



NEW CHINESE TOURISTS IN EUROPE FROM 2017

A trend survey by Z_punkt The Foresight Company
in cooperation with the TUI Think Tank at TUI AG

World of  TUI

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'TRAVEL IS FATAL TO PREJUDICE.'

Mark Twain (1835–1910)

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PREFACE

Brazil, Russia, India and China – economic growth in these countries has led to the rise of an affluent middle class which loves to travel. China is currently in the process of becoming one of the world's largest source markets for tourism. Europe is in focus as a popular destination for many Chinese people. For example, in 2010 alone, an estimated 3.8 million Chinese visited Europe, and it can be assumed that this number will quadruple by the year 2020. Measured against the total population of 1.3 billion in what is the world's largest country, this proportion initially seems marginal. But what first appears to be a niche market when one looks at the statistics has already developed into a considerable market – and trends show that it will continue to grow strongly. The tourist industry, but also adjacent sectors such as

retail, mobility, telecommunications or culture have been insufficiently prepared for Chinese tourists in Europe thus far. One reason for this could be the antiquated stereotype of Chinese tourists: always in a group, and preferably travelling by bus, always hunting for great photo motifs and shopping opportunities as they rush from one tourist highlight to the next. But the future often develops unnoticed by observers, beyond the mainstream and beyond our immediate field of vision.

In the case of Chinese tourists in Europe, the future is already here, but as yet only identifiable by its contours and isolated signals. A peak into the future reveals clearly differentiated developments that we want to look at in more depth in the context of this survey.

In terms of the travel behaviour of Chinese tourists, this means that a more nuanced scenario is becoming increasingly apparent. If one is young, urban and Internet-savvy, one travels differently today than someone who spent their formative years in the age of the Cultural Revolution. Anyone who has spent some years as a student in London or Berlin is seeking a different experience from a tourist who is visiting Europe for the first time. Depending on age, income, education, cultural influences and personal travel experience, different needs are expressed in the choice of a range of travel options.

The objective of this study is to explore the new travel needs of Chinese tourists. In the process, it is important not to lose sight of their unchanging, long-term travel needs. For only travel operators who know Chinese customers and their socio-cultural roots will be able to serve this interesting and growing travel market with the appropriate range of travel options.

As Europe's leading tourism group, TUI AG already has many years of experience in the Chinese travel market, not least through our subsidiary TUI China, which has represented TUI in China since 2003. Since 2011, TUI has been one of the three privileged tour operators with a license for Chinese outbound tourism.

Only those who consider tomorrow's trends today can hope to be successful in the long term. Social and demographic change as well as external factors all have a major influence on the development of Chinese tourism. TUI wants to get a head start in dealing with this issue. Experts from the travel and tourism industry as well as neighbouring industries and academia as well as trend and market research therefore need to meet up and discuss issues that are important for the entire development of the industry.

In the present study – New Chinese tourists in Europe from 2017 – the TUI Think Tank is consciously taking a peek at the future. In cooperation with Cologne-based consultants, Z_punkt The Foresight company, an approach that is based on a variety of methods was selected: on the one hand, pertinent studies and data on the subject were evaluated and megatrends and other development drivers in Chinese tourism analysed. On the other hand, a panel of proven China experts was interviewed on their experience and their assessments of the future prospects of Chinese tourism in Europe. In the scope of an expert workshop, the results were discussed and possible implications for the industry identified. The results of the analyses, interviews and expert workshops paint a future landscape of Chinese tourism in Europe of which can certainly be said at this point that: the future belongs to group tourism 2.0, which will be accompanied by a diverse range of niche offers for clearly differentiated target groups – where individual 'niches' could reach quite substantial sizes in the medium term. How and at what speed the change will take place cannot be predicted with certainty. But the direction is clear.

With this study, the TUI Think Tank would like to present a perspective for the growing market segment of Chinese tourists in Europe. The stakeholders in the tourism industry and adjacent sectors should take the trends and developments identified in this study as food for thought for further discussions relating to future developments.

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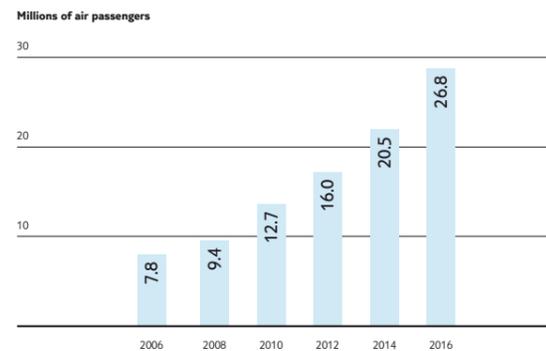
1. THE GROWTH MARKET 'CHINESE TOURISTS IN EUROPE':

Status quo and future prospects

While domestic travel, especially for educational purposes, has a long tradition in China, trips to foreign countries are a relatively new phenomenon. The market for international travel is correspondingly young: particularly in Maoist China – between 1943 and 1976 – travel and even leisure, in general, were rather frowned upon. Only since shortly before the turn of the millennium, following the annexation of the special administrative regions Hong Kong and later Macau, has travelling abroad become progressively easier. In the year 2009, the Chinese government declared the development of tourism a national economic goal and changed the approved destination status (ADS) of many countries, thus facilitating visa applications for almost all countries. This step marked a fundamental change toward a further opening of China. With the issuing of outbound licenses to three foreign travel companies, TUI, Japan Travel Bureau and American Express in May 2011, the course already taken was reinforced with an even more comprehensive opening of the market.

Number of Chinese tourists taking holiday flights abroad (in millions)

Source: © Euromonitor International 2012



CHINA – A COUNTRY ON THE GO

The development of travel flow in the last few years reveals China's immense pent-up demand for travelling and a growing desire to travel to foreign holiday destinations. As a result of economic recovery, but also due to the travel facilitations and social change, Chinese outbound tourism¹ is expanding significantly. The number of holiday flights alone has increased in the last six years by 50% from 11.3 million to 17 million in the year 2011. In 2011, a total of 39.2 million Chinese travelled out of the country – approximately 14 million more than in 2006. The figures are, however, to be viewed with caution since around 72% of these trips were to neighbouring countries Hong Kong and Macau. By 2020, experts anticipate further growth in Chinese outbound tourism of around 17% annually. For 2013, Euromonitor already anticipates more than 49 million people travelling abroad, which will make China one of the largest source markets in the world.

EUROPE IS CURRENTLY STILL MORE POPULAR AS A TOURIST DESTINATION THAN THE USA

In an international comparison, Europe currently takes first place on the Chinese traveller's list of preferred destinations. Chinese tourists in Europe have steadily increased in numbers in the last few years, with the exception of the credit crunch years 2008 and 2009. According to official data by the Chinese tourism office, CNTA, just over two million Chinese visited European destinations in 2009.

¹ Outbound tourists are those Chinese travellers who leave the country for leisure holidays.

Just one year later 2.335 million visits were registered, an increase of 14.7% within a year. Due to the statistical quirk that travellers entering Europe via Hong Kong or Singapore are not registered, many experts suspect that the number of Chinese tourists travelling to Europe is considerably higher in reality. A survey by IPK International on behalf of ITB Berlin drew the conclusion that about 3.8 million Chinese actually came to Europe in 2010. France and Germany are the most popular vacation destinations within Europe.

In future, the Chinese will make an even bigger mark on Europe's tourist hotspots – such as the Eiffel Tower or Castle Neuschwanstein – than they do today. The World Tourism Organization expects that, in 2020, a quarter of all tourists visiting Europe from Asia will come from China. If one follows the forecast of the School of Oriental and African Studies at the University of London, there will be more than 8.5 million Chinese tourists holidaying between the Algarve and the Ural Mountains.

Other destinations such as the United States, South Korea, Japan and Malaysia have caught up at an above-average rate in the past few years. Between 2004 and 2009, the growth rate on the US market was 158.6%. In comparison, the number of overnight stays in Germany increased by a relatively low 12.4%.

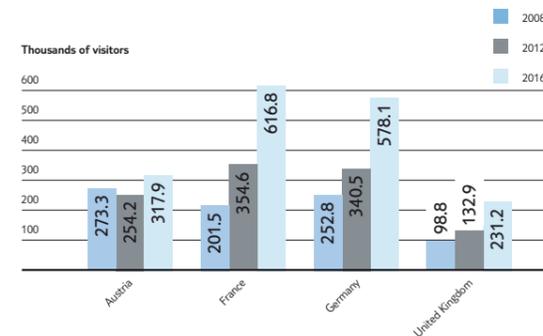
PRIMARY TRAVEL MOTIVATION: 'MUSEUM EUROPE' AND SHOPPING

In China, Europe is particularly appreciated for its landscape, culture and history. In particular, sites which are important for Chinese history, such as the places where Deng Xiaoping's studied and worked in France, generate great interest. Besides cultural motivations, the great reputation boost that a trip to Europe means at home is the main reason for many Chinese to travel.

To additionally increase prestige in their respective domestic social environments, Chinese tourists tend to purchase high-quality gifts and souvenirs for friends at home, relatives and work colleagues on their European tour. Not only has the number of Chinese travellers increased enormously over the last few years, but also their willingness to spend. In the year 2004, the Chinese still spent an average of around 538 euros per trip abroad; by 2009, this figure had skyrocketed to 704 euros. Latest estimates assume that the figure of 750 euros was exceeded in 2011. With total expenditure of 53 billion euros in 2001, China occupies third place in the international travel spending rankings, behind Germany and the USA. From 2013 onwards, experts expect that China will take over the leading position. In terms of the travel budget share spent on shopping, China already tops the world list today, at almost 50%.

