

## CAP Strategic Research: Report 9

# Opportunities for Airlines and Hotels To Attract Chinese Luxury Tourists



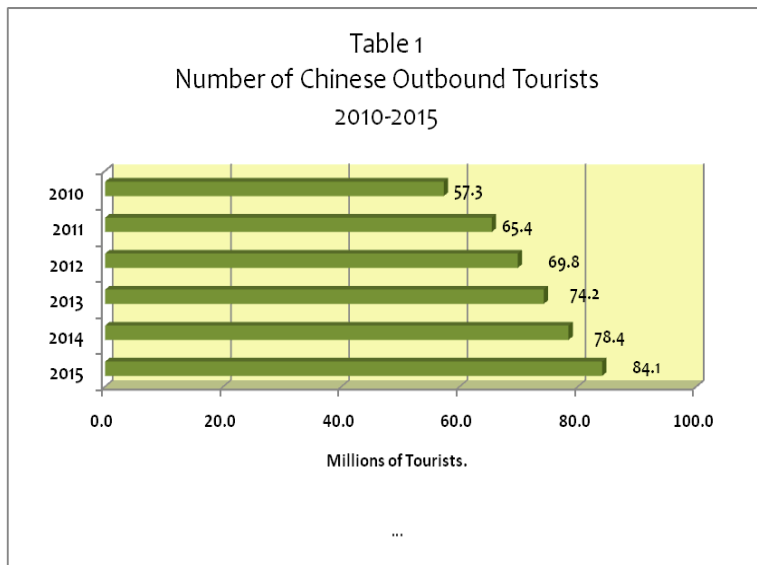
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# Opportunities for Airlines and Hotels to Attract Chinese Luxury Tourists

## A. Introduction

Chinese Luxury Tourists (CLTs) – very rich mainland Chinese who regularly holiday overseas - represent the most exciting opportunity for the international travel industry. There are over one million CLTs, they fly first/business class, stay at 4/5 star hotels, shop for leading brands and dine in the best restaurants. Chinese tourists are big spenders, they are travelling more and more and seeking new venues.

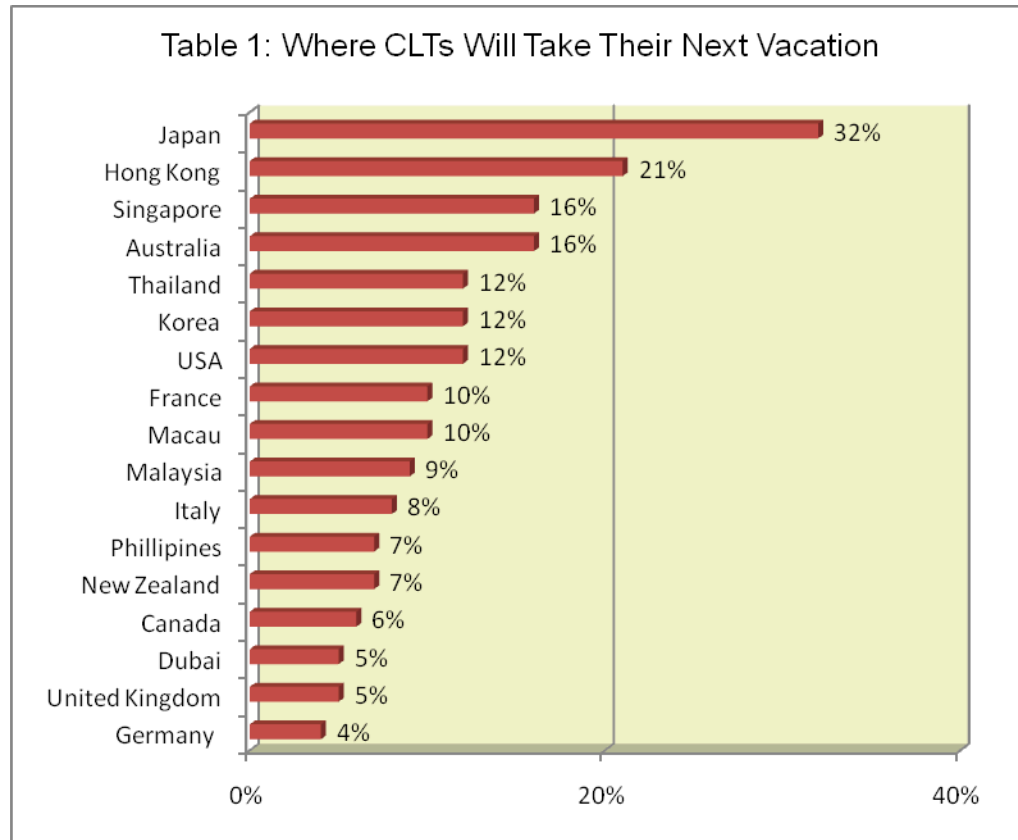
In 2009 Chinese people took 2.1 billion holidays, most of these were domestic but Chinese people are now looking to travel overseas. By 2015 over 84 million Chinese will be taking outbound holidays. Many of these will be first and business-class passengers.



