BLUE PAPER:

HOW THE RISE OF CHINESE TOURISM WILL CHANGE THE FACE OF THE EUROPEAN TRAVEL INDUSTRY

OCTOBER 2011

AUTHORED BY DR. KEVIN LATHAM
SCHOOL OF ORIENTAL AND AFRICAN STUDIES
UNIVERSITY OF LONDON

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University of London

BLUE PAPER:
THE CURRENT AND PROJECTED IMPACT OF INCREASING CHINESE TRAVEL ON EUROPEAN TOURISM INDUSTRIES

In 2010, Chinese outbound travel and tourism reached record levels of 57.39 million, an increase of more than 20% on 2009. This increase is likely to continue and confirms a general trend towards more outbound travel among China's growing middle classes.

Against this backdrop, this report investigates the current and projected impact of increasing Chinese travel on European tourism industries.

It is very welcome to see that this under-researched area is being examined with academic rigor as Chinese tourism in Europe has very significant growth potential. To tap into this potential requires an in-depth understanding of the market and its peculiarities.

Research and knowledge transfer activities are central to SOAS. Not only do they enhance teaching and learning, they are also a crucial part of the services that we provide to companies. As a leading research intensive university we are delighted to be working with Hilton Hotels & Resorts, one of the leading players in the global hospitality industry.

Tony L Doherty

Director of Research and Enterprise SOAS

Hilton London Paddington, UK

Hilton Villa Igiea Palermo, Italy

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With outbound tourism from China growing exponentially, Chinese travellers are fast becoming one of our industry's major segment growth opportunities. Like so many others, we're keen to understand how adapting to meet the needs of this new market will affect the European tourism industry for the long term.

To help us understand the potential impact and how the tourism industry in Europe can best prepare, we commissioned the School of Oriental and African Studies (SOAS) – part of the University of London - to examine this area in detail. SOAS has produced this research report, titled 'How the Rise of Chinese Tourism will Change the Face of the European Travel Industry', as part of our ongoing Hilton Blue Papers that explore various trends and areas of importance to travel and tourism.

Recognised as a leading centre for the study of a highly diverse range of subjects concerned with Asia, Africa and the Middle East, SOAS is one of Europe's greatest resources. By combining the specialised knowledge of SOAS with our own global perspective and unique expertise after nearly 25 years of operating in China, we believe this report will be of great value to tour operators, travel agents, government agencies, tourism organisations and others.

Hilton Hotels & Resorts, and our company, Hilton Worldwide, are dedicated to meeting the cultural needs and expectations of Chinese travellers. We recently announced the global launch of Hilton Huanying – a tailored experience for Chinese travellers that takes its name from the Chinese word for 'welcome' and extends authentic experiences with amenities, service standards and dedicated Hilton Team Member training. Hilton Huanying is one of several steps towards helping our hotels in Europe and around the world prepare for Chinese tourists. You can learn more about Hilton Huanying and our wider efforts in China and other markets around the world by visiting www.hiltonglobalmediacenter.com.

We hope you find this Hilton Blue Paper insightful.

Sincerely,

Dave Horton

Dave Horton
Global Head
Hilton Hotels & Resorts

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In 2010, Chinese outbound travel and tourism (COTT) reached record levels. The total number of outbound tourists reached 57.39 million, an increase of more than 20% on 2009 and confirming a general trend towards more outbound travel among China's growing middle classes. On these figures China is now the largest outbound tourist source-country in Asia having overtaken Japan. Official Chinese statistics predict further strong growth in outbound tourism in 2011 with around 65 million visitor trips in the year. In 2010, China's outbound tourists spent €35 billion / £30.4 billion on their travels, up 14% on the previous year. This figure is expected to reach €40.2 billion/£34.8 billion in 2011, a rise of 14.6%.

In 2010, the total number of outbound tourists reached 57.39 million, an increase of more than 20% on 2009.

As a proportion of overall tourist numbers in Europe, Chinese travellers still constitute a very modest proportion (less than 1%). However, their presence is already being felt in Europe with Chinese tourists proving to be high-spending travellers. There has also been a strong increase in the number of Chinese visitors to Europe in recent years and this trend also looks set to continue.

