CASE STUDY 3.1W

The Chinese outbound boom
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Until 1983 the Chinese government placed tight restrictions on outbound tourism. Then, the slightly liberalized policy first eased Chinese leisure travel to Hong Kong and Macau, because of ethnic, cultural and political connections. At that time, 'outbound travel' was defined as VFR. Thus trips were sponsored financially by overseas relatives and friends so there was no drain on China's foreign exchange reserves. With the development of Chinese travel to Hong Kong and Macau, more people expressed a desire to visit their relatives in other regions. In 1990, with the approval of the State Council, the China National Tourism Administration (CNTA), the Foreign Ministry, the Public Security Ministry and the Overseas Chinese Affairs Office declared 'The Provisional Regulations on Management of Organizing Chinese Citizens to Travel to Three Countries in Southeast Asia'. The regulation enabled Chinese citizens to visit friends and relatives in Thailand, Singapore and Malaysia if sponsored by their overseas relatives and friends. The Philippines was added in 1992. Cross-border tours were also permitted. The flows include north east China to Russia, North Korea and Mongolia; south west China to Vietnam, Cambodia Laos and Myanmar (Burma); and from north west China to Russia and other former Soviet Union countries. With the development of travel services, trips evolved from VFR to holiday leisure travel. In 1991, Singapore, Malaysia, and Thailand witnessed the rush of the first tour groups from mainland China when the country began to permit its residents to travel to selected South East Asian countries for personal and leisure purposes.

Subsequently, other South East Asian countries were awarded Approved Destination Status (ADS) by the Chinese government. Australia and New Zealand were granted ADS in 1998. The total number of Chinese outbound tourists grew rapidly: in 1994 there were 3.73 million outbound trips, in 1997, 5.32 million, and in 2000, 10.4 million. Of the total outbound tourists from China, 54 per cent were travelling for business purposes and 46 per cent for private purposes in 2000, including leisure and VFR (www.cnta.com). In 2000, Asia accounted for 8.8 million of the overseas trips, with 4.1 million being taken to Hong Kong, 1.6 million to Macao, almost 600 000 to Japan, 707 000 to Thailand, 523 000 to the USA and 1 million to Europe, with 150 000 to Australasia, of which 126 000 were destined for Australia. The WTO stated that the number of Chinese outbound tourists in organized tour groups increased by nearly 130 per cent to 1 640 000 between 1993 and 1996.

The most common form of travel for Chinese tourists visiting outbound destinations is the all-inclusive package tour. A typical package to Australia includes international travel, private chartered coach within Australia, sightseeing excursions, local guides, accommodation and meals (mainly Chinese food with some Australian-style meals, such as a barbecue, or an American breakfast). This form of tour arrangement can be compared with typical Western inclusive holiday packages, and they provide Chinese clients with similar advantages, particularly the benefit of knowing beforehand what to budget for their holiday and of being relieved of any concerns about difficulties making their own arrangements in a foreign country.

Three main categories of destinations were identified by the National Tourism Administration of the People's Republic of China (Table 18.3). These are Chinese outbound tours, cross-border tours and tours to Hong Kong and Macau. It should be noted that only cross-border tours do not need a visa. Although Hong Kong and Macau have now become Special Administration Regions (SARs) of China, Chinese tourists still have to apply for a visa to visit them. On 1 July 1997 the 'Provisional Regulations on the Management of Outbound Travel by Chinese Citizens at Their Own Expense' were issued jointly by the CNTA and the Ministry of Public Security after approval by the State Council, establishing a new management system for outbound travel to meet the growing demand of Chinese citizens to travel outside China. Under the regulations, outbound tours by Chinese citizens must be conducted in a planned, organized and controlled manner. Only approved travel agencies can take the responsibilities of managing outbound travel by Chinese citizens. Category A agencies are authorized to operate international travel business. Category B agencies are allowed to receive and entertain international tourists to China while Category C agencies are only allowed to operate domestic travel business. China has 360 Category A travel agencies. In addition to seeking their own clients directly, some of the authorized outbound Category A travel agencies receive passengers from Categories B and C travel agencies. Therefore, Category A agencies can be regarded as wholesalers as well. Out of 360 Category A travel agencies, 67 were authorized to handle Chinese outbound travel services because of the demand for international services. Twenty-two of the 67 Chinese travel agencies were authorized to handle the Chinese tourism market to Australia. These 22 travel agencies are located in Beijing, Shanghai and Guangzhou. The Ministry of Public Security is responsible for the management of passports for outbound travel, and its procedures are based on the Chinese exit and entry laws and regulations. These regulations determine that the major pattern of the Chinese outbound leisure travel is package tours, not fully independent tours. Compared to other markets, the Chinese government is still very careful with outbound tourism, especially the outbound tourism market to Australia, mainly because it was the first non-Asiatic destination granted ADS status.

When Australia was granted ADS by the Chinese government, the Australian Tourism Commission (ATC) and the

CNTA set unified prices on package tours for Chinese tourists visiting Australia. For example, a nine-day tour departing from Beijing or Shanghai is priced at RMB18 000 (approximately AU$3371), and departure from Guangdong Province is RMB14 000 (AU$2622). These unified prices are a condition of visa approval for Chinese tourists visiting Australia. In contrast with the literature suggesting that Chinese people are highly price sensitive, unified pricing implies that Chinese tourists do not have any bargaining power if they wish to visit Australia as a leisure destination. Furthermore, most of the package tours available to Chinese tourists are very similar, offering trips to Sydney, Canberra, Melbourne, the Gold Coast and Brisbane and itineraries which include at least two of the three theme parks on the Gold Coast, Movie World, Sea World or Dream World. The lack of variety in the products available to the Chinese outbound tourism market could ultimately detract from Chinese tourists' interest in visiting Australia.

In contrast, the Chinese outbound travel agencies are highly price sensitive. Chinese travel agencies try to reduce the price of land services provided by Australian inbound tour operators to obtain a higher profit margin from the fixed sales price. Price competition also results in a poor quality of services provided to Chinese tourists, and there was evidence in this study of dissatisfaction among Chinese tourists with the standards of accommodation provided on package tours to Australia. Differentiating and developing products with unique Australian characteristics appears to be the best strategy to minimize price competition between them for the inbound tour operators in Australia. Disposable income is the most important factor influencing visitors' decisions whether to travel or not and three key factors which directly impact on Chinese tourists' decision to travel to Australia, as illustrated in Table 18.4.

What this case study shows is that government policy towards outbound tourism can be a major constraint and controlling factor in the development of overseas travel and that existing links with friends and family overseas were a strong pull on overseas travel along with disposable income. It is also notable that analysts view a major outbound boom as a long-term proposition, with overseas travel available to a wider section of Chinese society, given that a large proportion of the population have less than US$5000 in disposable income, which is commonly seen as the threshold at which discretionary spending on overseas travel begins.

Further reading

Messerli, H. and Bakker, M. (2004) 'Travel and tourism – China', *Travel and Tourism Analyst*.

Pan, G. and Laws, E. (2001) 'Attracting Chinese outbound tourists to Australia', in D. Buhalis and E. Laws (eds) *Tourism Distribution Channels: Practice, Issues and Transformations*. London: Continuum.