

# **ARE THEY COMING? STUDY OF CHINESE OUTBOUND TOURISTS TRAVEL TO ALPINE REGIONS**

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## **ABSTRACT**

China is the new rising outbound market as it bears immense potential in terms of volume and per capita tourist spending. The purpose of this paper was to provide a comprehensive background review of available studies as well as with a scope focusing on the alpine region destinations and its outlook with the Chinese market. The first part of the paper provides an overview of the Chinese outbound market emphasising qualitative factors in the structure of a simple travel behaviour model which includes: situational influences, socio-cultural influences and psychological influences. In the second half of the paper a recent study was presented on the potential tourism products which can be offered to the Chinese tourists in the Swiss Alpine Canton. The results may be interesting and beneficial to peers who have similar tourism resources and future research is needed in this important area to concentrate the unique needs of the Chinese outbound tourists to the Alpine region.

Key Words: Alpine destination, Chinese outbound market, Potential tourism Product, Switzerland.

## **INTRODUCTION**

Until recently, Chinese travelling outbound for pure leisure purposes is not the norm. Presently, social, economical and personal conditions are established so affluent Chinese urban inhabitants can travel outside the country to see the outside world with their own eyes. While mainland China is booming as a new market, to the distant hosting communities, this group is not yet well-understood and has often been mixed up with its mature Asian peers such as the Japanese tourists. This paper provides condensed, essential facts as an introduction to this upcoming market. The study aims to make comprehensive understanding and to convey information which the tourism industry can implement into practice immediately.

The prices of European tours are higher than other Asia-Pacific destinations due to its long distance from China and the intrinsic high costs. For a niche destination such as the Alps, middle-high end segments should be targeted.

## **OUTBOUND TOURISM DEVELOPMENT IN CHINA**

### **Economic Factors & Social Factors**

China's real GDP grew by 120% between 1997 and 2006 and resulted in an increasing urban population with the creation of a large segment of middle class in metropolitan areas. It is estimated there is 175 million middle-class population in China and the number will grow to 500 million by 2025 (TIA, 2008).

Other than economic growth which provides certain affluent groups the resources to travel, the central government's recent relaxation policies and legislated public holiday regime also contribute to the actualization of outbound travel. In China, less than a decade ago, travelling was closely associated with work-related or VFR motivations. To travel for pure leisure incentive is a more recent phenomenon. Only from the 1990s domestic tourism became acknowledged as an important part of the service industry as well as an important element in the ideological switch from rural socialism to urban consumerism in China (Arlt, 2006). Regarding the development of outbound tourism, there are a few complimentary policies that the central government has been exercising.

#### *Approved Destination Status (ADS)*

For outbound travel, Chinese citizens had restrictions travelling outside the border for leisure purpose until 1997 (Arlt, 2006). ADS policy is introduced as a system to gradually open up the Chinese border to allow Chinese citizens to travel to more countries. The ADS system is based on bilateral tourism agreements whereby a government allows self-paying Chinese tourists to travel for pleasure to its territory within guided package groups and with a special visa. Only ADS countries can openly be promoted as a tourism destination in China. According to the latest news release of China National Tourism Administration, China has so far approved 132 countries and regions as destination for outbound tourism, with 86 receiving Chinese tourist groups. Italy, along with other 31 countries, was granted with ADS status in 2004.

#### *Public Holidays*

From 2008, the three-week-long holiday regime which has been in practice since 1999, is now replaced by new regulations (Xinhua News, 2008):

- New Year's Day: 1 day
- Spring Festival (Mid/late February): 3 days
- Tomb- Sweeping Day (Early April): 1 day
- International Labour Day(May 1<sup>st</sup>): 1 day
- The Dragon-Boat Festival (Mid-June): 1 day
- The Mid-Autumn Festival ( Late September): 1 day
- National Day (October 1<sup>st</sup>): 3 days

### *Paid Holidays*

The paid holiday system applies to employees who work in both public and private sectors. The new public holiday policy is intended to combine with paid holiday practices, thus employees are expected to have more flexibility in choosing their holidays.

Table 1. Paid Holidays for workers (Xinhua News, 2008):

| Years of service | Annual Paid Holidays |
|------------------|----------------------|
| 1-9 years        | 5 days               |
| 10-19 years      | 10 days              |
| ≥ 20 years       | 15 days              |

## **PORTRAYING CHINESE TOURISTS**

Chinese tourist is not a definite term as China is a large country in both geographical and cultural senses. Although there are some common patterns which are valid for most outbound Chinese mainlanders, one should note that variations do exist. The following are common factors to help foreign hosts to begin to understand this emerging market.

