CHINA

Market Profile

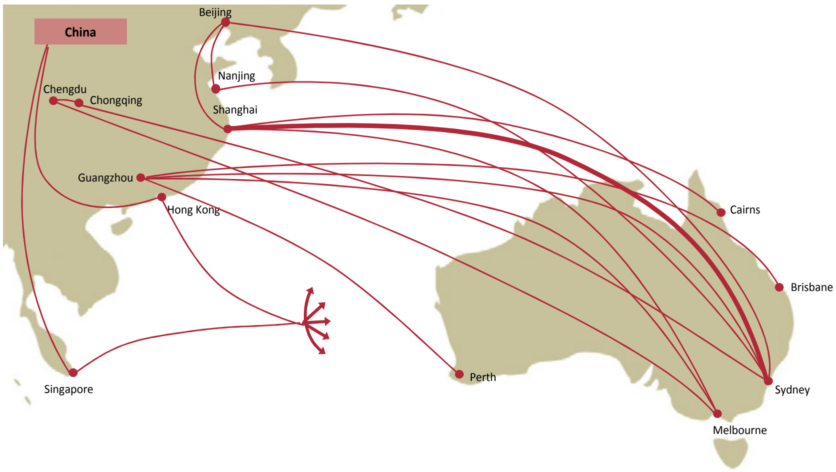
TOURISM AUSTRALIA

Performance overview

In 2013, China was Australia's second largest inbound market for visitor arrivals, and the largest market for total expenditure and visitor nights. It was the third largest market for total dispersed nights[1] during 2013.

The October 2013 issue of Tourism Research Australia's bi-annual Tourism Forecasts estimates that visitor arrivals from China will increase 14 per cent in 2013/14 and 12 per cent in 2014/15, with an annual compound growth rate of 9 per cent expected until 2017/18.

Aviation routes from China to Australia[2]



Visitor profile in 2013

45% repeat visitors[3]

71% of total arrivals are for leisure[3]

45-59 years largest demographic[3]

$7,194 average spend[3]

45 nights average stay[3]

Oct-Jan and **May-Jun** peak booking period

Oct, Dec-Feb and **Jul-Aug** peak travel period

$7.4-9.0bn

Potential for the China market to be worth by 2020 *(Tourism 2020)*

$4.8bn total spend

Total spend from China in 2013 (up 16 per cent on 2012)[3]

709,000 arrivals

Chinese visitor arrivals in 2013 (up 14.5 per cent on 2012)[4]

29.8m total nights

Chinese visitor nights spent in Australia in 2013 (up 7 per cent on 2012)[3]

19% dispersed nights[1]

Percentage of total Chinese visitor nights spent outside gateway cities in 2013 (same as 2012)[3]

Australia ranks **10th**

among all out of region outbound[5] destinations for Chinese travellers[6]

Consumer research

For detailed research into how Chinese consumers view Australia and what motivates them to visit the country, see **www.tourism.australia.com/statistics/fact-sheets**

1. Dispersed nights refer to nights spent outside gateway cities of Sydney, Melbourne, Brisbane and Perth.
2. Source: CAPA - Centre for Aviation, Official Airline Guide (OAG), and Tourism Australia analysis.
3. Source: International Visitor Survey, Tourism Research Australia.
4. Source: Overseas Arrivals & Departures, Australian Bureau of Statistics.
5. Out of region travel from China excludes travel to North East Asia.
6. Source: Tourism Decision Metrics, Tourism Economics.