Europe remains an attractive and prestigious travel destination for Chinese people, although high costs and language difficulties continue to hold back further expansion of the market. Nonetheless, there were around 3 million visitor trips to Europe by Chinese travellers in 2010, accounting for more than 20% of Chinese outbound trips (excluding those to Hong Kong and Macau). The largest numbers of Chinese visitors to Europe are heading to France, Italy and Germany.

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Several factors are encouraging further growth in COTT to Europe including increasing support from the Chinese government for the outbound tourist industry, the expansion of China's middle classes who are also becoming wealthier, relaxation of visa application procedures, increasing outbound tourist satisfaction in China and favourable exchange rates.

Against this backdrop, this report investigates the current and projected impact of increasing Chinese travel to Europe on European tourism industries. The report:

- Identifies the latest trends in Chinese outbound tourism in general and travel to Europe in particular
- Identifies the key factors likely to stimulate growth in Chinese outbound travel to Europe and offers an analysis of the latest statistics and projections for future growth in the sector
- Identifies likely trends in the future of Chinese travel to Europe
- Analyses the present and likely future impact of Chinese tourism on the European tourist industries
- Makes recommendations for the European tourist industries as they look to seize the new opportunities that Chinese outbound travel has to offer

The report argues that:

1. There are good reasons to expect the growth in Chinese tourism to Europe to continue but that the rate of growth depends upon the actions of European governments, tourist industries and support sectors.
2. The European tourist industries still have much to do to adapt effectively to the new influx of Chinese tourists. Some changes are already being made, but the pace of change is slow and adaptation tends to be superficial or not yet sufficiently thought through.
3. Europe finds itself in an increasingly competitive global tourism market and needs to be proactive to remain competitive.
4. The future of Chinese outbound tourism in Europe is likely to be characterised by a continuing dominance of mass tourism, although this will be increasingly accompanied by more individual and independent travel with greater numbers of younger travellers.
5. It will see the development of more specialist and niche products, services and markets, which will broaden the range of opportunities for those in the European tourist industries.
6. New media will have a central role in the future of Chinese tourism in Europe for information gathering, booking and purchasing as well as for communication while travelling.

The report makes the following key recommendations for the European tourist industries:

1. Seek a more holistic understanding of China and Chinese markets which means acknowledging what needs to be learnt and changed and taking a more joined-up approach to attracting Chinese tourists to Europe
2. Learn to differentiate appropriately between different kinds of Chinese travellers and their differing needs and expectations
3. Establish a greater physical and digital presence in China
4. Take new media – and social media in particular – seriously and implement coordinated strategies to exploit the marketing opportunities that they offer
5. Innovate and adapt following Chinese tastes and expectations
6. Be proactive and seek to understand travel fashions and trends in China
7. Deepen the provision of Chinese language materials, information and services

INTRODUCTION

In 2010, Chinese outbound travel and tourism (COTT) reached record levels. The total number of outbound tourists reached 57.39 million visitor trips, an increase of more than 20% on 2009 and confirming a general trend towards more outbound travel among China's growing middle classes. On these figures China is now the largest outbound tourist source-country in Asia having overtaken Japan. Official Chinese statistics predict further strong growth in outbound tourism in 2011 with around 65 million visitor trips in the year. In 2010, China's outbound tourists spent €35 billion/ £30.4 billion on their travels, up 14% on the previous year. This figure is expected to reach €40.2 billion/ £34.8 billion in 2011, a rise of 14.6%.

Hilton Molino Stucky Venice, Italy

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As a proportion of overall tourist numbers in Europe, Chinese travellers still constitute a very modest proportion (less than 1%). However, their presence is already being felt in Europe with Chinese tourists spending more than visitors even from other high spending source markets such as Russia and the Middle East. There has also been a strong increase in the number of Chinese visitors to Europe in recent years and this trend also looks set to continue.

