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SUMMARY

China is now Australia’s largest inbound tourism source market both in volume and spend terms. Tourism Research Australia (TRA) forecast Chinese visitor numbers in Australia to reach 3.9 million in 2026–27 – an average annual growth rate of 11.9% over the next 10 years – and total visitor spend to reach $26.2 billion; an average annual growth rate of 10.6%. Leisure travellers (combines those who visit for a holiday, or to visit friends and relatives) will account for 53% of Chinese visitor spend in 2026–27, up from 40% in 2016–17.

While Chinese education visitors continue to spend more than any other market ($5.3 billion), most of this is spent in capital cities (88%), as only 17% of education visitors disperse beyond capital cities. Additionally, almost half ($2.6 billion) is spent on education fees. So, while education visitors are a vital component of the Chinese market, this report focuses on the ‘free and independent travellers’ or FIT market (28% dispersing).

Against the backdrop of spectacular increases in Chinese visitation and the growing significance of Chinese FITs, this research provides an in-depth examination of regional dispersal throughout Australia, assessing the barriers which inhibit greater dispersal and identifying areas for possible action. To complement this, we have provided an assessment of dispersal among European and New Zealand markets (see Appendices B and C), and research on barriers to dispersal from a Chinese perspective (see Appendix D).

What do we mean by FIT?

International free and independent travellers (FITs) are defined as ‘leisure visitors’ who are not part of a group tour, nor on a travel package.

Within the broad FIT category there are:

- holiday FITs, who are in Australia mainly for a holiday
- VFR FITs, who are in Australia mainly to visit friends and relatives.

What do we mean by regional dispersal?

In this report, regional Australia is defined as any part of the country beyond Australia’s major gateway cities, Gold Coast or Tropical North Queensland, which equates to 71 of Australia’s 77 tourism regions.
KEY FINDINGS

- There is tremendous potential for Australian inbound tourism from China over the next 10 years given the enormous size of the China outbound market, its early stage of development, rising incomes, increased consumerism, and greater wealth dispersal.

- More independent and individual travel is trending among Chinese, with young age groups driving much of the growth and influencing the range of tourism offerings.

- Over the last 10 years, FITs have contributed 50% of total growth in Chinese visitors. With an annual growth rate of 18.8% over this period, they are significantly outperforming the 14.1% annual growth rate for the Chinese cohort overall, and the 13.7% annual growth rate for leisure visitors on an organised group tour.

- Chinese FITs are more likely to disperse to regional areas compared with their non-FIT or group tour counterparts.

- Within the Chinese holiday visitor cohort, FITs in Australia stay over three times longer than those on a package or organised group tour. Chinese FITs here to visit friends and relatives (VFR) stay longer again – an average of 45 nights, or 18 nights longer than VFR FITs from other markets.

- In regional Australia, however, the length of overnight stay of Chinese FITs is shorter compared to other markets. It is also spatially shallow in the sense that a significant proportion of those who did disperse only made day trips to regions adjacent to Sydney and Melbourne.

- There is a strong relationship between length of stay and the propensity to visit a regional area. Chinese tourists will prioritise seeing Australia’s iconic attractions in our gateway cities first, and only venture into the regions if time permits.

- Time constraints were the main reasons for Chinese FITs not dispersing.

- Budget was another barrier with 32% of respondents interviewed in Australia agreeing. The most price sensitive age group were 25-34 year old travellers, with almost half (49%) indicating their budget was insufficient to include regional Australia in their itinerary.

- There are concerns that Australia’s large distances will translate into very long travel times, and that there is a compromise to personal safety in regional areas – both of which are significant barriers to dispersal.
WHO ARE CHINA’S FITS (FREE AND INDEPENDENT TRAVELLERS)?

FIGURE 1 PROFILE OF CHINA FITS

2012

<p>| | | |</p>
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</thead>
<tbody>
<tr>
<td></td>
<td>104,000</td>
<td>71,000</td>
</tr>
<tr>
<td>2017</td>
<td>227,000</td>
<td>330,000</td>
</tr>
</tbody>
</table>

CHINA’S LEISURE FITS

- Come from Beijing, Tianjin, Shanghai, Guangzhou & Shenzhen (1st tier cities)
- Are young, educated and well-off
- Holiday Fits
  - Stay 19.5 nights
  - Plan their trip between 1 & 3 months prior to departure 55%
  - Use approx. 15 sources to plan their trip
  - Are repeat visitors 40%

HOLIDAY FIT VS. VFR FIT VS. LEISURE PACKAGE/GROUP

Source: International Visitor Survey, Tourism Research Australia

Sources: International Visitor Survey; Tourism Forecasts, 2017, Tourism Research Australia
WHY IS THE CHINESE FIT MARKET SO IMPORTANT TO THE FUTURE OF TOURISM IN REGIONAL AUSTRALIA?

The Chinese FIT market continues to grow, increasing at more than double the rate of other Chinese visitors between 2007 and 2017.

Historically, Chinese visitors relied on Approved Destination Status visas and group or tour packages to travel internationally, but now are more willing to travel on their own. This is because Chinese residents are becoming more conditioned to international travel, with many progressing to a higher economic status.

TRA forecasts show that over the next 10 years, Chinese leisure visitors will grow at 13.6% per year (on average), and total leisure spend will increase at 16.2% per year (on average).

These factors make the rapidly growing Chinese FIT market a vital element for the future of regional tourism.

FIGURE 2 FORECASTS OF VISITORS AND SPEND, 2017–18 TO 2026–27

Sources: International Visitor Survey; Tourism Forecasts 2017, Tourism Research Australia
WHAT ARE THE BARRIERS TO REGIONAL TRAVEL?

Time available for travel was a major constraint for those Chinese FITs interviewed in Australia (71%), with agreement by respondents interviewed in China. The Australian survey identified a positive relationship between the propensity to visit a regional area and the length of stay in Australia. A longer length of stay is more conducive to regional travel, indicating that Chinese tourists prioritise seeing Australia’s iconic attractions in our gateway cities first, and then venture into regional Australia if time permits.

Budget was also a barrier to visitors incorporating regional Australia in their itinerary, with significance varying among differing age or social groups. Among those surveyed in Australia, 32% agreed that a limited budget was a barrier to wider dispersal, with the most price sensitive age group being 25-34 year olds. The survey in China indicated that budget constraints were most likely limited to those with low household incomes or low educational qualifications.

Other barriers identified in the research included:
- concerns that Australia’s large distances would translate into very long travel times
- a lack of transport options, with Chinese FITs having little alternative to self-drive vehicles
- a view, entrenched by the experiences and attitudes of Chinese society, that personal safety would be compromised in regional Australia
- inadequate tourism infrastructure such as roads leading to regional attractions, accommodation failing to meet traveller expectations and a lack of free Wi-Fi
- regional destination websites that did not follow the Chinese way of thinking from general to the specific
- ageing regional tourism products, lacking originality, innovation and appeal.

WHERE TO FROM HERE?

- Marketing messages should focus more on travel times in Australia, rather than the travel distance. For longer routes, places of interest, shopping facilities and accommodation options could be featured, along with advice suggesting the journey is best enjoyed in stages. Those regions that are served by rail should be highlighted, given the extensive use of rail services in China.
- It’s important to understand where levels of satisfaction with regional offerings are greatest (to see what is working) and where levels of satisfaction are lowest (to see where improvements can be made).
- There were high levels of satisfaction with Attractions (85%), Accommodation (73%), Dining options (72%) and Transport (72%).
- By contrast, satisfaction levels were lower for Visitor Information Centres (54%), Shopping facilities (60%) and Internet/Wi-Fi (40%).
- With 67% using word-of-mouth as an information source for holiday planning, almost half (49%) using social media platforms, and 36% using travel review sites, an obvious way of increasing awareness of our regions is to have more user-generated content on social media and travel review sites. However, the lack of free Wi-Fi in regional Australia is a significant barrier and limits opportunities to post real-time experiences.

- Develop new tourism products to increase the diversity of offerings and to match increasing expectations. This could include farm excursions, marine animal watching, tourism trains and Indigenous cultural offerings.

METHODOLOGY

This report studies the issue of regional dispersal from both supply and demand sides. Demand-side research involved identifying factors inhibiting regional dispersion, and was undertaken primarily through surveying Chinese FITs travelling in Australia and potential FITs in China aspiring to travel here. Desktop research complemented these surveys. Supply-side research included a Chinese perspective on barriers to dispersal, based on a number of identified regions in Australia that have potential appeal to Chinese FITs. See Appendix A for more information.
A PROFILE OF CHINESE VISITORS

China’s burgeoning middle class is underpinning the spectacular growth of the Chinese market, with growing household incomes being a major driver of demand for outbound travel. In the case of China, an annual household income in excess of US$20,000 has been identified as the point at which international travel becomes affordable. Following on from the growth in household income is accelerating consumption, as China moves from a reliance on investment and exports to grow its economy to one increasingly directed towards household consumption. Over the longer term, this will see Chinese spending on international education and tourism increase, generating a positive outlook for Australia.

China’s income distribution and growth trajectory is far from uniform. As a result, the wide disparities in incomes between first tier cities such as Shanghai, Guangzhou and Beijing and lower tier cities such as Nanjing, Wuhan and Chengdu is narrowing. As these lower tier cities catch up to their first tier counterparts, tens of millions more Chinese will be in a position where travel becomes both affordable and desirable, fuelling sustained growth in outbound tourism, particularly for leisure travel.

The dispersal of Chinese FITs in regional Australia is spatially shallow in the sense that a significant proportion of them only made day trips from metropolitan centres to regions adjacent to Sydney and Melbourne. The length of overnight stay of Chinese holiday FITs in regional Australia is shorter (averaging just 9.4 nights) than those staying in non-regional destinations (16.1 nights). Overall, overnight stay for leisure FITs is well below that of most other source markets – 27.9 nights for Japan, 25.8 nights for UK, 15.3 nights for US and 10.5 nights for New Zealand – while remaining just ahead of Singapore (5.7 nights).

KEY FEATURES OF CHINESE OUTBOUND TOURISM

As its society has become more prosperous, and its economy more open, Chinese tourism has experienced remarkable growth. Between 1997 and 2017, outbound tourism grew almost 25 fold, from just 5.3 million to 131 million overseas trips – an average annual growth rate of 17.4% (Figure 3). On the spend side, overseas trip spend by Chinese travellers reached US$261 billion in 2016 (UNWTO), up $11 billion from the previous year. On a per-capita basis, Chinese travellers spent $US2,000 per outbound trip on average.

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1 Including both holiday travel and travel for the purpose of visiting friends and relatives
2 The scope of Chinese outbound tourism is limited to departures from mainland China, excluding those from the Special Administrative Regions of Hong Kong and Macau, and the province of Taiwan.
3 Due to the difference in statistical scope, UNWTO’s figure is significantly different from the estimate by China Tourism Academy (CTA). According to CTA, in 2016, China’s total outbound visitor spend was $US110 billion.
The result of this rapid growth is that China is now the largest source market for outbound tourism, both in volume and spend terms. This growth has come with the support of the country’s government. The 131 million outbound trips by Chinese travellers in 2017 surpassed the 120 million annual trips target set by the Chinese government as a lifestyle benchmark for its residents between 2015 and 2020.

In analysing outbound tourism, Chinese resident departures can be divided into both ‘cross-border’ and ‘cross-country’ travel.

- Cross-border travel includes travel to Hong Kong, Macao and Taiwan, the so-called ‘Greater China Area’
- Cross-country travel is travel to any other overseas destinations – both short-haul and long-haul.

Reflecting rising income levels, growth in cross-country travel has outpaced growth in cross-border travel in recent years – increasing 77% between 2014 and 2017 to 61.1 million trips. Over the same period, there was a 4.3% decline for cross-border travel (Figure 4). Due to these growth differentials, cross-country travel accounts for a 47% share of all outbound trips in 2017, well up on its 32% share in 2014.
Notably, it is short-haul destinations securing the lion’s share of cross-country travel. These are mainly within Northeast and Southeast Asian markets, and include popular destinations such as Japan, South Korea, Thailand, Malaysia and Singapore. Leading long-haul destinations include North America, Europe, and Oceania including Australia.

**TABLE 1 OUT-OF-REGION DESTINATIONS FOR CHINESE TRAVELLERS, 2017**

<table>
<thead>
<tr>
<th>Destination market</th>
<th>Trips (million)</th>
<th>Distance</th>
<th>Share of destination market</th>
<th>Rank in destination market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thailand</td>
<td>9.8</td>
<td>Short haul</td>
<td>28%</td>
<td>1</td>
</tr>
<tr>
<td>Japan</td>
<td>7.4</td>
<td>Short haul</td>
<td>26%</td>
<td>1</td>
</tr>
<tr>
<td>South Korea</td>
<td>4.2</td>
<td>Short haul</td>
<td>31%</td>
<td>1</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>4</td>
<td>Short haul</td>
<td>31%</td>
<td>1</td>
</tr>
<tr>
<td>Italy</td>
<td>3.3</td>
<td>Long haul</td>
<td>6.6%</td>
<td>4</td>
</tr>
<tr>
<td>US</td>
<td>2.3*</td>
<td>Long haul</td>
<td>3.9%</td>
<td>5</td>
</tr>
<tr>
<td>Germany**</td>
<td>2.6</td>
<td>Long haul</td>
<td>6.9%</td>
<td>11</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.3</td>
<td>Short haul</td>
<td>8.8%</td>
<td>3</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.3</td>
<td>Short haul</td>
<td>16.6%</td>
<td>1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
<td>Short haul</td>
<td>14.0%</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>2</td>
<td>Long haul</td>
<td>2.4%</td>
<td>9</td>
</tr>
<tr>
<td>Russia</td>
<td>1.4</td>
<td>Short haul</td>
<td>5.7%</td>
<td>3</td>
</tr>
<tr>
<td>Australia</td>
<td>1.4</td>
<td>Long haul</td>
<td>15.3%</td>
<td>2</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1.2</td>
<td>Short haul</td>
<td>22%</td>
<td>1</td>
</tr>
</tbody>
</table>

*2016; **including residents from Hong Kong

Data source: Compiled from the tourism statistics authorities of various markets
Dynamics of long-term growth of Chinese inbound tourism in Australia

Off the back of the spectacular growth of economic and trade flows between Australia and China over the last ten years, inbound tourism from China to Australia also grew rapidly during the period. Between 2006–07 and 2016–17, visitor arrivals from China increased at an average annual rate of 14.4%, tripling from 335,000 to 1.2 million in 2016–17 (Figure 5). This double-digit rate of growth echoed what was achieved between 1996–97 and 2006–07, when visitor arrivals increased 18.7% annually from 60,200 to 335,000. In the wake of the 2017 China-Australia Year of Tourism, China overtook New Zealand as Australia’s largest source market with total visitor arrivals reaching 1.4 million (year ending February 2018).