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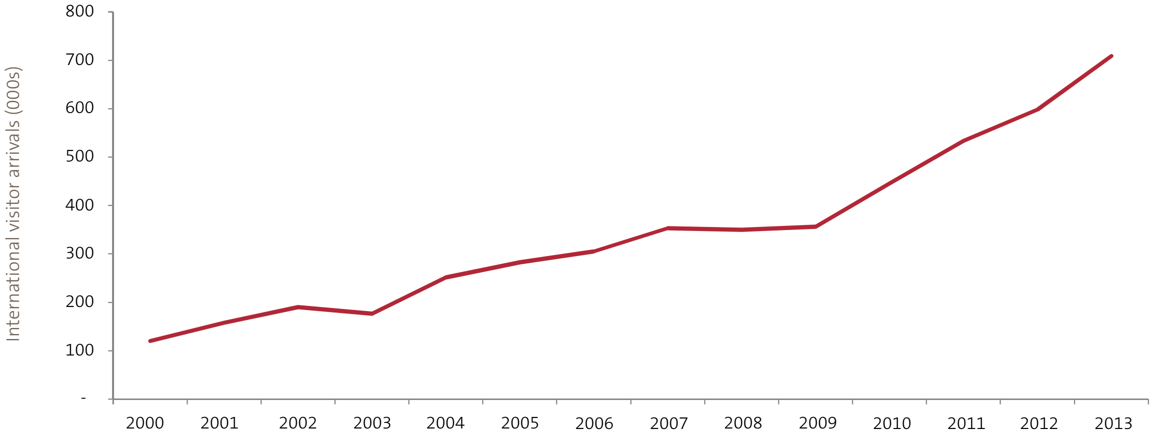
Market Performance

