



# Chinese Tourism Opportunities

CHINA  
LUXURY  
ADVISORS

# Agenda



- I. China: Cultural Context
- II. Chinese Outbound Tourism Overview
- III. Tuolumne County Opportunities
- IV. Case Studies

# China Luxury Advisors

Boutique consulting firm with offices in Los Angeles, New York, and Paris with a broad network of trusted partners in China.

CLA advises brands on reaching and influencing affluent Chinese consumers – within China and globally.

CLA combines strategic guidance and deep execution experience to provide high ROI solutions that help brands grow their business with Chinese consumers.

CLA provides targeted, high quality support for brands, including China market entry, brand building, e-commerce execution, CRM and Chinese tourism solutions.

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# Selected Retainer Clients

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BEVERLY CENTER

Taubman

MoMA



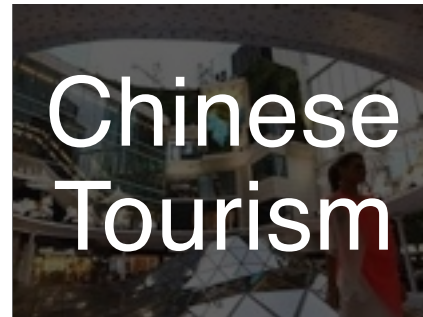
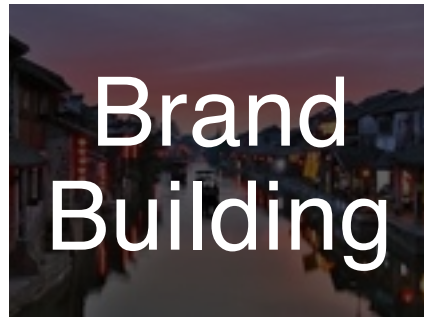
BRIGGS & RILEY

El Corte Inglés

# Solutions

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China Luxury Advisors works with companies to expand their business with Chinese customers around the world:



# CLA's Competitive Advantages

Combined China experience of more than 60 years in retail, digital, marketing and travel industries.

Market intelligence and strategic vision gained from years of operational experience on the ground in China.

Strategic long-term outlook combined with short term tactical solutions and deep execution experience.

Strong relationships with Chinese media, influencers, student groups, Chinese businesses and Chinese travel trade.



# China: Cultural Context

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# China: Useful Facts



- **Population:** 1.38 billion
- **Language:** Mandarin Chinese is spoken; Simplified Chinese is written.
- **Time Zones:** There is only one time zone for all of China.
- **Currency Conversion:** 1.0 USD = 6.5 CNY
- **Government:** Chinese Communist Party
- **Religion:** No official religion.
- **Geographic Size:** Similar in size to the United States. Shaped like a Rooster!
- **Chinese Names:** Surname typically comes first, and given name is second. However, some people will flip this when in the West, so it's best to ask which is the surname.



# Cultural Context

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- China is a Confucian society. Respect for elders and position is of utmost importance.
- Indirect culture - focus on respect versus transparency.
- Relationships (*guanxi*) are of great importance in all aspects of life.



# The Concept of “Face”: Mian Zi

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- roughly translates to the idea of a person's outward image and reputation.
- When something is positive for someone's reputation and image, it is seen as “giving face” and when something is negative to a person's reputation or image it is seen as “losing face.”
- Receiving face provides a great sense of pride in Chinese culture, and losing face is a tremendous source of embarrassment.
- Face is the most common driving motivator in purchase and travel decisions.



# Social and Business Etiquette

- A handshake greeting is sufficient. There is no bowing, as in Japanese culture.
- Exchange business cards with two hands and pay special attention to the card. Treat card with proper respect, read it and do not write on it.
- Respect should be given to business leaders, according to hierarchy with the highest ranking person being greeted first.
- Service in China is not as well developed as in the United States, it is common for Chinese customers not to fully engage with service providers.





# Numbers and Symbols

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- **Numbers are important:** 8 is a symbol of luck and fortune and 4 is a symbol of death.
- **Colors have meaning.** White (and sometimes black) typically have funeral/death connotations, and while do not need to be completely avoided, should be used carefully (no black frame, white candles, etc..). Bright colors such as red, gold, yellow and purple are symbols of luck, royalty and happiness. Green is a popular color and taps into eco-meanings, except in hats!
- **Be aware of symbols.** Don't write in red ink. Don't give a clock, white flowers, white candles, an umbrella or sharp objects as gifts.
- **Feng Shui.** Evaluate your location against major Feng Shui principles, (especially for casinos).

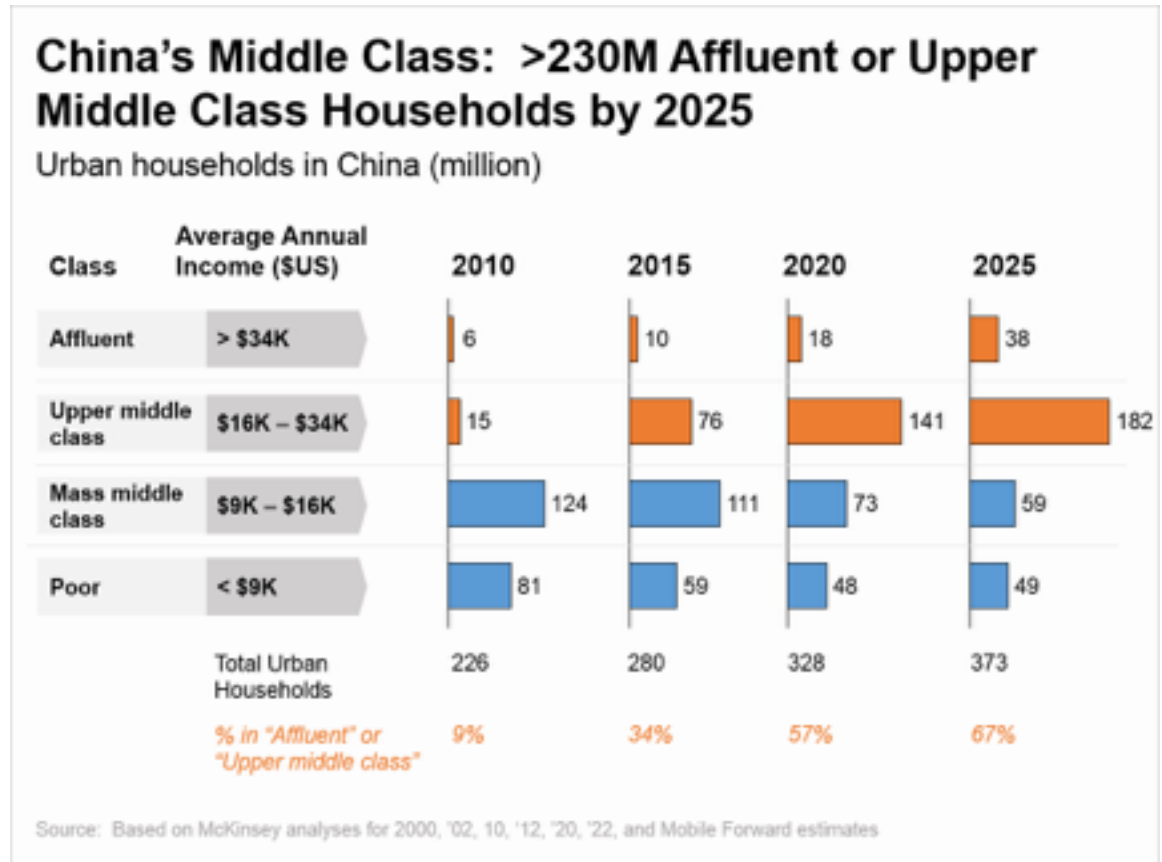
A woman with long dark hair, wearing a black leather jacket and red shoes, is sitting on a stone ledge by a river. She is holding a green handbag. The background shows a river with boats and a city skyline. The image is dimmed to serve as a background for the text.

