

Tourism Industry Intelligence

Strategic Information for Decision-Makers

Destination China

April 2001

A growing economy

China's **Gross Domestic Product (GDP)** grew at a rate of **8.3% in 2000** and amounted to over **US\$1,000 billion**. It is estimated that 5.7 million Chinese are unemployed. However, the Chinese government is taking steps to reduce unemployment.

Increasing arrivals

China is the largest destination in Asia Pacific. **In 1999, a total of 73 million tourist arrivals were recorded. This was greater than the combined arrivals in Hawaii, Hong Kong, Thailand, Singapore and Malaysia.** Most of China's arrivals (85%) is from neighbouring Hong Kong and Macau.

Contribution to China's economy

The tourism industry contributes to 20% of China's total services receipt while spending by visitors has doubled in the past five years. Visitor spending is mainly done in Beijing, Shanghai and Guangdong.

Purpose of travel

Three-fifths (60%) of China's total visitors were on leisure vacation while the other 40% travelled for business. In the case of China, it is important to note that the visiting friends and relatives (VFR's) component is confused because much of the domestic travel has a VFR element.

Visitor profile

Half of China's visitors (49%) are in the 25-44 years age group. The second largest is 45-64 years group (33.5%), followed by 15-24 years group (8.1%), over 65 years group (5.9%) and the under 14 years age group (3.4%). Most of these travellers are male (66%).

Growing markets

There is a growing trend towards Asian/Pacific tourists visiting China. Indonesia topped the list with a 74.9% increase in visitors. This was followed by Korea (56.8%) and Thailand (43.0%). China is also popular among the Taiwanese, Japanese, Russian and Americans.

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Improved transportation

China has eight major airlines. These are: Air China, China Southern, China Eastern, China Northern, China Northwest, China Southwest, China Xinjiang and China Yunnan. The government has also undertaken extensive roadworks. This makes China a more accessible destination.

The future

There is still much development to take place in China. However, **China is on a steady path towards developing a viable tourism industry. A sizeable business has been built up for travel from Hong Kong. Foreign airlines are pushing for more frequencies into China and a new more liberal agreement with the USA will bring similar agreements with other countries.** Hotel groups are also investing in China with Bass Hotels and Shangri-La already maintaining a strong presence. China is posed to become a leading tourism destination in the next decade.

Source: Travel & Tourism Intelligence, 2000.

Market & Consumer Trends

Small towns and villages appeal to U.S. travellers

Rural tourism is appealing to many Americans, with **62 percent of all U.S. adults taking a trip to a small town or village in the past three years**, according to a special *Travel Poll by the Travel Industry Association of America (TIA)*. This translates to 86.8 million U.S. adults. The majority of these trips were for leisure purposes (86%) and, by far, the most popular reason overall for travelling to a small town or rural area is to visit friends or relatives (44%).

Internet casinos boom

Millions of people are logging on to Internet gambling sites. There are some 1,300 websites that seek to project the look and sounds of actual machines. **Gamblers wagered US\$1.4 billion in 2000 on online casino games, lotteries and sports events.** Top players, Internet gambling is convenient and cheaper.

Men spend more at the bar

Men are still by far the bigger spenders when it comes to the mini-bar and to paying for rounds of drinks at the bar. For women, wine has replaced water as the most popular drop in the mini-bar. Women also are more likely to make complaints in hotels (57%) and likely to send food back according to a recent survey conducted by *Novotel*.

Hotel & Resort Trends

New hotel concept launched

Accor has launched a new hotel brand in Europe which opened in March, of its first Suitehotel in Paris. The Suitehotel Paris-Porte de Montreuil, offers 166 suites and sells for US\$145 per night. Accor says Suitehotel is a new hotel concept, in the 3 star category, designed to cater to individual business travellers. Each suite, with a surface area of 30 sq. metres, is multi-purpose, with a relaxation area and a working area that can be isolated using a sliding screen. The working area is fitted with a direct telephonenumber with voice-messaging, two telephones, a computer connection and Internet access.

Walt Disney to cut staff

Media, entertainment and theme parks giant Walt Disney is to shed 4,000 staff, or some 3% of its workforce as a result of "increasingly pressing challenges of the softening economic environment." Disney claims that the job cuts will save US\$350 - US\$400 million in annual savings.

Hotel reservations cheaper on the internet

More than half of all hotel reservations are cheaper when booked on the Internet, according to a survey published by *KPMG*. Approximately 90% of hotel chains in the UK now offer full-service reservations including online confirmation.

Cruise News

E-cruise sign Norwegian Cruise Lines

Online marketing channel for the cruise line industry, has entered into a marketing partnership with Norwegian Cruise Lines (NCL). **E-cruise will be the exclusive Internet provider of personalized experiences to both potential and booked NCL guests.** This will assist Norwegian Cruise Lines in the creation of a highly strategic, targeted suite of customer service offerings for the E-cruise site user.

Meetings at sea on the rise

Bookings for meetings at sea could increase by as much as 20% this year compared with 2000, according to *Landry & Kling*. As more cruise lines incorporate flexible space in new and renovated ships, more pure corporate meetings are being held at sea. Cruises are not anymore just for incentive groups. Over the last year, ships have added business services, Internet access and Internet cafes, reacting to demand from leisure travellers. A trend towards more shorter cruise offerings also helped boost the number of cruise meetings, according to the *Cruise Lines International Association (CLIA)*.