Europe remains an attractive and prestigious travel destination for Chinese people although high costs and language difficulties continue to hold back further expansion of the market. Nonetheless, there were around three million visitor trips to Europe by Chinese travellers in 2010, accounting for more than 20% of Chinese outbound trips (excluding those to Hong Kong and Macau). Europe holds a particularly strong attraction for Chinese travellers as opposed to other Asian travellers with just 17% of outbound tourists from Japan and India, the next largest source markets, heading for Europe (ITB 2011:11). The largest numbers of Chinese visitors to Europe are heading to France, Italy and Germany.

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The remainder of this report is divided into five sections. The first offers an overview of COTT in Europe with statistics, demographic profiles of typical Chinese travellers, consumer behaviour and the identification of key cultural factors shaping attitudes to travel and tourism. The following section analyses the context of Chinese outbound tourism in China and identifies the key 'push' factors driving growth in Chinese outbound tourism in general and to Europe in particular. Section three looks at recent trends and developments in COTT to Europe, identifying changing preferences and attitudes to European travel among Chinese tourists. Section four looks at the likely development of Chinese outbound travel to Europe in the short to medium term future and is followed by recommendations for the European tourist industry about how best to grasp the opportunities that Chinese travellers in Europe offer.

SECTION ONE
COTT IN EUROPE: AN OVERVIEW

1.1 DESTINATION EUROPE AND THE GROWTH IN CHINESE TRAVELLER NUMBERS

Europe remains an attractive travel destination for Chinese visitors both for business and for tourism. Europe is considered a prestigious place to visit as well as being renowned for its scenery, culture and history. This attractiveness is reflected in the continuing growth in Chinese visitor numbers to Europe.

Chinese outbound travel to Europe has been growing steadily in recent years. In 2009 2.036 million Chinese outbound tourists came to Europe, according to official statistics from the China National Tourism Administration (CNTA). This figure grew by 14.69% to 2.335 million visitor trips in 2010. However, Chinese statistics are generally considered to underestimate the true figures and other reports put the number as high as 3.1 million Chinese visitors to Europe last year (ITB 2011).[1]

The most popular destinations for Chinese travellers in Europe are France, Italy and Germany with between 500,000 and 700,000 Chinese visitors coming to each of these destination countries annually. Current levels of growth can be expected to continue and at current growth rates these figures could rise to as much as 1 million Chinese visitors per year to some of the most popular countries within the next five years.[2]

Within Europe the United Kingdom (UK) remains a particularly attractive tourist destination for its heritage, culture and shopping. However, since the UK is not part of the Schengen Treaty area, Chinese visitors currently still have to apply for a separate visa to enter the UK, whereas one visa for any country within the Schengen area allows free entry to all the other treaty area countries. This remains an important factor for Chinese tourists visiting Europe, many of whom come on package tours looking to visit four, five or even more European countries in one trip. In 2010, the 25 Schengen countries also simplified visa application procedures for Chinese visitors in a move that is likely to further enhance the attractiveness of Europe as a tourist destination in general and also with respect to the UK.[3]

> Many Chinese visitors come on package tours looking to visit four, five or even more European countries in one trip.

In the short-term future, the prospects for increasing Chinese tourist volumes to the UK are good. The high publicity attracted by the royal wedding of the Duke and Duchess of Cambridge in 2011, the pending summer Olympic and Paralympic Games in 2012, as well as the popularity of the UK for its cultural heritage and shopping are all likely to contribute to growth in Chinese visitor numbers in 2012 and beyond. In addition, the UK is the largest recipient of Chinese students in Europe and offers the chance to practise and speak English. According to the official International Passenger Survey released by the UK government, in 2009 there were 100,000 Chinese visitors to the UK rising to around 127,000 in 2010. In 2011 this had risen further to 150,000. VisitBritain, the UK government's tourism agency, expects these numbers to rise to around 240,000 by 2014.