The signing of the approved destination status (ADS) between China and Australia in 1999 facilitated this strong earlier growth. More recent growth has occurred amidst Australian government policy initiatives, as well as investment in marketing and branding Australia as a valuable and unique tourist destination to existing and potential Chinese tourists.

THE FORECAST FOR CHINESE VISITORS OVER THE NEXT DECADE

TRA forecasts for the next decade paint a positive picture for growth in Chinese visitation. Between 2016–17 and 2026–27, inbound arrivals from China are predicted to increase from 1.3 million to 3.9 million – an average annual growth rate of 11.9% over the period.

Wide disparities in growth across different categories are forecast for the next decade:

- Holiday travel will increase 276% from 701,000 to 2.6 million. Holiday travellers will account for 68% of the China market in 2026–27, up from 56% in 2016–17.
- VFR travel will more than triple from 217,000 to 662,000. Travellers coming to Australia to visit family and friends will make up 17.2% of the China market, a figure comparable to the 17.4% share for 2016–17.
- Education-related travel will increase 82% from 191,000 to 348,000 – slower than the 208% growth rate for the China market as a whole. As a result, travellers coming to Australia to study will account for 9% of the China market in 2026–27, down from 15.3% in 2016–17.
- Business travel will increase 42% from 74,000 to 104,000 – again slower than the overall growth in the China market. Consequently, business travellers will account for 2.7% of the China market in 2026–27, well down from 5.9% in 2016–17.
Alongside the strong growth in Chinese visitors will be a substantial increase in Chinese spend. Total visitor spend by Chinese visitors is forecast to reach $26.2 billion in real terms in 2026–27, up from $9.8 billion in 2016–17 – an average annual growth rate of 10.4%. In spend terms, the China market will account for 35% of all inbound travel by 2026–27, substantially higher than its 24% share in 2016–17.

Forecast spend growth for different categories of travel over the next decade are as follows:

- Leisure (holiday and VFR) travel will increase 254% from $3.9 billion to $13.9 billion. Leisure travellers will account for 53% of Chinese spend in 2026–27, up from 40% in 2016–17.
- Other travellers including education, business and employment travellers will increase 110% from $5.8 billion to $12.3 billion.

On these figures, the leisure segment is forecast to drive most of the growth in Chinese visitor numbers and spend. This segment will account for 91% of visitor growth and 61% of spend growth over the coming decade.
Burgeoning middle income class

Tourism industry practitioners estimate the maturity of China’s outbound tourism market by a simple rule of thumb: the proportion of the population holding passports relative to mature European and US markets. This back-of-envelope calculation shows that with only 5%-6% of the Chinese population holding passports in 2017, China’s outbound tourism is still at an early stage of development.

The factors that have fuelled increased Chinese demand also provide insights on drivers of future tourism growth.

Using this approach, household income has been found to be the major determinant of Chinese outbound travel, especially for leisure travel. A survey of past empirical research on income elasticity of international tourism demand (Peng, et al 2016) found average income elasticity was 2.53, almost double the magnitude of price elasticity (-1.28). The key message is that, all else being equal, a 1% increase in household income leads to a 2.5% increase in outbound visitor numbers, while a 1% decline in the price of travel services in destination markets results in around a 1.3% increase in visitor numbers from source markets.

Empirical studies focused on Australian inbound tourism data also found that household income in source countries had a major effect on demand. TRA research (2011) reveals that for a 1% increase in inbound source market incomes, tourism demand increased by 1.3% in the long run. Also, tourism demand is three times more responsive to changes in income than changes in relative prices, including exchange rates.4

These empirical findings demonstrate the strong relationship between rising incomes and increased travel and suggest that the continued rise of China’s middle class will be the primary driver of future growth of Chinese visitation to Australia.

Complementing this will be accelerating consumption, as China moves from a reliance on investment and exports, transforming to one directed towards greater household consumption. Over the longer term, this will see Chinese spend on international education and tourism increase, underpinning the positive outlook for this market.

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4 ‘Factors affecting the inbound tourism sector - the impact and implications of the Australian dollar’, Tourism Research Australia, January 2011
There are wide disparities in household incomes across China with those in coastal regions tending to earn more than the rest of the country, even after controlling for urban/rural differences (Kate 2016). These differences are a result of earlier development policies that favoured these regions as foreign investment destinations.

However, as national prosperity increases, the geographic distribution of wealth across China is set to become more uniform.

In this respect, China’s income groups are forming a ‘Flying Geese Pattern’ where:

- incomes across the country will continue to increase overall
- incomes in first-tier cities will remain ahead of those living in the second and third tier cities
- income gaps between first-tier cities and second and third-tier cities will narrow.

These movements in income coincide with increased urbanisation. By 2030, there will be 19 Chinese cities with populations in excess of five million. The proportion of households in tier 3 cities with incomes between US$35,000 and US$70,000 will increase from 3.9% to 44.3% between 2016 and 2030; among Tier 2 cities growth will be from 9.3% to 42.6% (Figure 6).

**FIGURE 6 CHINESE CITIES BY TIER**

Data source: Global cities database, Oxford Economics 2017
Similarly, the proportion of higher income households with incomes between US$70,000 and US$100,000 in tier 3 cities will grow from 0.2% to 11.2%; among tier 2 cities growth will be from 0.8% to 16.8% (Figure 7).\(^5\)

**FIGURE 7 FORECAST PROPORTION OF CHINESE HOUSEHOLD INCOME BY CITY TIER, 2016 TO 2030**

Data source: Global cities, Oxford Economics 2017

Analysis of income and travel spending patterns by the World Travel and Tourism Council (WTTC) and Oxford Economics for InterContinental Hotels Group (IHG) identified a household income of close to US$20,000 as the threshold at which Chinese households can begin to afford leisure travel.\(^6\) It also concluded that households making US$35,000 per year start finding international travel becoming affordable, resulting in more visits to long-haul destinations.

In relation to these threshold amounts, it is estimated that in 2017, there were 69 million Chinese households with annual incomes between US$20,000 and US$35,000 – a 15%

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\(^5\) Household incomes are in nominal terms

\(^6\) World Travel & Tourism Council and Oxford Economics (2014), The Economic Impact of Travel & Tourism 2014
share of the population. There were also an additional 25 million households (a 7% share) with annual incomes between US$35,000 and US$70,000.\textsuperscript{8}

Forecast growth in both income categories is expected to be strong. By 2030:

- Households with incomes between US$20,000 and US$35,000 will double from 2017 levels to 138 million, equivalent to one-in-four Chinese households.
- Households with incomes between US$35,000 and US$70,000 will increase five-fold from 2017 levels to 168 million, or almost one-third of Chinese households.

At current income levels, and according to its official state tourism development report (2016), China’s outbound tourism remains at an early stage of development, with those having the greatest capacity to travel being concentrated in the large eastern cities of Beijing, Shanghai, Shenzhen and Guangzhou.

**CHINA’S TOURISM BOOM TO BE LONG-LASTING**

The enormous size of the China outbound market, its relatively early stage of development, along with rising incomes, increased consumerism, and greater wealth dispersal create an environment of tremendous potential. Therefore, it is almost certain that current tourism cycles will be sustained for a prolonged period, and is most likely to be a ‘super cycle’ in the sense that the peak of the cycle is beyond TRA’s current tourism forecast horizon (2026–27). Reflecting on history, it will also be longer lasting and more economically beneficial than earlier cycles exhibited by the rise and fall of Japanese tourists in Australia in the 1980s and 1990s, and Korean tourists in the late 1990s and in the middle 2000s (Figure 8).

\textsuperscript{7} Calculated based on Global Forecasting Service, Economist Intelligence Unit 2017  
\textsuperscript{8} Ibid 2
CHARACTERISTICS OF CHINESE OUTBOUND TOURISM IN THE TRANSITIONAL ERA

In tandem with its economic transition, Chinese society is also undergoing dramatic structural changes and transformation. This transitional period is characterised by significant changes in social behaviour, lifestyle and social values of its citizens; changes which are also impacting on their choice of international tourism destinations.

Social characteristics

Aside from social characteristics shared with outbound tourists from other source markets, such as relaxation, social enhancement and entertainment, Chinese outbound tourists also exhibit some unique features during this transitional period, which can be summarised as ‘imitation’, ‘compensation psyche’ and ‘esteem seeking’.

Imitation

Pursuing and imitating the lifestyle of their middle-class counterparts in developed countries is a typical feature of the Chinese middle class. This behaviour is a strong motivation behind the millions of Chinese travelling to every corner of the world for fresh and authentic experiences. More colourful examples include surfing in Bali, drifting down the Colorado River, climbing Kilimanjaro and driving the Sahara desert.

Notably, this imitation is also a cultural comparison process. Chinese tourists are absorbing the diversity of overseas offerings, and reflecting on their own way of living against the backdrop of the historical and cultural changes that have occurred in China. As a developed
country, Australia offers a sophisticated travel experience and prosperous lifestyle that Chinese tourists can seek to imitate.

*Compensation psyche*

Older Chinese, especially those born in the late 1950s and 1960s, constitute a unique cohort of tourists in China. While much of their life was lived within a closed and impoverished society, they have benefited from increased wealth and personal freedoms in recent decades. As such, some seek psychological compensation for previous hardships and have a strong desire to explore the world. Socially, they tend to remain conservative, single minded, and uncertain about the outside world. However, social progress and improved access to global information is breaking down these barriers.

At present, there are 80.8 million people in China aged 60 to 65, of which 46.1 million are urban residents.\(^9\)\(^10\) While they are at the older end of the age spectrum, these people are healthy enough to participate in almost all activities undertaken by middle-aged people. In 2017, those over 55 years of age accounted for 26% of Chinese travelling overseas.

*Esteem seeking*

A significant motivator for many Chinese tourists is improved social esteem and community respect. This manifests itself in an increased desire to flaunt their achievements and a spirit of one-upmanship. This is in stark contrast to developed countries, where international travel is more entrenched, and travellers are more circumspect in describing their travel experiences to their peers.

To quote Liu Simin, a Chinese tourism expert:

“Tourism can be a kind of consumption for showing-off and a way for people to show their economic and social status. In the past, when most people could not afford overseas travel, I went to travel to distinguish myself from ordinary people. Now since all people are able to travel overseas, I travel to Antarctica, which costs me more and demands better physical fitness to show how different I am from others”.

*Demographic characteristics and travel mode*

A prominent feature of outbound tourism in the transitional period is demographic diversity.

As demand for outbound travel derives from all age groups across different cities, package and group tours and FITs will all co-exist. At the same time, there is geographic segmentation due to differences in wealth. Consequently, package and group tourists are mainly from lower-tier cities, while FITs are mostly from Beijing, Shanghai and other first-tier cities. A third category of travel that is assuming increased importance is customised and private tours. This category is better able to cater for individual needs and for adding to social esteem. The number of travellers taking part in customised trips doubled to 18.3 million in 2017.

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\(^9\) Calculated on the urbanisation rate of 57.4% of the population by the end of 2016 (the National Bureau of Statistics)

\(^10\) Statistical Communique on Social Service Development in 2016, http://www.gov.cn/shuju/2017-08/03/content_5215805.html
Based on most recent CTA data, females dominated China's outbound departures, making up 59% of total resident departures.

With regard to age, those born in the 1970s to 1990s (between 18 years to 48 years of age) are the major driving force behind the strong growth in Chinese outbound tourism – accounting for 64% of all outbound visitors. Those born prior to 1970 made up 24% of total resident departures, while those born in the 1990s and 2000s represented 16% and 12%, respectively.

![Figure 9: Age Profile of Chinese Outbound Travellers, 2017](image)

Data source: China Outbound Tourism 2017, China Tourism Academy and Ctrip

**Travel party**

Family travel was the dominant mode for Chinese travelling overseas, representing 40% of total visitation, with other common modes being travel with friends (23%), couple travel (21%), solo travel (8%) and other travel (8%) (Figure 10).

Almost three-quarters of family travel involved travel with children (30%), with the remaining quarter being travel with aged parents (10%). Both travel modes are viewed as a way for families to demonstrate affection and strengthen personal relationships.

Travelling with children is equivalent to an investment in their education, partly due to the traditional philosophy that travelling beyond borders provides opportunities for their children to develop knowledge and broaden their mind about the outside world. To quote a Chinese proverb: ‘Travelling ten thousand miles is equal to reading ten thousand books’.

Travelling with aged parents is way for children to express gratitude for their parents' sacrifice and caring in childhood.
FIGURE 10 TRAVEL PARTY TYPE FOR CHINESE OUTBOUND TRAVELLERS, 2017

![Bar chart showing travel party types](image)

Data source: China Outbound Tourism Report 2017, China Tourism Academy and Ctrip

Geographical characteristics

Due to differing stages of economic and social development, access to outbound travel varies along geographic lines. Generally, there are four major regional source areas for outbound tourism, collectively representing 53% of China’s total outbound departures in 2017. These comprise the following city clusters:

- Bohai (around Beijing)
- Yangtze River (around Shanghai)
- Pearl River (around Guangzhou and Shenzhen)
- Chengyu (around Chengdu).