Chinese outbound tourism (in thousands of visitors, by selected destinations in Europe)

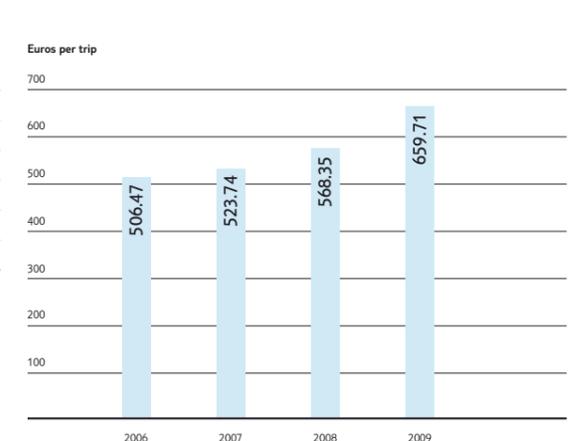
Source: © Euromonitor International 2011



Chinese tourists' expenditure abroad (without transportation, in euros, per trip)

Source: ETC 2011

Exchange rate: EUR 1 = USD 1.39





GROUP TRAVEL STILL DOMINATES

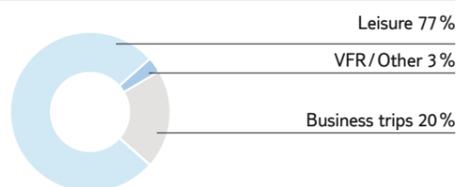
The currently preferred way to travel is in a package deal in which a group with a tour guide often visits eight countries in ten days. In addition to the better value for money, this kind of travel facilitates visa applications and offers more security and orientation during the trip. Without the support of a tour guide, many Chinese travellers often feel uncomfortable due to language barriers and the lack of multilingual signage at the vacation destinations. Together with safety issues, such as the fear of terrorist attacks, which however is not so widespread for European destinations, these barriers are the most serious concerns for Chinese tourists abroad.

In contrast to western source markets, the majority of Chinese travellers tend to be young. Many will be happy to travel with the family – including their children, if they have any – and often accompanied by both sets of grandparents. Often visiting friends and relatives (VFR), who are currently working or studying in Europe, provide a welcome opportunity to travel through Europe. In addition to pleasure trips, business appointments increasingly give rise to travel needs. Often business meetings will be used for an extension of the trip; however, the route is driven to a great extent by the appointments and less by the prestige of attractions.

Recently, both the group of Chinese travellers who have already been abroad several times – be it on business, to study, or on holiday – have grown as well as those tourists travelling to Europe for the first time. Experienced Chinese travellers such as these are increasingly booking individual trips, or they choose to travel without a group and a tour guide because understanding and orientation are increasingly less of an issue.

All Chinese travel purposes for trips abroad (in %)

Source: DZT 2012



JANUARY/FEBRUARY AND OCTOBER – PREFERRED MONTHS FOR TRAVELLING

Because of the state holiday regulations, comparatively long trips are possible. With an average duration of a trip to Europe of one to two weeks, Chinese tourists often travel abroad for longer than, for example, travellers from the USA. The holiday regulations also mean that, in particular, the 'Golden Weeks' at the end of January/the beginning of February as well as the month of October (the national holiday) are preferred holiday periods.

VISA FORMALITIES CONTINUE TO MAKE TRAVEL DIFFICULT

In spite of the many facilitations, procuring visas continues to be one of the largest obstacles to travel for Chinese travellers, and they prefer to delegate the responsibility. England as a non-Schengen state is off-limits for many trips to Europe, because of the additional difficulty in obtaining a visa. In spite of the fact that England is one of the preferred destinations for Chinese tourists, the number of visits dropped by 6.2 % in the period between 2004 and 2009. On special occasions, such as the Royal Wedding or the Olympic Games, the tourism industry in Britain can still score points and attract Chinese tourists. Spain even plans to facilitate visa formalities specifically for Chinese tourists in order to promote tourism from China.

TRAVEL AGENCIES STILL POPULAR FOR TRIPS ABROAD

Because long-term travel planning in China was not even possible for a long time, the Chinese still book their travel at very short notice. Moreover, the chance of getting special offers is another reason why Chinese people tend to book late. While the Internet is used more and more often for research and booking domestic travel, travel agencies are still the preferred approach for Chinese tourists when it comes to travelling abroad.

'RED TOURISM'

The role that politics plays in China should not to be underestimated when it comes to planning travel and choosing destinations. Since 2005, for example, the government has promoted trips to places of historical significance relating to the origin and development of Chinese communism. The aim is both to strengthen national consciousness and to boost the economic strength of rural regions. The number of domestic trips organised in this way is growing steadily. It can thus be assumed that 'red tourism' abroad, which has only existed in Russia thus far, will become important in the future. For example, the birthplace of Karl Marx in Trier has seen increasing numbers of visitors from China in the last few years. Whether the Chinese government will promote this kind of travel to Europe in future remains to be seen.

2. THE DRIVERS OF CHANGE:

Six megatrends

The declared aim of this study is to take a peek into the near future – the period 2017 and beyond – in order to show what new needs Chinese travellers could develop in terms of travel to Europe. Although it is impossible to predict the future, it must be said that Chinese society is in a phase of rapid change, which can be described relatively precisely based on various pieces of evidence. This change also affects the travel needs and travel motivations of the Chinese population.

The drivers of this change are megatrends – namely, long-term and comprehensive processes of transformation consisting of closely interlinked individual developments. They are powerful factors that substantially shape the markets of the future and, in this case, Chinese tourism. Megatrends are observable over a period of several decades and unequivocally demonstrable based on indicators. Their development can be projected into the future with a high degree of probability for at least 15 years.

Z_punkt megatrend set

Society	Technology	Economy	Ecology
 Demographic change	 Digital culture	 Globalisation 2.0	 Upheavals in energy and resources
 Individualisation reaches new stage	 Learning from nature	 Knowledge-based economy	 Climate change and environmental impacts
 Social and cultural disparities	 Ubiquitous intelligence	 Business ecosystems	Politics
 Reorganisation of healthcare systems	 Technology convergence	 Changes in the work world	 Urbanisation
 Changes to gender roles		 New consumption patterns	 New political world order
 New patterns of mobility			 Global risk society

They cause massive changes in all subsystems of society – political, social and economic. They also have a profound impact on all of the stakeholders – governments, companies and individuals and their consumer behaviour. Their specific manifestations differ from region to region.

Z_punkt has identified a set of 20 megatrends; comprehensive strategic implications for different industries can then be derived from these. In the following study, we will be presenting the six megatrends which, from the viewpoint of the authors, will have the greatest influence on Chinese tourism to Europe:

Focus on six new consumption patterns

Society	Technology	Economy	Politics
 Demographic change	 Digital culture	 Globalisation 2.0	 Urbanisation
 Individualisation reaches new stage		 New consumption patterns	

An analysis of these megatrends provides initial information on the development of the future generation of Chinese visitors to Europe. These indications were then discussed in the scope of the expert interviews and further expanded.

GLOBALISATION 2.0



GLOBAL PERSPECTIVE

The global economy is characterised by a new division of labour. While low-skilled jobs in industrial production migrated from the industrialised countries to low-wage countries in the mid-1980s, many developing countries and emerging markets have now quickly caught up – to such an extent that the local value-added processes require an ever higher level of qualification. At the same time, the emerging BRIC countries are responsible for most future economic growth and are catching up technologically compared with the western industrialised countries and Japan. By 2020, they will account for almost half of global economic growth and decisively shape the rules of the game in the 21st-century global economy.

TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

China is the largest driver of global economic growth. As a result of the increasing integration into the world market and it is still relatively low labour costs as well as it is 'demographic dividend', China has achieved average annual GDP growth of over 8% since 2000 (even 13% in the year 2007). By 2025, China could already be the largest economy in the world.

Increasing globalisation and the economic boom are changing Chinese society. Both of these factors make for a quick approximation of social structures with western standards and, assuming further growth, will have a stabilising effect on the Chinese society.

At the same time, the number of Chinese who can afford an upscale lifestyle is growing. Officials, entrepreneurs and clerical workers are particularly feeling the benefits. But even the traditionally disadvantaged migrant workers had seen wages increase by 2010 to almost 80% of the wage level earned by local workers. In the next few years, experts expect several hundred million Chinese households to participate in the economic upswing and join the global middle class. This development is particularly obvious in urban regions. In many towns and cities, more than half of the households in China will have an annual income of between 7,500 and 30,000 euros. With this increasing financial freedom, the numbers of Chinese tourists and their willingness to spend will continue to increase.

As salaries increase, so do expectations in terms of products, services and working conditions. In the services sector at least, these expectations will gradually be brought in line with western standards which might, among other things, mean more paid vacation leave.

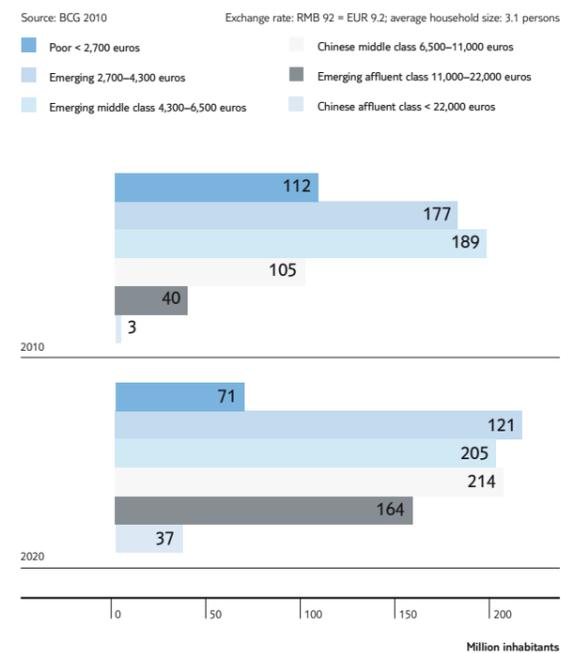
As economic self-confidence grows, brand awareness also changes. This is currently heavily influenced by western products which in many areas, such as design and quality, are still regarded as exemplary.

At the same time, China is experiencing an economic and cultural opening, making the country an important partner in international trade relations. As the former 'workbench of the world', China overtook Germany in 2009 as the world's export leader and is working hard to become the leading technology nation. The Chinese foreign trade volume grew by more than 150% between 2005 and 2011. Through increased networking of Chinese companies and research institutions with other countries, many Chinese have daily contact with international partners. This initially results in increases

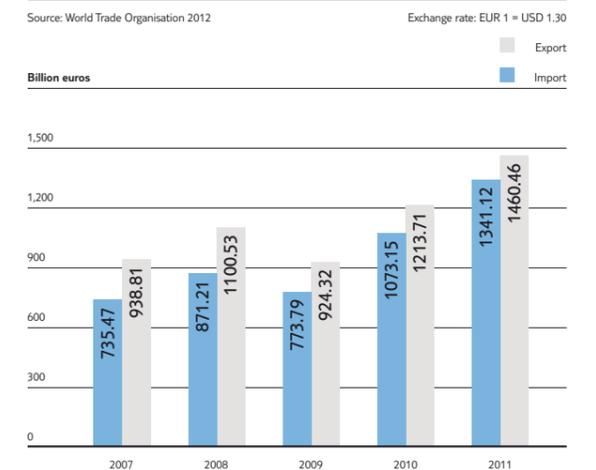
in the frequency and number of international business trips and also promotes knowledge of foreign destinations and travel in general. Interest in other cultures is awakened and inhibitions against private leisure trips abroad are removed.