# Chinese Outbound Tourism Overview

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# China: A Global Economic Power

- Sustained periods of rapid GDP growth.
- Dramatic increase in wealth.
- Gradual loosening of control over citizens' travel overseas.
- Rise of China as a global economic power.



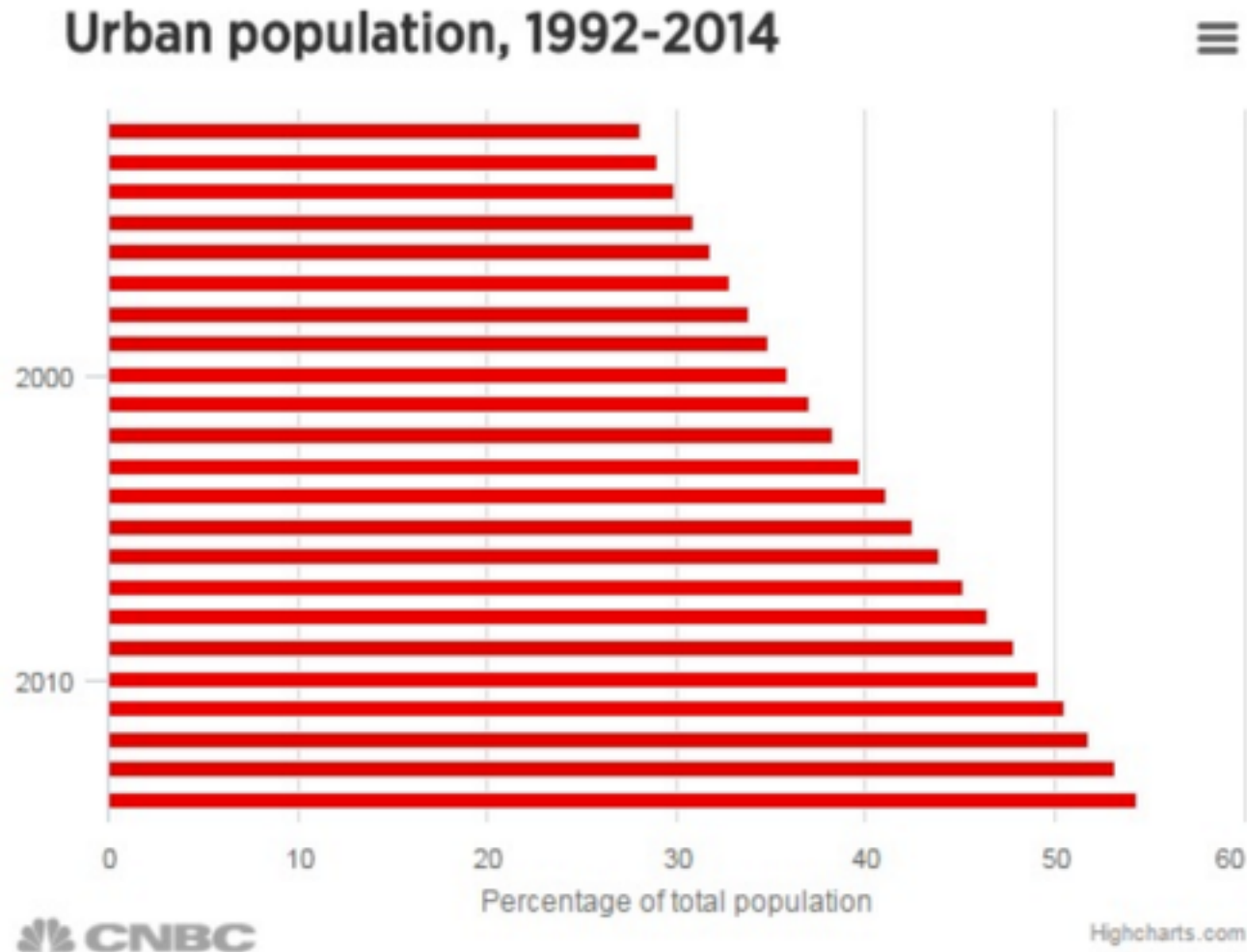


# The Status of Chinese Economy

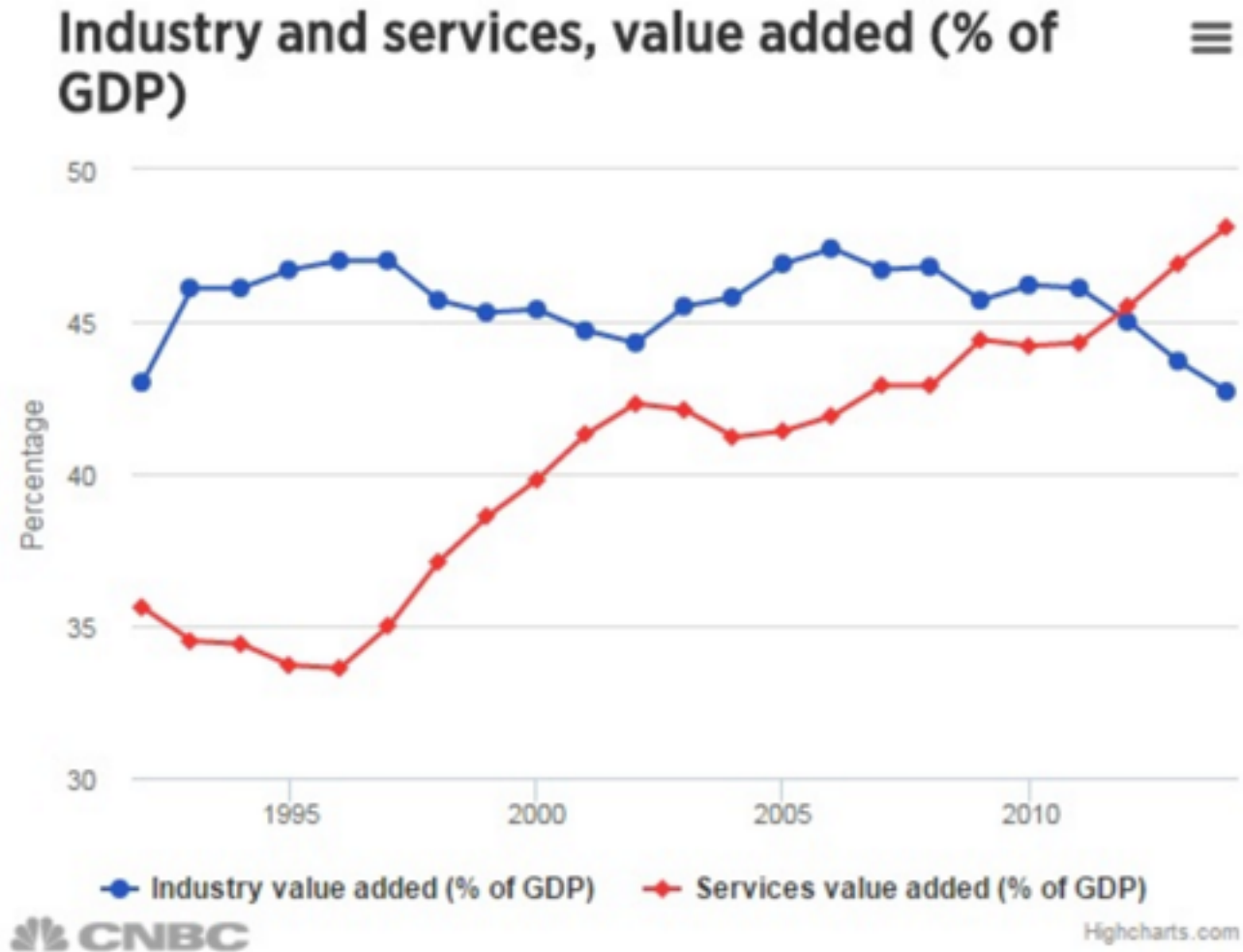


Continuous Growth in GDP

# The Status of Chinese Economy



# The Status of Chinese Economy





# China Outbound Market Growth

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- Overtook Germany to become the world's largest tourism market by spend in 2012
- In 2015, 109 million Chinese tourists traveled outside the country, with the U.S. being a major beneficiary.
- According to Brand USA, the U.S. is the only long-haul destination among China's top 10 destinations.

# China Outbound Tourism Growth

U.S. Department of Commerce Forecast of International Travelers to the United States

Order 2014	Origin Country	Change 20/14	Change 20/14	CAGR 20/14
Grand Total		15,256	20%	3.1%
1	Canada	804	3%	0.6%
2	Mexico	4,114	24%	3.7%
Overseas*		10,338	30%	4.4%
3	United Kingdom*	800	19%	3.0%
4	Japan*	35	1%	0.2%
5	Brazil	407	18%	2.8%
6	China*	2,829	129%	14.8%
7	Germany*	237	12%	1.8%
8	France*	245	15%	2.3%
9	South Korea*	526	36%	5.3%
10	Australia*	346	27%	4.0%

Chinese arrivals to the U.S. is expected to grow by 2.8 million visitors by 2020, a 129 percent increase, making it the third largest international market and the **largest overseas market** for the U.S.

# Chinese Visitation to California

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- California welcomed nearly **one million** Chinese visitors in 2014, a 21.6 percent increase over 2013, making China the largest source of overseas visitors for the state.
- Chinese visitors spent more than \$2.5 billion in the state in 2014
- Airlift between California and China has witnessed a **44 percent** increase in terms of the total capacity of seats year-on-year.



# Slowdown of Chinese Economy

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## ECONOMY

ECONOMY

WORLD ECONOMY

US ECONOMY

THE FED

CENTRAL BANKS

JOBS

# China's economy grew 6.9 percent in 2015, a 25-year low

Chinese economy entered what most analysts refer to as the “New Normal” – a period of slowly declining GDP growth rate, and a transition to more sustainable, services-led growth marked by higher domestic consumption.