Travel suppliers across the world will be aiming their future sales and marketing activities at this valuable audience. To assist in this process we recently conducted a survey among Chinese Luxury Tourists, the objective was to provide a detailed understanding on how they plan and book their holidays, and, very importantly, to identify the marketing and promotional methods that would prove very effective in selling to these exciting holiday makers. CLTs are the “leaders” in terms of taking overseas holidays – their views and practices will be followed by the hundreds of millions of “ordinary” Chinese people who will be taking international holidays in the future. The findings of our survey will therefore be invaluable to any travel company or organisation that is targeting the Chinese market. We hope you find this summary report useful.

## 1. Where CLTs Will Holiday in the Future

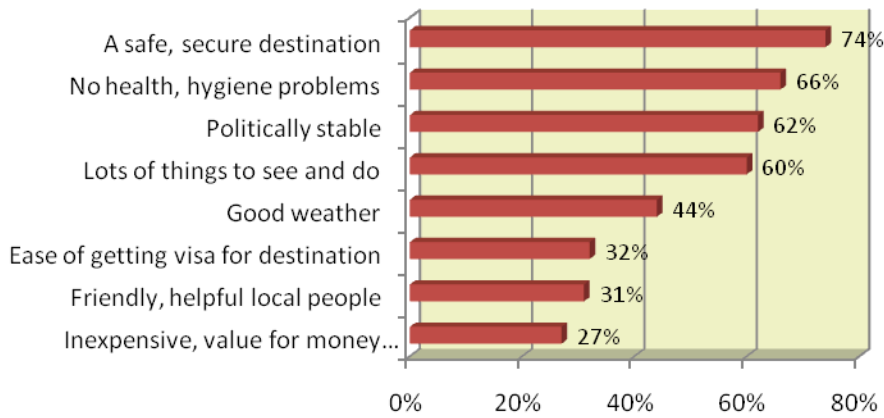
Traditionally CLTs have holidayed mainly in Asia but are beginning to look further afield to Europe, the USA, Middle East and Australia. In the future CLTs will travel further afield, the countries that are likely to benefit most from this are Australia, USA, France, Italy and New Zealand. Tourist Boards in other countries will need to aggressively promote their destinations to CLTs.



## 2. Main Holiday Requirements

When holidaying overseas CLTs are primarily looking for a destination which is safe and secure, with no health or hygiene problems and politically stable. They are very conservative in their travel patterns and decision-making, as would be expected as foreign travel is still relatively new for the Chinese population = even CLTs. They are unlikely to experiment with different or unusual venues – they tend to play safe.

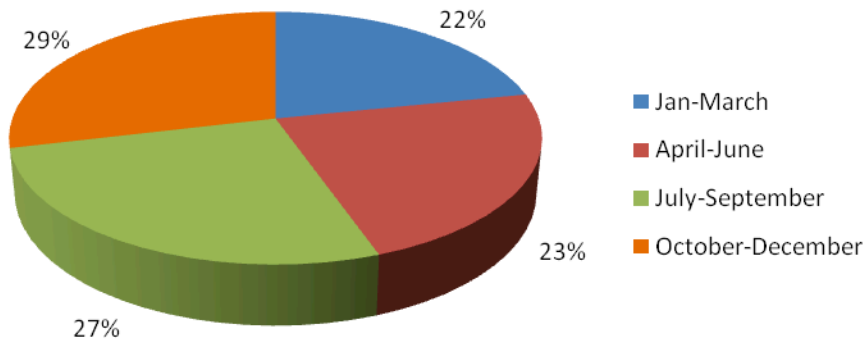
**Table 2: Important Factors When Choosing a Holiday Destination**