In the education sector, there is also a lively exchange – where mainly young students can be seen to break with an excessive inward-looking focus in their desire to travel and experience more of other countries and their culture. The exchange works both ways. The number of foreign students in China rose by 10% to nearly 300,000 in the year 2011 compared with 2010. On the other hand, more and more Chinese people are leaving the country to study abroad. A total of 150,000 Chinese students account for almost a quarter of all foreign students in the United States.

Income distribution of the urban population (in millions of inhabitants)



Chinese foreign trade volume (in billions of euros)



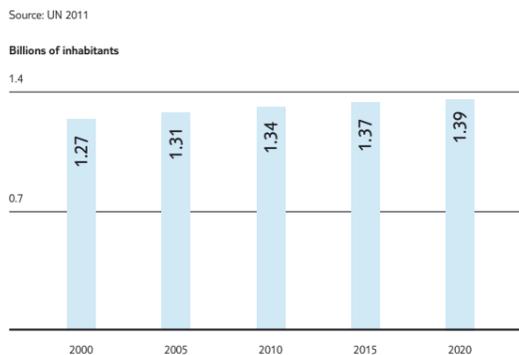
DEMOGRAPHIC CHANGE



GLOBAL PERSPECTIVE

The global population is growing rapidly. By 2030, the world population will grow from about seven billion people today to an anticipated 8.3 billion inhabitants. Low birth rates in the industrialised countries lead to a slowdown of this growth and to an almost complete shift to emerging countries. The highest birth rates are found in Africa, and the largest quantitative growth is in Asia. At the same time, populations are aging in almost all countries of the world – in particular, in the western industrialised countries.

Total population of China (in billions, assuming average growth)



TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

China plays a special demographic role among emerging Asian countries. For one thing, the population growth is significantly lower than Brazil or India, for example; in addition, age developments are more similar to those in developed societies in Europe, the USA or Japan. In the past decade (2000–2010), China's population has grown by an average per year of 0.74% to 1.341 billion people today. By 2020, the UN expects a slowdown in growth to 0.41% a year, which still means substantial population growth by 47 million to 1.388 billion. As of the year 2030, it is predicted that the total population will begin to decline.

The main reason for these developments is the one-child policy, which has been largely enforced and has aggravated birth deficits. According to estimates, between 300 and 400 million births have been prevented since 1979. It has also led to a rapidly growing male population imbalance. One can thus assume that the expected strong growth in tourism will probably only be partly due to population growth, and will instead be driven by economic and social factors.

The one-child policy – which is still in force, although restrictions have now been partly loosened – has also spawned a generation of rather more prosperous and demanding 'little princes and princesses'. Their pronounced expectation-orientated manner of thinking will also be reflected in future travel needs and service expectations.

Moreover, China's population is aging both massively and rapidly. The average age has increased to 34.5 years since 2000 and, by 2020, could already have reached 38.1 years. In particular, mid-range Chinese age cohorts (between 15 and 59 years of age) are affected by this development and are shrinking both in absolute figures and relatively. In contrast to this, the number of Chinese citizens aged 60 and over will grow to 240 million, an increase of 75 million in just ten years.

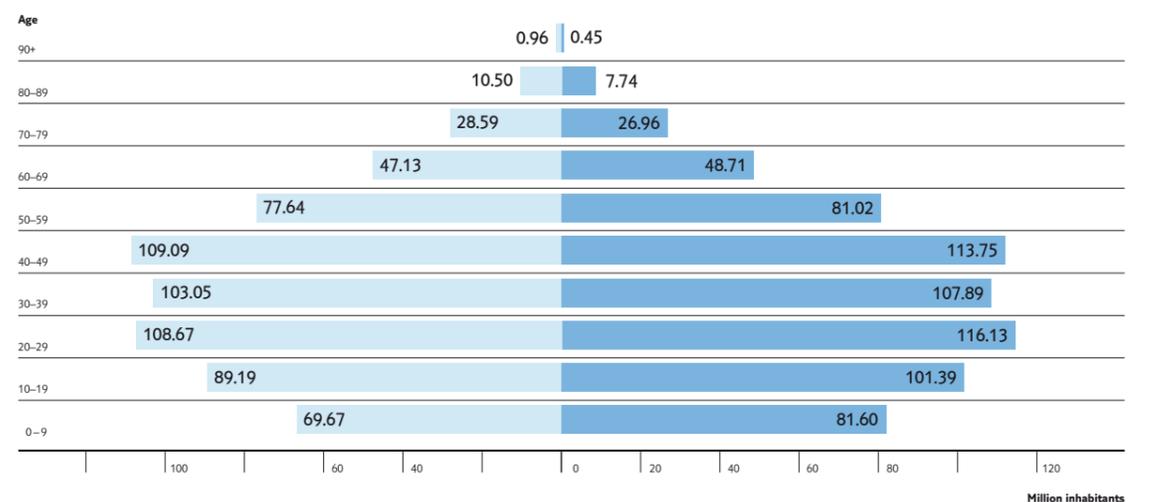
In view of the declining working-age population and the simultaneous growth in the number of people of retirement age, the traditional pension model, in which the younger generation supports the older, is increasingly being put under pressure – as are state welfare systems. Experts see the country facing great social and economic challenges which the middle generation especially will need to face.

The gains in economic prosperity may be eroded by expenditure for educating children and caring for the elderly in the future. The ability and willingness to spend money on luxury products and services could be weakened by this.

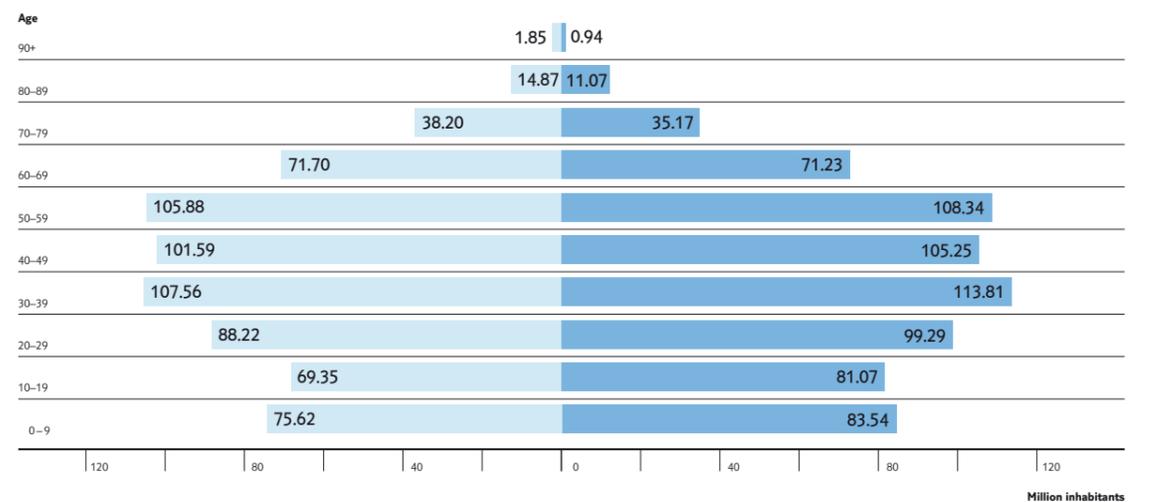
China's population pyramid

Source: US Census 2012

For 2010



For 2020



URBANISATION

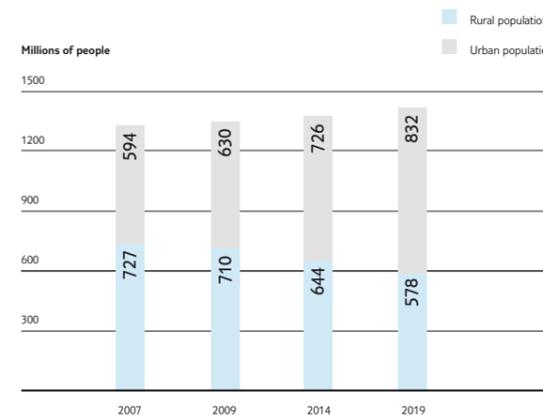


However, it can equally be observed that the social divide between city dwellers and the rural population is continuing to increase. The rural area is still strictly modelled on the traditions of the Mao era in terms of its society structure. Farmers and industrial workers dominate and, with them, a simple lifestyle. The rapidly growing cities, by contrast, are characterised by an urban culture which will substantially shape travel preferences. A growing number of China's dwellers maintains a lifestyle that is orientated on cosmopolitan urban culture, and more comparable with the lifestyle of the residents of New York or Paris.

Foreign travellers and business people introduce influences from their home countries, and urban life in China is shaped by a great hunger for modernity combined with a fast pace of life, a strong wish to advance and a pronounced orientation on material values. This can lead to extended life phases – and, in particular, a longer youth, before entering into family life. The expenditure patterns also differ. City dwellers not only spend significantly more in total, but the portion they spend on relaxation and culture, for instance, is also much greater. The increasing desire for relaxation, fresh air and nature also has a positive effect on destinations with precisely these characteristics. Even if this will initially benefit primarily Chinese destinations, these needs can become increasingly relevant for travel to Europe.