# Market Volatility



## Chinese Stock Market Crash in 2015

# Currency Depreciation



Devaluation of Chinese Currency

# China Market Growth Projection

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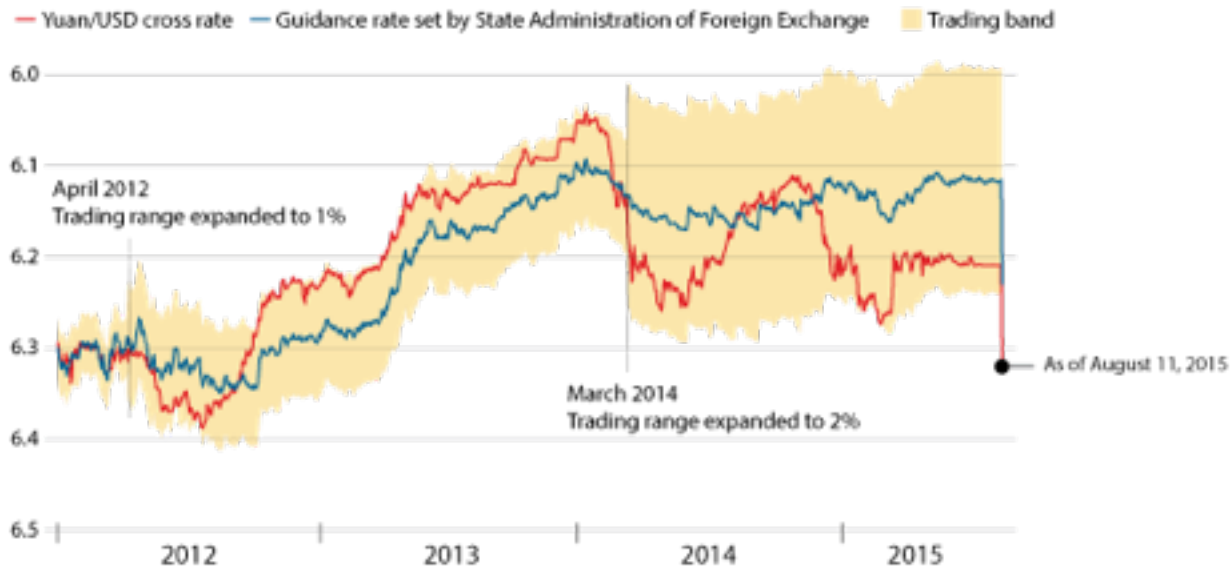
- Despite the recent slowdown of Chinese GDP growth and stock market volatility, outbound tourism from China will continue to grow as more Chinese join the rank of middle-class.
- While the current growth rate will eventually slow down, the market potential is still huge — only 7% of Chinese has passport.
- Many Chinese middle-class families view travel as a necessary adjustment of lifestyle and investment.
- Chinese millennials will drive the future growth



# China Market Growth Projection

## Yuan devaluation

### DAILY TRADING RANGE



Source: Reuters

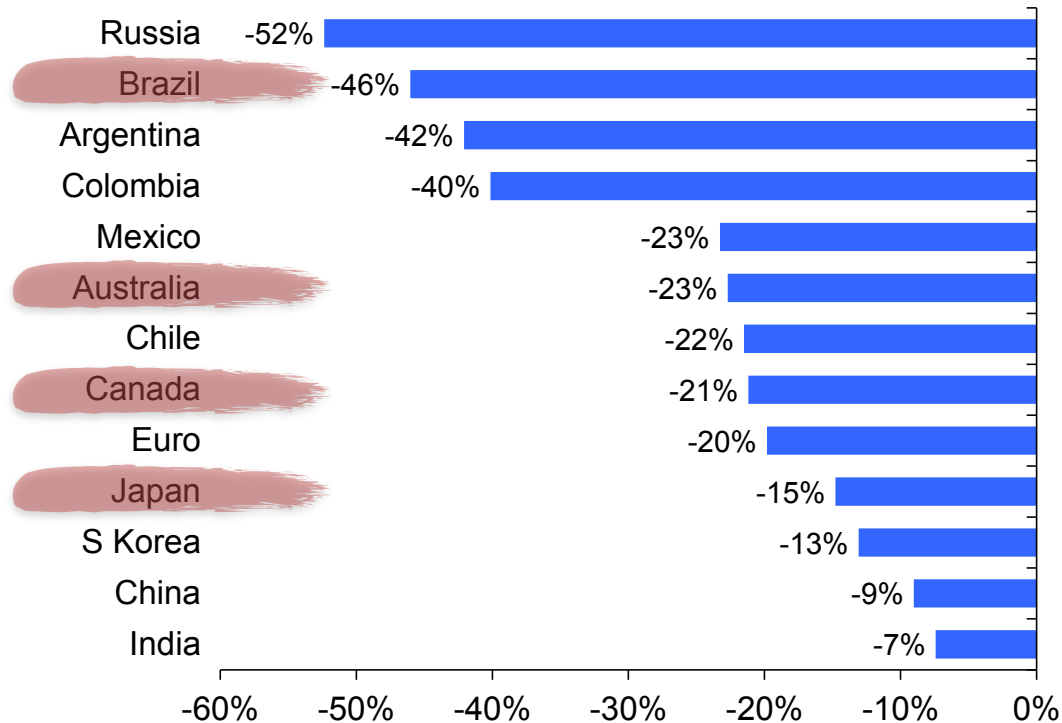
VOA

- Recent devaluation of Chinese currency might slow down the growth of low-budget groups and cause high-end consumers to adjust their spending on each trip, it is not significant enough to stop Chinese from traveling.

# China Market Growth Projection

## Exchange rate depreciation, 2016 / 2014

local per \$US



Source: Tourism Economics

- Devaluation of the Chinese currency is still relatively small compared to those of other international source markets.

# 10-year Visa Policy

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- In 2014, China and U.S. reached a bilateral agreement to issue 10-year tourist and business visa to each other's citizens.
- The new visa policy in the U.S. could mean as many as 7.5 million Chinese visitors by 2021, bringing an estimated \$85 billion to the economy, according to the White House.

# 2016 U.S. China Tourism Year

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A woman with long dark hair, wearing a black leather jacket and red shoes, is sitting on a stone ledge by a river. She is holding a green bag with a chain strap. The background shows a river with boats and a city skyline. The image is dimmed to allow text to be overlaid.

# Key Outbound Tourism Trends

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# Group Travel is Evolving

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- High-end groups are shrinking in size.
- VIP groups are seeking ways to offer more luxury experiences to differentiate their product offering and justify price increases.
- There is a blurring of the lines between individual and small group tours. Some individuals will book their own international flight but book a local tour once they arrive at the destination.
- MICE market is growing rapidly.
- Multi-generation family groups are key drivers of semi-FIT.



# FIT is Rising

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The future growth from Chinese outbound tourism will be led by an entirely new generation of free independent travelers (FIT), who are in search of **novel experiences** rather than a laundry list of the usual attractions. These independent travelers are more “elusive” and demand more **individualized travel products** and services, requiring DMOs to target them with a range of strategies and communication channels.