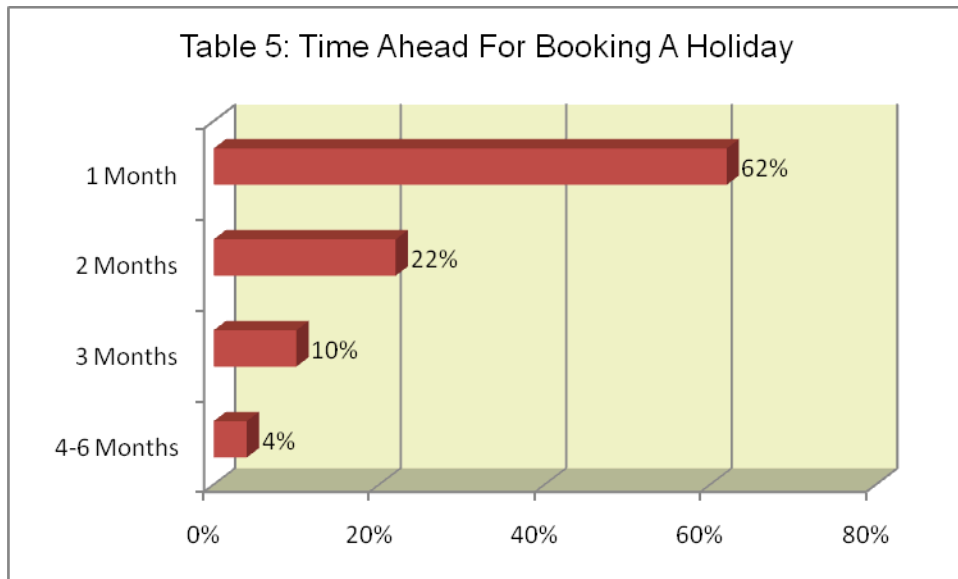
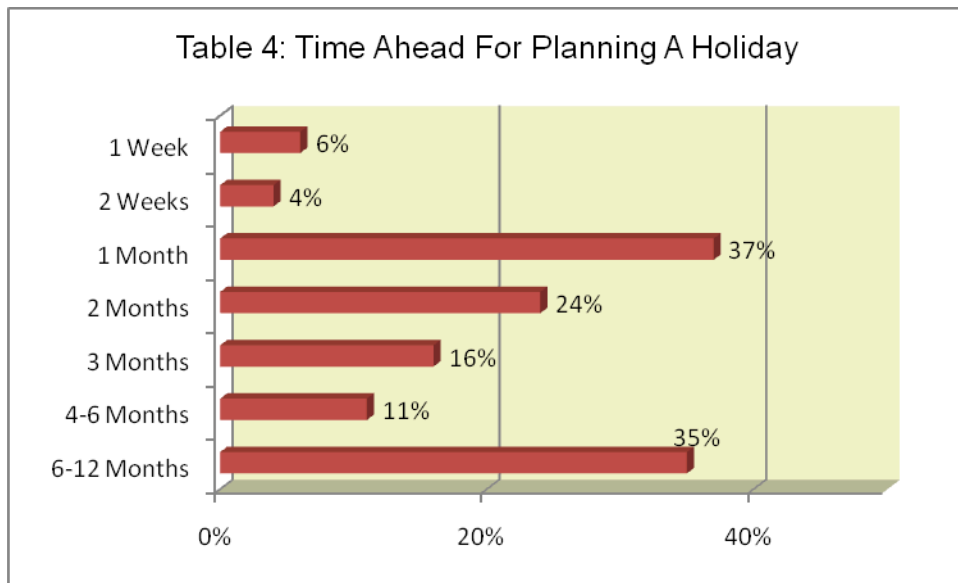
### 3. When CLTs Plan & Book Their Holidays

A positive finding is that holiday taking is not seasonal, CLTs go on vacation throughout the year. Holidays are of 1-2 weeks duration and CLTs on average take just under two vacations per annum.