### **Form of Travel**

Like many inexperienced travellers, due to language and cultural barriers, Chinese tourists choose to stay in a group and buy package tours when they go to a foreign destination for the first time. First-timers have high expectations and are more demanding in the sense that they want to “see it all”. Therefore, in Europe, the first kinds of products offered to the Chinese market are mainly packages consisting of “8 countries in 14 days” or “5 countries in 7 days” bus tours.

However, the new trend is for the Chinese travellers who have previously been to Europe on a very intensive itinerary and are returning to Europe for another visit, but this time are choosing more a relaxed itinerary and prefer to spend more days at their favourite destinations.

Almost half of Chinese travel with families or members of a family. Outbound trips take a large portion of family budget thus destination choices are made as a family affair as well. Singles, which take 20% of the outbound groups, prefer to enjoy the trip with friends. (Du, 2006)

### **Holiday Booking Pattern**

Chinese tourists are not “Do-It-Yourself” tourists. Most people still prefer to book package trips through either travel agencies or airlines. For trips outside of Asia, 63% were booked

through travel agencies and 33% were booked through airlines. For trips to Europe, at the moment, Chinese tourists still prefer to travel to more than one country on a single roundtrip itinerary. In their opinions, a pre-packaged product is more convenient and brings value for money (Decima Research, 2006).

Another feature of the Chinese booking pattern is that customers often do not plan ahead of time for their trips and book at the last minute. For trips outside Asia, 28% were booked 2 weeks in advance and 28% were booked one month in advance. Considering time needed for VISA applications, this often creates challenges for European destinations which typically receive well-planned tourists that rarely make last-minute changes. Destinations who are interested in Chinese market are ought to be prepared (id.).

### **Destination Preference, Travel Motives, and Favourite Activities**

For Chinese tourists, the greatest single motive to travel outbound is to gain new experiences (Du, 2006) and it also explains why first-timers are more demanding in itinerary arrangement. In this market, the top attractive attributes of a destination are: safety, beautiful scenery, good tourist infrastructures in terms of size and quality, variety of entertainment, and social, anthropological experiences (Aiwei United Travel Consulting Inc., 2007; Kim et al, 2005). When choosing a particular package, most people look into whether the package carries special cultural attractiveness and curiosity (46.4%), and Price (19.9%) is their second concern (Aiwei United Travel Consulting Inc., 2007).

#### *Europe as a popular destination*

Europe is indeed one of the most interesting destinations for Chinese tourists because of the long historical ties with China. European countries are well-known to Chinese tourists in many ways: Marco Polo, Merchants of Venice, Black Forest, Berlin Wall, Eiffel Tower, Swan Lake, the snowy Alps, Fairytales of Grimm Brothers & Anderson, New Year Concert in Vienna....they have heard and read about all of these. And now, for Chinese tourists, it is no longer a dream to see these actual places with their own eyes. A survey took place in 2006 and found that 77% of the trips made outside Asia were made to Europe (Decima Research, 2006).

### **Activity Preference & Big Shopping Time**

The two major activities tourists do on site are: general sightseeing and scenic spots (69.4%) and shopping (40.1%) (MasterCard Worldwide, 2008). Not only tourists expect time reserved for shopping at each destination, it is also evident that shopping contributes to 43.3% of tourists' personal spending while they spent only 20% on visiting attractions (Du et al, 2006). Chinese travellers are among the highest spenders compare to their experienced traveller counterparts. It is reported the average spending per person/trip is US\$1,900 (IPK World Travel Monitor, 2003) compared to the average Japanese spending on shopping at US\$ 546 per person/trip (CLSA, 2005). Chinese spend even more on long haul trips with their favourite shopping items including local souvenirs, appliances and personal effects. In general, Chinese shoppers are looking for status brands and do not want any items with a label of "Made in China" (Zhao, 2006; NZ destination Image, 2007).

Chinese tourists have large spending behaviour since they do not only shop for themselves but also shop for friends and relatives who do not have the opportunity to travel. Furthermore, it is also etiquette to bring gifts back home after being away on a long trip.

