) International travel has already become a firm part of the consumption pattern of everybody who is anybody in China. Reisefreiheit is a freedom which will not be taken away from the Chinese upper and upper-middle class even if in other areas (culture, education) reforms are slow.
90% of all Chinese outbound travellers are not interested to visit Ireland.

Too far away or too difficult to reach, not famous enough or too similar to other destinations, no big cities or famous brands or too crowded, not high enough on the list of “must-sees”, already ticked-off the list by staying in similar place, lack of direct flights or difficult visa procedures...
The good news:

10% of all outbound travels in 2015 will still amount to more than 13,000,000 trips.

Second Wave travellers – sophisticated with travel experience and language abilities, living in first-tier cities – are looking for suitable specific Chinese demand-adapted offers in new destinations.

Therefore general information and averages talking about the Chinese outbound tourist are useless – with growing segmentation it becomes ever more important to identify, understand, prepare for and communicate with specific Chinese outbound market segments.
Segmentation: Package tours, “FIT” and FIT tours

• Package tours are losing „bragging power“ for experienced travellers

• Interests different from first-time sightseeing and brand shopping orientated customers

• Second Wave experienced Chinese travellers: Niche topics, themed tours, bespoke arrangements, activity based trips, moving from “money rich but time poor” to “money and experience rich but time poor”

• Looking for new kicks and lifestyle affirmation, serious leisure, new destinations and authentic activities, experiences instead of sightseeing, clean nature, direct involvement in local culture and community and stories and pictures to share
Segmentation: Package tours, “FIT” and FIT tours

• Group vs. FIT is not a simple “either-or” but a sliding scale.

• On the one end are old-fashioned package tours “8 countries in 7 days” mainly done for the “me in front of the Eiffel Tower” selfie.

• On the other end are fully autonomous backpackers.

• In between are all kind of ‘semi-self-organized’ packages, customised or bespoke tours with varying degrees of flexibility.

• (Online) travel agencies increasingly develop products of one or two day organised tours, which can be booked before or during the otherwise self-organised trip.
Segmentation: Package tours, “FIT” and FIT tours

- The relative importance of self-organised travel varies between different markets, from 0% for destinations, which cannot be reached without an organised tour (example: Antarctica) to more than 70% for destinations like Hong Kong and South Korea.
- For an easy-to-travel country like Ireland (small, English spoken, no snakes or volcanos) the majority of Second Wave travellers will see no need to book a fully organised tour.
- Chinese “FIT” are different from “Western” FIT, most of them are not backpacking on a shoe-string budget, but can afford hybrid spending patterns.
- Most of them are seekers of prestige and self-affirmation, trying to find themselves abroad.
How to accelerate the development of Chinese outbound tourism to Ireland?

No Eiffel Tower, few brand shops, not on the main European trail – does that mean no/few Chinese visitors?

✓ **Concentrate** on Second Wave travellers with a clear story about the friendly, clean and green island full of history, unspoilt food and nature and English-speaking hospitable people

✓ **Concentrate** on Chinese social media, not TV or print, using WeChat tools like “Chinese Travel Academy”

✓ **Concentrate** on niches – even small niches (bird-watching, golf...) involve hundreds of thousands of persons in China

✓ **Concentrate** on activities instead of geography – tell about the best Hiking Tour place, which happens to be on an island called Ireland

✓ **Use** stories to have Chinese experienced travellers to *dream* about the Emerald Isle

✓ **Start** with the more than 100,000 Chinese students living in the UK
FROM 2012 PRESENTATION:

**What attracts New Chinese Tourists to Ireland – or keeps them from coming?**

<table>
<thead>
<tr>
<th>Helping</th>
<th>Hindering</th>
</tr>
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<tbody>
<tr>
<td>„Ireland“ known place (picturesque island somewhere near England)</td>
<td>Not in the mental map of Chinese visitors to Europe (less than Iceland)</td>
</tr>
<tr>
<td>Empty page, easy to fill with positive image (green, clean, authentic, easy to reach)</td>
<td>No clear positioning of brand based on market research and market observation</td>
</tr>
<tr>
<td>General Ireland image fitting for NCTs</td>
<td>Not clear what to see and do</td>
</tr>
<tr>
<td>English speaking inhabitants</td>
<td>No Schengen visa</td>
</tr>
<tr>
<td>Good place for investment, studies and golf</td>
<td>No direct flights</td>
</tr>
<tr>
<td>Ambassadors in place:</td>
<td>No participation at COTTM and other fairs</td>
</tr>
</tbody>
</table>
To sum up:

Is there a chance to earn serious money from Chinese visitors to Ireland? **YES.**

Has been done enough to use the new opportunities the Chinese market offers in the form of the New Chinese Tourists? **NO.**

When should Ireland start to put itself onto the mental map of affluent sophisticated Chinese travelers? **NOW.**
To sum up:

Is there a chance to earn serious money from Chinese visitors to Ireland? **YES.**

Has been done enough to use the opportunities the Chinese market offers in the form of the Second Wave Chinese Tourists (incl. UK-based Chinese students)? **NO.**

When should Ireland start to put itself onto the mental map of affluent sophisticated Chinese travellers *and stop throwing away money?** **NOW.**
Thank you for your attention
Looking forward to your comments and questions!

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COTRI has moved:
New headquarter in HAMBURG
New office in BEIJING