China Tourism Academy (CTA) has developed the ‘Index of potential outbound travel’ which takes into account a comprehensive range of social and economic factors. Based on the indices, 31 provinces or municipalities can be divided into five different areas in terms of the potential for outbound tourism (Table 2).

TABLE 2 CHINESE RESIDENT POTENTIAL FOR OUTBOUND TRAVEL, BY CITY

<table>
<thead>
<tr>
<th>Type</th>
<th>Provinces or cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very strong</td>
<td>Shanghai, Beijing, Guangdong, Jiangsu, Zhejiang, Shandong, Tianjin</td>
</tr>
<tr>
<td>Strong</td>
<td>Fujian, Hebei, Hunan, Liaoning, Hubei, Henan</td>
</tr>
<tr>
<td>Quite strong</td>
<td>Chongqing, Sichuan, Anhui, Shanxi, Heilongjiang</td>
</tr>
<tr>
<td>Average</td>
<td>Jilin, Inner Mongolia, Jiangxi, Henan, Yunnan, Guangxi, Guizhou</td>
</tr>
<tr>
<td>Below average</td>
<td>Xinjiang, Gansu, Ningxia, Qinghai, Tibet</td>
</tr>
</tbody>
</table>

Data source: China Outbound Tourism Report 2017, China Tourism Academy and Ctrip
Based on the geographical classification, nine of the 10 most promising source markets are located in the eastern part of China, while nine of the least 10 promising markets are in the country’s west.¹¹

**MAJOR CHARACTERISTICS OF CHINESE FITS**

Across all generations, the general trend is towards more independent and individual travel, with young age groups driving much of the growth and influencing the range of tourism offerings. This trend is underpinned by changing demographics and new technologies.

At present, the main force driving Chinese outbound tourism are those born after the 1980s, with those aged between 18 and 38 accounting for 47% of outbound visitation. Also known as Generation Y and the Millennial (ME) generation, this cohort differs from their parents who experienced the severe shortages, political conservatism and global isolation brought about by the Cultural Revolution. In contrast, China’s ME generation have grown up during an era of reform and increased access to the outside world, accompanied by the growing pervasiveness of the internet, ecommerce and social media.

Changes to web technologies have delivered fundamental change to the demand and supply side of the tourism industry over the past two decades.

Web 1.0 technologies, the dominant technology between 1994 and 2000, were supply driven, for example, web pages describing a range of tourism offerings, possibly with a phone number or email address to enable tourists to contact operators. Web 2.0 technologies, which were used between 2000 and 2010, allowed tourists to generate and distribute their comments on tourism products and operators on social media platforms such as Facebook, blogs and WeChat. Tourism operators were able to respond to the social media by adjusting or customising their services. Web 3.0 technologies, which emerged since 2010 facilitated direct interactions between tourists and service providers, enabling consumers to have more influence on products, enhancing the tourist experience at anytime and anywhere (Song, 2016).

Changing demographics and web technologies are fostering a new breed of traveller and tourism operator, enabling the emergence of innovative tourism products and services platforms such as Ctrip, Qunar, Tuniu and LY.com. Unlike traditional travel agencies providing limited choices of tourism products and services for mass consumption, the new travel platforms offer flexibility and customise the needs of individual travellers. A prominent feature of the new travel platforms is that FITs are able to make bookings via mobile channels.

**Chinese FITs are young and well educated**

A recent study completed by TripAdvisor (2016) found that China’s FITs are young, well-educated and relatively affluent. The study revealed that nearly nine-in-ten (89%) Chinese FITs are adults aged between 18 and 44 years, with 41% of them belonging to the post-80s generation (aged 25-34). Three-in-four (77%) Chinese FITs had an undergraduate degree or higher and 44% earned a monthly income of RMB 14,110 or more – equivalent to US$2,080. English proficiency is also reasonably high among Chinese FITs, with 41% saying they can understand most English.

¹¹ These are defined as markets ranked between 10 and 19 in terms of potential
Not surprisingly, given the spread of economic development and prosperity, a larger share of Chinese FITs come from first-tier cities. Southern China’s Guangdong province is the most common source, followed by Shanghai, Sichuan province, Beijing and Jiangsu province.

**Chinese FITs are technology-savvy, embracing mobile phones for travel booking**

Chinese FITs are more self-reliant, choosing to organise their own itinerary over pre-packaged and escorted group tours. According to CTA, nine-in-10 Chinese FITs purchased travel components individually for their most recent international leisure trip. Reflecting their high level of digital literacy, mobile devices play a major part in this process, being used extensively in planning and in modifying itineraries while travelling.

**Chinese FITs are short in planning trips but spontaneous in decision making**

According to CTA, Chinese FITs have a short travel planning cycle with nearly 43% choosing their destinations one to two weeks prior to their departure, and with one-in-four (26%) deciding where to go within a month of departure.

As an increasing number of younger FITS – those born in the 1990s and 2000s – transition to overseas travel, ‘spur-of-the-moment trips’ are becoming a popular travel mode. Characterised by limited time for researching, planning and decision-making, this travel mode has the considerable benefit of near instant confirmation of flights and accommodation.

As it is for other Chinese travellers, short-haul travel to neighbouring destinations continues to dominate outbound trips. TripAdvisor’s survey (2016) showed that short-haul destinations in Greater China, North Asia and Southeast Asia accounted for more than nine-in-10 outbound FIT trips. The top countries visited by Chinese FITs on their last leisure trip were Japan, Thailand, South Korea, Singapore and Malaysia, while the US, France, Italy, UK and Australia were the leading out-of-region destinations.

**A PROFILE OF CHINESE LEISURE FITS**

‘Leisure FITs’ refer to the combined categories of Chinese visitors who are:

- here for the purposes of holiday
- here to visit friends and relatives (VFR).

Additionally, these visitors are not on a group tour or package tour.

For the most part, the results for ‘leisure FITs’ are broken down by holiday FITs and VFR FITs.

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12 This definition of FITs aligns with the statistical scope adopted in the previous studies on Chinese leisure FITs by TRA and the state and territory tourism research organisations
TREND GROWTH

In 2017, FITs accounted for 0.6 million of China’s total inbound visitors to Australia – a 45% share of the 1.3 million Chinese arrivals for the year. Total Chinese FIT spend was valued at $2.6 billion in 2017 – a 25% share of spend overall.

Looked at another way, Chinese FIT travellers comprised:

- 0.33 million holiday FITs – almost half (49%) of Chinese holiday visitors in 2017
- 0.23 million VFR FITS – virtually all (99%) of Chinese VFR travellers in 2017
- $2.6 billion in spend, with $1.5 billion by holiday FITs and $1.0 billion by VFR FITs.

Over the last 10 years, leisure FITs have been a major driver of growth in total visitation from China. Leisure FITs contributed 50% of total growth over that period, with an average annual growth rate of 19.6%, well above the total annual average growth rate of 14.1%. Breaking this figure down, over the last ten years:

- Holiday FITs have accounted for 30% of the growth in Chinese visitors
- VFR FITs have accounted for 20% of the growth in Chinese visitors.

Over a more recent five-year timeframe, the growth of leisure FITs had gained more momentum. Between 2012 and 2017, almost three-fifths (58%) of total growth in Chinese visitation came from growth in FITs. This comprised:

- holiday FITs, who accounted for 39% of the growth in the volume of Chinese travel, and have grown at 36% annually over this five-year period
- VFR FITS, who accounted for 18.7% of the growth in the volume of Chinese travel, and have grown at 17.4% annually over this five year period.

With a growth rate more than twice as high as VFR FITs during this five-year period, holiday FITs have outnumbered VFR FITs from 2016 onwards (Figure 11).

---

13 Aged 15 years and over
The increasing significance of Chinese FITs is symptomatic of tourists seeking greater freedom and flexibility as they become more exposed to international travel. Nonetheless, package and group travel still attracted a large share of Chinese visitors – over one-quarter in 2017. As a result, the proportion of FITs in the China visitor cohort remains low compared to more mature markets, leaving considerable potential for future growth in FIT travel (Table 3).

**TABLE 3 CHANGING PROPORTION OF LEISURE FITS IN TOTAL VISITATION (%): CHINA AND OTHER TOP SOURCE MARKETS (2007 TO 2017)**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td>36%</td>
<td>49%</td>
</tr>
<tr>
<td>NZ</td>
<td>81%</td>
<td>86%</td>
</tr>
<tr>
<td>US</td>
<td>67%</td>
<td>77%</td>
</tr>
<tr>
<td>UK</td>
<td>78%</td>
<td>80%</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>74%</td>
<td>91%</td>
</tr>
<tr>
<td>JAPAN</td>
<td>22%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia
KEY CHARACTERISTICS OF CHINESE LEISURE FITS

Leisure FITs by city of residence

Over the years, Chinese FITs visiting Australia originate mainly from first-tier cities such as Beijing, Tianjin, Shanghai, Guangzhou and Shenzhen. While this pattern has persisted to the present day, there have been significant increases in visitation in recent years from second tier cities such as Nanjing and Chengdu following the introduction of direct flights.

FIGURE 12 CHINESE LEISURE FITS BY CITY OF RESIDENCE, 2017

Data source: International Visitor Survey, Tourism Research Australia
Between 2011 and 2017, on average, 55% of FITs were from the first tier cities or provinces. Geographically, two-thirds (66%) of FITs came from the cities and provinces on the country’s eastern seaboard.

These findings were consistent with the results from the survey undertaken in Australia for this study, which revealed that while Chinese leisure FITs came from 29 provinces and 101 cities in China, almost half of them were from the first tier cities or provinces including Guangdong, Shanghai and Beijing.

Breaking down FITs into its two component categories, there is little variation between city of origin, with holiday FITs slightly more prevalent among those from Shanghai, Guangdong and Beijing (Figure 13).

**FIGURE 13 CHINESE FITS BY PURPOSE AND CITY OF RESIDENCE, 2017**

![Diagram showing FITs by purpose and city of residence](image)

Data source: International Visitor Survey, Tourism Research Australia

**Demographic and income characteristics**

Chinese FITs travelling to Australia are relatively young. In 2017, 9.8% of holiday FITs were aged under 25, with over half (54%) aged between 25 and 44 years, and 14.5% aged over 55. Females also outnumbered males – 62% to 38%, respectively. VFR FITs by comparison were much older, with 41% aged over 55, just 5% aged under 25, and 36% male.

They are also relatively well off. In 2016–17, the median household income of a Chinese national was US$9,600 per year – equivalent to AU$13,000 in annual earnings. Among VFR FITs, 45% have household incomes in excess of 250,000 RMB (AU$50,000 annually); 47% of holiday FITs have incomes over 250,000 RMB.
Generally speaking, both categories of FITs were younger and better off than those on package or group tours.

The dominance of 25-44 year olds among Chinese holiday FITs is consistent with that for other Asian markets such as Singapore and South Korea, and substantially ahead of that for our more established tourism markets (Figure 14).

**FIGURE 14** PROPORTION OF HOLIDAY FITS AGED 25-44, 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>62%</td>
</tr>
<tr>
<td>Singapore</td>
<td>55%</td>
</tr>
<tr>
<td>China</td>
<td>54%</td>
</tr>
<tr>
<td>France</td>
<td>43%</td>
</tr>
<tr>
<td>UK</td>
<td>40%</td>
</tr>
<tr>
<td>Germany</td>
<td>39%</td>
</tr>
<tr>
<td>US</td>
<td>39%</td>
</tr>
<tr>
<td>Japan</td>
<td>39%</td>
</tr>
<tr>
<td>NZ</td>
<td>34%</td>
</tr>
<tr>
<td>India</td>
<td>32%</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia

Notably, however, the proportion of 20-29 year olds among Chinese holiday FITs is low compared to other major markets.

One reason for this is the Australian Government’s Working Holiday Program. Since September 2015, young travellers from China have been eligible to apply for a limited number of working holiday places each year, with 5,000 Chinese places set aside in 2016–17. Young travellers from other major markets can also apply for working holiday visas; in these instances, however, there is no cap on the number of visas issued. Consequently, the UK (40,383 places), Germany (25,704), South Korea (22,412), France (22,361) and Taiwan (21,639) were the top five markets for Working Holiday (subclass 417) visas granted in 2016–17.¹⁴

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Consistent with their affluence and young age profile, TRA’s on-site study in Australia’s regions\textsuperscript{15} revealed that Chinese FITs were highly educated, with 64% of respondents holding a four-year university degree, postgraduate degree or above. For the Chinese population as a whole, only 12.4% have tertiary qualifications.

CHARACTERISTICS OF CHINESE FIT TRIPS

In 2017, the average length of stay by all Chinese holiday visitors in Australia was 12.4 nights, around nine nights less than the average length of stay for total inbound holiday visitors. The shorter stay for Chinese holiday visitors was largely due to China’s more restrictive annual leave policy compared to other countries.

Within the Chinese holiday cohort, however, FIT travellers stayed over three times longer than those travelling as part of an organised group or package – 19.5 nights versus 5.6 nights. Nonetheless, this is still 6.5 days less than the average length of visit for all holiday FITs. VFR FITs stayed longer again – an average of 45 nights, 18 nights longer than VFR FITs from other countries.

FIGURE 15 AVERAGE LENGTH OF STAY OF HOLIDAY VISITORS BY TYPE, 2017

Data source: International Visitor Survey, Tourism Research Australia

As a result of their longer length of stay, Chinese holiday FITs also spend more than group and package travellers – an average of $3,476 per trip compared with just $911. They also outspend the $3,059 average spend by VFR FITs.

