



Visitors from the East

The emergence of the Chinese tourist
and what it means for Northern Ireland

Intelligent Vision Series



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Attracting more holidaymakers from the Republic of Ireland will be a game-changer for Northern Ireland's tourism industry. Likewise, Great Britain, North America and European countries such as Germany and France will continue to be key markets. And although visitors from countries further afield currently make just a small contribution, there are signs that emerging markets such as China are set for growth. So the question is: while traditional markets continue to be key for Northern Ireland, what role will these emerging markets play in the long-term?

New figures released by the UN World Tourism Organization has confirmed that Chinese tourists are now the biggest source of global tourism income after spending £67 billion while travelling abroad in 2012. The total is a massive 40% higher than the year before and sees them leapfrog Germany and the US, the next two highest spending countries. This dramatic boom has had global tourism industries scrambling to attract more of the growing flow of Chinese tourists. Northern Ireland has already had some early success stories in this respect – for example, over 4,000 Chinese tourists visited Titanic Belfast within a year of it opening. But there is potential to attract many more Chinese visitors to these shores. This report sizes up the undisputed potential in this market over the coming decades and what it means for the Northern Ireland tourism industry.

What potential? The figures speak for themselves

China is experiencing unparalleled growth in outbound tourism...



Supported by a burgeoning middle class and a meteoric rise of high net worth individuals...



Who aren't afraid to spend big money when it comes to travelling the world



Drivers of long-term growth

The pace of the growth in China is staggering. In 2015, Chinese outbound tourists will reach 100 million, growing ten-fold since the turn of the millennium.

But is this growth just a current trend, a blip on the radar that will fade out after the few years? The answer has to be a resounding no. Rapid urbanisation and rising disposable incomes will both serve to strengthen China's thirst for international travel for years to come. And now that China's State Council has recently formalised its "Outline for National Tourism and Leisure (2013-2020)", there is potential for even more rapid growth. Where previously cultural norms have stopped many in China from taking annual leave, the Outline encourages employers to promote the use of leave days, giving Chinese workers more freedom and flexibility in terms of when and where to travel.

And travel they will. The Chinese as a nation are riding the crest of a new found wave of confidence, proud that they are now at the top of the wealth chain. Global travel is growing in importance as a status symbol and a way of expressing this confidence and prosperity.

All of this can only be a positive message for all involved in tourism, which is why we have seen a global trend of travel businesses frantically adapting their offerings in the last year (see box on the right). However, Dr Wolfgang Georg Arlt, director of the China Outbound Tourism Research Institute (COTRI), argues that there are bigger challenges ahead. "The international tourism industry is slowly catching up with the idea that the Chinese traveller is coming, but in fact the Chinese traveller is already here and they're segmenting," says Arlt. Understanding these segments as well as changing demographics and consumer behaviours is critical to success in this market.



A giant opportunity for all involved in tourism

Scrambling for business

Tourism businesses (particularly hotels) around the globe have been adapting their offerings to make affluent Chinese tourists feel at home. However, many of these examples are simply hygiene factors or marketing promotions that meet basic needs. Longer-term strategies will need to pay more attention to the needs of emerging segments.

Home comforts

Staff at New York's Waldorf Astoria give a tea kettle and a pair of slippers to Chinese guests on arrival.

Talking the talk

Luxury goods stores in Paris have started to equip themselves with Chinese-speaking staff.

Signs of the times

Amsterdam's Schiphol and Paris' Charles de Gaulle airports have both introduced smartphone apps that translate signs in the airport to Mandarin.

Unlucky for some

The Marriott Marquis in New York has replaced room numbers on the 44th floor with names because the number four is bad luck in Chinese culture.

Food for thought

Hilton Hotels have started a Chinese Guest Programme which features traditional Chinese meals and displays of oranges and tangerines (often considered good luck in Chinese culture) in 63 of its US hotels.

“The Chinese tourist might be the biggest phenomenon to hit the global travel industry since the invention of commercial flight.”

Evolution & Segmentation

In the past, tourism operators could have been forgiven for stereotyping Chinese tourists as travel novices. But not anymore – the Chinese outbound tourism market is evolving and segmenting as quickly as it is growing. We anticipate that there will be three main types of Chinese tourist arriving in Northern Ireland over the next decade:



First-time travellers

Who are they?

Mainstream Approved Destination Status (ADS) tourists travelling in mass groups of 25-35 on 7-12 day package tours, covering multiple cities and countries within the one holiday.

What size is the market?

It is predicted that there will be an average of 25 million first-time Chinese travellers every year, or 70,000 every day for the next 10 years.

Share of total Chinese travel spending

In 2010, this segment represented 56% of China's expenditure in tourism. In 2020, it is predicted to be 33%.

What are their attitudes and aspirations?

"Travel is for sightseeing – the more, the better"
"Travelling around the world is a lifetime dream"
"Bringing back souvenirs from world-famous destinations will help boost my status at home"

What do they want to do when travelling?

Tend to have packed schedules of must-see sites and global icons such as historical sites and museums. Souvenir shopping is always on the agenda.

How do they book their trip?