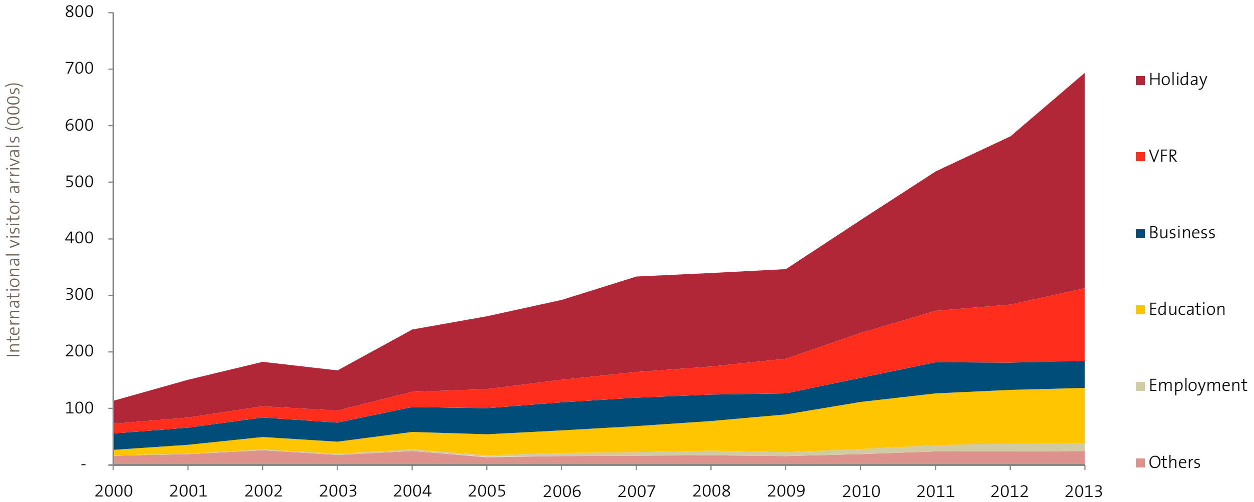
Arrivals trends

History of Visitors from China into Australia



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

History of Visitors from China by Purpose of Visit



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

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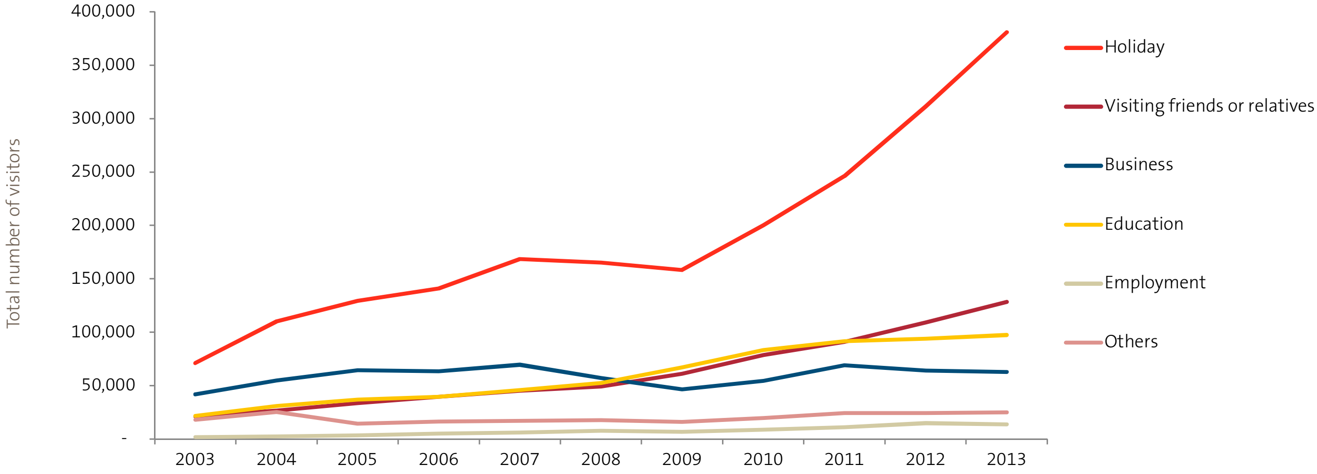
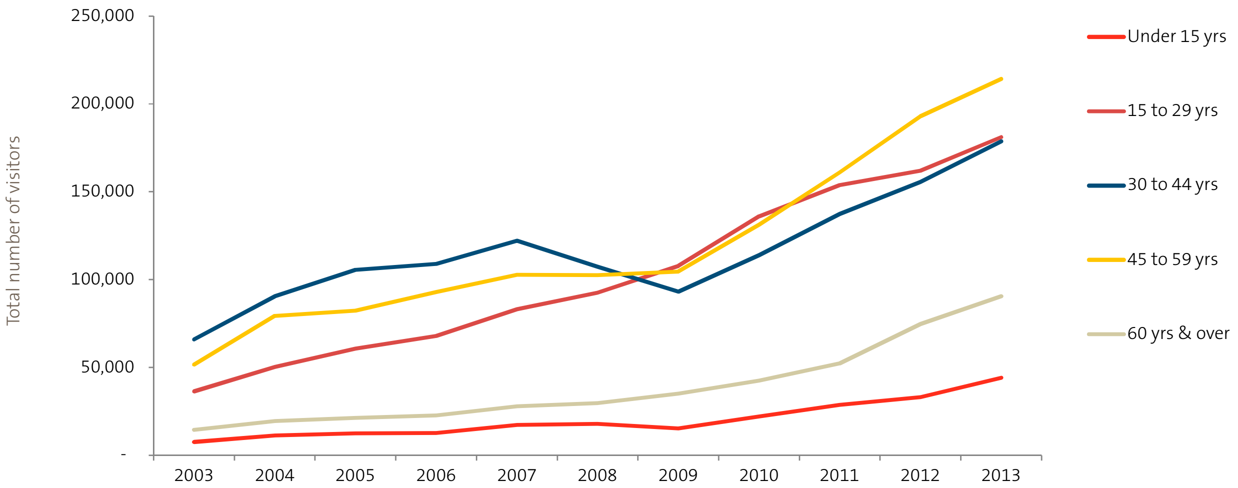
Market Performance