**Table 3: When CLTs Take Overseas Holidays**



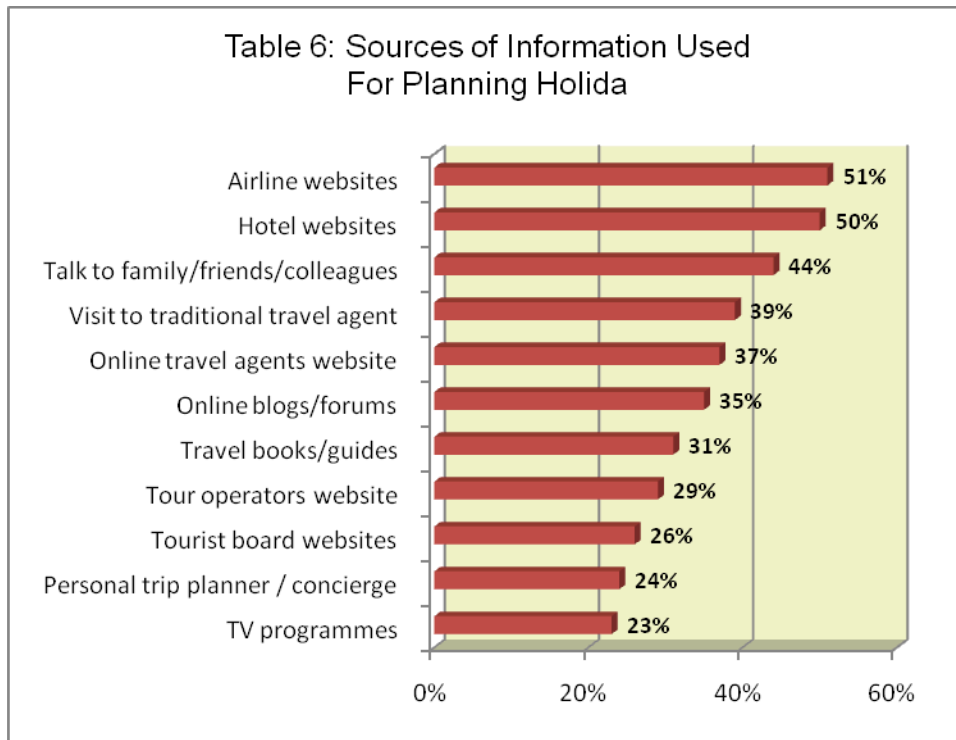
Many CLTs tend to be “last minute” in planning and booking their overseas travel, they do not book a long time in advance – most book within 1-2 months of taking their vacation.



#### 4. Sources of information Used by CLTs

Airline and hotel websites are the most important information sources used by CLTs when planning their overseas holidays. It should also be noted that Word of Mouth is vital in China – being inexperienced travellers they place huge emphasis on the recommendations of friends, families and colleagues. Any travel company wishing to exploit the CLT market needs to work hard to ensure it gets widespread WOM. (To obtain further information on the importance of WOM please refer to our White Paper: Advocacy and Social Media).

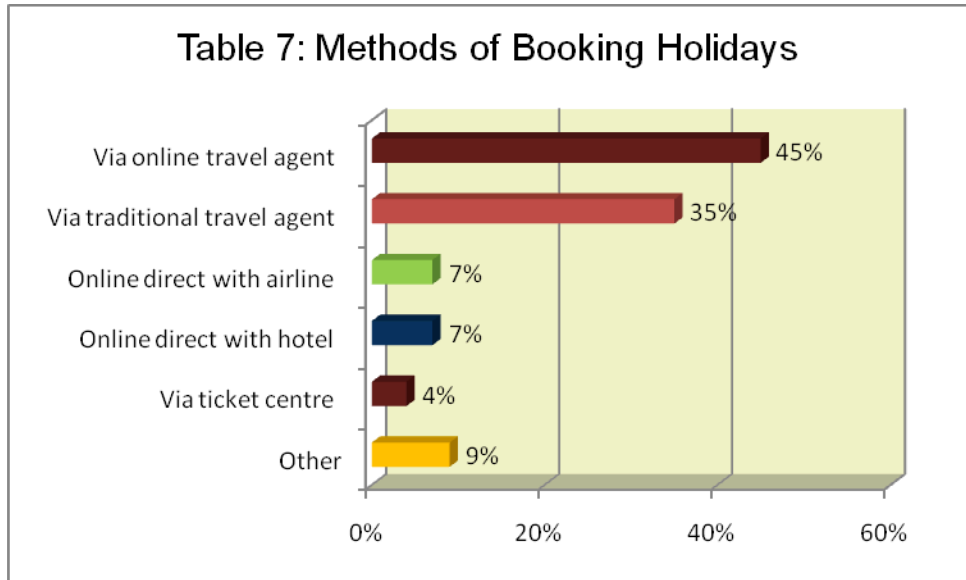
Traditional travel agents are still important in China, almost a third of our respondents visit a high street travel agent to find out more about their holiday plans.



