

DIGITAL MEDIA PLAYS INCREASING ROLE FOR CHINESE TRAVELERS



The surge in outbound Chinese travelers over the last decade has had an impact on a variety of industries around the world. The travelers have both benefited and challenged retailers, consumer goods brands, the travel sector, and hospitality services alike. They have had an effect on outlet stores outside London, on German department stores, and on airport duty-free stores worldwide – as well as on every major hotel chain and airline.

Over the past year, Chinese travel has become increasingly social and digital, according to Oliver Wyman’s latest survey of the subject. Independent travelers, who are comfortable using digital tools in their daily lives, are going online to plan their trips and share their experiences.

Chinese outbound travel has gone through dramatic changes over the years we have been following and describing it, since our first survey released in 2016. Outbound travel used to be dominated by organized tour groups. But today many Chinese are “free and independent travelers.” Luxury purchases – including buying for others, either for resale or on someone else’s behalf – once drove world-leading per-pax spend. But this too has faded as a wider range of Chinese travel abroad and as luxury products become less expensive and more available at home.

Chinese consumers have leapfrogged shopping formats that are mainstream elsewhere and taken up mobile ecommerce, mobile payments, and social shopping with gusto. So it should come as no surprise that Chinese travelers are also highly social and digital. Our report, based in a recent survey of 2,000 outbound Chinese travelers, demonstrates this shift and shows its implications for business.

The number of outbound trips by Chinese travelers in 2018 reached 140 million, according to the China Tourism Academy – a 13.5 percent increase over 2017. That rise – slower than in previous years – was driven in roughly equal parts by the greater number of Chinese able to travel and by individual travelers’ increasing number of trips, our research suggests. The average traveler in our survey reported taking 2.1 outbound trips per year, an annualized increase of six percent. Meanwhile, the share of outbound Chinese from Tier 1 cities reached its lowest level since we began tracking it, reflecting a wider base of travelers.



Travelers' destinations and purposes are also changing. While destinations such as Hong Kong remain common, the trend in recent years has been towards more-distant overseas trips. Chinese travelers are increasingly comfortable traveling farther afield: When they were asked where they planned to visit in the next 12 months, Iceland broke into the top 15 destinations of interest. As travel becomes more frequent, trips are shortening, with the average duration falling by more than one day.

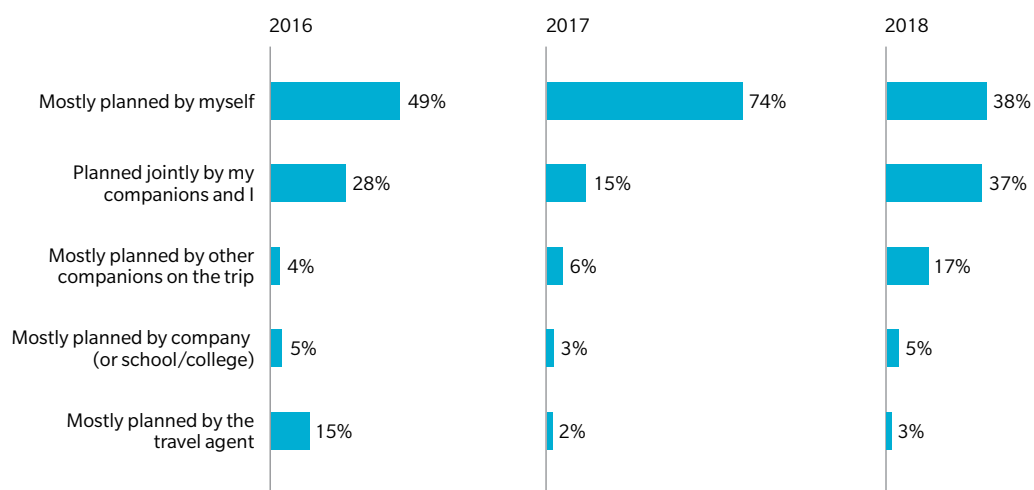
There was a strong increase this year in the share of people traveling with their spouses, extended family, and – in particular – friends. As a result, the average group size rose about 10 percent over the previous year. This was reflected in the way trips were planned as well. Up until now, the clear trend has been from professional-planning to self-planning. In 2018, however, more than one-third of respondents reported jointly planning a trip with their companions. That implies that the growing social aspect of Chinese travel begins before departure, during the planning stages.