Focus: The Business Travel Market

A lucrative market

Business travel is a significant segment of the world travel and tourism industry. **Close to one-fifth (17.9%) of all international trips are undertaken for business and professional purposes.** Consider that:

- Despite video-conferencing and e-mail, nothing seems to beat personal contact for business. As such, this market is growing worldwide.
- International business trips will increase by 29% next year.
- Over one third (37%) of corporate travellers are expected to take more than 15 business trips per year.

Europe is expected to average an annual growth rate of 3.7% between 1998-2010 and increase spending from US\$186billion to US\$360billion.

Who is the business traveller?

Corporate Travellers to affiliated offices (within the company). These tend to have the support of their head offices or subsidiaries when they travel.

Visits to business partners (no corporate base at destination). These travellers have a great need to stay connected.

Professional service providers – consultants, finance and accounting professions, lawyers, etc. They also have a great need to stay connected while travelling.

Salespersons – very frequent travellers, may or may not overnight, very large proportion of travel is domestic and regional. This segment represents a very large share of the business travel market and the need to be connected while travelling. For salespersons, the greater the distances travelled; the greater the travel frequency and the greater the number of overnights involved.

Travellers to meetings and conferences, trade fairs and exhibitions. Like those travelling without corporate presence in the visiting country, these travellers also have a great need to stay connected.

Business travellers insist on technology

Corporate travellers are demanding a fully integrated and secure office environments from the comfort of their hotel rooms.

- Over two-thirds (68%) of corporate travellers believe hotel rooms will evolve into 'virtual offices' next year.
- A total of 87% of business executives believe that it is essential for a hotel room to contain a modem, fax and Internet connection.
- Just over a quarter (27%) of corporate travellers keep productive by using their laptops in-flight and over a tenth (11%) using on board e-mail/internet facilities.
- Already more than 90% of corporate travellers use a laptop while travelling.

Future prospects

Nearly three-quarters (74%) of corporate travellers have already used e-ticketing with 98% expecting to use the service next year.

The business travel market is a growing area of opportunity for travel and hospitality providers. **Typically, 35% of a corporation's revenue is consumed by indirect operating costs with between 10% and 30% of this relating to travel and entertainment (T&E) expenditures.** In other words between 1¢ and 8¢ of every US dollar goes to T&E expenses.
Source: TourismIntelligenceInternational, American Express Year 2000 Travel Trends Survey, American Express Survey of Business Travel Management, 2000.

Editorial

The business travel market is strong and growing. The availability of new technologies such as e-mail, the internet and tele-conferencing has not reduced the need for business people to travel and meet each other. Technology is, however, having a great impact on the means of booking business travel; facilitating business travel and providing necessary services for the traveller while away on business. We expect the business travel market to continue to grow as more 'road warriors' take to the skies and highways.

Trends to Watch

Sports tourism on the rise

Almost 700 million people made a trip to a foreign country in 2000, spending an estimated US\$476 billion for sporting purposes. The sport contribution to Gross Domestic Product (GDP) of a country is between 1 and 2 per cent, while the contribution of tourism is between 4 and 6 per cent according to a study conducted by the *Ecole Hoteliere de Lausanne*. The emphasis in holidays is shifting from the idea of rest and relaxation to more health-related and quality of life experiences including active and sport-oriented trips. The survey showed that sport-oriented trips by Germans, for example, increased 17 per cent between 1997 and 1999.

British package tour firms lose out to the Germans

After decades of superiority, Britain is the corporate loser and it is the German holiday giants who are now poised to dominate the world. **Four out of ten package holidays sold in the UK this summer will be from German travel companies.** The UK's market leaders of the last 25 years, Thomson Holidays and Thomas Cook, were bought by German Tour Operators, Preussag and C&N. Preussag and C&N now control 42% of the UK market.

Longest non-stop flight

United Airlines has launched the world's longest non-stop service with flights flying daily between New York's JFK and Hong Kong. The total journey time is 15 hours and 40 minutes. The airline has also started non-stop flights to China with daily links between Chicago and Beijing.

Destination Watch

Thailand re-positions with success

The government of Thailand successfully repositioned a "maturing" Thailand, resulting in great success. Latest statistics show an increase of 11.34% (6.94 million) in arrivals during January-September 2000 over the same period in 1999. **The strong promotion of the Amazing Thailand 2000 with its unique focus on niche markets contributing to health, eco-tourism, adventure, culinary tourism and golf/sports tourism is being cited for Thailand's success.** Political and economic stability; recovery of major Asian Markets; strong growth in arrivals from new markets like the Middle East, India and China and Thailand's policy on visa-free or visa-on-arrival access to citizens also attributed to Thailand's increasing appeal.

Mozambique's eco-appeal

Bigger than Australia but a population akin to Netherlands, Mozambique is saddled with international debt and has been torn apart by civil war for many years. However, **the World Tourism Organisation (WTO) and the Mozambican Government is confident that promoting good quality tourism can increase Mozambique's appeal and turn around the country's economic position.** The immediate objective is to woo regional tourists. Mozambique is also keen to attract the intercontinental market by devoting its attention to eco-tourism. The country has a rich variety of flora and fauna and provides an exciting alternative to the eco-traveller.