Visitor Arrivals by Purpose of Visit for 2003-2013



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

Visitor Arrivals by Age for 2003-2013



Source: Australian Bureau of Statistics, Overseas Arrivals & Departures

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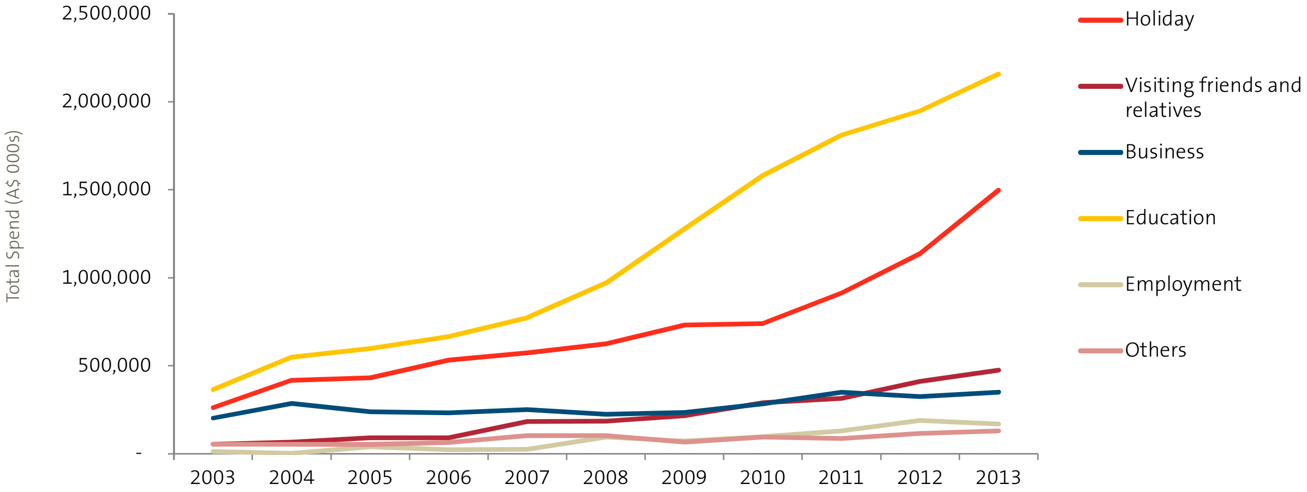
Market Performance

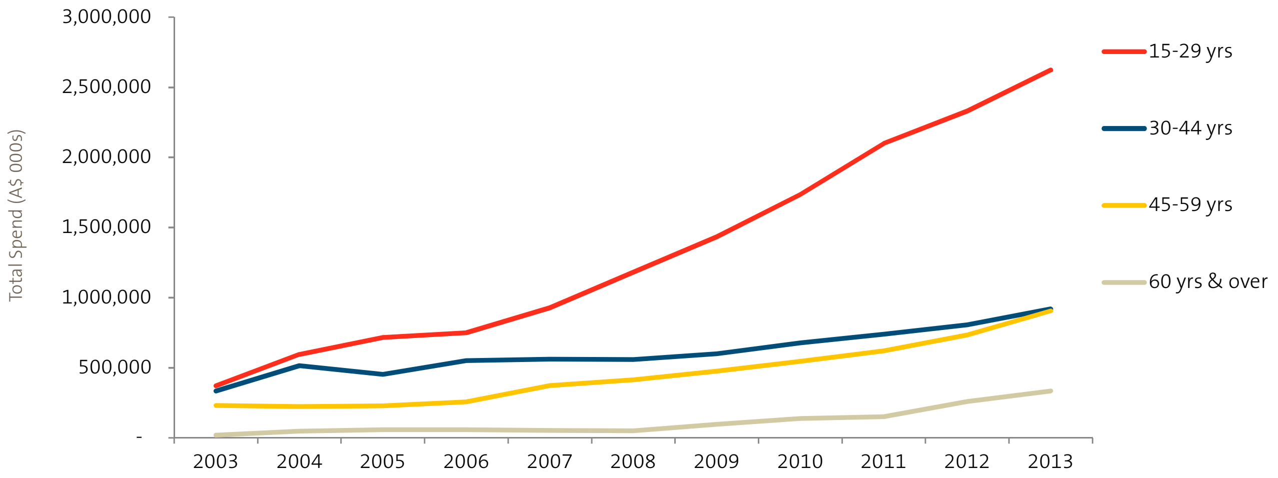
Expenditure trends

Visitor Spend by Purpose of Visit for 2003-2013



Source: International Visitor Survey (Tourism Research Australia)

Visitor Spend by Age for 2003-2013



Source: International Visitor Survey (Tourism Research Australia)

CHINA
Market Performance

Visitor profiles

Holiday
Spend per trip $4,179
Stay 9.3 nights
Spend per night $449

Visiting Friends and Relatives
Spend per trip $3,834
Stay 59.6 nights
Spend per night $64