When Chinese travel with friends and family, they primarily seek memories: Sightseeing and recreation-and-entertainment were the most frequently cited reasons for a trip. According to 53 percent of our sample, “the most important part of a good holiday is to enable me to experience luxury that I can’t have back home.”

Exhibit 1: Chinese travelers are increasingly planning their trips socially

KEY PERSON WHO PLANNED THE TRIP

PERCENT OF RESPONDENTS, 2016: N=1,750, 2017: N=2,000, 2018: N=2,000



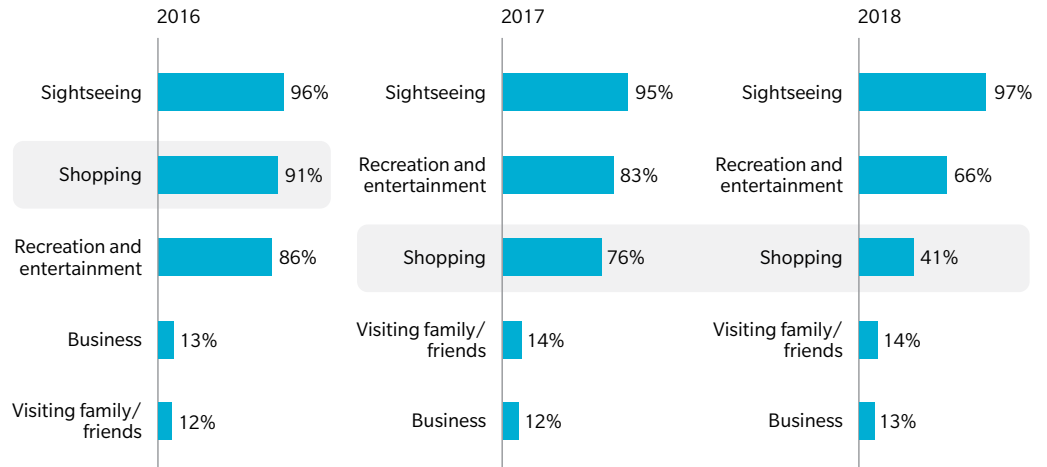
Question: Who planned the itinerary?

Source: Chinese Traveler Survey, December 2015, Chinese Traveler Survey, March 2017, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

Exhibit 2: Chinese travelers travel less for shopping and more for sightseeing, particularly for city views/local culture

TRIP PURPOSE COMPARISON 2016, 2017, 2018

PERCENT OF RESPONDENTS, 2016: N=1,750, 2017: N=2,000, 2018: N=2,000



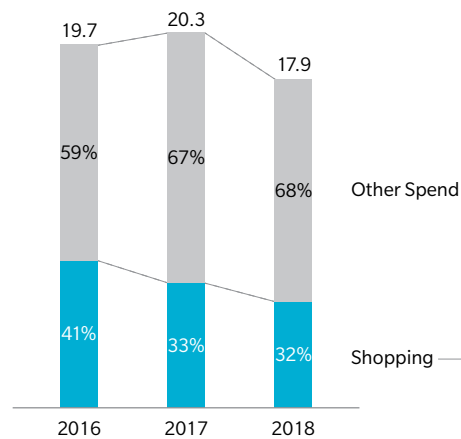
Question: What was the primary purpose of your last trip (rank up to three)? – top three purposes

Source: Chinese Traveler Survey, December 2015, Chinese Traveler Survey, March 2017, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

Exhibit 3: Average trip spend decreased along with shopping spend

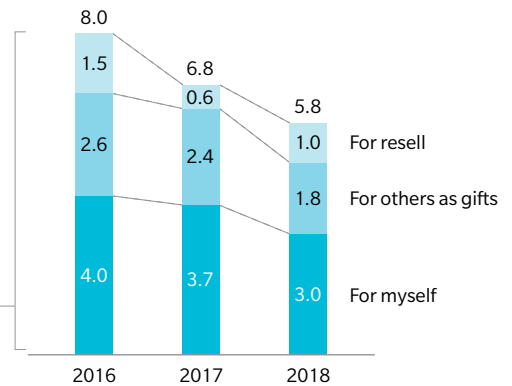
AVERAGE SHOPPING SPEND AS SHARE OF TRIP BUDGET

K RMB, 2016: N=1,750, 2017: N=2,000, 2018: N=2,000



BREAKDOWN OF AVERAGE SHOPPING SPEND BY PURPOSE

K RMB, 2016: N=1,750, 2017: N=2,000, 2018: N=2,000



Question: How much did you spend on this trip to [generated location] in each of the following categories?