Their inexperience means that they tend to rely heavily on travel agencies for packaged tours and booking assistance. Word of mouth, TV and internet are key channels in influencing them in their choice of destination.



Been there, done it

Who are they?

A middle class, younger tourist, who is more affluent, better travelled and better educated than average. Known commonly as the 'New Chinese Tourist', they are likely to travel in smaller groups.

What size is the market?

It is estimated that there are 300 million middle class individuals in China today. This is predicted to rise to 800 million individuals in the next 15 years.

Share of total Chinese travel spending

In 2010, this segment represented 23% of China's expenditure in tourism. In 2020, it is predicted to be 26%.

What are their attitudes and aspirations?

"Travel means exploring new places and activities"
"Travel means organising it myself and trying local cuisines and new experiences"
"I hate being stereotyped as a rookie traveller"

What do they want to do when travelling?

Earlier they took photos of themselves in front of the Sydney Opera House or Eiffel Tower, but now look for deeper and more authentic experiences.

How do they book their trip?

Fewer packaged tours and more independently planned trips. The internet is a key channel for both influencing decision-making and the purchasing process.



Have money, will travel

Who are they?

High net worth individuals with significant disposable income. Travel is their most common leisure activity, taking an average of 20 days holiday a year and travelling abroad 3 times a year.

What size is the market?

Over the next five years, affluent Chinese consumers are expected to grow from 4 million to 20 million.

Share of total Chinese travel spending

In 2010, this segment represented 21% of China's expenditure in tourism. In 2020, it is predicted to be 41%.

What are their attitudes and aspirations?

"Travel is good for relaxation and stress relief"
"I prefer to return to places that offer a slower pace of life"
"Independent travel is seen as a strong personal statement and is very fashionable"

What do they want to do when travelling?

This segment enjoys luxury accommodation, good food and entertainment as opposed to sightseeing. Luxury shopping is a big attraction which is why Paris is often the destination of choice. Golf is also a favourite pastime for those in this segment.

How do they book their trip?

The internet is the main channel for travel planning and booking. Premium theme-based tour packages are also popular amongst this segment.

Underpinning trends

Two key emerging trends have been identified that underpin future developments in all three segments:

1) Digital marketing will be key to influencing the decision-making process

Chinese tourists in general are beginning to conduct more and more extensive travel research on the internet before making a travel purchase. Their trust in social media will play an increasingly important role in this decision-making process. Social media is now part and parcel of life in every corner of the globe – but, in China, it is especially big. A study by Global Web Index indicates that that the Chinese trust reviews and insights on social media three times more than a recommendation from an acquaintance. The micro-blogging site Sina Weibo is China's platform of choice with over 250 million users.

2) Chinese tourists will search for experiences

The Chinese tourist is maturing and is demanding deeper travel experiences and closer contact with host populations. Future travel itineraries will go beyond simply ticking off the major sights and will get off the beaten track to deliver experiences that can be bragged about. This presents an opportunity for Northern Ireland on two fronts. First, the fact that Chinese tourists are moving away from the beaten track may bring alternative destinations, such as Northern Ireland, into the reckoning. Secondly, Northern Ireland Tourist Board's focus on experiential tourism and creating authentic experiences will serve as a demand-generator in this scenario.

Unlocking the potential

Visitor numbers released by the UN World Tourism Organization show that the flow of Chinese tourists to the UK is still at a fledgling stage in comparison to other European destinations. In 2011, some 1.1 million Chinese nationals visited France and a further 637,000 went to Germany. Just 149,000 came to the UK and an estimated 17,000 made the trip to the Island of Ireland. This begs the question – why are more Chinese tourists not travelling to the UK?

The hassle-factor

The main issue is a logistical one – neither the UK or Republic of Ireland is included in the Schengen visa , which allows access to 26 European countries including Germany and France. An entirely separate application process is required for gaining access to the UK (or Republic of Ireland through its Short-Stay Visa Waiver Programme). For potential visitors to the UK, this separate process means incurring additional costs (£20 extra per visa) and, significantly, extra hassle. Although improvements have been made to the UK visa service in the past 18 months, there is still a negative perception amongst Chinese visitors that the UK process is strict and onerous in comparison to others. And when you bear in mind that the Schengen visa grants access to 26 countries, going the extra mile to visit the UK or the Island of Ireland is sometimes seen as not worth it. Competing destinations such as the US and Australia are actively refining their visa programmes in a bid to attract more Chinese tourists. Whilst strict border control is essential for national security, the UK may have to take lead from its competitors to see significant growth in this market.

Gateways to growth

Another barrier in attracting more Chinese tourists is that the UK has fewer direct air routes than its key competitors and the Island of Ireland has none. London is the only gateway for Chinese tourists visiting the UK. It has direct links to Beijing, Shanghai, Guangzhou and Chengdu. Germany, by contrast, has routes from six Chinese cities linked to Berlin, Dusseldorf, Frankfurt, Hamburg and Munich, resulting in 4,800 flights per year to China compared with the UK's 1,800 (source: VisitBritain).



Is there a blockage in the flow of Chinese tourists?

Access all areas?