Internationally, average trip spend by Chinese holiday FITs is comparable with other source markets. When converted to average daily spend, Chinese holiday FITs are among the highest yielding of all our major markets – an average of $178 per day, second only to Singapore with a $216 daily spend (Table 4).

\textsuperscript{15} See Attachment D
Despite the emergence of new types of accommodation providers in the sharing economy, the IVS shows Chinese holiday FITs still have a preference for traditional forms of accommodation. In 2017:

- 26% of Chinese holiday FITs stayed in luxury hotels, well ahead of the 18% share for other international travellers
- 40% of Chinese holiday FITs stayed in standard hotels, well ahead of the 30% share for other international travellers.

Serviced apartments also recorded fast growth with an average annual growth rate of 49% over the last five years, which reflects the strong growth in family holiday FITs.
Chinese leisure FITs by visit frequency

Analysis of the IVS also indicates that around 40% of Chinese holiday FITs were repeat visitors, along with 23% of group tour holiday travellers. This has implications in terms of offerings and expectations. Firstly, having already been to Australia before, most return visitors will have already seen Australia’s most iconic attractions. Secondly, because the length of the return visit continues to be restricted, visitors will still need to be selective about where they choose to travel next. Therefore, attractions that are easy to get to by road or air are likely to have the widest appeal to these repeat travellers. In the case of holiday FITs, these should be designed to appeal to younger people and cover a wide range of price points.
**Booking and Planning by FITS**

**Planning time frame**

The IVS also provides evidence of the limited time put aside for travel planning by holiday FITs. Over half (55%) of Chinese holiday FITs planned their trips to Australia within one to three months, while only one-fifth (20%) planned their visits within four to six months. Generally, more than half (52%) of all holiday FITs booked their trips within one month of their arrival in Australia.

**Information sources**

To support the planning and booking process, Chinese holiday FITs use a wide variety of sources – an average of 15 sources according to China Digital (2017), with the volume of sources peaking for those aged 35 to 44 years. Appendix A provides more detailed information on information sources across different age groups.

The most commonly used source was word-of-mouth, which was used by 67% of Chinese holiday FITs (Figure 18). Other common sources were social media sites (49%), travel review sites (36%) and search engines (31%).

---

**FIGURE 18 INFORMATION SOURCES USED BY CHINESE LEISURE FITS FOR TRAVEL PLANNING**

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word of Mouth</td>
<td>67%</td>
</tr>
<tr>
<td>Social Media Sites</td>
<td>49%</td>
</tr>
<tr>
<td>Travel Review Sites</td>
<td>36%</td>
</tr>
<tr>
<td>Search Engines</td>
<td>31%</td>
</tr>
<tr>
<td>Australia Tourism Website</td>
<td>15%</td>
</tr>
<tr>
<td>State Tourism Website</td>
<td>15%</td>
</tr>
<tr>
<td>Online Travel Agents</td>
<td>14%</td>
</tr>
<tr>
<td>Regional Tourism Websites</td>
<td>13%</td>
</tr>
<tr>
<td>Television Show</td>
<td>12%</td>
</tr>
<tr>
<td>Physical Travel Agents</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: On-site survey in Australia’s regions, China Digital and TRA, 2017
Among the various social media sites, WeChat and Weibo dominated, influencing the travel decisions of 44% and 32% of Chinese holiday FITs, respectively. In contrast, Nice (a platform similar to Instagram) and Meipei (a video messaging application), accounted for just 1% each. Nonetheless, digital channels in China are an important part of the trip planning process, particularly as they can also be used to distribute word-of-mouth advice.

**Booking platforms**

Online travel agents (OTAs) based in China are the major booking channel for booking flights, accommodation, activities and hire cars.

![Figure 19 TRAVEL BOOKING METHOD BY CHINESE FITS BY BOOKING TYPE, 2017](image)

Data source: On-site survey in Australia’s regions, China Digital and TRA 2017

Regardless of the booking platform chosen, the extent of pre-booking depends on the category of offering.

Accommodation and car hire is predominantly booked prior to departure to free up more time for travel, and because it is often a more cost-effective option. However, travellers are more flexible when booking attractions and activities, booking most of these during their trip. At the same time, most travellers operate under time and budget constraints and will need to prioritise activities across a range of offerings. Therefore, local operators stand to benefit if they can capture the attention and interest of Chinese holiday visitors in Australia, and offer distinct and appealing value-for-money activities.
FIGURE 20 CHINESE HOLIDAY FITS BY TRAVEL BOOKING TIMING

Data source: On-site survey in Australia’s regions, China Digital and TRA 2017

TABLE 5 INFORMATION SOURCES FOR CHINESE LEISURE FITS BY AGE GROUP

<table>
<thead>
<tr>
<th>INFORMATION SOURCES (PLANNING)</th>
<th>18-24 years</th>
<th>25-34 years</th>
<th>35-44 years</th>
<th>45-54 years</th>
<th>55-64 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word-of-mouth</td>
<td>72.6%</td>
<td>63.6%</td>
<td>64.3%</td>
<td>70.1%</td>
<td>69.1%</td>
</tr>
<tr>
<td>Video sites</td>
<td>17.7%</td>
<td>10.1%</td>
<td>11.8%</td>
<td>10.4%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Social media sites</td>
<td>52.2%</td>
<td>51.8%</td>
<td>56.6%</td>
<td>40.9%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Tourism Australia official website</td>
<td>6.2%</td>
<td>18.0%</td>
<td>17.6%</td>
<td>11.0%</td>
<td>14.8%</td>
</tr>
<tr>
<td>State tourism websites</td>
<td>7.1%</td>
<td>15.8%</td>
<td>18.1%</td>
<td>9.1%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Tour companies</td>
<td>20.4%</td>
<td>12.0%</td>
<td>15.4%</td>
<td>14.6%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Magazines</td>
<td>14.2%</td>
<td>9.9%</td>
<td>10.9%</td>
<td>4.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Television shows</td>
<td>12.4%</td>
<td>11.1%</td>
<td>14.9%</td>
<td>9.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Guide books</td>
<td>21.2%</td>
<td>16.1%</td>
<td>18.6%</td>
<td>12.2%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Travel review sites</td>
<td>30.1%</td>
<td>40.3%</td>
<td>41.6%</td>
<td>28.7%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Total respondents</td>
<td>113</td>
<td>467</td>
<td>221</td>
<td>164</td>
<td>81</td>
</tr>
</tbody>
</table>

Data source: On-site survey in Australia’s regions, China Digital and TRA, 2017

REGIONAL DISPERSAL PATTERN OF CHINESE LEISURE FITS IN AUSTRALIA

A previous study based on IVS data showed low dispersal beyond Australia’s main tourism destinations\(^ {16}\) for Asian leisure FITs generally, and Chinese leisure FITs in particular.\(^ {17}\) The study found that between 2011 and 2013, only 22% of Chinese leisure FITs travelled beyond the main tourism destinations – the lowest rate of dispersal for our top six inbound source markets.\(^ {18}\)

\(^{16}\) Including Sydney, Melbourne, Perth, Brisbane, Gold Coast and Tropical North Queensland.


\(^{18}\) China, New Zealand, USA, UK, Singapore and Japan
However, the latest research shows that over the last 10 years, Chinese leisure FITs have increased their rate of dispersal (Figure 21). In contrast, dispersal rates for Australia’s other main source markets are either little changed, or have fallen, compared with five years earlier when the previous study was released.

Underpinning the upward trend is an increasing share of Chinese FITs in global international visitation, and in Australia, Chinese FITs are more likely to disperse to regional areas compared with their non-FIT or group tour counterparts.

FIGURE 21 DISPERSAL OF LEISURE FITS, 2013 TO 2017 AVERAGE

<table>
<thead>
<tr>
<th>Country</th>
<th>Dispersal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>28%</td>
</tr>
<tr>
<td>NZ</td>
<td>30%</td>
</tr>
<tr>
<td>US</td>
<td>42%</td>
</tr>
<tr>
<td>UK</td>
<td>54%</td>
</tr>
<tr>
<td>Singapore</td>
<td>29%</td>
</tr>
<tr>
<td>Japan</td>
<td>26%</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia

In order to provide a more comprehensive picture of Chinese leisure FITs in Australia, the following analysis is extended to include visitor nights and spend.
At first sight, the dispersal of Chinese leisure FITs in Australia appears to compare favourably with some of our major inbound sources (Figure 22). For example, from 2013 to 2017, on average, 28% of Chinese leisure FITs ventured beyond major gateway cities compared with 30% of leisure FITs from New Zealand, and 26% of those from Japan. However, the apparent high rate of dispersal was dominated by day trips, due to large proportions of Chinese FITs travelling to nearby regional attractions while staying in metropolitan cities. For example, many Chinese leisure FITs stay in Sydney overnight while visiting the Blue Mountains during the day, or stay in the city and suburbs of Melbourne overnight while making day trips to the Great Ocean Road or Philip Island.

Looking at another measure, the dispersal pattern of leisure FITs based on length of stay for overnight travellers, the level of dispersal of Chinese leisure visitors is the lowest among our top six markets (Figure 22).

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**What do we mean by regional dispersal?**

In a tourism context, regional Australia is defined as any part of the country beyond Australia’s major gateway cities and the Gold Coast and Tropical North Queensland. This equates to 71 of Australia’s 77 tourism regions.

The extent of dispersal into regional Australia can be measured in one of three ways:

- **stopover** – the percentage of all international overnight and day trips that were in regional Australia
- **visitor nights** – the percentage of all international visitor nights that were in regional Australia
- **visitor spend** – the percentage of all international overnight and day trip spend that was in regional Australia.

These measures can produce very different results. For example, if people spend less time and money in regional cities and towns compared to gateway cities, then the stopover measure will produce a larger percentage than visitor nights and spend measures.

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19 The proportion of dispersed leisure FITs to all leisure FITs
This occurs mainly because the average length of stay in regional areas for Chinese holiday FITs is just 9.4 nights compared with 16.1 nights for those staying in non-regional destinations. Further, this 9.4 night length of stay was among the lowest for Australia’s major source markets – well short of the 27.9 nights for Japan, 25.8 nights for UK, 15.3 nights for US and 10.5 nights for New Zealand, while remaining just ahead of Singapore (5.7 nights).

A further limitation on regional dispersal among Chinese leisure FITs is the ‘gateway effect’. Over the five-year period 2013–17, there were 989,000 Chinese leisure FITs aged 15 years and over travelling to Australia, nearly four times as many as in the previous five-year period. In this latter period, the gateway cities of Sydney, Melbourne and Brisbane were the dominant point of entry for both holiday and VFR FITs, accounting for about 90% of total arrivals (Figure 23).
The preponderance of day trips and short length of stay means that the regional dispersal of Chinese FITs is spatially shallow. Along with the gateway effect, 5% of regional nights by Chinese FITs are spent in tourism regions adjacent to Brisbane, Sydney and Melbourne (Figure 24).

Data source: International Visitor Survey, Tourism Research Australia
The share of visitor spend in regional areas provides another measure for gauging the level of regional dispersal. By this measure, only 11% of spend by Chinese leisure FITs was recorded in regional Australia, compared with 28% of trips and 12% of visitor nights. Along with much lower length of stay in regional Australia than that in capital cities (15.9 nights compared to 33 nights), Chinese leisure FITs also had much lower spend in regional Australia:

- average spend per stay was 236% lower – $840 versus $2,823
- average daily spend was 63% lower – $69 versus $112.
Compared with other major markets, however, average spend per trip in regional Australia among Chinese FITs was comparable to other top markets (Table 6). The average daily spend for Chinese leisure FITs was $85 per day on average, compared with $159 (Singapore), $97 (New Zealand), $84 (US), $67 (UK), and $58 (Japan).

### TABLE 6 AVERAGE LEISURE FIT SPEND IN REGIONAL AUSTRALIA, 2013 TO 2017

<table>
<thead>
<tr>
<th>Country</th>
<th>AV. TRIP SPEND</th>
<th>AV. SPEND PER NIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$1,433</td>
<td>$58</td>
</tr>
<tr>
<td>UK</td>
<td>$1,418</td>
<td>$67</td>
</tr>
<tr>
<td>US</td>
<td>$1,313</td>
<td>$84</td>
</tr>
<tr>
<td>China</td>
<td>$1,254</td>
<td>$85</td>
</tr>
<tr>
<td>Singapore</td>
<td>$1,089</td>
<td>$159</td>
</tr>
<tr>
<td>NZ</td>
<td>$1,003</td>
<td>$97</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia

### OTHER CHARACTERISTICS OF CHINESE LEISURE FITS

### TABLE 7 LEISURE FITS BY LARGEST AGE GROUP AND LIKELIHOOD OF DISPERSING

<table>
<thead>
<tr>
<th></th>
<th>HOLIDAY</th>
<th>VFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>LARGEST AGE GROUP</td>
<td>20–54</td>
<td>55+</td>
</tr>
<tr>
<td>LIKELY TO DISPERSE</td>
<td>20–39</td>
<td>50+</td>
</tr>
<tr>
<td>LEAST LIKELY TO DISPERSE</td>
<td>50+</td>
<td>20–34</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia
Dispersal by frequency of visits

A further analysis of the historical data on visitor nights found that first-time Chinese holiday FITs were more likely to travel to regional areas than return Chinese holiday FITs. However, the opposite was true for VFR FITs (Figure 26).
A plausible explanation for this travel pattern for holiday FITs is that with the dispersal overwhelmingly dominated by day trips, return holiday visitors are less likely to revisit nearby regional sites, while travelling further to other regional areas is constrained by time availability. With an average visit length of 42 nights on the first visit and 59 nights on subsequent visits, time is less of an issue for VFR FITs, so they are more likely to visit more regional areas.