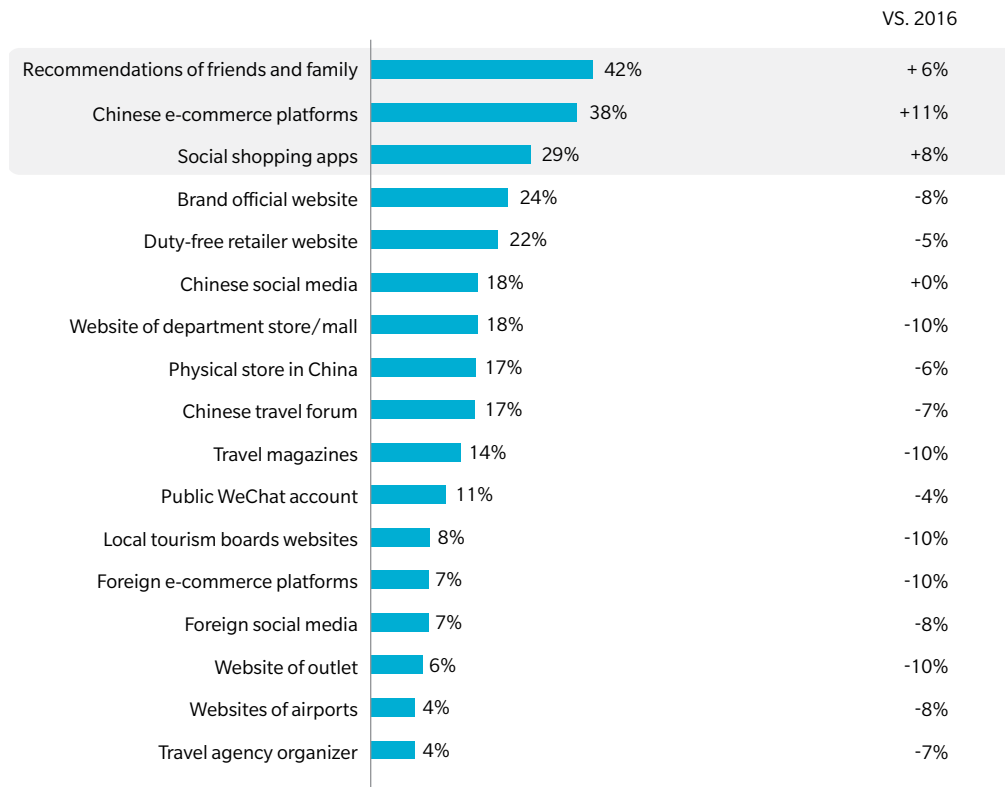
Source: Chinese Traveler Survey, December 2015, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

BYE-BYE “MAI-MAI”

Chinese travelers were once known to “mai, mai, mai” (“buy, buy, buy”) while abroad, but the once-central role of shopping in Chinese travel has been fading. For the first time in our survey, fewer than half the respondents cited shopping in their top-three reasons for traveling overseas, and only seven percent cited it as number one. For the second year running, Chinese travelers reported spending less on shopping year-on-year. The share of a trip’s budget devoted to shopping fell below one-third, with decreases in the amounts spent on shopping for resale, for other people, and for the travelers themselves. For some destinations however – including Italy, Macau, and Korea – shopping still plays a large role.

Exhibit 4: Shopping influenced by social recommendations and digital sources

SOURCES OF INFORMATION, 2018
PERCENT OF RESPONDENTS, 2016: N=1,750, 2018: N=2,000



Question: Before your trip to [Generated Location], which of the following information channels did you consult to decide what to buy?
Source: Chinese Traveler Survey, December 2015, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

The shopping that does take place while traveling is increasingly concentrated in duty-free and tax-refunded channels: Our sample reported spending more than 50 percent of their shopping budgets in these. Local brands and products are increasingly a focus of shopping while abroad, with one-third of respondents saying they choose to shop where they can find many local brands and products, a significant increase over the previous year.