#### 4. Booking Methods Used by CLTs

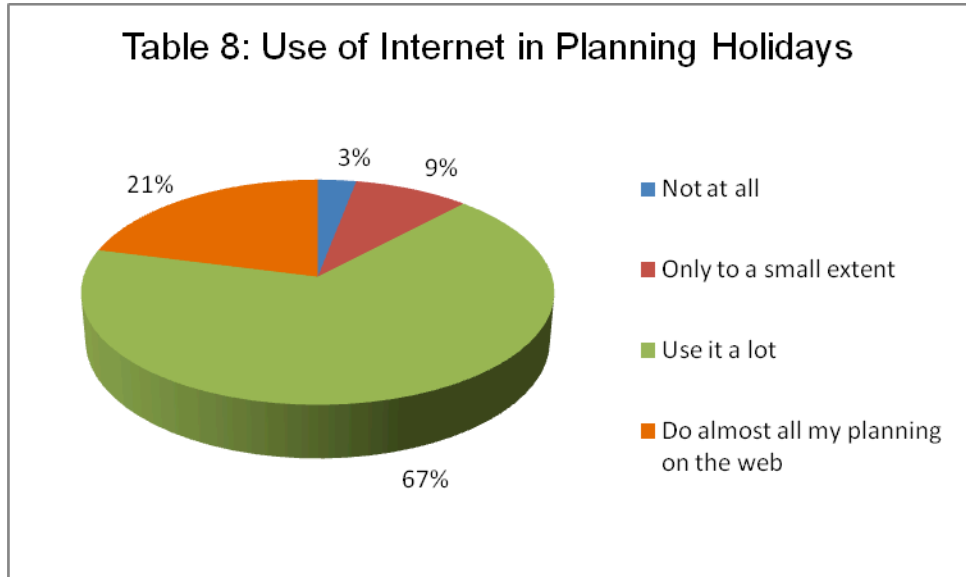
CLTs tend not to book direct with a hotel or airline. OTAs are the most important form of booking, followed by traditional travel agents. Travel companies will therefore need to develop good relationships with OTAs, the most used is Ctrip which is by far the most important OTA in China. Others are Baidu, Elong and Sina. Travel companies will also have to sell via the traditional high street retailer. We believe it will be some

time before CLTs have the experience & confidence to book direct with airlines and or hotels so until that time the main distribution channels will be OTAs and high street agents.



## 5. Importance of the Internet to CLTs

The internet is vitally important to CLTs when researching vacations – 88% of our respondents use it to a significant extent to get information. This applies to CLTs based in Beijing, Shanghai and Guangzhou. Any company wishing to develop the Chinese market will need to have excellent websites and to work closely with other internet organizations.

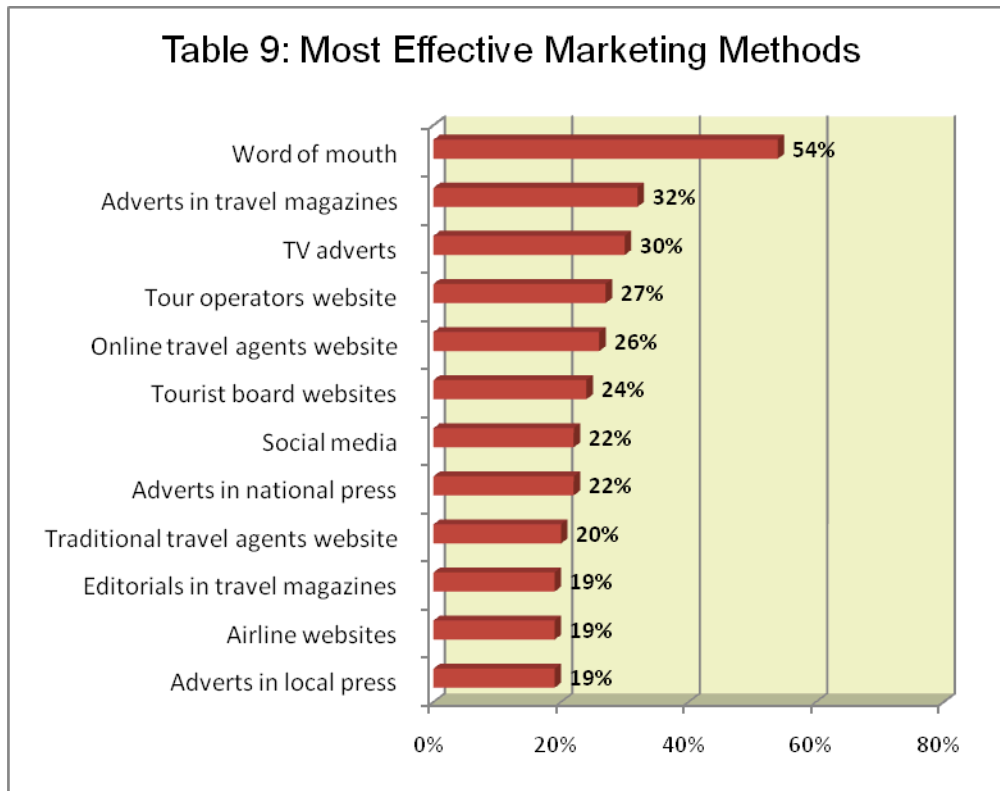


## 6. Most Effective Ways to Sell & Market to CLTs

Word of Mouth is more important in China than virtually any other country in the world. CLTs spend a great deal of time researching their holiday plans and give high credibility to websites such as those operated by tour operators, OTAs and tourist boards. CLTs put much more trust on advertising than their counterparts in the West.