# FIT is Rising

## THE SHIFT TOWARDS INDEPENDENT TRAVEL (FIT)



7 OUT OF 10 TRAVELERS CHOSE GROUP PACKAGES

BUT DATA POINTS  
TOWARD **GROWTH**  
IN INDEPENDENT  
TRAVEL



MORE THAN 3 OUT OF 10  
TRAVELED **INDEPENDENTLY**

Source: Phocuswright



# FIT is Rising

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## TYPE OF TRIP-TAKERS MORE LIKELY TO TRAVEL INDEPENDENTLY

(NOT WITH ESCORTED GROUPS)



YOUNG PEOPLE



FIRST TIER  
(MORE AFFLUENT)



MORE  
EXPERIENCED

Source: Phocuswright

# Demographic is Changing

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Half of Chinese outbound travelers are now millennials.

- Some data has shown that this group accounts for 75% of China's FIT market and **73% of its luxury market**.
- Two thirds (66%) of this group belong to the high-income bracket, their financial standing is expected to increase as their careers advance.

Like their counterparts in the West, Chinese millennials prefer to be “inspired” rather than “persuaded”. They highly value authenticity in content. They are more likely to trust peer-generated content on social media than content from traditional media channels.



# Definition of Luxury is Shifting

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For many affluent Chinese, the definition of luxury is shifting from conspicuous spending to experiential luxury. According to an annual China Luxury Forecast by Ruder Finn Public Relations, more affluent mainland Chinese consumers plan to up their spending on travel than on luxury goods this year, marking the second year in a row this has been the case.



# Mobile Dominates Internet

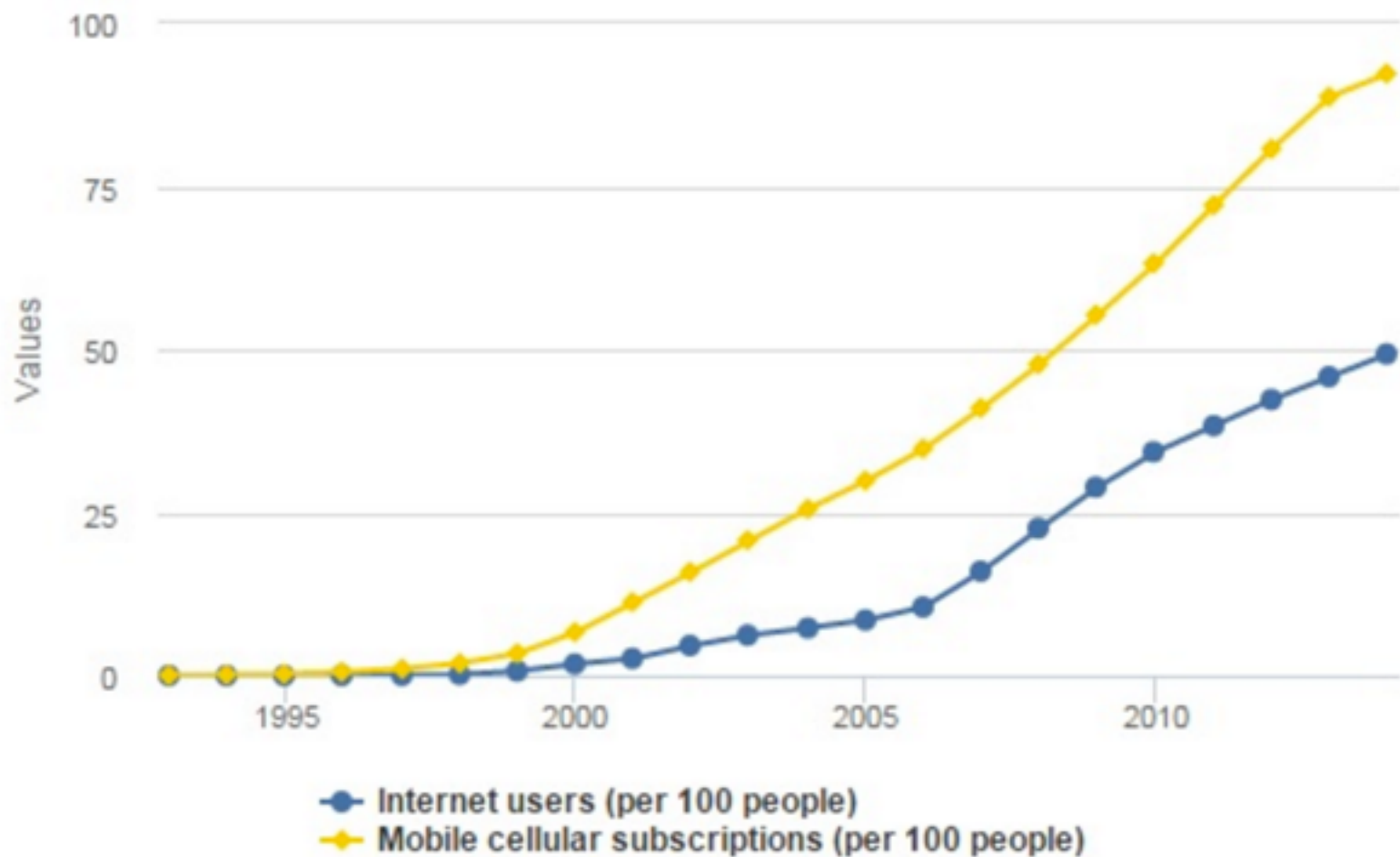
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China's smartphone penetration rate is nearly 70%. A majority of Chinese consumers access the Internet and consume media through their smartphones. Many Chinese consumers prefer to research, communicate and make transactions within one platform. Such trends require destinations to establish their brand on mobile platforms and align their marketing strategies accordingly.

WeChat is currently the dominant social media and communication platform in China, with 700 million monthly active users.