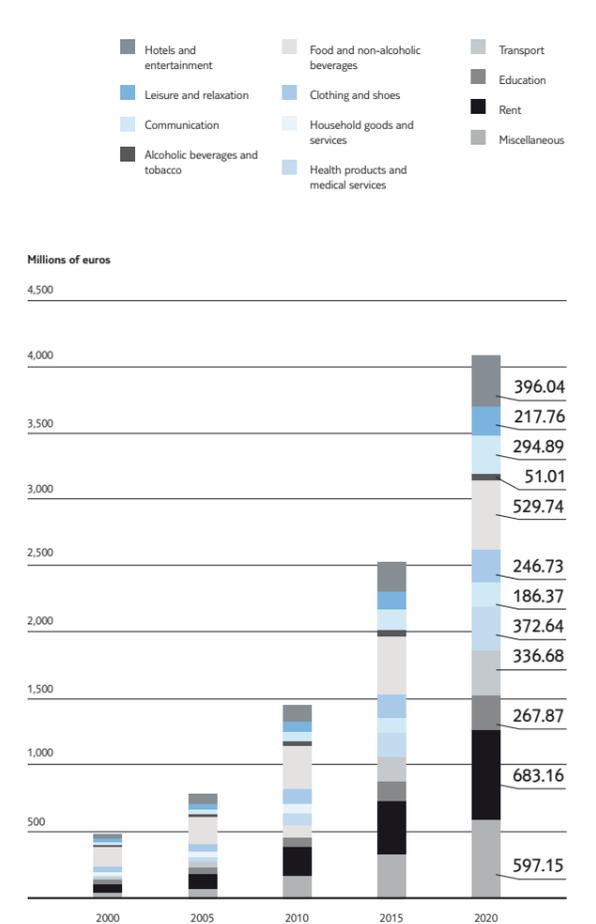
China's urbanisation (in millions of people)

Source: © Euromonitor International 2012



Annual consumption expenditure by use (in billions of euros)

Source: © Euromonitor International 2012



GLOBAL PERSPECTIVE

2009 was the first year in which more people lived in cities than in rural areas globally – and urbanisation will continue to increase. By 2050, 69% of the world's population will live in towns and cities. While the process of urbanisation is largely complete in the developed, industrialised countries with an average urbanisation level of 75%, the emerging countries at 45% are still in the initial stages of urbanisation. It is interesting that urban growth concentrates on only a few metropolises. The consequence of this development is that rural areas and small towns are becoming increasingly unimportant and are heavily impacted by migration.

TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

China is also affected by the global urbanisation trend. This rapid and partly dramatic growth or depopulation is accompanied by great opportunities and challenges.

Currently, the proportion of city dwellers in the total population is relatively low at approximately 47.5%, and thus slightly below the global average. For the next few years, however, a strong increase is forecast.

The Beijing government actively promotes urbanisation, as cities are regarded as the driving forces behind economic development. Compared to rural areas, Chinese city dwellers have significantly more economic power. The current five-year plan prescribes an increase in the level of urbanisation by 2015 to 51.5%. For 2020, the UN forecasts 54.9%.

In absolute terms, this would mean an increase of 175 million to almost 800 million city dwellers, thus resulting in more and more Mega-Urban Regions (MURs). For the Shanghai area, experts expect 83 million people to be crowded into just 6,340 square kilometres of space by the year 2020. The central government is also focusing on the development of medium-sized and regional centres, in order to slow down the influx to the cities on the east coast. A corresponding domicile policy was introduced at the beginning of 2012. It can be assumed that most of the future Chinese tourists in Europe will come from towns and cities. More and more of them will come from medium-sized growth centres mostly located in China's central regions, where an affluent class keen on travelling is also developing.

INDIVIDUALISATION REACHES NEW STAGE



GLOBAL PERSPECTIVE

In many societies worldwide, an increase of features that point to a rise in the level of individualisation is observable. Individuals strive for increasing freedom of choice, which leads to a differentiation of lifestyles. Classic biographies are also becoming more rare, as is the importance of traditional structures and institutions (families, church, the state). Driven by access to education and growing prosperity, many post-industrial societies are characterised by a large number of individual lifestyles and a high level of personal responsibility of the individual.

TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

In contrast, however, the trend towards a new level of individualisation in China is still underdeveloped. Having said this, rapid economic growth and China's increasing (digital) networking with foreign countries has led to a variety of social changes, especially among younger people. These changes can be viewed as harbingers of increasing individualisation, which would suggest an early accommodation to western standards.

In particular, the uprooting that affects the many Chinese migrant workers, leads to a weakening of family and kinship relations; familiar responsibilities and traditional value patterns also begin to dissolve. And egocentricity is becoming more pronounced – a trend that is reinforced by urbanisation. In the booming coastal regions, the Chinese now enjoy a relatively free and open political order. The rise of many Chinese people to the new middle class also brings an unprecedented independence and new forms of individual autonomy in the face of bureaucratic intimidation – for example, freedom in terms of domicile and choice of workplace. And people are increasingly standing up for their personal rights, even in rural areas.

More and more Chinese people enjoy financial independence, which was the reserve of the 'top percentage' of society only just a few years ago. The number of credit cards in circulation impressively demonstrates this. By 2020, more than 300 million cards will have been issued, an increase of more than 70% in only six years.

Many areas of public life today are privately organized, at least partly. For example, kindergartens are no longer all under state management. Many Chinese people welcome these opportunities for more initiative and use them to develop their individual life plans.

Despite all these tendencies towards individualisation, however, it should not be forgotten that the terms 'collective' and 'individual' have different connotations in China. The statement that the group in China is much more important than the individual, which tends to be regarded as simple and west-orientated, certainly contains more than an element of truth. Feeling secure in the collective of society has been deeply rooted in Chinese culture for centuries.

If one wants to understand this, it is essential to regard the 'Danwei' as the basic social structure of Chinese society: this term refers to the nucleus of the Chinese society – the work unit. It is the nest of the 'great family', state-organised by Mao, into which every Chinese is born. They will be cared for and protected there for life, but also regulated and monitored. A Chinese can change their Danwei, but never break out of the basic organisational scheme. And travel does not change this view.

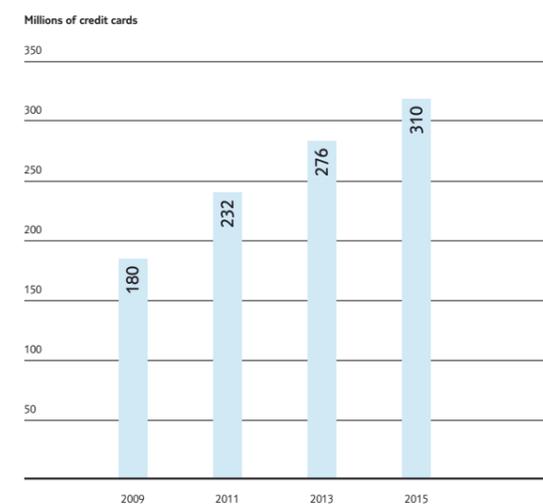
The increasing desire for personal development and freedom will have a positive impact on the travel industry, since travel is gaining in importance as a status symbol and expression of prosperity, and the way the Chinese travel will indeed change greatly. However, we must not assume that we will be able to welcome millions of unaccompanied Chinese travellers to Europe in the future. For most Chinese tourists, the feeling of being 'in good hands' in a group will continue to be important in 2017 and beyond.

However, it can be expected that the typical large group trip will need to compete in future with individually organised small group trips. In addition, more and more Chinese people want to be more involved in planning their trips to Europe and to arrange these trips more independently than they have done so far.

Due to the increasing diversity of needs, a greater number of micromarkets for special group tours are developing. Although these are smaller in volume than the mass market, they are usually characterised by high purchasing power as well as highly individualised requirements.

Number of personal credit cards in circulation in China (in millions)

Source: © Euromonitor International 2011



NEW CONSUMPTION PATTERNS



GLOBAL PERSPECTIVE

Consumer behaviour is in a state of change worldwide, but follows very different regional patterns. While in the emerging countries the demand for status symbols and luxury grows, more and more people in western consumer societies are adopting sustainable and environmentally friendly consumption patterns.

TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

In China, consumer patterns are characterised by the increasing inequality in national income distribution. China's Gini coefficient is 41.5 and rising, while in Germany it is only 28.3.

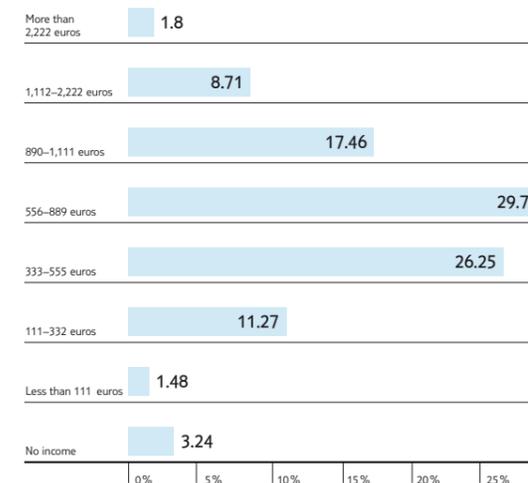
However, despite the global financial and banking crises, China is still in a phase of dynamic growth with a growing share and increasing numbers of wealthy consumers who lead an OECD-typical lifestyle.

It is assumed that some 50 million Chinese already had an annual income of 30,000 USD in 2010, and that 825,000 'dollar millionaires' lived in the country (figures from 2009).

New participation in western consumption is preferably demonstrated with easily identifiable status symbols – also to consciously distinguish oneself from others socially and indicate acquired affluence. This can be achieved with material things (such as a car) but also with intangible luxury goods (premium education or vacation). This is referred to as catch-up luxury consumption. International travel offers Chinese consumers an appreciated and recognised option for increasing or demonstrating their social status.

Individual monthly income of Chinese outbound tourists (2011)

Source: CTA 2011

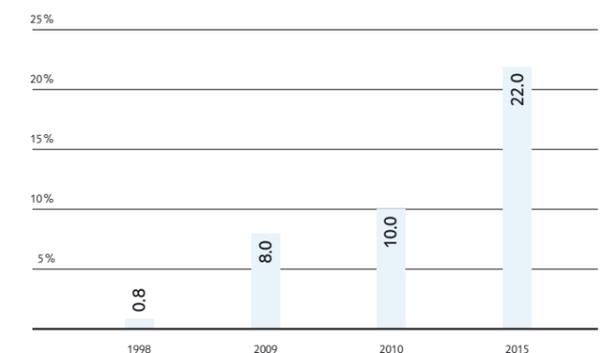


Due to the (still) low cost of living, a fair share of income is left for luxury consumption. On average, the Chinese today already spend 12–20% of their income on luxury goods, and this trend is also rising.