**Dispersal by travel party**

The data collected between 2013 and 2017 showed that Chinese holiday FITs travelling individually were more likely to venture beyond their city of arrival, while FITs travelling with friends and relatives were less likely to disperse. This dispersal pattern was different from the findings in TRA’s previous research which showed Chinese leisure FITs travelling with friends and/or relatives were more likely to venture beyond their city of arrival, while unaccompanied travellers were less likely to do so.

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20 Ibid 2
A breakdown of Chinese leisure FITs into holiday and VFR travel segments sees Chinese holiday FITs disperse far more deeply into regional Australia than VFR FITs. Chinese holiday FITs were also more likely to visit regional Australia than VFR FITs and stay more nights in regional locations.

The low holiday FIT spend resulted from low average length of stay in regional areas (9.4 nights), while the average daily spend for holiday FITs was $116 per day. By contrast, the low spend for VFR FITs was largely due to low daily average spending ($30.7 per day), while the average length of stay was much longer than that of holiday FITs (Figure 27).

**FIGURE 27 SHARE OF CHINESE FIT DISPERSAL BY PURPOSE, 2013 TO 2017**

Data source: International Visitor Survey, Tourism Research Australia
As well as having a much lower rate of dispersal compared to Chinese holiday FITs, Chinese VFR FITs disperse less widely compared with VFR travellers from other major markets. For example, an averaged 35% of VFR FITs from our five major markets after China travelled to regional Australia, compared to only 21% of Chinese VFR FITs. This low rate of dispersal reflects the following two factors:

- the concentration of Chinese communities in the gateway cities such as Sydney and Melbourne (78% of Australia’s China-born population live in these two centres – with another 22% living in other state and territory capitals)\(^{21}\)
- the concentration of international students in metropolitan campuses. Further, in 2017, about 16% of VFR travellers from China were visiting their friends and relatives studying in Australian educational institutions.

These factors constrain the extent to which regional dispersal can be increased for VFR FITs. For this reason, the remainder of this section focuses on holiday FITs.

The dispersal of Chinese holiday FITs was higher than New Zealand, Singapore and Japan, but lower than for the UK and US. In terms of spend for Chinese holiday FITs in regional Australia (Table 8):

- average spend per stay was 13% lower than the average regional spend by holiday FITs from the five other major markets – $1,298 versus $1,500
- average daily spend was 27% higher than the average regional spend by holiday FITs from the five other major markets – $141 versus $111.

### Table 8: Average Holiday FIT Spend in Australia’s Regions, 2013 to 2017

<table>
<thead>
<tr>
<th></th>
<th>AV. TRIP SPEND</th>
<th>AV. SPEND PER NIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$1,433</td>
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<td>$159</td>
</tr>
<tr>
<td>NZ</td>
<td>$1,003</td>
<td>$97</td>
</tr>
</tbody>
</table>

Data source: International Visitor Survey, Tourism Research Australia

Having established that average trip spend by Chinese holiday FITs in regional Australia is lower than for those in capital cities, but comparable with regional spend for holiday FITs from the other five major source markets, an extra layer of analysis is now worthwhile.

Average daily spend by Chinese holiday FITs travelling in regional Australia was largely in the mid-range category, ($100 to $299 per night), somewhat lower than the average spend by those from the five other major markets. However, in the upper range category ($300 to $1,000), daily spend by Chinese holiday FITs was higher than that of the five other major markets. A similar spend pattern applied to those visiting the capital cities, showing 38% spent $100 to $299 per night, much the same as that of the five other major markets. This reinforces the point that lower spend in the regions extends to all our major markets.

A comparison of spend items between Chinese holiday FITs travelling in regional Australia, holiday FITs from other major source markets travelling in regional Australia, and Chinese holiday FITs travelling in the capital cities reveals the following:

- Chinese holiday FITs in regional Australia spent more on food, drink and accommodation – an average of $69 per day compared to holiday FITs from other major source markets ($52) (Figure 28). The higher expense on this item was largely attributable to the type of accommodation chosen by Chinese holiday FITs. Further analysis of IVS data indicates that Chinese holiday FITs in regional Australia were more likely to choose more expensive accommodation than other holiday FITs in regional areas – a greater proportion chose luxury and standard hotels (Figure 29).

- Chinese holiday FITs in regional Australia spent more on other items, including shopping (Figure 28) – an average of $65 per day compared to holiday FITs from other major source markets ($35) and $104 per day for Chinese holiday FITs travelling to capital cities. Compared to holiday FITs from other major markets, Chinese holiday FITs were observed to prefer the less expensive option of a self-drive vehicle over coaches and trains.

**FIGURE 28 AVERAGE DAILY REGIONAL SPEND BY HOLIDAY VISITORS, 2013 TO 2017**

- **AIRFARES**: $3 vs. $37
- **FOOD, DRINK & ACCOMMODATION**: $69 vs. $52
- **OTHER**: $35 vs. $35

**NOTE: THE NEXT 5 MARKETS ARE NZ, US, UK, JAPAN AND SINGAPORE**

Data source: International Visitor Survey, Tourism Research Australia
FIGURE 29 ACCOMMODATION TYPE IN REGIONAL AUSTRALIA BY HOLIDAY FITS, 2013 TO 2017

NOTE: THE NEXT 5 MARKETS ARE NZ, US, UK, JAPAN AND SINGAPORE
Data source: International Visitor Survey, Tourism Research Australia

BARRIERS TO REGIONAL DISPERSAL

To improve the regional dispersal of Chinese visitors in Australia, it is essential to understand any underlying resistance to venturing beyond major gateway cities, and then to assess the relative importance of each inhibiting factor. To investigate this issue, two independent surveys were undertaken in 2017:

- **Australian survey**: This involved 1,066 face-to-face interviews between 21 August 2017 and 29 September 2017, and was designed to gain a deeper and more nuanced understanding of dispersal patterns, preferences and activities of Chinese independent holiday visitors to Australia’s regional destinations. The sample selection was designed to be consistent with the existing pattern of Chinese visitor arrivals across all Australian states and territories.22

- **Chinese survey**: A web-based survey designed and conducted in China to capture the perceptions of those intending to visit Australia. The survey sample was collected from a panel maintained by Sojump, a web-based survey platform in partnership with the New Zealand-China Tourism Research Centre based at Waikato University. Criteria were established to develop a panel matching the current socio-demographic profile of

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22 The sample is slightly overrepresented by respondents from Victoria. However, as complete probability sampling is not intended and the sample includes respondents from most Australian states receiving Chinese FITs, it is regarded as a valid national sample enabling solid and reliable analyses on the issues examined. Furthermore, respondents visited multiple states, and data was collected relating to their overall travel, and was not confined to their experiences in that state.
current Chinese visitors to Australia. The survey obtained a total of 2,215 respondents, with 57% being female.

Unlike previous surveys that were primarily focused on identifying barriers to particular geographic areas, this study combined findings from across areas to draw generalisations and identify issues of strategic significance to contribute to policy development and marketing strategies to increase spatial dispersal.

FINDINGS FROM THE SURVEYS

Although Chinese holiday visitors have low rates of regional dispersal, the studies suggest that they are open to the idea of these more ambitious forms of travel. From the Chinese survey, only 21% who had not been to Australia before indicated they had no interest in visiting regional Australia, and only 16% of respondents to the Australian survey felt there was nothing to see in regional Australia.

The large gap between interest and actual behaviour can be partly explained by the following analysis of the various barriers to travel.

TRAVEL TIME

A common finding from both surveys was that the travel time available was a major constraint to regional visitation. With an average length of stay of just nine days, Chinese holiday visitors have only limited opportunities to travel beyond gateway cities, and it is very difficult to undertake these regional visits in a relaxing manner.

For the Chinese survey, a seven-point scale was used to indicate the relative importance of each inhibiting factor with a minimum score of ‘1’ representing an item that was ‘of no importance’ to the respondent, while ‘7’ was ‘extremely important’. In terms of the overall rating, the highest levels of agreement with the lead statements indicated that time constraints were the primary reasons as to why the respondents would not wish to use the gateway cities to access the regions behind them. Interestingly, the sample group without prior visits to Australia and the sample group with visiting experience ended up with similar scores (4 out of 7).

The time issue was also singled out as a significant barrier from the survey completed in Australia. The survey found that for those who did not visit regional Australia, time was the most significant barrier (71% of respondents). It follows that short-stay holiday visitors are highly unlikely to visit a regional destination.

The Australian survey showed a clear relationship between the length of visit and propensities to travel to regional Australia. Only 20% of respondents who stayed less than six days had visited a regional destination, while 41% of those who stayed over nine days had visited a regional destination. Of all those who visited a regional destination, 53% were more than likely to stay 12 or more days.
Encouragingly, both surveys found that the probability of visiting a regional destination was enhanced with the frequency of travelling internationally, length of stay in Australia or marketing messages about regional Australia. The survey in Australia found that experienced international travellers were more likely to visit a regional destination than inexperienced international tourists. However, those who were frequent travellers to Australia were not necessarily more likely to visit a regional destination than a first-time visitor.

Similarly, an analysis of the data collected in China suggests that about 80% of those who had not visited Australia were likely to include regional Australia in their travel schedules, as they become more experienced holiday visitors and have more freedom to plan their programs. This group of visitors is also receptive to marketing messages about regional Australia to varying degrees. For example, the perceived need to drive long distances into regional Australia is a deterrent to 15% of those who had never been to Australia and the deterrence is reinforced by feelings that the travel may be time constrained. Given the distinction between driving distances and driving times, the probability of their regional visitation could be enhanced if marketing messages involve more emphasis on the travel time rather than travel distance.

**BUDGET**

The Australian survey found that 32% of respondents agreed that a limited budget was a barrier to wider dispersal. The most price sensitive age group was 25-34 year old travellers, with almost half (49%) indicating their budget was insufficient to include regional Australia in their itinerary. Responses by age group to the question “How strongly do you agree or disagree with the following statement ‘My budget was too limited to visit regional Australia’?” are shown below (Figure 31).
The result was most likely due to the 25-34 year old age group having the heaviest financial and family responsibilities. However, the budget constraint only represented 12% of those surveyed in China and were most likely limited to those with low household income or those with low educational qualifications.

The findings from the two surveys indicate that compared to the time constraint, the budget is likely to be a barrier to only a small proportion of Chinese FITs, with most people willing to pay for more authentic experiences in regional Australia.

**DISTANCE AND TRANSPORTATION OPTIONS**

The China survey revealed driving distances were a concern, with distances ranked as the fourth deterrent factor (after the safety concerns) for travelling to regional Australia.

Having formed this view, Chinese leisure FITs tend to seek the iconic destinations and look for easy travel to areas with good train and air links. Past visitation to Australia had little influence on changing these views, in fact, it may reinforce them, as earlier visits give tourists a better appreciation of the size of the country.

Aside from the distances involved, the survey in Australia also found the following issues were deterring regional visitation:

- lack of transport options (43% of those who didn’t visit regional Australia)
- lack of organised tours (28% of those who didn’t visit regional Australia).

The lack of transport and the high costs are reflected in the proportion of self-drive visitors (34% of all regional trips taken).

In regards to driving distances as a disincentive, more emphasis could be placed on travel time in publicity material. Australia’s fast highways permit long distances to be travelled much faster than comparable distances in China and often more safely as well. Where travel
does require significant time, various places of interest, shopping facilities and accommodation options along the route could also be featured, along with messaging that the journey is best enjoyed in stages. Where regions are served by rail this should also be highlighted given the extensive use of rail services in China.

PERSONAL SAFETY

Concerns around safety within regional Australia ranked third as a factor deterring geographical dispersion in the China survey and it came up as the second issue on the self-nominated topics in the Australian survey.

These concerns possibly arise from unfamiliarity with the large sparsely populated areas within regional Australia and may be reinforced by issues of personal safety travelling within rural and remote parts of China. Family can also be influential, with 16% of those responding to the China study indicating that their family did not want them travelling to regional Australia. Associated with feelings of safety and security is the ability to communicate effectively, with 27% indicating that troubles in communicating were a barrier to dispersal.

Active promotion and marketing emphasising the high standards of personal safety in regional Australia might be effective in addressing these concerns.

LEVELS OF SATISFACTION

The Australian survey found very high satisfaction levels among Chinese leisure FITs whether they visited a regional destination or not. More than three-quarters (78%) of respondents who visited at least one regional destination felt the trip exceeded their expectations compared to 81% of those who didn’t visit a regional destination. The longer the visit, the greater their satisfaction with regional Australia (Figure 32).
While levels of satisfaction were high overall, there were marked differences between those who visited regional Australia and those that didn’t. For example, only 27% of those surveyed strongly agreed they were satisfied with their trip to regional Australia compared to 46% strongly satisfied with their trip to Australia. Despite this, respondents indicated high likelihoods of revisiting, or recommending a trip to regional Australia:

- 82% agreed they were likely to revisit regional Australia
- 86% agreed they were likely to recommend regional Australia to friends and relatives.

Although those surveyed were generally satisfied with their visit to regional Australia, it was not seen as a ‘must see’ destination by the majority of visitors, with 50% agreeing that they can have a satisfying trip to Australia without visiting a regional destination, and 37% remaining neutral.

To make regional Australia more of a must-see destination, it is therefore important to understand where levels of satisfaction are greatest (to see what is working) and where levels of satisfaction are lowest (to see where improvements can be made). Turning to more specific attributes, there were high levels of satisfaction with Attractions (85%), Accommodation (73%), Dining options (72%) and Transport (72%).

By contrast, satisfaction levels were lower for Visitor Information Centres (54%), Shopping facilities (60%) and Internet/Wi-Fi (40%) (Figure 33). The poor result for internet access is a
significant factor for Chinese tourists who are heavily reliant on maintaining connections with family and friends through their mobile devices when travelling.