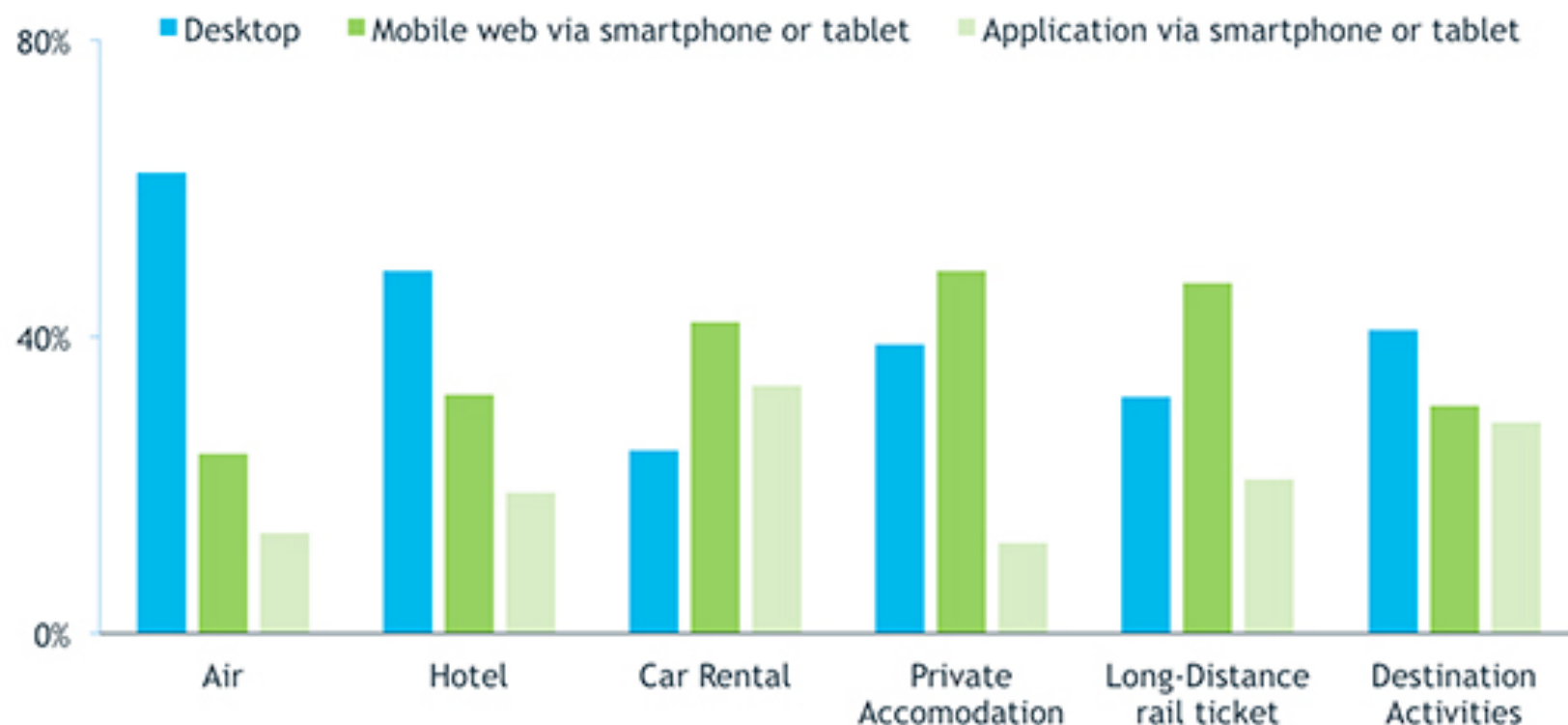


# Internet users and mobile subscriptions 1993 - 2014





# Device Used to Book, by Product



Question: C6: Please indicate which device you used to book each type of travel component for your last international trip.

Base: Individual Online Bookers: Air: (N=490); Hotel: (N=508); Car Rental: (N= 86); Private Accommodation: (N=114); Long Distance Rail (N=94); Destination Activities (N= 297)

Source: Phocuswright's *China Unbounded: The Rapid Rise of China's Outbound Millions* Special Project

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# WeChat is China's "Life Operating System"

## WHAT IS WeChat

IT IS MORE THAN A "SOCIAL PLATFORM". IT IS A NEW

**LIFESTYLE.** IT  
**CONNECTS** PEOPLE  
WITH PEOPLE, SERVICES,  
BRANDS AND THINGS,  
ONLINE AND OFFLINE.

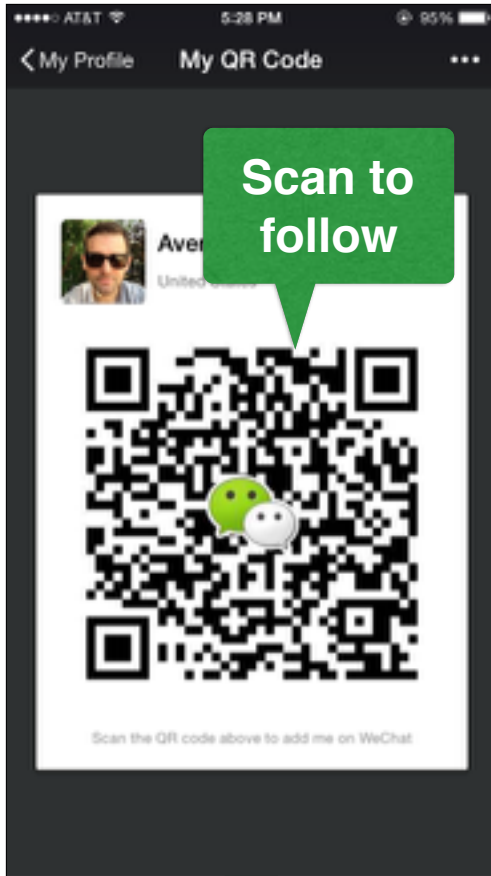


# What is WeChat?

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- **Crucial:** China's most important platform, with 700 million monthly active users.
- **Mobile-First:** Includes text messaging, e-commerce, voice messaging, games, "Moments," voice calls, and video.
  - Like a combination of Facebook, Twitter, Instagram, Skype, WhatsApp/Line, and Vine.
- **Global:** Appx. 100 million users live outside China. Tourists use WeChat to communicate and "show off," and for travel information/help.
- **Private:** Unlike Weibo (or Twitter), WeChat is a private/closed system, with only a user's friends able to see what they post to their "Moments" and mutual friends' comments/likes.
- **Feature-Rich:** Allows for incorporation audio guides & other unique features without significantly increasing Chinese signage or print materials.