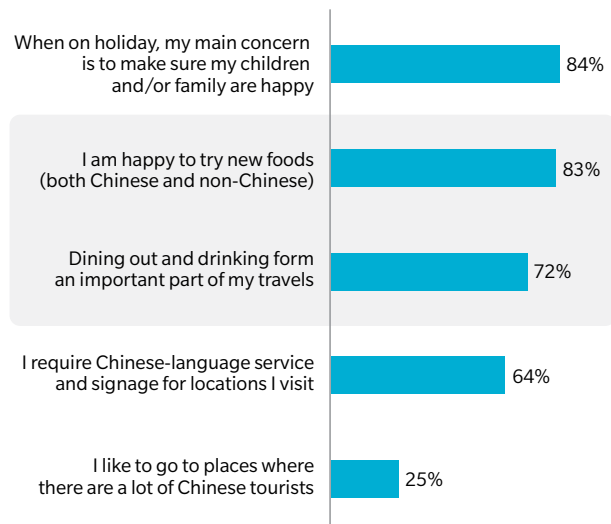
Social factors are key to deciding what people buy and where. Recommendations from friends and family, review-driven Chinese ecommerce platforms, and social-shopping apps were the three most-cited sources of information for shopping while abroad.

A TASTE FOR TRAVEL

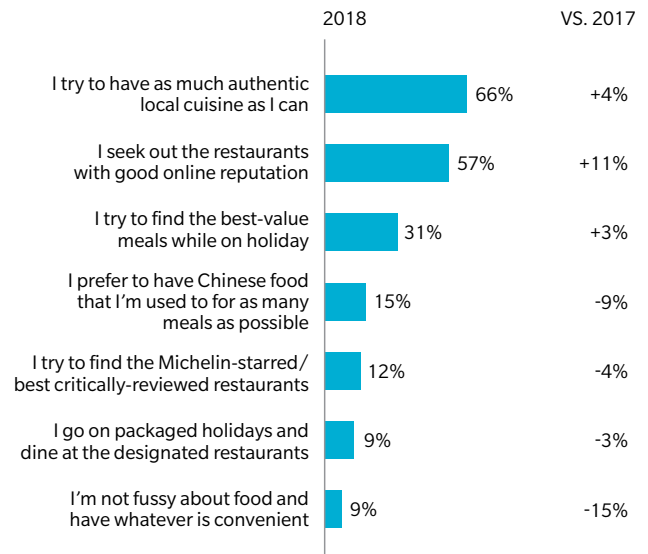
If shopping no longer drives Chinese tourism, what does? The answer is social experiences. Sightseeing and recreation are the most-cited reasons for travel. A key need for Chinese travelers while abroad is to create “shareable” memories – for example, photos of an authentic local meal or of the traveler and their companions in front of a well-known tourist destination.

Exhibit 5: Chinese travelers seek out more authentic experiences

F&B PREFERENCES WHILE TRAVEL OVERSEAS, 2018
PERCENT OF RESPONDENTS, 2017: N=2,000,
2018: N=2,000



OVERSEAS TRAVEL DESCRIPTION BY AGREEMENT, 2018
PERCENT OF RESPONDENTS, N=2,000



Source: Chinese Traveler Survey, March 2017, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

Food plays a central role in Chinese culture, so it is not surprising that it plays an important role in travel as well. About 70 percent of our sample agreed that “dining out and drinking form an important part of my travels.” What has changed, however, is the level of openness to local food: In 2018, 83 percent reported being willing to try new types of food, including non-Chinese. Travelers in our sample were far more likely to seek out authentic local cuisine than to stick with familiar Chinese eateries. The share saying they try to eat like the locals as much as possible exceeded the share preferring Chinese food, and that gap increased a net 20 points over 2017. Consistent with the trend toward digitally-enabled “social” travel, online restaurant reviews were a key source of information for choosing where to eat, cited by 57 percent of travelers in 2018, up from 46 percent in 2017.



PLANNING

Just as China has different services to the rest of the world for ecommerce, social media, and search, it also has its own online travel agents and aggregators. These are dominated by local players Ctrip, Fliggy, and Qunar.