Due to the pronounced optimism about the future, younger consumers in particular are very willing to spend and prepared to part with a major share of their disposable income on services and experiences based in the here and now, such as travel. 64% of the young Chinese assume that their income will continue to increase in the next five years. This self-confident optimism has given rise to a high level of spending, but also a discerning consumption style that is additionally fuelled by the one-child policy. Many of the affluent young Chinese have been totally spoiled by their parents. For the year 2015, it is estimated that China will consume 22% of all luxury goods produced worldwide.

Luxury consumption in China 1998–2015 (share of the world market)

Source: McKinsey 2011

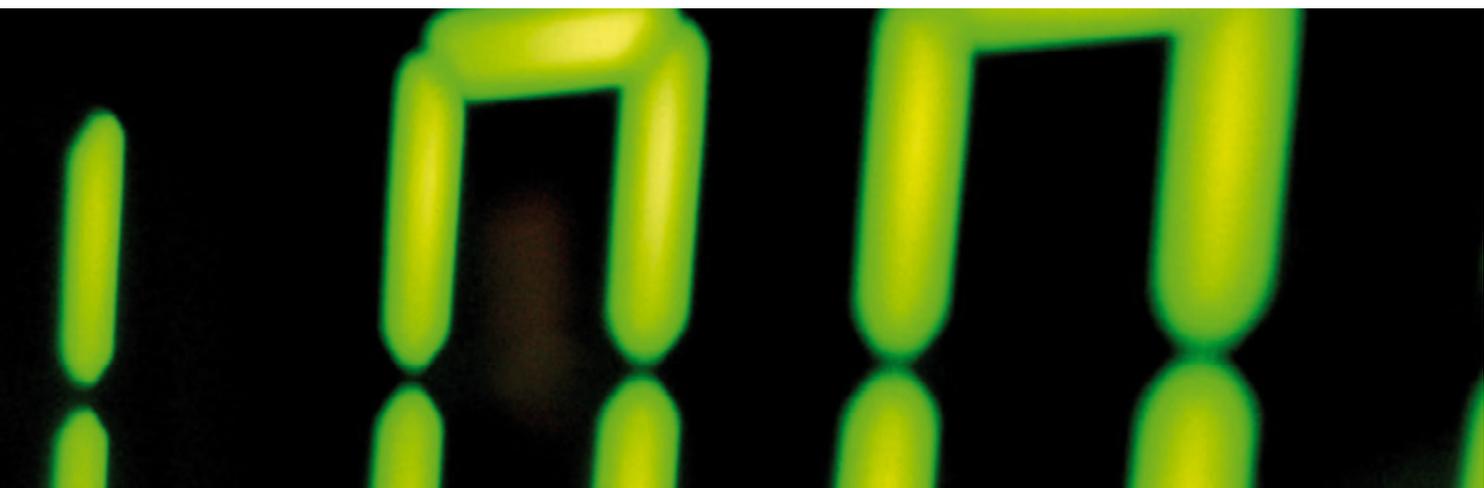


High-quality souvenirs brought back from foreign countries also add to prestige. In terms of shopping, it is not just the brand but also the place of purchase that is important. This will continue to have a positive impact on the market for foreign travel due to the high tax on luxury goods in China.

Another essential difference to western consumption patterns is that Chinese luxury consumers are particularly young: 73% of them are not even 45 years old. In the United States, just 50% are within this age group.

Altogether, consumer behaviour in China will see further differentiation. The growing diversity of needs and consumption desires requires a range of increasingly highly specialised niche offers (also on behalf of tour operators). For example, the growing desire for more quality of life and a better work-life balance has led to growing demand for products and services in the sectors education, relaxation and sports.

DIGITAL CULTURE



GLOBAL PERSPECTIVE

Worldwide, the number of people with access to computers and the Internet is growing. In many places, the Internet is becoming the new medium for art, culture and commerce. For many, the use of computers and digital media such as blogs, instant messaging and social networks has become a central focus of their daily lives. In particular, the digital natives – that is, the generation that grew up with digital media – show a completely different lifestyle and work patterns. However, we must not forget that there will still be a significant ‘digital divide’ in the future – between regions, but also within societies.

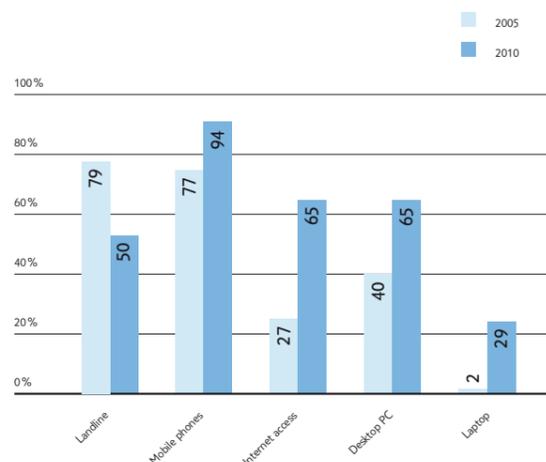
TRENDS IN CHINA AND THEIR EFFECTS ON TOURISM

China has arrived in the digital age and is set to become the world’s number one online nation. In 2011, more than half a billion Chinese were online, while the number of Internet users increased fivefold from 2000 to 2011. Now 65 % of Chinese households have Internet access. In addition, the falling prices for information and communication technology (ICT), as well as increases in purchasing power, have made digital communication and interaction space accessible to a growing part of the population. In the future, however, about a quarter of

all households – especially in rural areas – will still be without access to the Net.

Possession of information and telecommunications technology in Chinese households

Source: Ericsson 2010



Especially in urban regions, more and more Chinese people are used to having digital information and content permanently available and also to being able to obtain information independently as well as provide information to other people. The use of digital communication channels and social media platforms, e-commerce, creating digital photo albums or digital leisure such as gaming or mobile games are an integral part of Chinese culture and will become even more important in the future.

The Internet is assuming the role of the new authoritative Chinese medium. Online formats in China now reach more addresses than traditional media, and there are more Chinese bloggers than in Europe and the USA together. China is already the largest market for social media. Internet-based social networks, such as 51.com or Renren will probably very soon have developed into the most important communication channels with the largest reach.

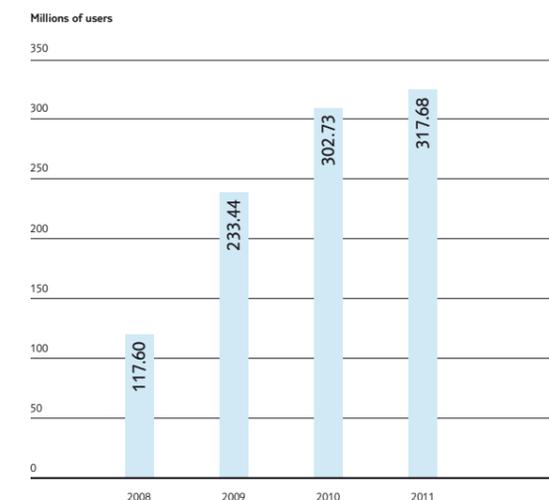
The potential for e-commerce and online communication is far from exhausted due to the growth rates. It is only the language barrier that currently prevents many Chinese users from using English-language Web pages, an effect that is aggravated by Chinese search engines such as Baidu. Companies that seek to do business in this environment must note that the market for social networks is very fragmented and locally organised. Western services such as Yahoo, Google or Facebook have little relevance for the Chinese market. Thus, an extremely accurate knowledge of local customs is a must-have as well.

In terms of the Web 2.0, China has in many parts already surpassed the United States and Europe. Many Chinese produce content such as videos themselves or actively contribute to forums. Web-based channels are essential as a marketing medium in the future and must be integrated into marketing strategies accordingly. Furthermore, viral marketing and a positive digital reputation for tour operators are becoming increasingly important. In 2010, 48 % of Chinese tourists already used consumer-to-consumer (C2C) platforms and forums for their travel planning.

In particular, mobile media use is on the rise. The spread of mobile phones in China has not only had an impact on communication behaviour; due to the increasing spread of Internet-capable devices, mobile Internet access will increase. In addition to facilitating travel arrangements (booking hotels and transportation), the devices also offer numerous new applications such as navigation, augmented reality and translation services, which can greatly facilitate self-organised sightseeing.

Mobile Internet users in China (in millions)

Source: CWI 2012



3. THE NEXT GENERATION OF CHINESE TOURISTS IN EUROPE:

Travel needs and archetypes of the new Chinese traveller

According to the megatrend analyses, expert interviews and expert workshops performed in the scope of this survey, Chinese travellers from 2017 onwards will differ significantly from today's travellers in terms of expectations and needs.

But Europe does not need to fear this change. Expert respondents believe that Europe is, from the point of view of many Chinese, the only region in the world that is equal to China both culturally and historically. Both regions can look back on a millennia-old history. Therefore, Europe's culture and history will continue to possess great general appeal to Chinese tourists beyond the year 2017.

Due to their immense cultural reputation, famous attractions such as the Eiffel Tower, the Colosseum or the Tower of London will continue to attract both first-time visitors and the new generation of Chinese tourists.

Thus, the demand for the currently prevailing group tours for first-time visitors with eight or more destinations in ten days will continue to increase driven by anticipated absolute growth. With increasing travel experience, however, the list of visited attractions will see increasing differentiation and groups will increasingly insist on the option to book individual items on their trips.

According to the expert respondents, this will in total lead to a greater differentiation and segmentation of travel needs in the next few years. It is important to observe that changes in travel needs will mainly depend on two factors: the amount of disposable income and of the traveller's own travel experience. As incomes and travel experience increase, needs become more individual and exclusive. Based on the results of the interviews carried out as well as the workshops, one can identify the permanent needs and nine new travel requirements that will shape the Chinese travel market in Europe from 2017 onwards.

3.1 CONSTANT TRAVEL NEEDS OF CHINESE TOURISTS IN EUROPE

In spite of the rapid changes taking place within Chinese society, expert respondents all agree that a first-time Chinese traveller to Europe has certain basic needs which will not have changed by 2017 and the following years.

For example, prestige will remain an essential factor in Chinese culture and an important motivator for the behaviour of Chinese travellers: visiting important monuments and tourist attractions such as the Eiffel Tower is not primarily interesting because of the location itself, but because of the numerous photos and memories that can be shared with others at home in one's social environment. Status and recognition in the social environment are often associated with material mementos. Additionally, the high taxes on luxury goods in China make purchasing coveted brand products in Europe particularly attractive. As long as the tax situation does not change, fundamental change is not to be expected in this area. For these reasons, shopping opportunities will also continue to be in strong demand in the future and should be part of every trip.