The Irish Government recently extended the Short-Stay Visa Waiver Scheme Pilot to 2016. This scheme allows nationals of 16 countries (including China) who hold a valid UK visa to travel to the Republic of Ireland without having to apply for a separate Irish visa. However, the reverse does not apply – those visitors who hold an Irish visa cannot automatically enter the UK, including Northern Ireland. From a visitor's point of view, this would mean applying for a separate UK visa and incurring the additional cost and hassle if you want to cross the border to Northern Ireland. And, of course, these preparations would need to be made prior to arriving in Ireland, which limits the sort of spontaneity and flexibility that Chinese tourists are beginning to crave. In the short-term, provision of information is the key consideration in this scenario – tour operators and potential visitors alike will need to be aware in advance that different visa requirements apply within the Island of Ireland. Looking to the longer-term, Northern Ireland would benefit from a reciprocal arrangement to allow visitors to travel via the Republic of Ireland. As this is not a devolved issue, it would require cooperation between the British and Irish governments.

Strategies for growth

Both Tourism Ireland and VisitBritain have recently announced their growth strategies for the China, signalling their intentions to attract many more visitors from this market in the medium and long term. Tourism Ireland wants to grow the number of Chinese tourists to the island of Ireland from approximately 17,000 per year in 2012 to 50,000 per year, over the coming five years. To help achieve this, it has appointed new representation with offices in Shanghai, Beijing and Guangzhou. Priority actions include the development of a suite of bespoke itineraries that will appeal to key visitor segments and be promoted through travel intermediaries as well as through social media. VisitBritain's strategy aims to grow the Chinese market by attracting an additional 200,000 visitors per year by 2015. Priorities include segmentation, geographical targeting, brand marketing as well as identifying opportunities to enhance the UK visa process as well as support new air routes from China. Through a long-term communications plan, it will also address the negative perceptions surrounding the UK visa application process.

Northern Ireland's opportunity

It's a given that Chinese tourists will lead global tourism for the foreseeable future. However, with the blockages in air access and visa processes, is there even an opportunity here for the Northern Ireland tourism industry?

Absolutely. There are opportunities both in the short and longer term:

1) Short-term

▶ The "London Plus" offering

Currently, the only direct route for Chinese tourists travelling to the UK is via Heathrow. And although their preferences are evolving, Chinese tourists still favour multi-country products, particularly first-time tourists who remain the largest segment. This is where the heart of Northern Ireland's opportunity lies. The opportunity is a "London plus" offering, competing with other destinations in the UK and Republic of Ireland to get onto the itinerary as an add-on.

▶ Promoting Northern Ireland's key strengths

To succeed, Northern Ireland must play to its key strengths. Golf, good food, historic sites, castles and outstanding scenery are all key attractions for Chinese tourists – attractions that Northern Ireland has in abundance. It's also important to underline that we aren't starting from a base of zero in promoting these assets. The building blocks are not only evidenced by a series of successful visits and trade missions but also by the fact that there were almost as many Chinese visitors (4,115) to Titanic Belfast in its inaugural year as there were Welsh visitors (4,166).

▶ First impressions count

In the short-term, Chinese visitors to Northern Ireland will most likely be first-time tourists travelling in mass groups. Tourism businesses in Northern Ireland may consider adapting their offerings to welcome these tourists as well as to add value. Translating guides, tourist information, marketing literature and menus into Chinese is often the most fundamental step. However, other value-adding examples include having Chinese-speaking staff and offering home comforts including traditional Chinese meals.

▶ Leveraging the VFR opportunity

Strong links with the Chinese community in Northern Ireland is another short-term opportunity. According to the latest census data, the Chinese community stands at 6,300 people making it the largest ethnic group in Northern Ireland. This is an important consideration in terms of the visiting, friends and relatives (VFR) market as well as a potent source for word of mouth recommendations via social media.

2) Longer-term

▶ The 2020 vision and beyond

Whilst it's great that there are opportunities in the short-term, Chinese tourists still represent a very small proportion of visitors travelling to Northern Ireland. The size of the short-term prize is not a game-changer. However, looking at 2020 and beyond, the sheer pace of growth in China will make it a more and more important source market, particularly if competing destinations in Europe (potentially Republic of Ireland) can demonstrate strategically important success in this market. These factors have the potential to throw any barriers to entry into a new and more pressing light. In this scenario, visa agreements that allow tourists to travel north of the border, better air access to Heathrow (or any other UK gateways) and the ease of the UK visa process would all become urgent matters for the Northern Ireland tourism industry.

▶ Meeting the needs of a new segment

The preferences of Chinese tourists will continue to mature, demanding much more authentic travel experiences. In the long-term, Chinese visitors to Northern Ireland are likely to be more affluent and better travelled. They will have already been to London and now want to return to the UK to try something different. Having mastered the hygiene factors (e.g. Chinese-translated tourist information) by this stage, tourism businesses in Northern Ireland will have to rise to a new challenge – the ability to deliver authentic and inspiring travel experiences. This challenge is already being addressed by Northern Ireland Tourist Board's focus on creating, developing and clustering experiences in Northern Ireland.

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in this topic?**

Contact the NITB at insights@nitb.com
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