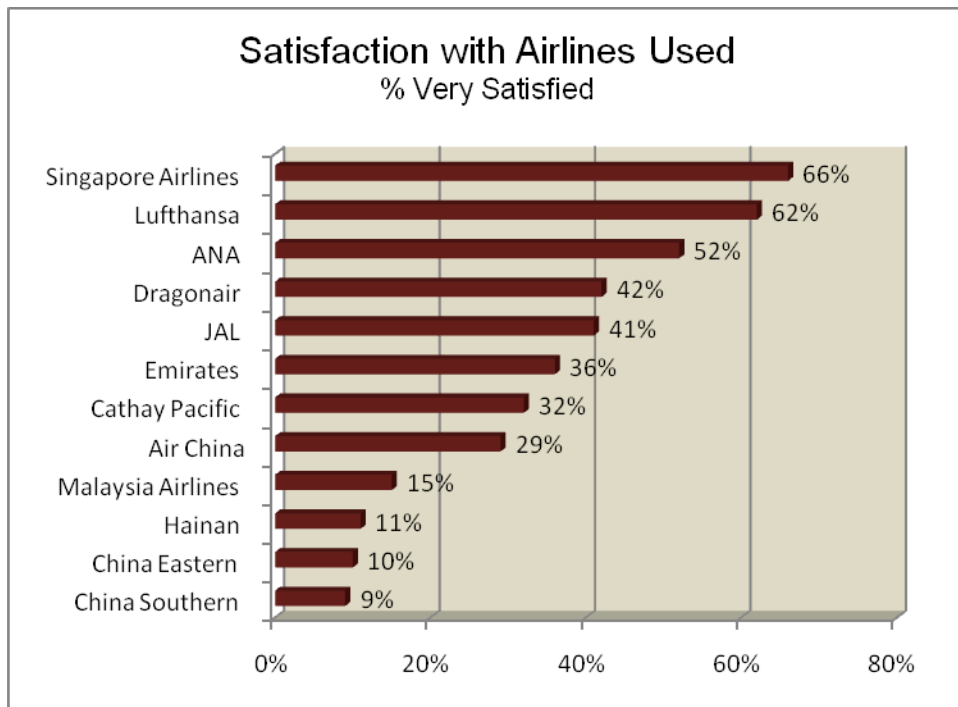
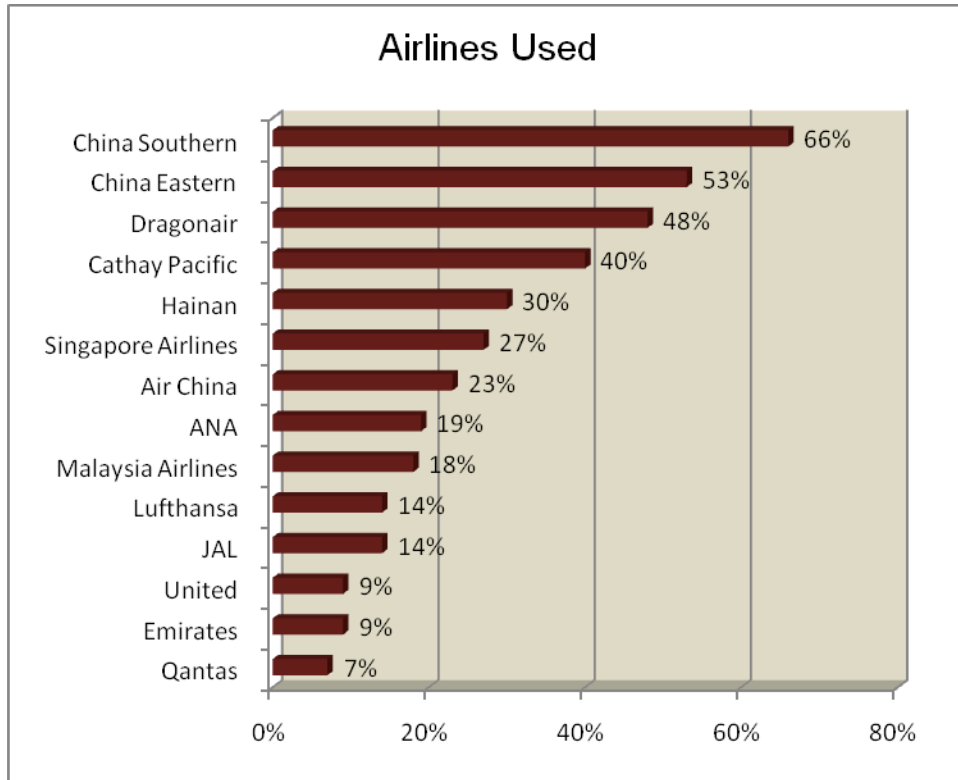
Social media are very important source of WOM. (For more information on the effectiveness and otherwise of social media please refer to our White Paper: Advocacy and Social Media). The most important Social Media in China are: Sina Microblog, Tencent QQ.com, MSN.com (Live Space), Kaixin001, and Renren.com