Two-thirds of respondents said they used Ctrip to book flights and hotels, with Alibaba's re-branded Fliggy platform taking the number-two slot. Direct bookings on official airline websites increased, as they improved their Chinese versions and Chinese consumers became more familiar with them.

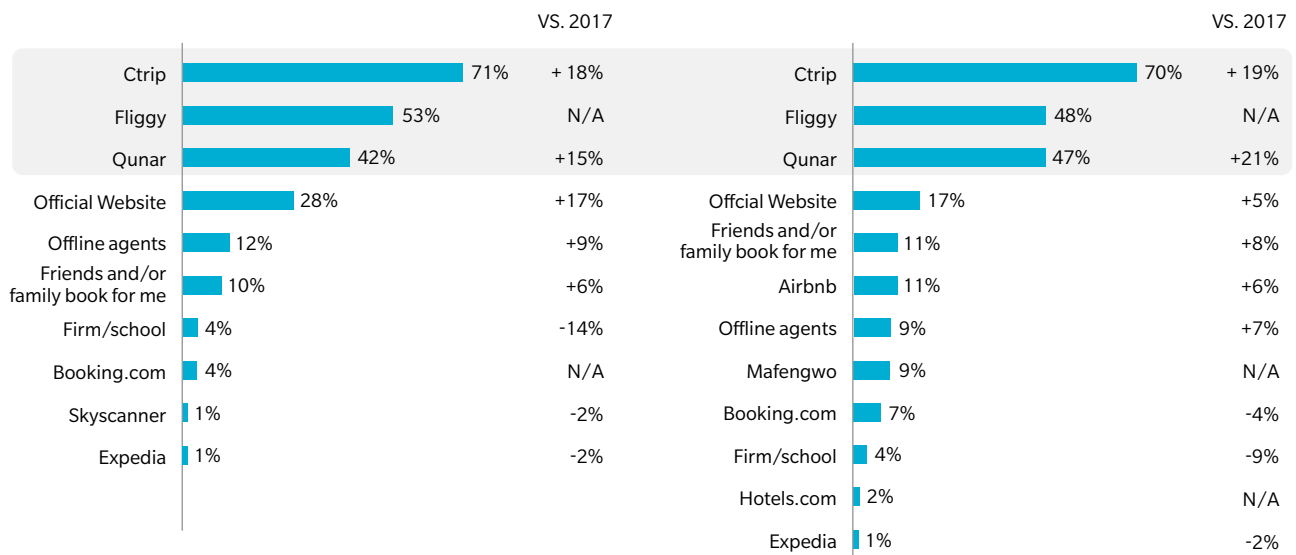
Price, while still the number-one factor for choosing a booking platform, lost ground to other factors, including the provision of travel information and guides – which rose 32 percentage points – and the convenience of a one-stop service.

Airlines should note that Chinese travelers choose an airline primarily on price, the convenience of flight schedules, and its on-time record. While around 60 percent of travelers are aware of loyalty and mileage programs, these were the least-cited reason for choosing an airline, and their utilization is low. Travelers were five times as likely to say they used the programs but didn't choose their airline based on them than to say they chose an airline because of its loyalty program.

Exhibit 6: Ctrip, Fliggy and Qunar are popular for both flight and hotel booking

WHERE FLIGHT WAS BOOKED, 2018
PERCENT OF RESPONDENTS, N=2,000

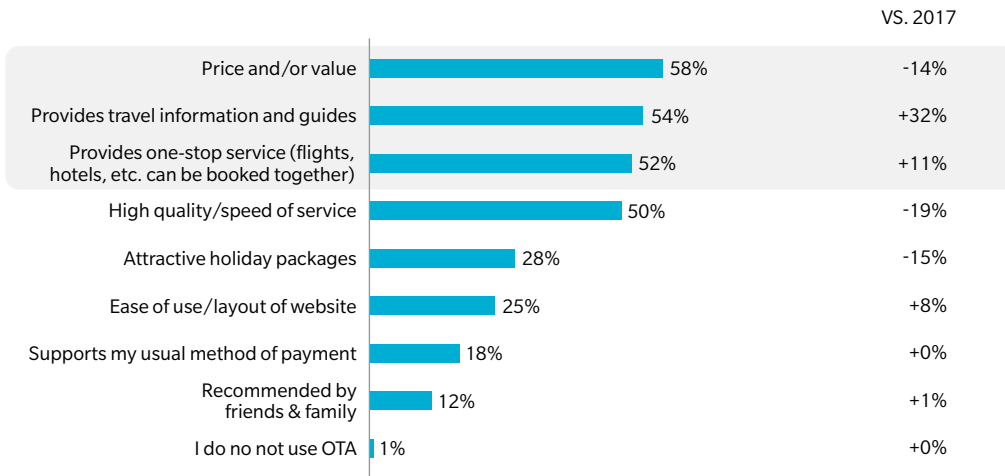
WHERE HOTEL WAS BOOKED, 2018
PERCENT OF RESPONDENTS, N=2,000