### **Segmentation of Middle-high end tourists**

While multi-country tours are expected to remain popular for a few more years, more experience groups are shifting from “touring” to “travelling”: they start to choose “in-depth” tours which only have one or two destinations arranged on the itinerary. The in-depth travel combines the sight-seeing elements as well as gives tourists “hands on” experiences and allows them to fully absorb the culture, lifestyle and custom of a destination (Decima Research, 2006). This more sophisticated market can be grouped into several demographic segments (UNWTO, 2006):

#### *The Young Generation*

The profile of the outbound traveller is gradually shifting from middle-aged businessmen to young, career-driven professionals that travel to enjoy their new found social and economic freedom. In particular, young women are beginning to travel together. The young generation is optimistic about their future income and are inclined to spend. They seek excitement and adventure in their destination choices.

#### *Family Travel*

Combined with the new holiday regime and the practice of a paid holiday system, families are most likely to travel during summer time when schools are closed. Parents travel with their child overseas so the child is exposed to border horizons and other adventures and it is also common for the grandparents to accompany them on the trip as well.

#### *Empty nesters*

These are the parents with the first generation of Little Emperor, grown up, and have left home. They are between 50 to 55 years of age and the majority are still working (or at least one member of the couple is working). This is the ideal segment for long-haul trips since they have discretionary income, more free time, and an interest in new experiences for this stage of their lives.

#### *Senior/Retirees*

Compared to their European counterparts, Chinese workers retire much earlier (50 to 55 for women, and 60 for men). Therefore, the Chinese retirees are healthy and mobile and they have a strong propensity to travel. One fifth of all travellers in China belong to this segment.

## **CASE STUDY: THE ALPS AS A DESTINATION FOR CHINESE TOURISTS**

### **Alpine Tourism Products**

In 2007, a survey was conducted in China that examined the possible future markets for Alpine destinations, commissioned by the Canton Graubünden Tourism Office, Switzerland. Part of the survey was to ask Chinese tour operators about their estimates of the current and the future market demand of certain tourism products that this Alpine Canton could offer.

Surveyed companies were key partners of the Swiss Tourism Office and that sold exclusive or non-exclusive Swiss tours since 2004. In the survey, typical images which reflected the tourism resources in Graubünden were also portrayed.

### *Luxury Tours*

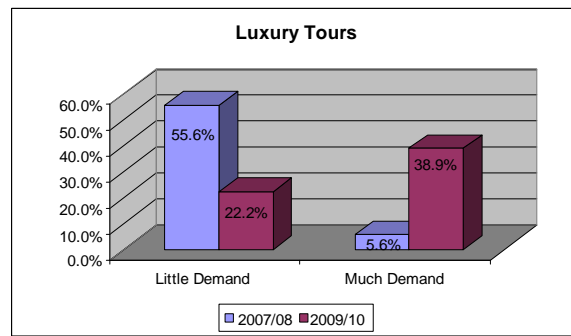


Figure 1. Demand estimation of luxury tour (ITF, 2007)

The demand of luxury tours in the mountain areas which include exotic transportation mode, gourmet meals, and superior accommodation are still questionable at the present time. However, more than one third of the tour operators believe luxury tours have potential among the young generation and the empty nesters in the coming years.

### *Winter Sports Tours*

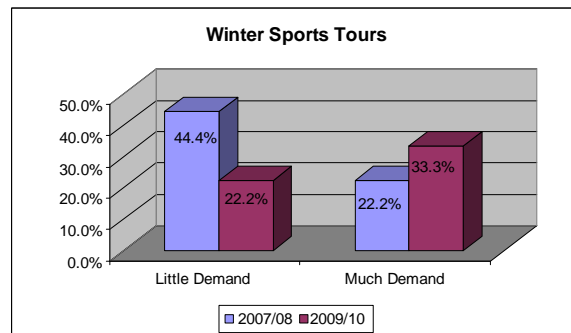


Figure 2. Demand estimation of winter sports tours (ibid.)

Opinions diverge regarding winter sports tours. Depending on the segments tour operators deal with: some of the tour operators had been carrying winter sports packages because Switzerland is famous for its winter ski resorts; some tour operators still deal mostly with sight-seeing tours yet seeing growth potentials in the next 2 to 3 years. The young generations will be the primary targeted group while family travellers also tend to spend on ski schools for the children.