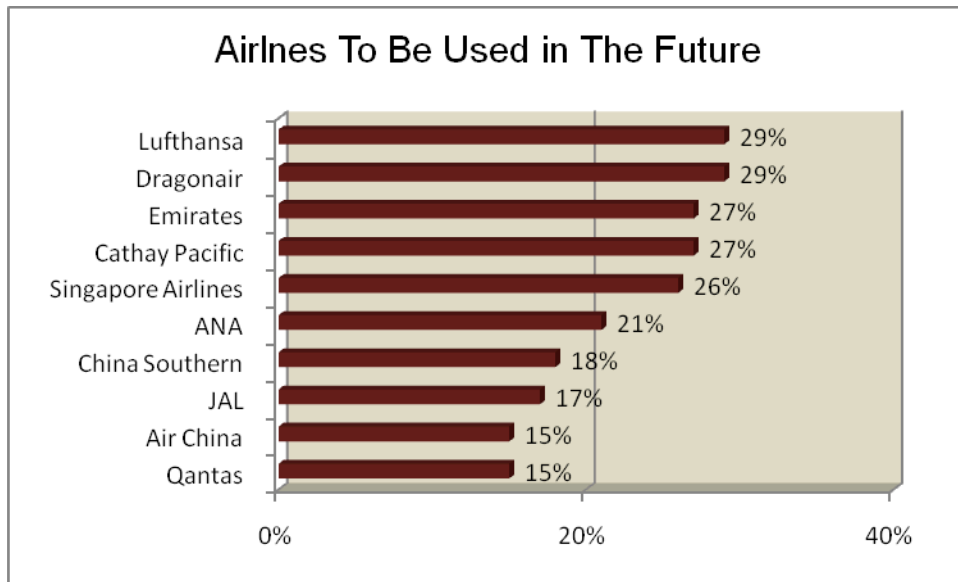




## 7. CLTs and Airlines

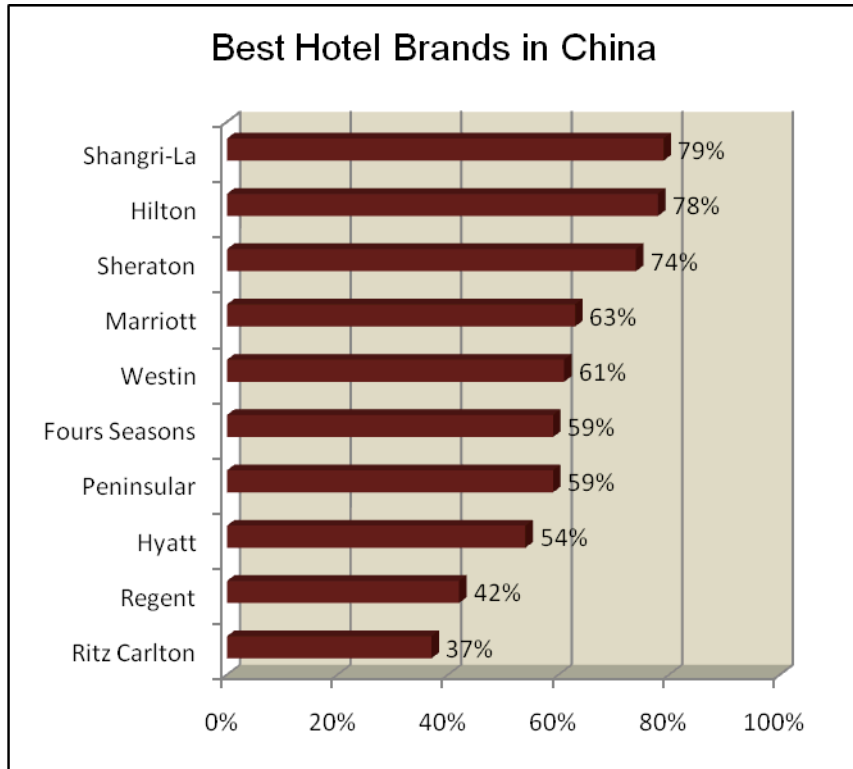
Our survey showed that while CLTs use domestic airlines frequently they have a marked preference for foreign rather than domestic airlines. Our respondents state that domestic airlines cannot offer the quality of service associated with foreign airlines, notably Singapore Airlines, Lufthansa and ANA.