Source: Chinese Traveler Survey, March 2017, Chinese Traveler Survey, November 2018, Oliver Wyman analysis

Exhibit 7: Information, not just price and convenience, are key for choice of OTA

SUM SHARE OF RESPONDENTS CITING AS TOP THREE REASON FOR CHOICE, 2018
 PERCENT OF RESPONDENTS N=2,000

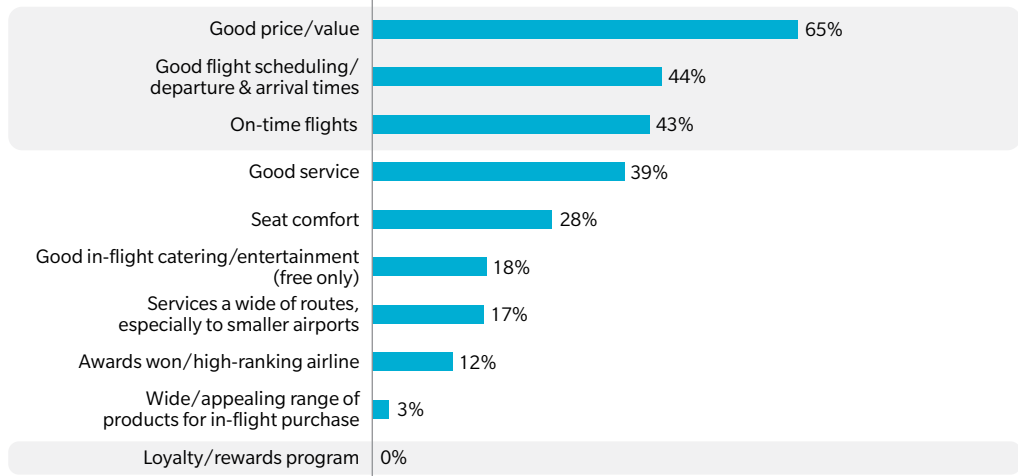


Source: Chinese Traveler Survey, March 2017, Chinese Traveler Survey, November 2018, Oliver Wyman analysis



Exhibit 8: Practical considerations beat out comfort and loyalty when booking flights