### *Special Scenery Trips*

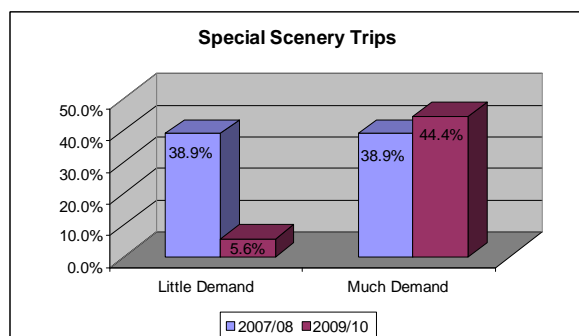


Figure 3. Demand estimation of special scenery trips (ibid.)

Special Scenery Trips are popular products since the Swiss Tourism Office promotes train tours such as Glacier Express and Golden Express as star products and a number of Chinese tour operators choose to carry the products and thus the promotion effort creates demand. However, tour operators which work in the first-tier cities such as Beijing, Shanghai, and Guangdong are selling since these more mature markets and second-timers want the integration of train rides which bring new experiences. Most customers from second-tier cities, such as most provincial capitals, choose the economically multi-country bus tours. Considering the fact that special cultural attractiveness and curiosity are important elements when choosing a package, special scenery trips do have an optimistic outlook.

#### *Day Trips*

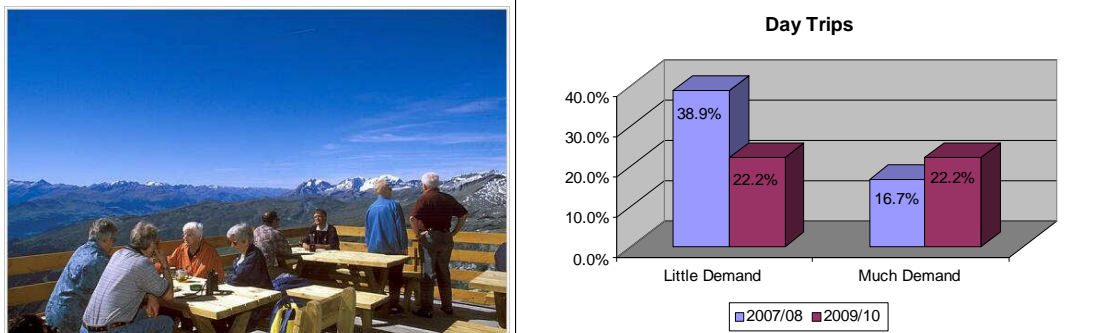


Figure 4. Demand estimation of Day trips (ibid.)

European tourists purchase day trips and stay in a fixed location for several days, as well as travel to surrounding attractions during day time. The Chinese tourism peers do not agree this is an ideal product for their customers since Chinese tourists demand to travel to more countries and regions and prefer sightseeing and shopping at different locations. Being fixed at one location does not appeal to Chinese tourists.

#### *In-Depth Swiss Cultural Tours*

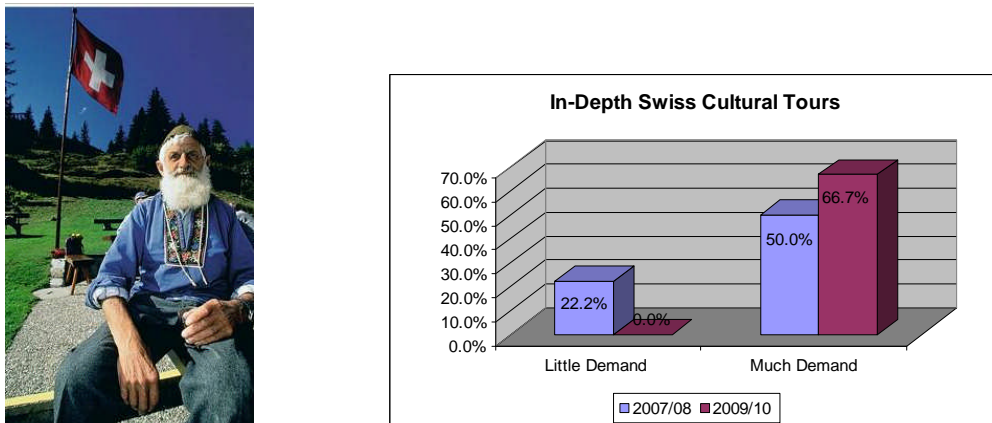


Figure 5. Demand estimation of In-depth Swiss cultural tours (ibid.)

Most tour operators agree that in-depth cultural tours are not immediate products for the Chinese market. Nevertheless, demand will be created in 2 to 3 years due to the maturity of the outbound market.