## 8. CLTs and Hotels

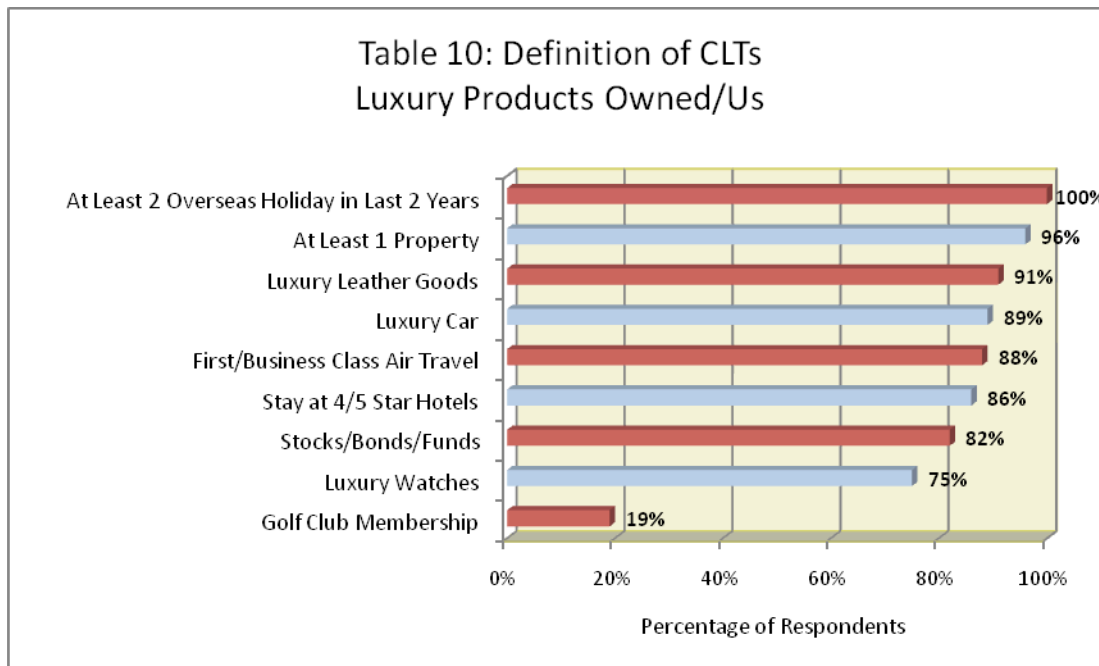
Our survey also showed that CLTs prefer international Hotel brands to domestic chains. CLT respondents state that domestic hotels cannot offer the quality of service associated with foreign hotel brands such as Shangri-La, Hilton and Sheraton



## 7. Research Methodology

The survey was conducted in mid-2010 and consisted of 300 in-depth personal interviews with CLTs based in Beijing, Shanghai and Guangzhou. We define CLTs based on their consumption patterns, not income or assets. In mainland China, the sources of income for a person are multiple and much is not reported officially. Moreover the “black” market in China is very important and many millions of people enjoy substantial income flows that are outside official statistics. As a result countless numbers of consumers with apparently low incomes are substantial purchasers of luxury items. Moreover, given that income is a sensitive topic, affluent people are not willing to disclose their sources of income.

As such, we define CLTs based on their consumption behaviour – especially travel - rather than their income or assets. The following is a profile of our 300 respondents.





## ABOUT CAP STRATEGIC RESEARCH

CAP Strategic Research (CAP) provides market research services covering China, Hong Kong, Singapore and other Asia-Pacific countries. We have a successful track record of conducting surveys in Asia based on

- (i) many years of living and working in the region
- (ii) in-depth knowledge and experience of the Aviation industry
- (iii) providing strategic insights and “actionable” recommendations from senior executives who know the Airlines and Airport industries, have extensive international experience and - very importantly - have an “understanding of business”.

We have over 25 years experience of conducting research for Aviation clients based in China, Asia-Pacific Europe and the US. With offices in China, Hong Kong and Singapore we are ideally placed to meet your research needs in Asia-Pacific.

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