Leisure
Spend per trip $4,086
Stay 22.9 nights
Spend per night $178

Business
Spend per trip $5,211
Stay 18.9 nights
Spend per night $276

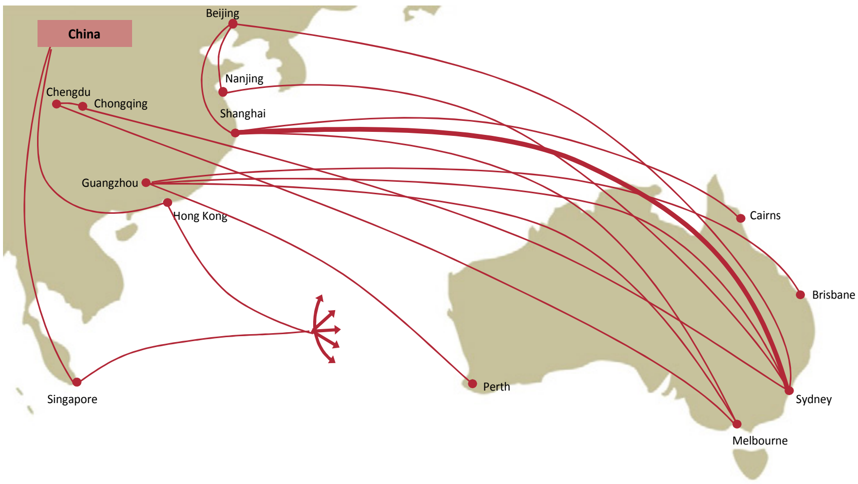
International Visitor Survey (Tourism Research Australia).
Note: Data refers to an average of 2009-2013

CHINA

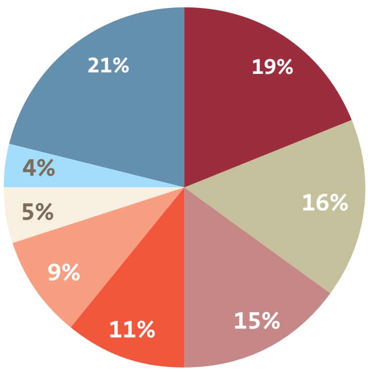
Aviation Landscape

- Overall, aviation capacity growth out of China is expected to slow. This slower growth will help the 'big three' state-owned Chinese carriers (Air China, China Southern Airlines and China Eastern Airlines) to improve yields and loads on all routes including those to Australia.
- Following very strong capacity growth from China to Australia in recent years, the rate of growth slowed in 2013. More modest capacity growth is expected in the coming year as airlines consolidate existing services. For example, airlines have temporarily reduced frequencies from China to Perth, and services to Sydney operated on A380 aircrafts have become seasonal.
- In 2013, Chinese carriers continued to launch new services to Australia including Sichuan Airlines' Chongqing-Sydney and Chengdu-Melbourne services, and China Southern Airlines deploying the larger A380 on its Guangzhou-Sydney services during peak season.
- China Southern Airlines was the largest carrier of Chinese visitors to Australia in 2013. In 2010 and 2011, the airline gained significant market share which has softened in 2012 and 2013.
- Average load factors to Australia decreased to 77 per cent in 2013, further suggesting capacity will consolidate in the coming year. Loads tend to be softer outside the peaks of Chinese New Year (January, February) and July (peak outbound travel season for Australians).

Aviation routes from China to Australia



- Chinese carriers have a significant number of aircraft on order further highlighting growth potential from this market:
  - China Eastern - 115 aircraft
  - China Southern - 65 aircraft
  - Air China - 94 aircraft
  - Xiamen Airlines - 75 aircraft
  - Sichuan Airlines - 33 aircraft
  - Hainan Airlines - 32 aircraft
- Consolidation and alliances are expected to continue to shape the China aviation market, along with increased liberalisation and competition from other medium/long haul destinations. However, the Chinese Government still manages what routes Chinese carriers can operate, particularly the three largest carriers.
  - Qantas signed its first codeshare agreement with China Southern in December 2013, and announced an expansion of its agreement with China Eastern on April 2013.
- China is also a growing hub for European and North American visitors to Australia, as Chinese carriers expand services into these markets and improve connections and transit lounges. In 2013, the Chinese Government introduced a 72-hour visa free policy for people travelling to Beijing, Shanghai and Guangdong.
- Low Cost Carriers (LCCs) currently have a small share of capacity in China. LCCs have only recently been formally permitted to operate international services from China and the government is exploring the construction of low cost terminals to facilitate the growing number of these services.