SUM SHARE OF RESPONDENTS CITING AS TOP THREE REASON FOR CHOICE, 2018
PERCENT OF RESPONDENTS N=2,000

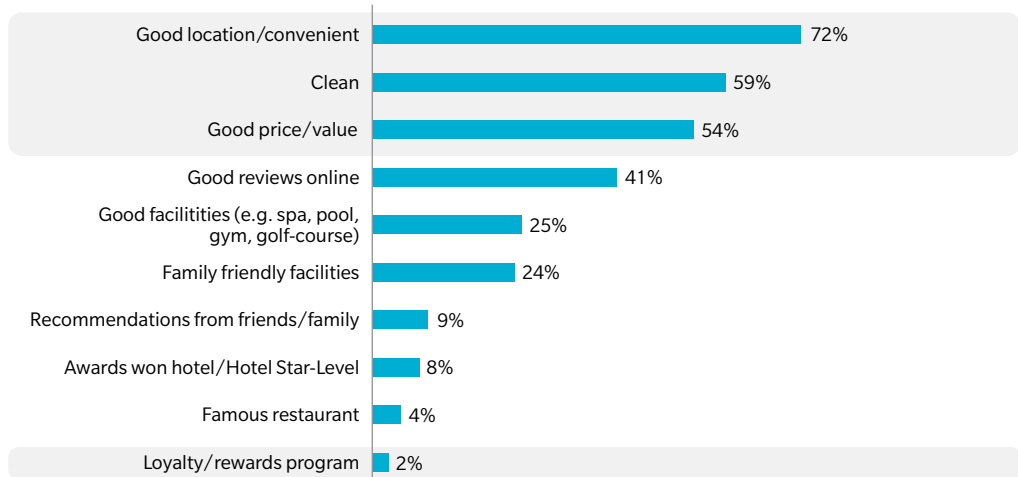


Source: Chinese Traveler Survey, November 2018, Oliver Wyman analysis

Loyalty programs are similarly unimportant for hotel accommodation; they were the factor least cited as a reason for a particular choice. Chinese travelers book based upon location, reputation for cleanliness garnered from online reviews, and value for money. Chinese travelers take particular note of the hotel wifi amenities offered – things like shampoo and soap: 40 percent said these have a strong impact on their impression of a hotel.

Exhibit 9: Online reviews are a key lever for hotels

SUM SHARE OF RESPONDENTS CITING AS TOP THREE REASON FOR CHOICE, 2018
PERCENT OF RESPONDENTS N=2,000



Source: Chinese Traveler Survey, November 2018, Oliver Wyman analysis

HOW TO REACH CHINESE TRAVELERS

Marketing to Chinese travelers requires a specific, localized approach, given that they are digitally savvy, make frequent use of social media, and listen to others' opinions. As Chinese travelers rely heavily on word of mouth and online reviews, it's important for businesses to be present on the right platforms, to monitor and manage their profiles, to head off early issues that could generate negative word of mouth, and to create ample opportunities to generate positive word of mouth.

Sites like Mafengwo are key sources of advice for travelers, especially for dining and shopping. Online travel agents are widely used to book hotels and flights. For generating positive word of mouth, nothing beats WeChat, the dominant Chinese social media and messaging platform, which has plenty of opportunities for sharing. English has already adopted the word "Instagrammable"; businesses targeting Chinese travelers should learn the Mandarin equivalent, "晒" (*shai*).

CONCLUSION

The opportunity presented by outbound Chinese travelers has rightly attracted the attention of a wide variety of businesses. These range from department stores to outlets, from the luxury houses of New York and Paris to Scotland's distilleries – and they of course also include airlines and hotel chains. Making the most of this opportunity requires up-to-date insights into and understanding of Chinese travelers and their motivations, as well as a concerted strategy that leverages local platforms and digital media. Does your organization have in place what it needs to attract today's Chinese travelers? And tomorrow's?

ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

In the Retail practice, we draw on unrivalled customer and strategic insight and state-of-the-art analytical techniques to deliver better results for our clients. We understand that it takes to win in retail: an obsession with serving the customer, constant dedication to better execution, and a relentless drive to improve capabilities. We believe our hands-on approach to making change happen is truly unique – and over the last 20 years, we've built our business by helping retailers build theirs.

AMERICAS

+1 212 541 8100

EMEA

+44 20 7333 8333

ASIA PACIFIC

+65 65 10 9700

SHANGHAI

+86 21 8036 9300

HONG KONG

+852 2301 7500

AUTHORS

HUNTER WILLIAMS

Partner

hunter.williams@oliverwyman.com

+1 312 345 3317

JAMES YANG

Principal

james.yang@oliverwyman.com

+852 2201 1715

CONTACTS

JACQUES PENHIRIN

Partner

jacques.penhirin@oliverwyman.com

+852 2201 1701

WAI-CHAN CHAN

Partner

wai-chan.chan@oliverwyman.com

+852 2201 1702

www.oliverwyman.com

Copyright © 2019 Oliver Wyman

All rights reserved. This report may not be reproduced or redistributed, in whole or in part, without the written permission of Oliver Wyman and Oliver Wyman accepts no liability whatsoever for the actions of third parties in this respect.

The information and opinions in this report were prepared by Oliver Wyman. This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisors. Oliver Wyman has made every effort to use reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. Oliver Wyman disclaims any responsibility to update the information or conclusions in this report. Oliver Wyman accepts no liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports or sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages. The report is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities. This report may not be sold without the written consent of Oliver Wyman.