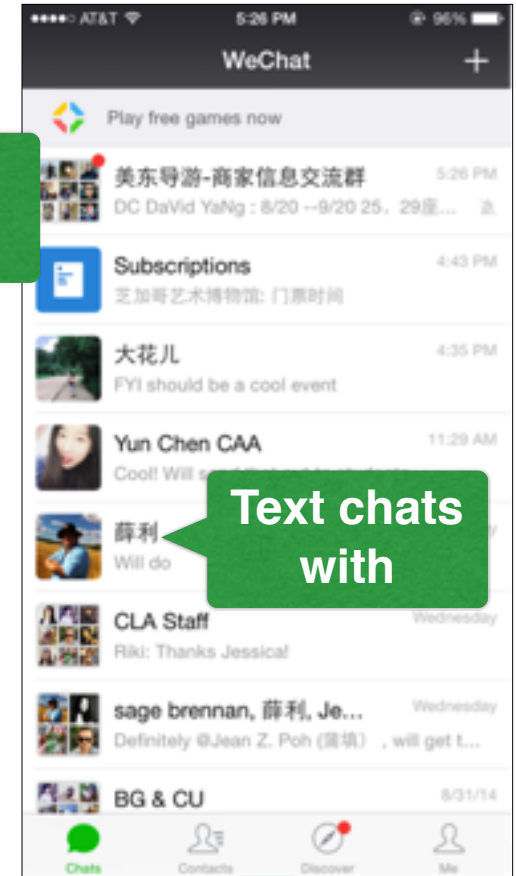
# WeChat Interface



QR Code

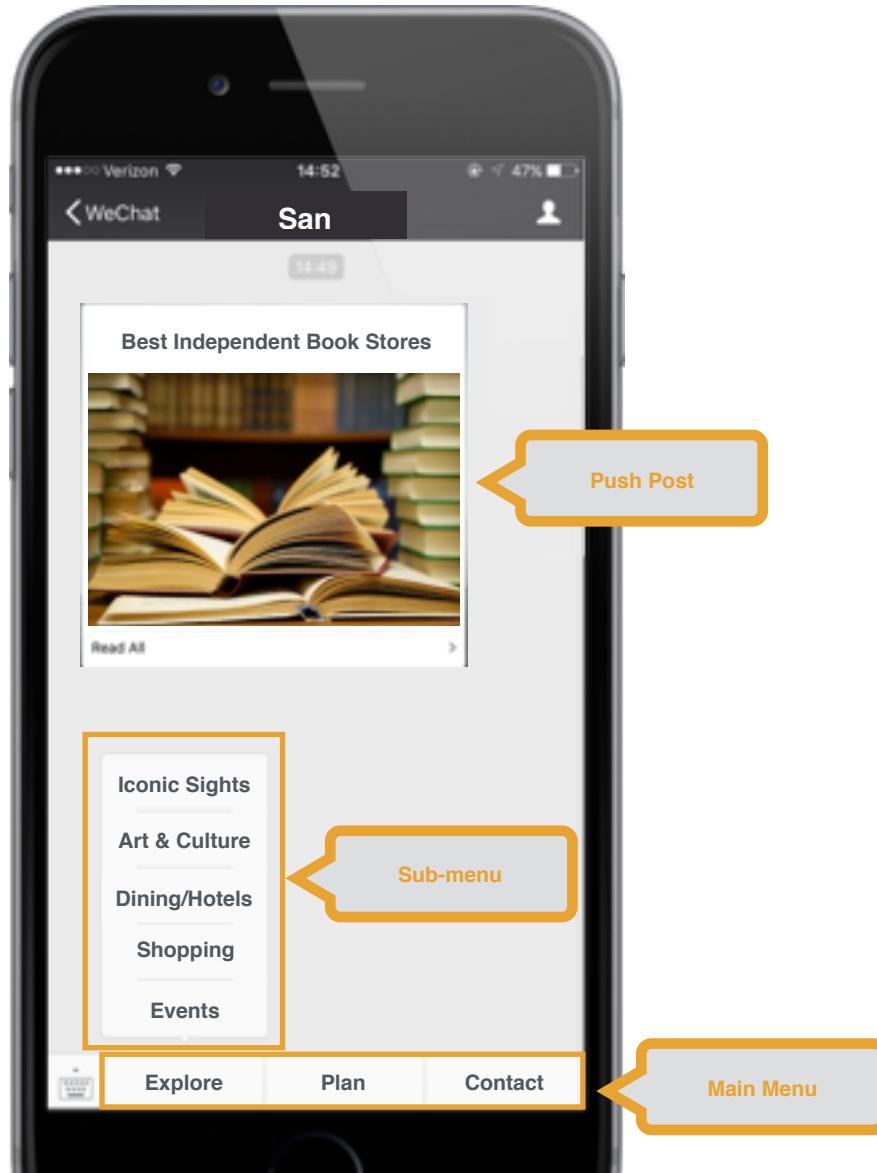


Moments



Chat Feed

# WeChat Interface



- **Explore**

- Iconic Sights
- Art & Culture
- Dining / Hotels
- Shopping
- Events

- **Plan**

- Visitor's Guide
- Transportation & Weather
- Trip Ideas / Deals
- Neighborhoods
- Special Interests (Weddings)

- **Contact**

- Customer Service / Live Chat
- Visitor Info Center
- Order Visitor's Kit



# Why WeChat?

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- Both Twitter and Facebook accounts are blocked in China; U.S. based websites load very slowly — WeChat has neither of these problems.
- Offers in-language information and services in an integrated platform that Chinese visitors already use when traveling abroad.
- Adoption rates continue to rise (up 40% YoY).
  - Adults average more than 40 minutes/day on WeChat.
  - 55% of users open app >10 times per day.
  - 86% of users between ages of 18-36.



More than 700 million  
active users



55% of users open  
WeChat more than  
10X per day



93% penetration in  
China's Tier 1 cities

A woman with long dark hair, wearing a black leather jacket and red shoes, is sitting on a stone ledge by a river. She is holding a green bag with a chain strap. The background shows a river with boats and a city skyline under a cloudy sky. The image is dimmed to allow text to be visible.