[1] For instance, Chinese statistics only count travellers leaving for Europe from China itself and do not count Chinese visitors who may arrive via alternative routes (e.g. China – Singapore – Frankfurt). Estimates of Chinese traveller numbers to Europe vary according to different sources. The ITB World Travel Trends report 2010/2011 puts the figure for Chinese visitors to Europe in 2010 at 3.1 million. ITB puts the total number of outbound tourists from China (excluding those travelling to Hong Kong and Macau) at 13.1 million in 2009. Assuming a growth rate of just 8%, following ITB, this puts the total number at around 14.15 million in 2010.

[2] Spain announced plans in the summer of 2011 to boost inbound tourism from China by easing visa requirements, encouraging more direct flights between the countries and opening more tourist offices in China. The government hopes to see Chinese tourist numbers rise from 89,500 in 2009 to 300,000 in 2012 and to one million by 2020.

[3] A new EU community visa code that came into effect on April 5, 2010 introduced a 'harmonised application form to enhance transparency, to develop legal security and to provide equal treatment of applicants.' (CTA 2011: 16). Visa fees for children aged between six and 12 years old were also reduced from €60 to €35.

London Hilton on Park Lane, UK

Hilton The Hague, Netherlands

1.2 CHINESE TRAVELLERS TO EUROPE

Numerous different types of Chinese travellers come to Europe, which means that generalising is dangerous. However, currently most Chinese visitors do fit a certain demographic profile. They are likely to be relatively wealthy middle class urban Chinese with higher than average education, from the large major cities or eastern coastal provinces and relatively young to middle-aged. In 2010, 85% of Chinese outbound tourists were under the age of 45 and 64% were between 25 and 45.[4] Most outbound tourists were also relatively highly educated with 81% having either a bachelor's degree or 'dazhuan' college diploma or above. Tourists with masters degrees or higher constituted 11% of outbound tourists, far more than their proportion in the general population (considerably less than 1%).

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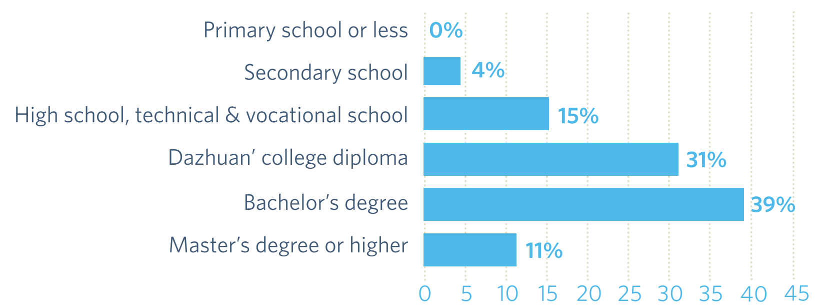
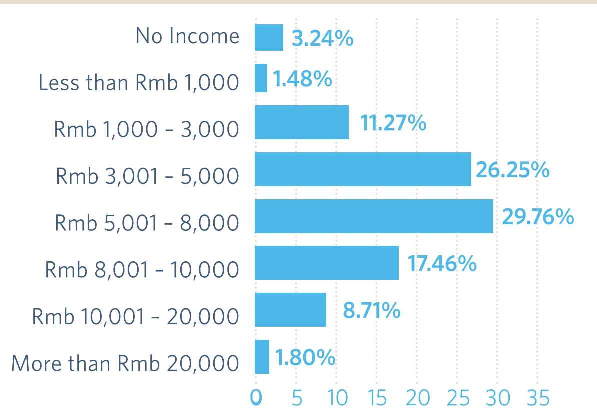
EDUCATIONAL LEVEL OF CHINESE OUTBOUND TOURISTS 2010*



**Source: CTA 2011*

Chinese outbound tourists are also far more likely to be employed as professionals in some capacity or other with education, the information technology, computer and software industries, the finance sector and scientific research accounting for more than 40% of all outbound tourists. In terms of income, less than 16% of outbound tourists have an income lower than Rmb 3,000 per month (€344 / £300) while more than 56% earn between Rmb 3,000 (€344 / £300) and Rmb 8,000 (€917 / £798) per month.[5]

INDIVIDUAL MONTHLY INCOME OF CHINESE OUTBOUND TOURISTS 2010*



**Source: CTA 2011*

[4]Statistics in this section all come from CTA 2011 unless otherwise stated. They are drawn from a monthly survey conducted in 2010 by the CTA in cities across China including Beijing, Shanghai, Guangzhou, Chongqing, Xi'an and Shenyang. The survey returned 2,503 valid questionnaires (CTA 2011: 66).