Key airlines and share of passengers

Airline	2009	2010	2011	2012	2013
China Southern Airlines	8%	14%	22%	21%	19%
China Eastern Airlines	11%	11%	14%	15%	16%
Cathay Pacific	21%	20%	16%	16%	15%
Qantas Airways	20%	17%	12%	12%	11%
Air China	14%	12%	12%	11%	9%
Singapore Airlines	7%	6%	5%	5%	5%
Virgin Australia	3%	6%	6%	6%	4%
Other	15%	13%	13%	14%	21%

Table includes direct and indirect capacity

Source: Department of Immigration and Border Protection

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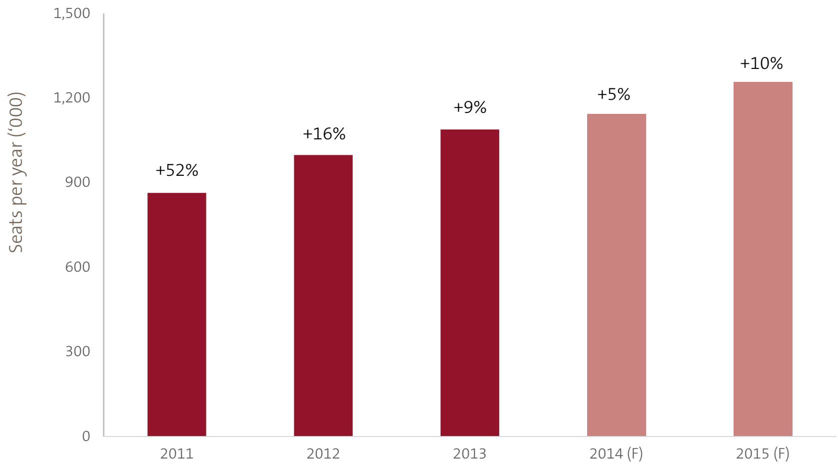
Aviation Landscape

Direct aviation capacity from China to Australia



Source: Department of Infrastructure and Regional Development
Note: (F) is a forecast based on Tourism Australia analysis, chart includes direct services only

Weekly services to Australia

Operating Airlines	Flights per week	Route	Alliance/Codeshare partner (on route)
China Southern	14 10-14 5-7 3	Guangzhou-Sydney* Guangzhou-Melbourne Guangzhou-Brisbane* Guangzhou-Perth	Air France
Air China	5 5 4	Beijing-Sydney Beijing-Shanghai-Melbourne Beijing-Shanghai-Sydney	Air New Zealand, Scandinavian Airlines
China Eastern	7 7 3 2	Shanghai-Melbourne Shanghai-Sydney Beijing-Nanjing-Sydney Shanghai-Cairns +	Qantas China services and selected Australian, Singapore, New Zealand services
Qantas	5	Shanghai-Sydney	China Eastern Australian services, and selected Australia and Singapore services
Jetstar	7-->0	Beijing-Singapore-Melbourne ^	Qantas
Sichuan Airlines	2-3 2	Chengdu-Melbourne Chengdu-Chongqing-Sydney #	

Table includes direct services only

** China Southern introduced the A380 on daily Guangzhou-Sydney services in October 2013 and will operate the aircraft on this route seasonally. China Southern also increased its Guangzhou-Brisbane frequencies from five per week to daily from 21 November 2013*

+ China Eastern currently operates its two weekly Shanghai-Cairns services only during Northern winter scheduling season (November-February)

^ Jetstar suspended its three weekly Beijing-Singapore services from 30 November 2013

 # Sichuan Airlines launched two weekly Chengdu-Chongqing-Sydney services on 20 December 2013

Source: CAPA- Centre for Aviation and OAG, Tourism Australia analysis

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Distribution

The travel distribution system in China is highly regulated, with approximately 1,400 agents authorised to operate group outbound travel business under the Approved Destination Status (ADS) Scheme. In general, group travel remains the dominant segment out of the market, however under the new China Tourism Law, Free Independent Travel (FIT) and semi FIT is growing at a faster rate.

Distribution System

Wholesalers/ Large Agents

Commission Level: 15% to 20%

- Wholesale travel agents cater mainly for ADS group business. Many of them are expanding their distribution networks by setting up branch offices or sales representatives in secondary cities.
- Some wholesalers have retail operations within the same business and are recognised as both wholesalers and retailers.

