

Chinese overseas tourism continues to grow as demographics shift, says new report

By **Hibah Noor** on August, 22 2017 | Industry News



The number of Chinese tourists traveling overseas, especially residents of lower-tier cities in China, continues to grow and drive retail spending globally, with the number expected to reach 192 million and spending to hit US\$458 billion by 2021, according to a new report.

The report, titled Deep Dive: Chinese Outbound Tourists - More Diverse, More Sophisticated, from global think tank Fung Global Retail & Technology (FGRT), says the makeup of the travelers themselves is changing, and retailers and brands must respond to Chinese shoppers who are more interested in fulfilling family needs than in buying the latest luxury item.

In a shift from previous years, much of the current growth in outbound travel is being driven by newly affluent residents of lower-tier cities, says FGRT's third annual survey of Chinese overseas tourists' travel and spending habits. The survey was jointly conducted with China Luxury Advisors.

Tourists from lower-tier cities spent an average of US\$2,449 on their most recent overseas trip, 10% more than their peers from tier-1 cities, the survey said. Frequently, these travelers are making purchases on behalf of friends and family at home, possibly driving these higher figures.

"As the market landscape for Chinese tourists transforms and becomes more sophisticated, brands and retailers need to adapt and update their marketing strategy continuously in order to engage this large and growing market of consumers," said FGRT Managing Director Deborah Weinswig in the report.

"With the rising affluence of citizens in the lower-tier cities and better air connectivity to overseas cities, retailers and brands should not overlook these travelers from the lower-tier cities."

On average, Chinese tourists travel twice yearly, and are expected to spend a combined US\$315 billion in 2017. Retail purchases accounted for 55% of tourists' spending on their most recent trip, with clothing, footwear and accessories (including handbags) the most popular spending category, accounting for 75% of respondents' retail outlays, followed by food and beverages (15%), sightseeing (11%), and entertainment (10%).

"Chinese outbound tourists have evolved into experienced and sophisticated travelers," notes Weinswig. "China is an extremely large and active consumer marketplace, with a myriad of media and marketing choices that can be both overwhelming and expensive. It is critically important for overseas retailers and destinations to choose their marketing methods carefully in order to target the smaller segment of the population that is likely to travel to their tourism destination."

Japan is the most popular destination for Chinese outbound tourists, visited by 55% of those surveyed in the past 12 months, followed by Hong Kong (35%) and South Korea (27%). Europe accounts for 16% of travel among those surveyed, followed by the US at 9%.

Security is the top priority when choosing a destination, cited by 96% of respondents as an important factor. Chinese travelers are already favoring destinations in Eastern Europe, Northern Europe and the UK over Western European destinations.

Those who opted to travel to Hong Kong, Japan and South Korea regarded the shopping variety at those destinations as additional important factors.

More than three-quarters of tourists (77%) traveled with a spouse or partner on their last trip abroad, and 32% traveled with a spouse and children.

"Retailers and brands can consider designing their stores as a family-friendly location. Catering to the needs of both adults and children may help to attract these customers," Weinswig says.

Data was collected via an online self-completed survey conducted from May 31 to June 6, 2017. All respondents were mainland Chinese residents aged 18 through 59 who had taken at least one overnight overseas trip over the preceding 12 months.