FIGURE 33 SATISFACTION OF CHINESE LEISURE FITS WITH REGIONAL OFFERINGS

<table>
<thead>
<tr>
<th></th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCOMMODATION</td>
<td>73%</td>
<td>23%</td>
<td>4%</td>
</tr>
<tr>
<td>DINING</td>
<td>72%</td>
<td>21%</td>
<td>7%</td>
</tr>
<tr>
<td>TRANSPORT</td>
<td>72%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>TOURIST ATTRACTIONS</td>
<td>85%</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td>SHOPPING FACILITIES</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>VISITOR INFORMATION CENTRES</td>
<td>54%</td>
<td>42%</td>
<td>4%</td>
</tr>
<tr>
<td>INTERNET/ WIFI</td>
<td>40%</td>
<td>36%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Data source: China Digital and Tourism Research Australia

LACK OF AWARENESS

The Australian survey demonstrated a general lack of knowledge about regional Australia, with more than one-quarter (27%) of respondents not thinking of regional Australia when planning their trip. These low levels of knowledge and interest are a significant barrier to increased levels of regional dispersal.

At the same time, the Australian survey showed Chinese travellers attach high importance to word-of-mouth marketing in holiday planning, with 67% nominating it as an information source for planning their trip. This includes almost half (49%) using social media platforms to research their trip. Of those who chose a social media platform, 90% nominated WeChat and 65% identified Weibo as the channels used. In addition, 36% used travel review sites and 31% used search engines as sources of information.

Therefore, increasing awareness of regional Australia could be achieved by having more user-generated content on travel review sites and social media platforms showcasing a region’s positive attributes. However, the lack of internet access in the regions limits the ability of individuals to provide real-time reporting of their experiences.

The lack of awareness about regional Australia, and Australia more generally, also manifests itself in travel behaviour. From the Australian survey, 60% of all accommodation bookings were carried out before departure, while only 42% of activities and 42% of domestic travel was booked before the trip. This suggests that Chinese travellers are quite flexible about
what they do and where they go, and that well-targeted marketing could provide opportunities for regional providers to influence decision-making once visitors are in-country.

RECOMMENDATIONS

**Chinese attitudes to Indigenous culture**

The development of Indigenous cultural tourism is a controversial topic among Chinese academia, and most Chinese tourism experts hold negative views about Australian cultural products. According to the latest survey by Chinese researchers, Chinese tourists were not impressed by the Australian ‘Indigenous culture and some part of the Australian history and culture’. Based on the survey, Australian regions are not advised to ‘blindly cultivate the cultural or historical tourism resources’.

The findings of this survey are inconsistent with the surveys conducted on inbound visitors from other source markets. The reason may lie in the Chinese tourists’ inadequate understanding of the Australian Indigenous culture. Unlike those from western countries, few Chinese visitors are immersed enough in Indigenous culture to gain authentic and profound cultural experiences.

However, Chinese consumers are following and emulating the consumption of the middle class in developed countries. Their travel interests and values are converging with those of their western counterparts. Most likely, they will gradually embrace cultural attractions – including Indigenous cultures – when travelling overseas.

In particular, the millennials from Chinese first-tiered cities have a high level of convergence with the middle class’s travel habits in developed countries, breeding a huge market for cultural tourism.

**PRODUCT STRUCTURE**

During the interview, Chinese outbound tourism operators expressed the view that the structure of Australian tourism products is ageing and there are no signs that existing tourism groups are under pressure to innovate. This lack of innovation was viewed as a serious impediment for future growth of the industry. For instance, Ge Yujing, vice president of Tuniu.com, a leading online tourism operator in China, believed existing Australian tourism products are not price competitive and are easily substitutable. He recommended the Australian tourism industry should improve supply-side offerings to remain competitive. These views are consistent with the field trip observations.
DEVELOPMENT OF SECONDARY TOURISM CITY NETWORKS

In view of the shortage of tourism infrastructure in dispersing Chinese visitors to regional areas, some existing regional centres in South Australia and Western Australia that are readily accessible from the cities could be further developed to be secondary tourist hubs. These could include Port Lincoln in South Australia and Margaret River in Western Australia, for example. However, there is limited scope for this development. The remote outback areas in South Australia, Western Australia and the Northern Territory, along with the Kimberley region and the region between Darwin and Katherine currently only have townships suitable for short highway stopovers and lack well-serviced and easily accessible central towns.

DEVELOPMENT OF FEATURE TOURISM TOWNSHIPS AND INDIGENOUS COMMUNITIES

Small towns are ideal places for Chinese tourists to observe and experience the daily life of ordinary Australians. These towns can be located near sea ports, inland areas, agricultural areas and vineyards. The port town of Robe in South Australia, for example, is a popular lobster producing base and a traditional holiday resort for Australians, but also has historical connections with Chinese people. McLaren Vale in South Australia is part of one of Australia’s oldest wine regions set among picturesque vineyards and winding coastlines, while agricultural towns like Corrigin in the Western Australian Wheat Belt could provide Chinese tourists the opportunity to experience the unique farming life of regional Australia.

Indigenous tourism is culturally sensitive with geographical limitations. In the future, areas that can be promoted to Chinese tourists are mainly concentrated in the northern part of the Northern Territory, including the Tiwi Islands and the Arnhem region, notable for their wilderness and rich Indigenous culture.

INTRODUCING CHINA’S WELL-KNOWN BUDGET HOTEL BRAND

Considering the status quo of budget hotels in Australia’s west, China’s budget hotel chains, such as Home Inn and Camp, could be considered for introduction to regional Australia. These brands have a high degree of standardisation, and Chinese tourists are familiar with their service level and quality. These branded hotels also have their own large-scale customer bases. The introduction of these budget hotels to Australia could help address the lack of tourism infrastructure, especially in the northwest and northern Australia.

MEETING CHINA FIT EXPECTATIONS FOR AUTHENTIC EXPERIENCES

*Refresh/re-package traditional tourism products to cater to FITs*

Australia’s west is an extremely popular outdoor environment for physical recreation and marine sports, due in part to its unique climate, geographical size and sparse population.

Australia already has a huge range of outdoor experiences that appeal to China’s FITs, however, there are some considerations when pitching these activities to this market.
Surfing

- Surfing in China is still a brand new sport and surfing sites are extremely limited. At present, only Wanning in China’s tropical Hainan Island can offer feasible surfing services.

- The coast of Western Australia is an internationally-recognised destination for windsurfing and kitesurfing. Strickland Bay, Salmon Bay and Stark Bay near the capital city of Perth are desirable surfing gulfs. Smiths Beach in Yallingup, Western Australia, caters to all levels of surfers. Guided tours, surf reports, photography services, and surfing lessons are also available.

- Most Chinese tourists come from inland areas, with little exposure to seashore tourism. For most, it will be enough to provide them with a real experience so they can get a feel for the sport – they do not need to build real skills. Water recreation activities could include surfboarding and surfboard yoga in low wave areas.

- Provide specialised photography and video services, as it is difficult for tourists to capture a satisfactory image by themselves while surfing. This is important to Chinese middle-class travellers, who want an opportunity to exhibit their social status to friends and family.

- Make certified surfing courses available for Chinese tourists, customised to provide them with a feel for the sport – Chinese tourists do not want to lose face, so it shouldn’t be difficult for them to achieve the skills promoted by the course.

Diving among Chinese

China is relatively new to the diving scene, with recreational diving not becoming widespread until the mid-1990s. Now there are three forms of recreational diving in China: spontaneous diving, experiential diving and club diving. At this stage, however, recreational diving is only available in China’s southernmost tropical (Hainan) island.

The diving form that suits most Chinese enthusiastic tourists is experiential recreational diving, which encourages the spirit of participation. Under the guidance of coaches, participants can dive to 4-5 meters in seawater for a limited range of diving activities in restricted areas, including: scuba diving, undersea walking, and snorkelling. Semi-submersible or submarine sightseeing boats are suitable for the elderly.

The International Diving Certificate Program (issued by PADI) is popular in China and such customised courses will also be appealing for Chinese tourists in Australia.

Diving

- Western Australia offers a huge variety of diving experiences, from diving or snorkelling at Turtle Bay, swimming along with whale sharks at Ningaloo Reef, to exploring the 14 shipwrecks on the Rottnest Shipwreck Trail for those more advanced. These ocean based attractions are complemented by Australia’s hinterland. Around Margaret River, diving tourists can go ashore to enjoy dinner in the nearby vineyard, walk among forest trails and enjoy the beach sunset.

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23 Tourism Australia website
Themed diving activities targeting millennials from Chinese metropolitan cities are also plausible. These activities could include diving training, swimming undersea with whale sharks and whales, and exploration of World War II shipwrecks.

A variety of combined diving activities could also be promoted to Chinese tourists, such as the island or yacht vacation plus diving, or diving plus fishing.

**Sailing, yachting and beach sports**

Royal Freshwater Bay Yacht Club (RFBYC) on Perth’s Swan River offers sailing training courses, and in recent years, has designed a customised course for Chinese children. This business has the potential of adding great value and should be further expanded.

Beach motor driving is available on several beaches on the west coast of Australia. At present, beach motor sport is also available in deserts in the north western part of China, however it does not offer as wide a range of transport choices as the western coast of Australia, where beach four-wheel drive, beach motorbikes and beach skateboards are available.

**Golf**

Golf is viewed by Chinese as a hobby for the rich and is also one of the most expensive sports in China. The western area in Australia has numerous golf courses at much cheaper prices than Chinese are used to. Public golf courses near Perth, for example, charge from $25 per round (about 140 Chinese Yuan), while the more prestigious courses charge $100-$150 (about 600 yuan to 900 yuan).

With this level of offering, Australia’s western area can potentially emulate Tasmania’s successful approach to golfing. Tasmania has over 120 golf courses, among which is Australia’s first golf course, Ratho Farm, which was established in the 1830s. It’s also home to three of the world’s top 100 golf courses (ranked by the Golf Digest in 2017). One of these is Barnbougle Dunes, an internationally renowned links course near a traditional fishing town.

Australia may also benefit from seasonal differences – with visitors escaping the Chinese summer to play golf in the mild southern hemisphere winter.

**Aerial sports**

With a stable atmosphere and good headroom conditions, Australia’s west is suitable for almost all kinds of aerial sports including sky balloons, skydiving, flight training and gliding. Moreover, the aerial programs can be integrated with marine or land-based sports to make a diversified holiday program.

**Marine animal watching**

Many of China’s marine species are critically endangered, with seals, dolphins, whale sharks, and red coral rarely found in Chinese waters. By contrast, Australia has some of the most fascinating marine animals in the world, and observing them in their natural environment has become one of Australia’s most popular tourism attractions. Whale watching in particular is very popular, with the season lasting up to seven months.

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24 Royal Freshwater Bay Yacht Club [http://www.rfbyc.asn.au/content/club-info/history.php](http://www.rfbyc.asn.au/content/club-info/history.php)
Marine animal watching presents a promising business model, with strong visitor appeal, combined with high customer concentration, low costs and long industry chains. Marketing of these offerings could be presented as a package, perhaps in partnership with Chinese airlines.

Island holidays

China's outbound tourists’ enthusiasm for island holidaying partly reflects the scarcity of China's high-quality island resources. From 2013 to 2014, China market surveys found that 'island holidaying' ranked as the most popular overseas travel choice.

Australian island holidaying can be divided into three categories by type of experience:

- Tasmania, containing Bruny Island, Flinders Island and King Island. Tasmania is Australia's southernmost region, and its colder, more remote environment invokes a cultural imagining of the 'Ends of the Earth', similar to that of China's Hainan island.
- Kangaroo Island in South Australia, and in Western Australia, Rottnest Island, the Abrolhos Islands and Muiron Island in Ningaloo National Park. On these islands, sea animals can be seen and diving, yachting and other marine activities are available. In addition, the Kimberley region, has many islands that appear untouched by human intervention. Notable among these is Buccaneer Archipelago where islands are in almost pristine condition as a result of their isolation and difficulty of access. The islands' rocks are over 2 billion years old, as is the surrounding coastline.
- The Tiwi Islands in the Northern Territory allow tourists to experience an authentic Indigenous way of life.

Combined with the possibilities of marine animal watching, and supported by well targeted Chinese marketing, these islands again provide the basis for a promising business model.

Epic wilderness crossing and camping

Chinese travellers started driving through the Australian mainland in large numbers from 2010. Most of these were repeat visitors, with the most popular starting points being Sydney or Melbourne and the most popular destination being Uluru. However, Australia’s west offers a number of routes that could appeal to those Chinese tourists with a taste for adventure:

- The best starting points for the Australian wilderness crossing would be the capital cities of the three western states/territories – Adelaide, Perth and Darwin, all of which have direct flights with China. There are three routes available for exploring the wilderness of the Australian continent:
  - Route 1: Outback Way (starting from Perth or Cairns). No other driving route passes through as many landscapes, climates and iconic Australian attractions as the Outback Way, stretching 2,750 km from Laverton to Winton through the heart of Australia.
  - Route 2: Traversing North and South (starting from Adelaide or Darwin) following the Stuart Highway through the North and South of Australia. There are also tourist trains following a similar route.

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25 The Australian island information comes from Tourism Australia's website
Route 3: West Coast – Kimberley Plateau Crossing (Perth or Darwin as a starting point). Follow the Indian Ocean Drive or Brand Highway to Great Northern Highway, then into Victoria Highway, Stuart Highway to Darwin, or vice versa.

Indigenous culture

At present, several Indigenous cultural experience destinations in Western Australia and the Northern Territory are very popular among other nationalities and well placed to attract more Chinese visitors. These include the following examples:

- The north eastern part of Western Australia, including Leopold, Cabo Island, bordering Timor Sea. This area encompasses a large national park and is home to Indigenous Australians. It is also home to numerous precious cave paintings.
- Around the Dampier Peninsula, travellers may stay overnight in Indigenous camps, and with the help of local guides, experience white sandy beaches, red cliffs and blue seas. Further south, travellers can experience an Indigenous camping night at Karijini National Park.
- The Arnhem region is largely unaffected by modern civilization, retaining a wealth of Indigenous culture.