Special Interest

- Southern China is a relatively mature market in terms of product development and consumer travel behaviour. Experiences such as self-drive and golf have become popular niche segments in recent years, however these segments remain relatively small compared to the traditional leisure market.
- Luxury travel is a new niche trend with big potential.
- There are many education agencies that focus on the student market, and offer short or long term study options in Australia with included leisure components. These agencies do not fall within the tourism distribution network.

Retail Agents

Commission Level: 15% to 25%

- Many retail travel agencies have been expanding their outlets or stores within China and are beginning to focus on FIT products.

Online

Commission Level: 15% to 25%

- Online bookings are increasing, but the volume remains small.
- Some online travel portals such as Ctrip.com and Tuniu.com have been successful in the market, particularly with air tickets and hotel accommodation bookings. However, the majority of international travel packages are booked through traditional travel sellers.

Aussie Specialists

- The Aussie Specialist Program (ASP) is the primary platform for Tourism Australia to train and develop retail agents to sell Australia. Each State and Territory has a module on the ASP website.
- As at 28 April 2014, there were 4,397 (mainland China 3,136, Hong Kong 1,030 and Taiwan 231) qualified Aussie Specialists in China and a further 9,041 agents in training.

Inbound Tour Operators

Commission Level: 15% to 30%

- Inbound Tour Operators (ITOs) are a vital link in the travel distribution chain in China and must be approved under the Approved Destination Scheme (ADS) to handle ADS group business. Tourism Australia recommends that Australian suppliers only deal with approved travel agents and ITOs for all ADS inbound business from China.

Business Events

- Chinese decision-makers consider Australia to be one of the top long haul destinations for a business event.
- Many traditional travel agencies are developing a meetings, incentive, conference and events division or subsidiary.
- Direct selling, insurance, pharmaceutical and IT are the key industries for business events in China.

Approved Destination Status (ADS) Scheme

- Chinese consumers travelling in a group under an ADS visa for Australia must book through an approved ADS travel seller. Australia was one of the first Western countries to gain Approved Destination Status in 1999. There are now 140 countries and regions approved under the scheme.
- There are currently 56 Australian Inbound Tour Operators (ITO) and more than 90 Chinese outbound travel agencies in the ADS network. These agents and operators are required to comply with the ADS Code of Business Standards and Ethics.
- Austrade manages the scheme in Australia with the support of Tourism Australia and the Department of Immigration and Border Protection. For further details please visit: **http://www.austrade.gov.au/Tourism/Tourism-and-business/ADS**

China Tourism Law

- China's new Tourism Law came into effect on 1 October 2013.
- It contains a number of provisions designed to protect consumers, including addressing practices such as coercive shopping measures, low price and low quality tours.
- It applies to all itineraries (domestic and international) which are sold in China, and is enforced by the China National Tourism Administration.
- The tourism law has the potential to deliver benefits to the Australian tourism industry in the medium and long term resulting in improvements in experience quality for Chinese travellers and higher yields per visitor.

CHINA

Distribution

Trends

Distribution

- Requests for tailor-made tour products are providing an opportunity to online travel agencies to expand market share in China.
- Some wholesalers are shifting their business to the retail sector to enhance their competiveness.
- Following the introduction of the China Tourism Law on 1 October 2013, travellers are showing increasing interest in Free and Independent (FIT) travel and semi-FIT.
- Social media, media advocacy and word-of-mouth are becoming more powerful sources of information to assist Chinese travellers with planning and purchasing travel.

Planning and purchasing travel

- According to findings from Tourism Australia's Consumer Demand Research project[7], Chinese respondents would mostly use online sources to research a trip to Australia. This includes general internet searches, travel advice websites, government tourism authorities and travel booking websites.
- The use of online sources by the Chinese market was well above the average across all markets. After online sources, respondents would talk to family and friends who have previously visited Australia.
- Travellers from Eastern, Southern and some parts of Northern China are more experienced travellers and are more mature in their product selection. While travellers from cities in Northern and Western parts of China tend to be more price driven.
- The average lead time for travel bookings is 30 to 45 days.