# Travel Trade Eco-System

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# Ecosystem Diversifies



Source: Baidu

# RTA vs. OTA

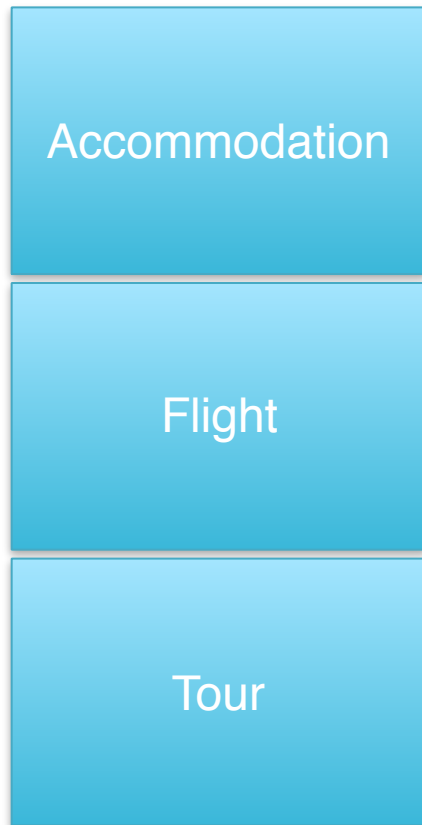
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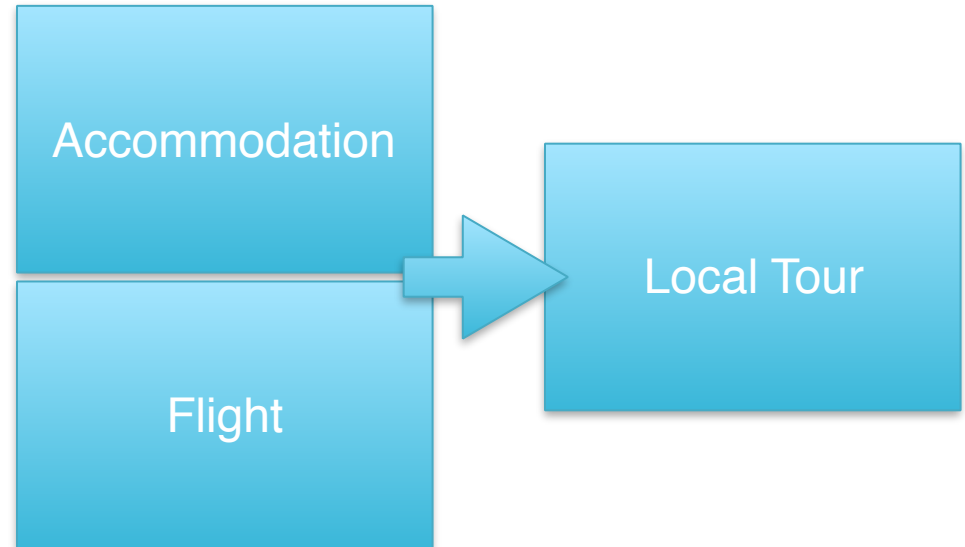
阿里旅行

# Package vs. Semi-FIT

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All Inclusive Package



Semi-FIT Package

# Credit Card vs. Mobile Payment

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# Tuolumne County Opportunities

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# Tuolumne County Opportunities

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- Gateway to Yosemite National Park



# Gateway to Yosemite National Park

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2016 is the Centennial of the National Parks Service,  
which is coincided with **U.S.-China Tourism Year**.  
Chinese visitation to U.S. national parks are expected to  
hit record number.

# Why Chinese Love U.S. National Parks

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- Lush green space and minty fresh air provide Chinese visitors an escape from their often polluted environment back home.
- Many Chinese visitors, especially millennials and entrepreneurs, want to be considered free-spirit and adventurous by their peers.
- The photogenic landscape of national parks provides visitors much “bragging rights” on social media such as WeChat, a favorite activity by Chinese visitors.

# Gateway to Yosemite National Park

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- Tuolumne's geographic location makes it the ideal gateway to Yosemite National Park from the Bay Area.
- There is a potential to connect with the popular Livermore Outlet and make it a two-day short trip.
- “Fly + Drive” is very popular for Chinese independent travelers

A woman with long dark hair, wearing a black leather jacket and a green handbag, is sitting on a stone ledge by a river. She is looking towards the camera with her hand near her face. The background shows a river with boats and a city skyline under a cloudy sky. The image is dimmed to make the text stand out.

# Case Studies

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# Case Study: LATCB “China Ready” Training

**Overview:** CLA has been engaged by LATCB to create and execute a China-Ready program for its members, on an ongoing basis.

## Program:

- Conceptualized and ran 10 in-person China Ready Trainings
- Created minimum China Ready Designation requirements for LACVB members
- Reviewed and vetted all China Ready Designation applications, answering questions and providing counsel to LACVB members as needed
- Created a comprehensive activation strategy for 2015, including organizing a receptive tour operator “trade show” in Los Angeles and organizing a China sales mission for China-Ready members



# Case Study: LATCB “China Ready” Training

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Amenity/Service	Required	Recommended
Chinese language map/materials	X	
Chinese language content on website	X	
Accept China UnionPay/China UnionPay ATMs	X	
Audio tour in Chinese		X
Mandarin speaking staff		X
Chinese food/drink options (if applicable)		X
Free wi-fi		X
Way finding/signage in Chinese		X
Chinese subtitles on videos		X
Chinese social media accounts (Weibo/Wechat)		X

# Case Study: LATCB “China Ready” Training

## Results:

- The China Ready program was very well received by LATCB members, illustrated not only by much higher than anticipated attendance but by high average seminar “value” ratings (4.2 on a 5-point scale) and the fact that 92% of survey respondents said the program met/exceeded expectations.
- 50% of attendees stated that their organization has already made changes as a result of the trainings, and 29% of attendees stated that their organization is planning to make changes as a result of the program.
- 62% of attendees were very interested in continued China Ready programming.
- Visitation to Los Angeles from Chinese tourists increased more than 20% to reach 686,000 in 2014



*Los Angeles*  
TOURISM & CONVENTION BOARD

A woman with long dark hair, wearing a black leather jacket, is sitting on a stone ledge by a river. She is holding a bright green handbag with a chain strap. The background shows a river with boats and a city skyline under a cloudy sky. The image is dimmed to allow text to be visible.

# Q&A

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# Contact

Renee Hartmann

Co-Founder, China Luxury Advisors

[renee@chinaluxuryadvisors.com](mailto:renee@chinaluxuryadvisors.com)  
+1.415.827.7187

Charlie Gu

Director, China Luxury Advisors

[charlie@chinaluxuryadvisors.com](mailto:charlie@chinaluxuryadvisors.com)  
+1.323.434.2480

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**THANK YOU!**

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