## Travel Needs & Quality Measurements

Other questions were also posted to tour operators addressing the specific travel needs of Chinese tourists in order to facilitate European hosts to understand this new incoming group better and to be able to provide authentic hospitality to them.

*Question 1. “In your opinion, what special needs do Chinese tourists have while traveling in Europe? Please choose the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> according to their importance:”*

Table 2. Results of Question #1 (ITF, 2007)

|                            | Priority 1 | Priority 2 | Priority 3 |
|----------------------------|------------|------------|------------|
| Desire in experience       | 5          | 4          | 3          |
| Food                       | 1          | 0          | 3          |
| Service                    | 1          | 2          | 2          |
| Language Translation       | 6          | 7          | 2          |
| Need of Security           | 2          | 3          | 5          |
| Standard of Food & Lodging | 1          | 0          | 1          |

Desire in experience, language translation and need of security are the most frequent choices. Clearly, these are the characters of the inexperienced traveller. Chinese choose to travel in groups in order to overcome these special needs. Hoteliers who host Chinese groups should be aware of these factors provide “warm, sense of home” elements for their guests so they feel safe and comfortable.

*Question 2. “In your opinion, during a typical trip to Europe, what percentage of meals should be offered as Chinese cuisine?”*

Chinese meals are indispensable to Chinese tourists. The quality of Chinese meals may break or make a tour. According to the tour operators, 40% of the meals should be Chinese cuisine, and more than half of them suggested that dinners should be Chinese style since this is the most important meal of the day (id.).

*Question 3. “To your knowledge of the current infrastructures and services provided by Swiss hotels, in what points should be modified to the special needs of Chinese tourists?”*

Table 3. Results of Question #3 (ibid.)

|   |   |       |
|---|---|-------|
| 1 | Provide instruction & messages in Chinese | 72.2% |
| 2 | Chinese TV Channel                        | 61.1% |
| 3 | Chinese breakfast                         | 61.1% |
| 4 | Chinese-speaking staffs                   | 33.3% |
| 5 | Night entertainment facilities            | 22.2% |

Tour operators are the frontiers who get in touch with their customers closely. The result once again proved that Chinese tourists feel more comfortable with a familiar surrounding when they are travelling. The top needs are improvements on language barriers and providing Chinese TV Channels as well as including a Chinese breakfast.

*Question 4. “Please define “Quality” from the Chinese tourists’ point of view:”*

Table 4. Results of Question #4 (ibid.)

|   |   |       |
|---|---|-------|
| 1 | Diversity of Activities                         | 72.2% |
| 2 | More destinations are included in the itinerary | 50.0% |
| 3 | Quality Accommodation                           | 50.0% |
| 4 | More Free time at a destination                 | 38.9% |



|   |   |       |
|---|---|-------|
| 5 | Diversity of Transportation means         | 27.8% |
| 6 | Opportunities of contacts with locals     | 22.2% |
| 7 | More events and theme dinner are arranged | 5.6%  |

Surprisingly, *quality* does not have a universal definition when it comes to different markets. While western travellers are satisfied with more free time and privacy on their own, Chinese guests expect more actions and programmes arranged along the tour.

Quality hotels<sup>1</sup> in China are newer, more luxurious and employ more service personnel, compared to hotels in Europe. It explains why European hotels often do not meet the expectation of Chinese tourists.

## CONCLUSION

In the long term, it is clear that the Alpine region carries potential for the Chinese market: the fresh air and spectacular landscape will be more appreciated by urban tourists who learn to “slow down” on leisure trips. From the tour operator survey, it can be concluded that up-scaled products such as luxury tours, winter sports tours and special scenery trips should be offered to this market in the near future and high-yielding quality customers should also be targeted.

However, the study does not estimate the number of tourists but collected experts opinions on forecasting the demand of the markets. This may be a concern and result in less accurate results. The purpose of this paper was to highlight the Chinese market as an upcoming targeting group for Alpine destinations and to give general understanding on the suitable products that can be offered.

Further more, Chinese customers do require special attention in terms of food and activity arrangements. At the moment, most European hosts may not be ready for the adjustments needed for the particular needs of the Chinese tourists. While this study highlighted a number of important issues, further research is needed to understand the unique needs and requires practical strategy that may be provided to increasing Chinese tourists appeal to the Alpine region.

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<sup>1</sup> In China, there is a strictly defined star-rating system, where one-star is the lowest standard and five-star is the highest. Quality hotels are referred to four-star and five-star hotels.

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