Planning a visit to market

Top tips for sales calls

- Liaise closely with local representatives from your State and Territory Tourism Organisations.
- Ensure you have relevant product information and business cards produced in simplified Chinese.
- Both travel agents and consumers use brochures to obtain further information about products.
- Pre-arrange your appointments at least two weeks prior to your arrival by email and phone.
- Reconfirm your appointment on arrival into China and take into account traffic conditions and travel times to your destination.
- Highlight your product or service in simple English and ensure sales calls are no longer than 30 minutes.
- Bring a gift to exchange.
- Hiring an interpreter is helpful as taxi drivers generally do not speak English.
- A casual meeting approach is preferred, such as inviting key agents for a meal or drinks.
- The majority of agents work through ITOs and no direct rates are expected.
- The best time for sales calls is March to May and September to November.
- The key market centres to visit are Beijing, Shanghai and Guangzhou.
- For more general information on sales calls and planning a visit to market, please see Tourism Australia's Planning for Inbound Success ebook at **www.tourism.australia.com/inboundsuccess**

Seasonality

- October to January and May to June is the peak booking period.
- October and December to February are the traditional peak seasons for travel (due to National Day and Chinese New Year holidays). There is also a high season in July to August.
- March to June is the traditional low season.

7. Tourism Australia, Australian Consumers Demand Research, conducted by BDA Marketing Planning, 2012.

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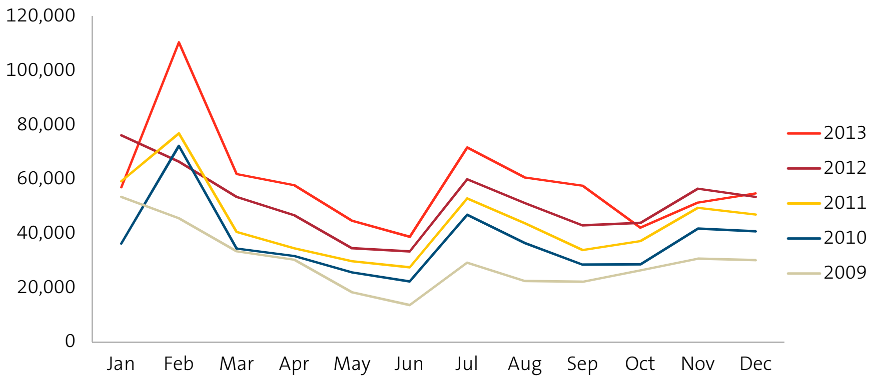
Distribution

Seasonality of visitors from China



Source : Overseas Arrivals & Departures, Australian Bureau of Statistics

Key trade and consumer events

Event	Location	Date
Corroboree Greater China 2014	Gold Coast	24-27 June 2014
CIBTM		17-19 September 2014
North Asia Business Events Showcase 2015	TBA	April 2015
Australian Tourism Exchange (ATE)	Melbourne, Australia	21-25 June 2015

Where to find more information

Tourism Australia activities in China are managed from its offices in Shanghai, Beijing, Guangzhou and Chengdu. For more information visit Tourism Australia's corporate website at **www.tourism.australia.com**

Australian State and Territory Tourism Organisations operating in China include: Destination NSW, the South Australian Tourism Commission, Tourism and Events Queensland,Tourism NT, Tourism Tasmania, Tourism Victoria, and Tourism Western Australia.

Also see:
China Country Brief published by the Department of Foreign Affairs and Trade at **www.dfat.gov.au/geo**

For the latest arrivals statistics, visit: **www.tourism.australia.com/statistics/arrivals**
For the latest International Visitor Survey statistics, visit: **www.tourism.australia.com/statistics/international**

Please note *In March 2014, the Australian Bureau of Statistics (ABS) released revised estimates (covering the period from July 2004 to December 2013) for international visitor arrivals and departures in its Overseas Arrivals and Departures (OAD) publication. The changes reflect major revisions to the methodology for inputting missing traveller data, which led to substantial downward revisions for business travel and numerous markets. The International Visitor Survey (IVS) statistics incorporate the ABS changes to visitor arrival statistics from the March quarter 2005. Tourism Research Australia (TRA) advise that there is now a break in series for the IVS statistics from the March quarter 2005, and that previous editions of the IVS should be used with caution. For more information, please refer to the ABS and TRA websites, www.abs.gov.au and www.tra.gov.au.*