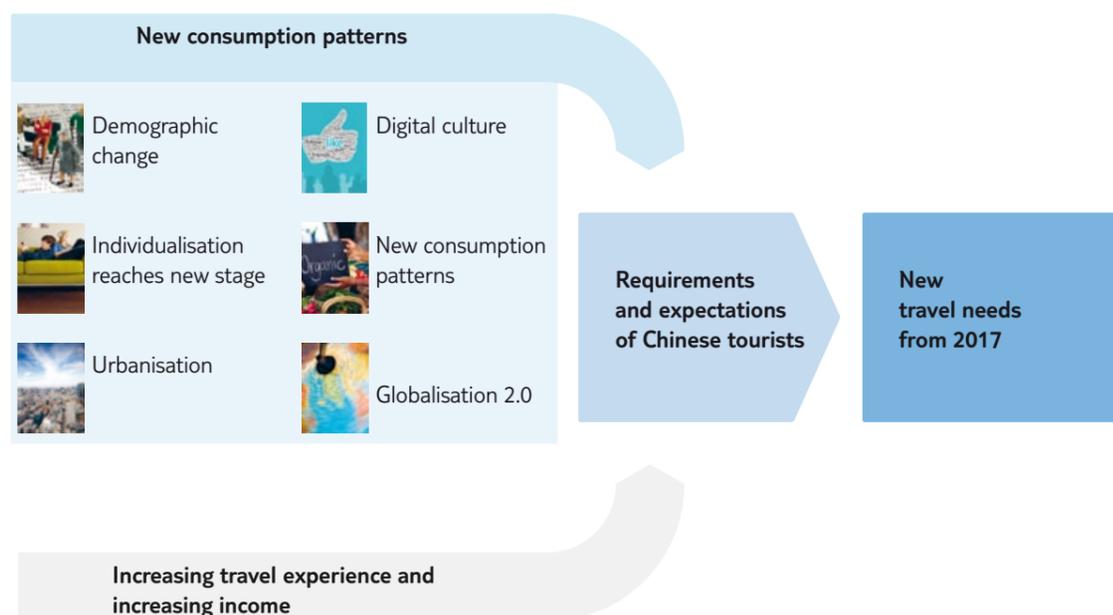
Just like other international travellers on a trip through Europe, the Chinese have a high and still valid need for safety. In a safe environment, the Chinese are known to be risk takers: gambling, for example, which for many Chinese is an indispensable element of any successful trip. A trip abroad for many Chinese is a little adventure,

during which they are willing to take some risk – however not so much that it impairs individual prestige and thus harms the reputation of the collective. It is important for the Chinese to 'keep face' whilst on holiday.

A safe and pleasant travel experience also includes finding and retreating to a small piece of 'home' in the foreign country travelled to. This may include Chinese food, access to Chinese media or a kettle in the hotel room to be able to make tea or instant noodles at any time.

An uncomplicated itinerary, where possible, in combination with a high degree of individually perceived safety and many activities within a travel group round off the spectrum of basic needs of Chinese tourists travelling to Europe.

Origins of new travel needs



EXPERT OPINIONS

'One thing is very important: to make them feel welcome.'

'The Porsche Club China is taking a tour through Europe. They will visit places in Europe that are connected with Porsche such as the Museum in Stuttgart and the Nürburgring.'

'The most important thing is to give the guest the feeling that you will take care of things.'

'You would be surprised how open [young Chinese] are to what's happening in the world.'

'In terms of service, the Chinese often expect: I want that and I want it now.'

'Because China is so polluted, people will go to places that are not polluted.'

'If someone from the staff spoke Chinese, that would be the best. Although more and more speak international languages.'

'They [young Chinese] are the type of travellers who want to ski, have a passion for painting or fashion.'

'Authentic accommodation is the absolute highlight: for example, a country estate in a small village in Tuscany.'

'The chance of Tübingen, Goslar or Bremen getting a fair share of Chinese tourists is increasing.'

'[Young Chinese] are more focused on getting closer to locals.'

'Two or three days of doing nothing is relatively unfamiliar to the Chinese.'

'Offering the generation what they really want – that is, authentic insights and experiences.'

'What we describe as a chic hotel [is] more like middle class in China.'

'In the future, the demand for thematic travel will be much stronger.'

3.2 NEW TRAVEL NEEDS OF CHINESE TOURISTS IN EUROPE



SELF-DETERMINATION

Because of new economic participation, political change and globalisation, the self-confidence of Chinese consumers is growing. This leads to an emerging desire for individualisation which can be satisfied by shopping and travel, among other things. This individualisation tendency should definitely not be interpreted in terms of our western understanding; regarding China up until 2017, it rather refers to the individualisation of peer groups compared to other Chinese groups. The need for self-determination will thus be reflected particularly in travel planning. Chinese tourist groups will be much more interested in individual freedom of choice in the future, so that their group tour is something special in comparison with others. The reasons that make group tours attractive, such as avoiding language barriers or more complicated planning, become less significant. Thus, more and more Chinese tourists will decide to spread their travel time over just three or four locations and also spend several nights in one place. In addition, the number of destinations and activities will increase.

These are also the reasons why the number of trips in small groups or individual trips (family, couples, friends) will increase. The expert respondents emphasise that, due to the long flight to Europe and the desire for a good price-performance level, Chinese tourists will still probably want to visit more than one European country per trip in future, even if they travel in small groups or as individuals. With increasing experience, it can be expected that the whole trip will increasingly be planned and conducted in line with the ideas of a small group of Chinese travellers.



COURTESY

In combination with economic growth, the one-child policy has given birth to a generation of 'little princes and princesses' who are used to getting their wishes satisfied immediately. This generation is gradually approaching the age for travelling to Europe, thus increasingly demanding perfect and immediate service. These demands are not primarily driven by considerations of convenience in China. Instead, the guest's personal prestige and social status are emphasised and demonstrated by the speed and courtesy shown to them.

The need for showing off social rank is therefore especially apparent in the way the Chinese deal with service providers and staff – a topic that bears conflict potential, due to its blatant contrast to the modern, western understanding of service. Without trained staff, Chinese values and standards can quickly be violated in Europe, causing a guest to lose 'face'. This can have fatal consequences if it happens in the presence of other Chinese travellers. At present, expectations toward staff are still strongly influenced by Chinese role models and affluent Chinese tourists who are accustomed to extremely courteous treatment in their homeland.

This, however, is difficult to achieve in Europe due to the high staffing levels required, but also because of culture-specific differences. A European hotel employee treats the guest as an equal and offers a service. However, the Chinese guest expects to have some kind of authority over the staff. The objective must therefore be to use trained staff to generate an understanding of cultural differences on both sides.





CONNECTIVITY

In China, the social network was of central importance in organising everyday life, even before the times of computers and the Internet. It is therefore not surprising that use of social media applications is booming in China. Websites such as Renren are also used on trips to keep in touch with one's own cultural collective at home or maintain one's own culture. Especially while on a high-prestige trip, Chinese travellers will use such sites to show themselves from their best side in this community.

Already today, technological affinity and enthusiastic use of Web-based services is more pronounced in China in those social strata that have access to these technologies, especially when compared with Europe. The Chinese are increasingly accustomed to using a wide variety of digital services, typically including mobile use.

The need for uncomplicated and mobile Internet access at reasonable prices, as well as other digital services – for example, online visa applications or digital signage at airports or museums – will be a need that many Chinese travellers take for granted in the near future. Additionally, more and more travellers want to choose and book their travel online and using social networks. However, travel agencies will still be the preferred option for more complex and individualised travel choices in the future.



EXPERIENCE

In future, a growing group of travel-savvy Chinese will seek authentic cultural experiences during their stays abroad. This will be expressed in the desire to get to know the country and its people and to enjoy unique, culture-specific experiences which are impossible in this form in China – for example, driving a European sports car without a speed limit on a German motorway or visiting carnival in Cologne.

Less frequented, consciously selected and historic travel destinations are increasingly entering the focus. And organised contact with the local culture and special cultural attractions are the primary interest during what will mostly be a stay of several days. This interest is strengthened by emerging individualisation and the desire to get to know other cultures and their history, hence the desire to gain insights into various European lifestyles.

In particular, younger Chinese travellers are increasingly interested in modern-day Europe – and its lived culture – and less in historical sites. For example, contemporary attractions such as architectural sites, industrial design or street art are seen as increasingly attractive options.

In spite of this openness and curiosity, options to escape from the foreign European culture and return to a familiar, purely Chinese environment continue to be of great importance – be this in a Chinese restaurant or a hotel accommodated to reflect the Chinese lifestyle. This need will develop across all income and age groups.

SOFT ACTION

In future, the wish for physical activity during the trip will increasingly accompany classic travel needs. Although the desire for sports will not, however, replace the need for sightseeing, the trip should additionally offer fun, action, entertainment and sports on top of traditional, prestige-founding activities. Thus, the choice of destination falls to places with exceptional options for activities and adventure that can only be found in Europe. Depending on interests, these can be legs of the Tour de France, special golf courses, but also famous casinos. Despite this, the Chinese desire for 'action' should not be equated with that of adventurous youth in western countries – undertaking extreme sport such as bike parks or bungee jumping are not currently preferred travel options, and will not be in the future. Ideally, locations should be near classical sights, so that the trip is varied and can still be designed to be prestigious.





ENTERTAINMENT

As a younger generation of Chinese tourists replaces the first wave, the requirements in terms of places to visit and sites of interest are changing.

Classic, historico-cultural itineraries are losing ground against road trips on the trail of a personal idol in movies, music, sport or culture. Although classic destinations are still visited for personal prestige in the homeland, they will only represent a part of the journey. In contrast to this, the homes of Chinese and international celebrities, shooting locations of popular movies and venues such as the film festival in Cannes, offering a chance to see stars at close quarters, will become increasingly important. Experts thus believe that this 'fan tourism' to the famous sites of Chinese pop culture offer a lucrative growth potential for Chinese inbound tourism in Europe. Immersing into the nightlife of European metropolises will also rank high in the popularity stakes.