Develop innovative tourism products

As demand from Chinese visitors is growing and becoming increasingly diversified, provision of innovative tourism products is becoming increasingly important. While product innovation and delivery are not government responsibilities, government has a role to play in supporting the development of innovative products that have a significant impact on the local tourism industry. Potential products include:

Immersion in the local lifestyle

- Ranches, fishing ports, townships, and Indigenous communities are ideal places for in-depth experiences of local lifestyles, and have always been popular among Chinese visitors. At present, farm and pasture excursions have been promoted as mature tourism products throughout Australia, and are highly sought after by Chinese visitors. For example, Caissa International Travel Service, China’s major outbound tour organiser, is marketing Spicers Hidden Vale tours, located in a quiet valley west of Brisbane. In recent years, and in response to increased demand, there have been pastures developed on the outskirts of Brisbane, where Chinese tourists can choose various farm-related programs such as feeding kangaroos, riding horses, or watching sheep shearing and working dog displays.
- Australia’s west also has a selection of farm and pasture destinations, including Banka Banka in the Northern Territory, Home Valley Station Tour in Western Australia, and Bungaree Station in South Australia. Due to their greater sense of wilderness, the farms and pastures in these parts of Australia align with the Chinese ‘western complex’ – a sentiment originating from the influence of American western films and associated with the desolate geographic features in parts of China.
Tourism trains

The Ghan, a tourist train passing through the Australian outback, is one of the few long-haul tourist super-length trains in the world. It traverses a variety of unique landscapes, combining a series of high-quality natural and cultural tourism attractions. However, patronage of the service by Chinese travellers has been low, which could be improved by:

- Increasing train activities, customising offerings for the special needs of Chinese tourists, including functions for small group corporate events, train weddings and family group travel.
- Developing the Ghan brand within China by partnering with Chinese travel agents.
METHODOLOGY

Strategic importance of dispersal of Chinese visitors in regional Australia

The objective

In February 2018, China overtook New Zealand as Australia’s largest source market for inbound visitor arrivals, surpassing 1.4 million trips annually. TRA forecast that the strong growth will continue, with 3.9 million Chinese visitors in 2026–27.

However, record visitor numbers cannot hide the fact that Chinese visitors are concentrated in metropolitan centres like Sydney and Melbourne and less likely to disperse to regional areas than most other nationalities. Failing to disperse more Chinese visitors to regional areas will cause two major issues: supply-side restraints on metropolitan centres and creation of a two-speed Chinese visitor economy (the split of major gateway cities and regional Australia) that prevents the benefits of the tourism boom from flowing to regional areas.

Against this backdrop, TRA initiated this research to develop a deeper understanding of an emerging group of tourists – free and independent travellers (FITs) from China – exploring ways to increase their dispersal beyond Australia’s east coast cities. This in turn supports tourism authorities in identifying and prioritising regions with the greatest untapped potential for attracting Chinese FITs. Findings from this report could be also used to create a ‘roadmap’ to contribute to increased Chinese visitation for particular regions.

The methodology

This report studies the issue of regional dispersal from both supply and demand sides. Demand-side research involved identifying factors inhibiting regional dispersion, and was undertaken primarily through surveying Chinese FITs travelling in Australia and potential FITs in China aspiring to travel here. Desktop research based on secondary data sources complemented these surveys.

Supply-side research includes a Chinese perspective on regions that have potential appeal to Chinese FITs. Regional destinations were nominated by each state and territory for the Regional Tourism Infrastructure Investment Attraction Strategy, a joint initiative of Austrade and Tourism Australia. Findings from the various regional studies were combined and assessed, which enabled common themes to be identified. The findings will complement local approaches and contributed to effective regional dispersion strategies that can be rolled out nationally.
The scope

Based on the above-mentioned research methodology, the project comprised two components.

- Component 1: Research on outbound tourism by Chinese visitors. This was based on a quantitative analysis of China’s middle-class on their geographic distribution, demographic and economic characteristics and changes in income levels over time, and the dispersal pattern in regional Australia. It also included comparative studies of long-haul competitors such as Europe and New Zealand.

- Component 2: An analysis on the dispersal of Chinese leisure FITs to regional Australia, which included a survey-based approach to identifying which regions have the greatest appeal to Chinese FITs.

These two components complement each other, with the research on China’s outbound tourism providing context for the more targeted research in component 2.

The research partners

While TRA managed the research project including the desk-top research and the write-up of the research report, a substantial part of the work was commissioned to the following consultants:

- Survey in Australia: a consortium of China Digital Agency in partnership with tourism researchers from Monash University and Edith Cowan University
- Survey in China: the research team led by Professor Chris Ryan, Editor of the journal “Tourism Management” and Director of the New Zealand-China Tourism Research Centre at the University of Waikato in New Zealand
- Case studies of regional destinations for Chinese leisure FITs: Mr Chenxing Liu, IPO Tourism Planning Consulting Co. Ltd based in Beijing
- The following two institutions also provided the data for analysis:
  - The dispersal of Chinese FITs in 6 European destination markets (France, Germany, UK, Spain, Italy and Switzerland): China Outbound Tourism Research Institute based in Germany
  - The dispersal of Chinese FITs in New Zealand: the New Zealand-China Tourism Research Centre at the University of Waikato in New Zealand.
ATTACHMENT B

CASE STUDY – EUROPE

DISPERAL OF CHINESE VISITORS: AN INTERNATIONAL PERSPECTIVE

Both Europe and New Zealand have developed strategies to increase Chinese visitation into regional areas, away from major cities.

From a European perspective, regional dispersal encompasses two sets of destinations. Firstly, it means encouraging more Chinese visitors to travel beyond the well-known and highly popular cities of Western Europe and spend more time in the less visited cities and towns of France, Italy, Spain, UK, Germany and Switzerland. Secondly, it means having Chinese tourists reorient themselves to see more of the eastern part of the continent.

This is becoming an increasingly important issue. Visitation from China to Europe is at unparalleled levels, with over 6 million arrivals in 2017. This has more than tripled on a decade earlier. The impacts of increased traveller volumes are most keenly felt in must-see destinations such as Barcelona, Venice and Paris, where relations between locals and Chinese tourists are under threat and where the experiences of guests from other source markets are negatively affected.

For New Zealand, China is the second largest source market with total visitors reaching 0.42 million in 2017, which has more than tripled over the last 10 years. With growing numbers of international tourists, concern has been expressed in New Zealand that some locations are beginning to experience crowding at peak times and the exceeding of carrying capacities related to physical, natural and social environments.

The following information is primarily drawn from two research reports commissioned to the China Outbound Tourism Research Institute (COTRI) based in Germany, and China-New Zealand Tourism Research Unit at the University of Waikato in New Zealand.

THE DISPERSAL PATTERN OF CHINESE LEISURE FITS IN EUROPEAN DESTINATIONS

Five of the six European countries studied exhibited similar dispersal patterns to Australia, namely a high concentration of leisure FITs in capital or big cities. In terms of individual destinations:

- France continues to be the most visited tourism destination worldwide, and Paris is a must-see among most Chinese visitors to Europe. COTRI analysis of French tour itineraries showed that 90% of Chinese package and FIT itineraries included a visit to Paris. Another recently published study showed that the ten most visited attractions in France by Chinese travellers were all located in Paris.
- Despite the popularity of Rome, Chinese visitors to Italy are less focused on a single destination. Aside from the capital, the northern cities of Venice, Florence and Milan also attract large numbers of Chinese. Other top ten destinations, however, were only of fleeting interest, for example a few hours viewing the Leaning Tower of Pisa, sampling seafood in Cinque Terra or crossing the border to San Marino to add another entry to their list of visited countries.

- The level of dispersal of Chinese visitors to Spain is somewhere between that of France and its focus on Paris, and Italy with its four tourist-oriented destinations. For Spain, both Madrid and Barcelona were part of the itinerary for almost all Chinese visitors analysed, with other main attractions being Andalusia (Seville and Granada) and Ronda.

- The dispersal of Chinese visitors to the UK used to be similar to that of France, with London taking the place of Paris as the dominant tourist destination. Analysis by COTRI shows London continues to be an important destination (featuring in virtually all Chinese travel itineraries), however, other cities are becoming increasingly important. Edinburgh, for example, appeared on more than 75% of itineraries, while Oxford was included in about two-thirds of all trips. Apart from these three major destinations, a range of other destinations offering specific features have also established themselves. This includes:
  - York and Bath as quintessential ‘English’ cities
  - Cambridge as the other place of learning
  - Manchester as home to two internationally famous football teams, and the first UK direct air connection with China outside London
  - Bicester as the home of Value Retail outlet village
  - the Lake District as the fastest growing nature-based destination for Chinese visitors.

- The popularity of these UK destinations among package and FITs also reflects the travel tendencies of many non-leisure travellers to the UK, from business and MICE travel to VFR, students and investors. Compared with England and Scotland, Wales and Northern Ireland received less Chinese visitation.

- In Germany, 85% of all overnight stays were concentrated on just five of the sixteen provinces, with the north and east of Germany attracting less than 1% of all overnight visitors from China. Analysis of package tour and FIT itineraries shows that the north and east of Germany – with the exception of Berlin – are all major Chinese tourist destinations, successfully leveraging off direct air connections to China. Other top ten Chinese destinations are Heidelberg, Cologne, Rothenburg, Dresden, Stuttgart and Nuremberg. Düsseldorf, Dresden, Hannover, Nurnberg, Leipzig, München, Frankfurt,

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26 **Meetings, incentives, conferences and exhibitions** (MICE) is a type of tourism in which large groups, usually planned well in advance, are brought together for a particular purpose.

27 The Titanic Museum in Belfast is a popular destination among Chinese visitors, this is largely because Titanic was the first major Hollywood film to be released to a mainstream Chinese audience.
Stuttgart Köln and Hamburg are part of Magic Cities, a cooperative marketing strategy developed to get visitors to travel beyond Berlin.

- In Switzerland, a recent study based on 100,000 entries to Sina Weibo blogs found that Chinese travellers visited a wide variety of places during repeat visits. However, the study also showed that the southeast of the country – an area encompassing the winter sports destinations of Davos and St. Moritz – was much less able to generate repeat visitation from China.

**INITIATIVES IN EUROPE TO DRIVE SPATIAL DISPERSION**

Within Europe, tourism is a collective effort strongly influenced by different governing European Union (EU) or European Commission (EC) bodies, alongside efforts by industry. From a regional dispersal perspective, this includes the following:

- Major investments in regional tourism infrastructure from the European Fund for Regional Development targeted at the less-visited areas. The ‘Iron Curtain Bike Trail’ project is a typical example of this nature, involving 20 nations, 14 of which are EU members.
- Recent EC and EU funding for marketing and product development to the Chinese market. The Chinese version of visiteurope.com, the official travel portal of Europe, is the first major project in this area, providing information and featured experiences for Chinese planning their trips to the regions and countries of Europe.
- Commissioning of the ‘World Bridge Tourism’ project from the European Commission to help increase the flows of visitors from China to the EU, in particular to smaller member countries. As part of this project, webinars and business meetings for European SME tourism service providers were held in Shanghai in conjunction with ITB China in May 2017 and in London in conjunction with World Trade Market (WTM) in November 2017.
- The founding in 2016 of the Europe-China ‘the Belt and Road Initiative’ (BRI) Culture & Tourism Development Committee by the European Parliament to leverage the Chinese OBOR initiative for the development of Chinese outbound tourism to Europe including promotion of European regional destinations.
- The European Travel Commission, CAISSA Tour Operator (European Office) and COTRI agreeing in 2015 on cooperation to further develop the European Academy of Chinese-speaking tour guides (http://www.eacstg.com/index/about_en?l=en) with the explicit goal to educate tour guides for the smaller destinations of Europe.
- The China-Central and Eastern European Countries project, which involves 16 Central and Eastern European countries and also has tourism as one of its main fields of cooperation (http://www.china-ceec.org/eng/).

The main activity for the China market, however, is the EU-China Tourism Year 2018 (http://www.ecty2018.org/), which was agreed between the President of the European Commission, Jean-Claude Juncker and the Chinese Prime Minister, Li Keqiang, in July 2016. During 2018, a Private-Public Partnership program will see private investment match

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28 The ITB Berlin ([Internationale Tourismus-Börse](https://www.itb.de)) is the world's largest tourism trade fair. The companies represented at the fair include hotels, tourist boards, tour operators, system providers, airlines and car rental companies.
13 million Euro of EC funding to support trans-border development of services and products for the Chinese market and accompanying marketing activities.

EXAMPLE 1: FAIRY TALE ROUTE - BRINGING CHINESE VISITORS TO SMALL GERMAN TOWNS

FIGURE 34 THE GERMAN FAIRY TALE ROUTE

One of the earliest attempts to bring international visitors to smaller cities in Germany was the German Fairy Tale Route, which was originally established in 1975. With a total length of 600 kilometres, the route runs from Hanau near Frankfurt to Bremen in the north. About 60 destinations offer attractions focused on the fairy tales of the Grimm brothers, including locations where they lived and worked at various stages in their life, as well as regions which are linked to the fairy tales found in the Grimm collection, such as The Town Musicians of Bremen.
The route was a big success with Japanese tourists in the 1980s, which was one of the reasons that the marketing association very early started to produce a Chinese version of the website and to participate in Chinese tourism fairs etc. A Chinese TV company produced in 2010 a successful series of documentaries, mixing the fairy tale with the real destinations. Some Chinese tour operators are offering package tours along the Fairy Tale Route, visiting only small cities (aside from Kassel and Bremen) that would otherwise be missed by Chinese leisure tourists.