This desire to orientate themselves around present-day and modern times is strongest among the young members of the middle class.

RECREATION

Even if the fundamental cultural differences in the habits of Europeans and Chinese continue to exist in the medium term, the desire for relaxation is a growing need for Chinese travellers. The booked vacation is increasingly used to escape from the stress of everyday life, pollution and the fast pace of life in the Chinese economic metropolises. Chinese tourists in Europe also want to rediscover a sense of deceleration. Thus, the preferred destinations around which Chinese relaxation tourism is centred are rural regions with a strong tie to nature (for example, the Tuscany, Bavaria etc.) with a good choice of rural or spa hotels. In contrast to the usual group trips, the hallmarks of this kind of a 'slow travelling style' are the lower number of destinations, on the one hand, and the longer stay in each place, on the other. However, even on such a trip, famous European attractions will be visited.

In addition, elements of the classic beach holiday, which have been fairly atypical of Chinese tourists thus far, will be more in demand in future. This travel need is especially developing among middle-aged tourists with experience in travelling through Europe.

FAMILY HAPPINESS

The concepts of family happiness and romance are changing in China, not least because of the economic boom. A wedding based purely on emotions between two people of different social status is still more of a romantic fiction in China today; it occurs more in myths, soaps and pop songs than as part of daily cultural life. Instead group-specific economic, social and ethnic factors characterise the marriage market and family life. However, as the middle class grows, so does the number of Chinese families or couples who can afford to try out fictional concepts of romance – as portrayed, for example, by Hollywood blockbusters – and to discover individual family happiness abroad. It can be safely assumed that emerging individualism, which up to now cannot be publically lived in modern China, will lead to a more pronounced inward-facing focus on the family or one's partner.

The Chinese wish to travel is a wish for a common experience of togetherness and family happiness. In particular, travel destinations with romantic connotations in Europe – such as Paris, Venice and Provence – will be the preferred places to visit, with a pronounced desire to get to know, and experience at first hand, European ideas of romance such as a gondola trip along the Grand Canal in Venice.

The emphasis on family happiness will be widespread especially among upper middle-class, affluent Chinese. The accommodation will thus need to be high-class boutique, country or romantic hotels.



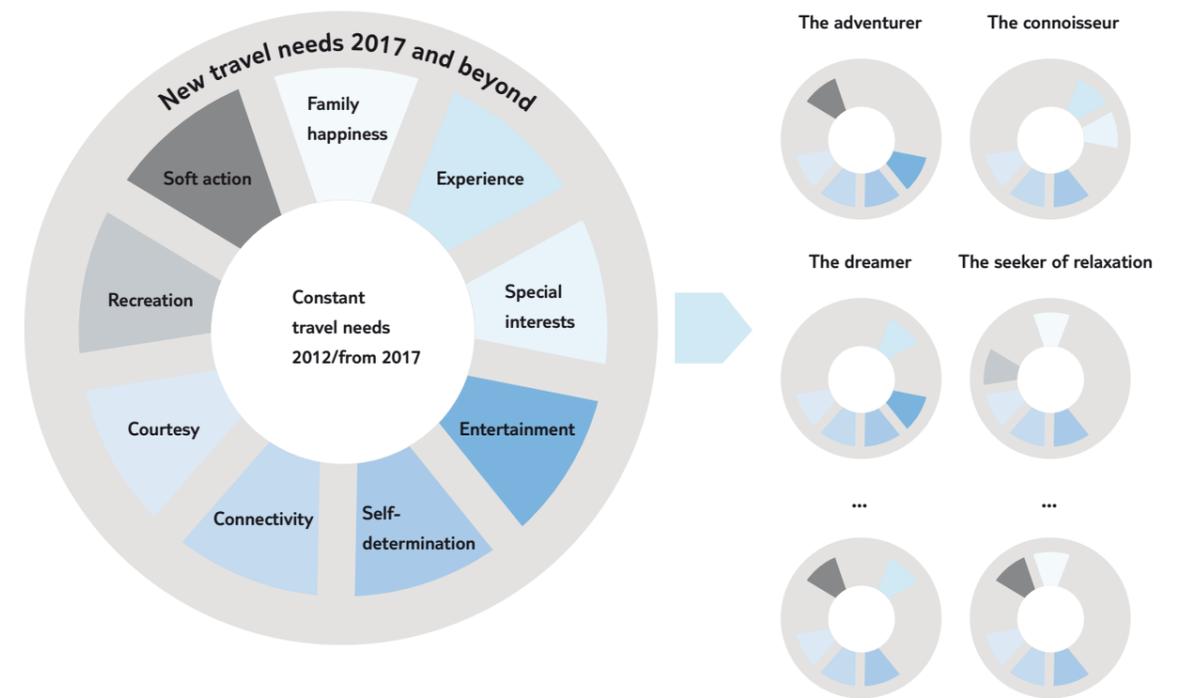


3.3 ARCHETYPES OF THE NEW CHINESE TRAVELLER

Thus far, the demand for satisfying these new needs of Chinese tourists in Europe has been relatively weak. However, the pace at which these new travel requirements and their demand are developing should not be underestimated. Enormous dynamic growth can be expected – other areas of the Chinese economy have led the way. Furthermore, the nine future travel needs described above are never concentrated in a single person; instead, typical combinations occur. In order to give readers an idea of the impact that these new travel requirements will make on Chinese tourists, the following pages sketch four possible archetypes² of travellers, outlining their travel preferences in Europe. This selection does not claim to be exhaustive, but it is based on assessments by expert respondents on new types of Chinese tourists. What all archetypes share are the basic needs of courtesy, connectivity and self-determination.

² Here, the term 'archetype' is used 'systemically' to structure frequently occurring behavioural patterns as well as common characteristics and properties of people.

Possible archetypes of Chinese tourists in Europe



SPECIAL INTERESTS

Among experienced or extremely rich Chinese, the need is growing to deepen their own expertise in various areas through travel. The focus is no longer on sights that are already well known and which have been visited, but rather on destinations that enrich a personal hobby such as exclusive wineries in Bordeaux or the Pina Bausch Dance Theatre in Wuppertal. It is of great importance for Chinese citizens to follow their special interests; special destinations relating to hobbies are already highly reputed among connoisseurs in China.

On these trips, Chinese experts see themselves as part of a global expert and travel elite. Overtaking others, they seek insider tips and knowledge to measure themselves with a selected group of cosmopolitan connoisseurs. The trip is thus organised under the auspices of educational and eventful insights – be it for the gourmet traveller experiencing cheese or chocolate production at first hand, or the racing fan in the pit lane. In addition to the experience itself, it is a question of a further gain in prestige in the traveller's own social environment in China.

THE ADVENTURER

This archetype characterises the growing group of young members of the emerging Chinese middle class who primarily seek adventure at distant destinations. They see themselves as part of a new travel elite which, for the first time, is capable of conquering the world. On their search for exotic locations and extraordinary experiences, they will still tick off traditional destinations in Europe, in order to gain prestige compared to their older relatives and family members, but they increasingly prefer activities and locations that promise them adventure and fun. Their ideological position can be described as 'chinopolitan'. These Chinese adventurers feel courageous, open-minded and free-spirited. Yet they are strongly influenced by Chinese patterns in their social behaviour and their values. By mastering (easy) physical challenges – such as extended hiking tours, driving a fast car without a speed limit on a German motorway or dancing the night away in a club in Berlin – they hope to gain respect of the remaining members of their generation at home. Wherever possible, they communicate their experiences as quickly as possible by digital channels, in order to share with their many friends.



THE CONNOISSEUR

The Chinese connoisseur type does not seek to satisfy some youthful form of wanderlust but to enrich their own knowledge instead. Since many of them have already visited the known hotspots at breakneck speed on a first trip, they now wish to gain deeper insights into the European culture on subsequent trips. The result is that they stay longer in some places, targeting deliberately selected, less prominent destinations or visiting events and destinations that promise enrichment of a personal hobby. Among the older and richer Chinese, in particular, there is a growing number of true connoisseurs who only travel with the goal of enriching their expertise in a selected field and with typical Chinese thoroughness – be it their knowledge of good wines, music, classical European art or new, fast cars. For them, pure prestige gains are incidental; instead, the reason for their trip is to gain authentic experiences and insights. And if the trip earns them respect in the eyes of pursuers of the same pastimes, this is a welcome side effect for these explorers!



THE DREAMER

'Live your dream' – this is the motto of the Chinese dreamer. When they travel, they seek the fulfilment of a personal dream and understand the journey as an outbreak from the conformity of everyday life or as a form of self-realisation. They follow personal motives, even if this means risking a loss of prestige at home. Thus, they often do without visiting Europe's classical sights for reasons of time and budget restrictions. They are mostly young members of the middle class who want to follow the tracks of a personal idol from the worlds of film, music or sport on an individual road trip through Europe. The group of dreamers also includes travellers visiting Europe to satisfy a great personal desire such as visiting musical or sporting events. But also honeymooners who celebrate their dream wedding in Europe based on kitschy European examples, belong to this type. One must therefore perceive the group of dreamers in their entirety as the spearhead of a whole new generation of emancipated and globalised Chinese who travel off the beaten track of classic Chinese tourists.



THE SEEKER OF RELAXATION

More and more people in China are complaining about pollution, the cramped living conditions and social controls in the more densely populated urban areas. These developments have meant that a longing for nature, fresh air and the great outdoors has given birth to a type of Chinese tourist who can be typified as the seeker of relaxation. In particular, members of the middle and upper-middle class increasingly seek to escape from these conditions on a trip to Europe. While they could very well find the desired relaxation travelling within China or Asia, it is the romanticised idea of a laissez-faire lifestyle – an alternative to Chinese culture – that brings them to Europe. Thus, Chinese seekers of relaxation especially follow European ideas of romanticism and well-being – expressed, for instance, in a gondola trip through the Grand Canal in Venice, aromatherapy in a Swiss spa or even a rural or beach holiday with the family.



4. PERSPECTIVES FOR THE TOURISM INDUSTRY IN EUROPE – FOOD FOR THOUGHT

China and tourism: together, both offer something very promising for the future. Not only will China soon be one of the world's largest source markets for tourism, per-capita travel spending is also increasing steadily. But the analysis of studies, megatrends and expert interviews have clearly shown one thing: it will not be easy to find the right way to address this growing market and to participate in it.