Organising a tourism route with a common theme which is known to the Chinese audience is a proven tool to bring leisure visitors to otherwise unknown destinations. Very few Chinese know the name of the city of Hamelin, but many know the ‘Pied Piper’s city’. By organising special events in off-season times, as is done with fairy tale theatre shows, fairy tale musicals, fairy tale weeks etc. along the route, a temporal dispersion is also possible.

EXAMPLE 2: MANCHESTER AND BIRMINGHAM INCREASING ACCESSIBILITY BY DIRECT AIR CONNECTION

As discussed above, Manchester and Birmingham have not been on the map of Chinese leisure visitors to Britain, as indeed many British will not consider these cities as a holiday destination. Both cities have, however, seen a substantial increase of visitors due to the fact that Chinese tour operators started charter flights to both airports in 2015 and 2016, respectively. The tourism authorities of both cities supported private companies by providing Chinese Tourist Welcome Trainings for a wide range of front-office staff including airport employees, retailers and tourism service providers, as well as tourism managers.

Manchester took advantage of the popularity of their two local football teams, boosted by the visit of President Xi Jinping in 2016 to the Manchester City stadium and the National Football Museum. In 2016, both teams scheduled several exhibition games in China, which were accompanied by tourism marketing activities for the Manchester region.

The expected arrival of 20,000 Chinese visitors per year via the direct air connection in Manchester is a boost to the local tourism market by itself, but the marketing managers of Manchester are planning to leverage these visitors as ambassadors for the destination back in China.

An additional initiative in Manchester is associated with the historical fact that Friedrich Engels, sponsor and comrade of Karl Marx, spent many years in Manchester. With the upcoming 200th anniversary of Marx’s birth in 2018, the renewed official emphasis on the Marxist roots of the Communist Party of China, and the start of international Red Tourism from China to Russia in 2015, a Red Tourism route featuring locations significant to both men (Marx and Engels) is being considered for older nostalgic Chinese and official study groups.²⁹

²⁹ Aside from Manchester, this includes Wuppertal, a city in western Germany and the burial place of Engels; Trier, a city in Germany on the banks of the Moselle, the birthplace of Marx; Brussels, where Marx and Engels wrote the Communist Manifesto; the Reading Room of the British Library in London where Marx wrote much of The Capital; and London’s Highgate Cemetery, Marx’s burial place.
CASE STUDY – NEW ZEALAND

SPATIAL PATTERNS OF CHINESE VISITATION IN NEW ZEALAND

New Zealand is divided into 30 different tourism regions (Figure 35), with Auckland, Canterbury, Queenstown, Rotorua and Waikato being the most important from an international visitation perspective. However, many of New Zealand’s other regions are also important, and are the subject of new marketing initiatives. These initiatives are the result of the government seeking to better distribute the flows of tourists throughout the country and create income and job opportunities in rural and regional areas experiencing population decline due to internal migration, as well as to ease pressures on tourism ‘hotspots’ during peak periods.

As New Zealand’s major city, Auckland accounts for approximately 27% of the country’s total population. It is, therefore, a hub for urban recreation and leisure supplemented by its location on the Hauraki Gulf with easy access to sea and beaches and its reputation as a collection of villages, each with a café society. It is also the location of New Zealand’s major airport, which accounts for up to 75% of international arrivals.

From Auckland, many international tourists will travel either directly to Rotorua or travel there via an overnight stay in Waikato. Waikato is the location of two of New Zealand’s iconic tourist attractions, namely the Waitomo Cave system with its glow-worms, or adventure activities such as Black Water Rafting. Hobbiton, the village associated with The Lord of the Rings and The Hobbit films is a very different type of Waikato experience that is popular with Chinese tourists. Ministry of Business, Innovation and Employment statistics indicate that in 2016, over 86,000 Chinese tourists visited a site specifically designated as a film (tourism) location, and of these Hobbiton in the Waikato region would account for the majority. Film locations accounted for 1.6% of all activities undertaken by Chinese tourists. For its part, Rotorua has long been a tourist centre since the mid-nineteenth century based on its geothermal valleys and as a centre for Maori culture.
From Rotorua, many Chinese tourists will then travel through the Ruapehu region, stopping to spend some time by the great lake at Taupo, but generally bypassing the ski-fields of Mount Ruapehu. While the Manawatu has it attractions, most will travel to Wellington, the capital of New Zealand, before heading for the South Island with the objective of reaching Queenstown. However, not all will take this land route. After visiting Rotorua, many will either return to Auckland or use the regional airports including Hamilton, to fly to Christchurch or Queenstown, thereby bypassing Wellington.

Christchurch is known as the ‘Garden City’ on account of its parks, but is also within easy drive time of locations such as Akoroa, a small town set by a sea inlet formed by past volcanic action. The town also possesses a history of a French influence since the arrival of a French fleet in the mid-nineteenth century and is also a centre for dolphin watching and other marine-based attractions. With a recent history of earthquakes, Christchurch has acquired new attractions, including the ruins of its cathedral, the emergence of a new city, and at the time of writing, the main means of access to the north to the Kaikoura Peninsula and its famed whale watching activities. As at June 2017, the direct northern route to Kaikoura from Picton still remains blocked due to the 2016 earthquake in Kaikoura that disrupted road and rail links from the north of the South Island. An alternative route exists, albeit on secondary roads.
FACTORS INFLUENCING DISPERSAL OF CHINESE VISITORS IN NEW ZEALAND

Within less than a decade, there have been significant changes in the patterns of Chinese tourists arriving in New Zealand. They have significantly grown in numbers, reflecting the growth of a well-educated middle class in China that wishes to explore the world beyond their country. The response of airlines around 2005 in establishing direct routes that bypass Australia played a major role in making such travel possible.

The changes go beyond simple numbers. At the beginning of the century with the gaining of Approved Destination Status, a significant part of Chinese visitation was on tours that included Australia, and which primarily centred on an Auckland-Rotorua nexus. These tours tended to be of short duration of two to three days as an ‘add-on’ to the main destination of Australia, and often comprised ‘shopping tours’ with the primary function of obtaining commissions from shops to offset losses on transport and accommodation. Today, the FIT market accounts for about one-third of all Chinese tourists, with ‘quality tours’ overtaking the ‘shopping tour’ in popularity.

Combined with these changes, inter-generational changes have also been significant, with younger Chinese tourists now replicating many of the tourist activities of their western counterparts. Consequently, adventure holiday activities feature more prominently on Chinese itineraries.

Nonetheless, the geography, population, landscape and transportation routes of New Zealand have established a tourist flow that encompasses well known tourist destinations that have traditionally dominated the industry in New Zealand. These are centred on population centres such as Auckland, Rotorua, Christchurch and Queenstown, with secondary destinations including Waitomo (Waikato) and Wanaka among others. Over time, additional secondary locations such as Hobbiton and the West Coast have developed due to the evolution of key products, but each still tends to be readily accessible from the main transport routes. Chinese tourists tend to adhere to these routes, as do other international tourists.

With growing numbers of international tourists, concern has been expressed in New Zealand that some locations are beginning to experience ‘over-tourism’; that is, crowding at peak times and the exceeding of carrying capacities related to physical, natural and social environments. In response, Tourism New Zealand has ceased promotional activities during the summer and has sought to implement two policies, namely off-peak promotion and regionalism whereby it seeks to promote regions currently ‘under-visited’.

These policies have not been targeted at a particular market segment, and being relatively new are still being monitored.

In the North Island, Tourism New Zealand did specifically promote Northland as part of its regionalisation policies. The summer of 2016-2017 was one where both international and domestic tourism increased in Northland by approximately 6%. However, given that these figures do not significantly differ from the overall increase in numbers of all visitors, it is difficult to assess to what degree the increase was specifically due to the implementation of a regional policy, or simply reflected the general increase in numbers of tourists.

The travel patterns and activities reported are also consistent with several themes of past research. As noted these themes include the Chinese liking for New Zealand’s landscape, its
unpolluted air, the friendliness of the people, the ease of transport and an interest in both ‘kiwi’ and Maori culture. The growing interest in Maori culture may reflect the intergenerational changes in China with a younger age group potentially being more interested in ethnic minorities, promotion of ethnic minorities and the trend away from low cost shopping tours toward the quality tours and independent traveller sectors. Geographically this interest in Maori culture may reinforce the Auckland-Rotorua nexus, but may also help increase tourism flows to Northland (Tai Tokerau). Thus, if regionalism is going to an effective policy, it does require the following:

a) A strong set of original offerings to attract Chinese tourists
b) Good linkages with existing flows of traffic for ease of accessibility
c) A good range and supply of accommodation to optimise the economic benefits from increased tourism.
BARRIERS TO REGIONAL DISPERSAL IN AUSTRALIA – A CHINESE PERSPECTIVE

As part of the research on regional dispersal of Chinese FITs in Australia, TRA commissioned an independent investigation into supply-side issues with dispersal of Chinese visitors to regional Australia. The research involved regions that have potential appeal to Chinese FITs, as nominated by each state and territory for the Regional Tourism Infrastructure Investment Attraction Strategy – a joint initiative of the Australian Trade and Investment Commission (Austrade) and Tourism Australia.

Unlike previous studies on regional destinations, this study, however, combined findings from the field trips to draw generalisations and identify issues of broader significance for policy development.

Mr Liu Chenxing – a tourism destination planning expert based in Beijing – was commissioned to undertake the project. The main objective of the study was to assess, from the perspective of a tourism planning expert in China, the areas identified as priorities for regional dispersal.

Mr Liu completed an on-site study of the nominated regions and drafted a field trip report containing key issues identified and recommendations for growing new destinations and products in regional Australia. The issues identified and the ensuing recommendations represent the views of Mr Liu.

The study focuses on the western side of Australia, a broad region comprising Northern Territory, Western Australia and South Australia. These jurisdictions were chosen due to their relatively low levels of Chinese visitation and greatest scope for growth. That being said, the study findings are relevant to other parts of Australia.

KEY BARRIERS

According to Mr Liu’s research, the key barriers for dispersing Chinese visitors to regional destinations were tourism infrastructure, existing product structure, information dissemination and destination website design.

Tourism infrastructure

- Roads and accommodation services were found to be key barriers based on views formed during field trip observations, and reinforced by travel notes posted on TripAdvisor and QNER.COM, China’s most visited tourist social networking sites.

Travellers’ complaints were largely focused on the inadequacy of service centres, roads to regional destinations and budget hotels. Consistent with the findings of Chapter 6 of this report, Wi-Fi services were also criticized. A majority of hotels in Australia do not offer free Wi-Fi whereas this is almost universally available throughout China, even in most remote regional towns in its south western and north western regions. Communication networks in regional Australia also caused inconvenience for Chinese tourists’ access to personal
financial services. According to feedback from those that visited the western side of Australia there were only a handful of regional towns with suitable ATMs.

The major difference between Australian and Chinese budget hotels is the absence of chain brands. Without a familiar brand, it can be difficult for Chinese tourists to prejudge the standard of accommodation and make informed choices. This issue resonates strongly in Australia, as Mr Liu’s view is that our regional accommodation offerings are generally under par and service specialization is relatively low compared with that of similar hotels in China.

**Regional destination website**

- It was noted that jurisdictions in Australia’s west used websites to showcase iconic natural attributes and attractions. For example, the Northern Territory used Chinese students’ endorsement to engage potential Chinese tourists. However, there are two issues with the websites: viewers distraction and a lack of practical tools.

While these websites appear to provide a substantial amount of information, it may be distracting to tourists. For example, the first-level of information in most West Australian tourism websites are “Places to go” and “Things to do”, and then links to destinations, events, attractions, so on and so forth. Web-sites designed in this way failed to follow the thought processes of most Chinese tourists being from examining a subject in a general sense first before turning to specific details. Without any prior knowledge of the states and territories, Chinese tourists are not influenced by an introduction of specific regions and attractions, and they normally choose not to navigate for further information.

Another source of the distraction lies in the fact that the content of most websites is ostensibly commercially-oriented. Most tourism websites provide vivid descriptions of tourist attractions and experiences, with a very strong commercial flavor. However, today’s Chinese tourists are increasingly interested in the everyday life of local residents, and the websites would be more appealing to Chinese tourists if the information provided reflected this.

An additional issue is the lack of practical value and affinity. Chinese visitors expect regional websites not only to provide information, but to also serve as booking facilities. Though most tourist websites were designed this way, links to other sites were not eye-catching, with too many levels to navigate. Western Australia’s travel website is cited as an example. The website divided the state into five regions, and then lists the visitor centers in each region separately. The issue was that all of these visitor centers were located under the third level of the web page meaning it took some time for tourists to find information. A more practical alternative would be to establish a virtual visitor centre in a prominent position on the homepage, to make inquiries and bookings quicker and easier.

Chinese visitors are driven by costs for their destination choice at this stage. However, the growth of Chinese visitation will not be sustainable in the long run if the momentum is not built on a profound cultural understanding of Australia.

One issue of concern is that Chinese tourists have entrenched negative views of Australian culture. A recent study in China found that Chinese tourists did not appreciate Australia’s “local culture, such as indigenous and some historical heritage, as well as adventure.

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30 From Perth to Adelaide, [http://blog.163.com/wangle_mylife/blog/static/187884297201272315849346/](http://blog.163.com/wangle_mylife/blog/static/187884297201272315849346/).
The study was based on online comments from the three most influential social networking sites in China\(^{31}\) and the final report was published in *Tourism Tribune*, China's most authoritative tourism journal. The caveat was that the conclusions were inconsistent with the findings from the survey of visitors' satisfaction in Australia. However, such an extensive disagreement (36,148 online comments) from Chinese travelers on the Australian cultural identity should be of some concern to the Australian tourism industry.

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\(^{1}\) MA Yingjie, *On the Protection of Law of Rare or Endangered Marine Animals of China [D]*, Qingdao, Ocean University of China, 2008: 1.


\(^{3}\) Ibid IX