'CONTINUING AS USUAL' WILL NOT SUFFICE

Even the imminent quantitative increase in travellers will pose enormous logistical and organisational challenges. In addition, it is likely that many of the future changes regarding travel needs that were described in the previous chapters will necessitate adjustment and an improvement of travel choices, thinking and communication patterns. It is obvious that 'continuing as usual' will not be sufficient to meet these increasingly diverse Chinese travel needs. The goal must instead be to respond to these wishes and, in doing so, always maintain a culture-specific perspective.

INTERNATIONAL COMPETITION REQUIRES NEW FORMS OF COOPERATION

Europe is in competition with other regions such as the USA or Australia, which have recently made up much ground in the Chinese traveller's esteem. To be able to survive, the European tourism industry must set the course at an early stage for the future and develop new solutions. This requires innovation and investment as well as the ability to look beyond the limits of one's own industry and to forge new added-value alliances. Many of the new requirements are difficult or impossible to handle by tourism companies without support. They not only require mutual cooperation but also cooperation with companies from other industries such as telcos or transport service providers; and cooperation with Chinese partners is becoming more and more important.

THE INCREASING MARKET SEGMENTATION OFFERS OPPORTUNITIES, BUT ALSO NECESSITATES NEW STRATEGIES

Differentiation of needs will also lead to an increase in the number of niche markets. This offers new business potential for tourism enterprises, hotels and caterers. Although Chinese guests in cities far away from Paris or Cologne have been the exception, it will be worth developing offers for the Chinese market elsewhere in the future.

The greater segmentation of the market also makes it more difficult to achieve economies of scale in terms of costs. For example, creating sufficient quotas for golf hotels, city tours or for visits to cultural events will become more and more complex. This can be compensated for by using new online booking and sales concepts, making it possible to specifically address customer groups even for very special interests and destinations. In this way, costs can be kept within a reasonable framework – both for travel service providers and for the travellers. This also provides a means for addressing travel-interested Chinese who live in smaller cities in China where there are no travel agencies.

FROM THE HOLIDAY TAKER TO THE HOLIDAY MAKER

A predictable 'ticking off' of the most famous tourist attractions will only be interesting for the first-time traveller market in future. In the sector of increasingly travel-savvy tourists, only those service providers will be successful who offer packages that allow individual items – such as excursions, restaurants or transfers – to be booked individually and in a customised way. However, this content must not mistake the Chinese desire for more individuality with European concepts of individualism. The group experience whilst travelling will continue to play a central role for the Chinese tourist.

Instead, the future Chinese traveller will turn from a rather passive holiday taker into a holiday maker who would like to have some activity options on their trip. But to ensure that Chinese travellers can hike, ski, visit cultural events or drive a sports car on the German motorway independently and safely in the future, it is important to offer appropriate services and infrastructures (for example, in hotels, in museums and on trains, etc.). There will be an increasing need for signage in Mandarin and trained staff. Training and recruitment of Chinese workers with knowledge of European culture will become more important.

PRESTIGE IS NO LONGER EVERYTHING, BUT IT REMAINS IMPORTANT

In future, Chinese travellers will want their European trips not only to offer more prestige in the homeland, but also to include authentic experiences of European culture. But the decisive factor is the degree of authenticity. What the Chinese consider to be European may not always match the self-image that Europeans have of themselves. Any contact with European culture should thus, wherever possible, include a Chinese component such as a Mandarin-speaking tour guide. The challenge concerns creating authentic but nevertheless 'Chinese' points of contact with European culture.

In view of strong international as well as intra-European competition, each region, each hotel and each tour operator must advertise their specific benefits in China. In future, it will be worthwhile to create a catalogue of European ski resorts for China or to popularise film locations in Europe through cooperation with Chinese movie productions. In particular, activities that are linked with a gain in prestige will be successful.

Due to economic development catching up and their strong status fixation, Chinese travellers are very discerning. They expect one to take their needs seriously and show them respect. Since the quality of service in China is not directly transferable, due to higher European personnel costs, it is important to find new ways of conveying the fact that one has looked into typical Chinese customs and is trying to create a feeling of being welcome.

USING AND EXPANDING DIGITAL SERVICES

In the opinion of the experts, the key to better services is not in the development of new services, but rather in systematically expanding the use of existing digital services and understanding free WiFi access as a 'hygiene factor' that is taken for granted rather than as an additional cost factor.

In Chinese culture, the Internet does not just serve as a communication channel with the peer group at home. It can also be used for communication between tourist businesses and travellers to generate new business, for example, by advertising additional activities on-site. For all network-based activities, it must be noted that other social media are used in China and that online sites in Mandarin and Chinese need to link to search engines such as Baidu.

CONCLUSIONS

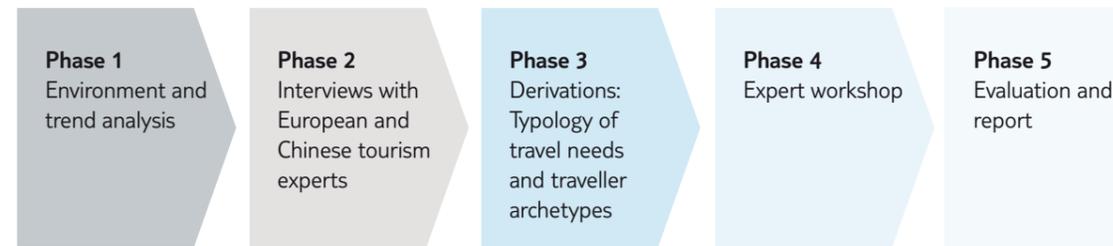
Chinese tourism in Europe is undoubtedly a growth market. Europe is increasingly in competition with other regions such as USA or Australia. To be able to maintain competitiveness, the European tourism industry must set the right course for the future.

The first step is to gain a better understanding of Chinese travellers in terms of their cultural influences and specific needs and to cater to these. The second step requires innovation and investment as well as cross-industry alliances and activities in order to provide the right kind of travel offers to the target group of Chinese tourists in Europe.

The identified trends and developments in the Chinese travellers' needs show how important it is to meet these at an early stage with differentiated choices. The changing socio-cultural and political framework conditions are of crucial importance. Their implications for tourism and continuously changing customer needs must therefore be taken into account.

APPENDIX

Process overview



PROJECT SCHEDULE AND METHODOLOGICAL APPROACH

The study – New Chinese Tourists in Europe from 2017 – is the result of a multi-phase process:

In phase 1, an environment and trend analysis was initially carried out. On the one hand, this included the evaluation of current data and studies on Chinese outbound tourism records as well as the development in demand for travel to European destinations. On the other hand, megatrends that are likely to have a strong influence on the development of the travel needs of future Chinese tourists were analysed.

Based on the results of these analyses, a guide for the expert interviews in the second phase of the study was generated, incorporating central hypotheses and open issues relating to the future of Chinese tourism in Europe. In the course of March 2012, 12 telephone interviews were held with designated Chinese-European and Chinese tourism experts (see List of Experts in the Appendix). The topics discussed included the general behaviour of Chinese tourists, travel motivations, types of travellers, travel arrangements, favourite destinations and activities, as well as requirements for food and accommodation. The duration of the interviews was between 45 and 90 minutes.

A typology of the new travel needs of Chinese tourists in Europe was then (in phase 3) derived from the results of phases 1 and 2. In order to illustrate how different travel needs are manifested in individual persons and can determine their concrete travel preferences, four plausible traveller archetypes were constructed in the next step. They can be regarded as ideally typified representatives of new Chinese tourists in the time frame of 2017 and beyond. At the end of April 2012, these analysis results were discussed at a workshop with experts and the previously identified travel needs and archetypes of Chinese travellers were further enriched and sharpened (phase 4). All project results were finally summarised in this trend study (phase 5).



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The following persons were interviewed in the scope of telephone interviews and/or participated in the workshop part:

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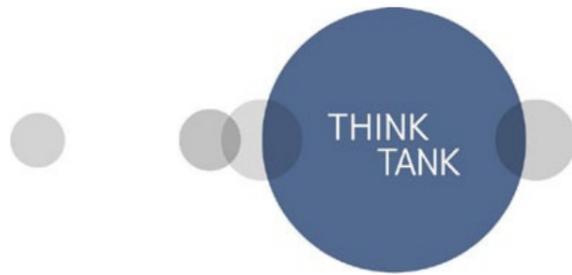
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ABOUT TUI THINK TANK

The TUI Think Tank was launched by TUI AG early in 2011. Under the patronage of Dr. Michael Frenzel, the Chairman of the Board of TUI AG, the TUI Think Tank has set itself the task of establishing a cross-industry think tank for the field of Leisure and Tourism. Based on the model of American think tanks, the think tank aims to identify particularly influential and formative developments and trends for the tourism industry and encourage a cross-industry discussion.

The think-tank's network of experts comprises internal experts from TUI AG and its subsidiaries as well as external experts from the tourism industry, other industries and academia. It is precisely this mix of different industries, experiences and perspectives that influence the creative and productive process of the TUI Think Tank in a very positive manner. In collaboration with these creative co-thinkers, the most important questions for the future in the tourism industry are discussed and analysed. As a basis for this and in cooperation with trend research partners, the TUI Think Tank develops studies that take a forward-looking view into the future of the tourism industry.

From the point of view of the TUI Think Tank, three major sets of issues are especially important: on the one hand, this is the development of the emerging markets and, on the other, changing consumer habits. However, evaluating the 'quality of experience' regarding travel and holidays also plays a decisive role. The TUI Think Tank pays special attention to these three scopes. Each topic in itself poses many interesting questions, offering decisive opportunities but also posing challenges. Only those who actively confront these developments and analyse their implications can hope to be successful in the long term.



ABOUT Z_PUNKT

Z_punkt is an international consultancy firm focusing on strategic future issues. The experts for corporate foresight turn trend and future research into best practices for strategic management. With value-oriented advisory services, Z_punkt shapes strategic future dialogues and supports companies in the development of sustainable markets for the future.

Z_punkt is integrated with an international network of futurists and strategists. As a German hub of the Millennium Project, the world's largest scenario network, Z_punkt also has personal access to country experts in all the major regions of the world. Z_punkt works for leading corporations and medium-sized enterprises in Germany, Europe, the USA and Asia and also collaborates with partner institutions in foresight projects for the European Union and other public offices.

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