[5]The national average income in China is currently around Rmb 1,600 (€183 / £160) per month. In Shanghai this rises to around Rmb 5,000 (€573 / £499). A software developer could expect to earn around Rmb 8,000 (€917/ £798) per month.

Within this overall profile there are also several key types of Chinese travellers to Europe, which can be broadly categorised into the following sometimes overlapping groups:

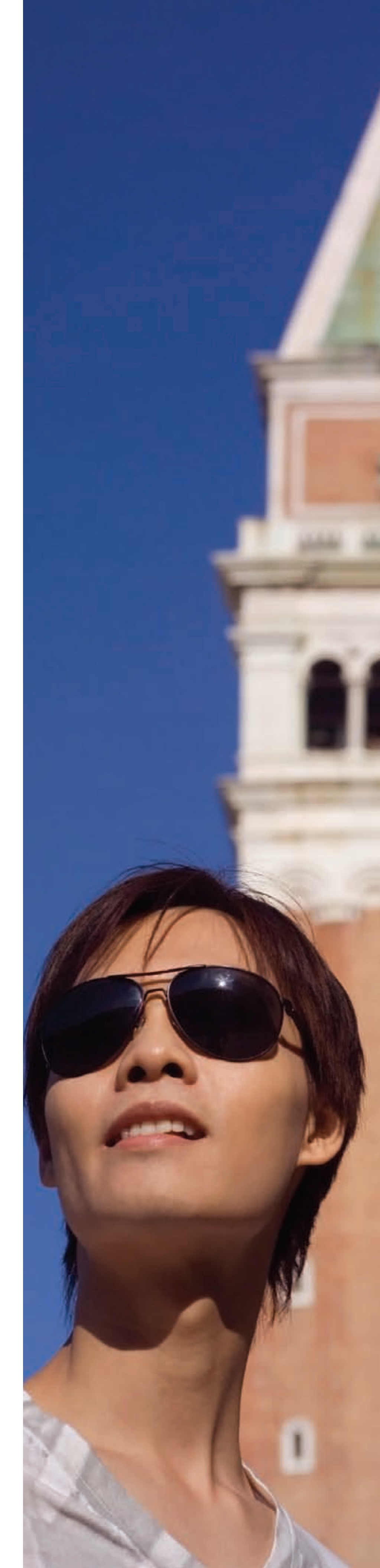
a. **Tour group members:** most Chinese travellers to Europe still come in tour groups. China's approved destination status (ADS) system of bilateral arrangements with destination countries assumes group travel for visa applications making the process of acquiring visas simpler. In addition, packages that offer an all-in price covering flights, accommodation, food and local travel are often the cheapest ways for Chinese travellers to experience Europe. In addition, tour groups offer the chance to avoid language difficulties. However, tour groups are renowned for their very tightly packed schedules, which do not appeal to an increasing number of Chinese travellers, especially younger travellers with good language skills. Typically these tours are very low-priced and involve stays in economy hotels far from the cities' historical and tourist centres.

b. **Individual travellers:** individual travel, domestically and overseas, is increasingly popular among China's better educated middle classes. More and more individual travellers, which includes those travelling in small groups of two or three friends, are starting to appreciate more relaxed and independent modes of travel in Europe. Good English or other mainstream European language ability is considered, by most Chinese travellers, to be a prerequisite for individual travel in Europe due to the poor provision of information in Chinese and only rarely found Chinese language abilities among workers in the travel and tourism sectors. Individual travellers include Chinese students studying in Europe and travelling during vacations, expatriate Chinese working in Europe, couples with some experience of living or working overseas, more adventurous young professionals and wealthy, educated retirees. Public transport, including the use of discounted rail passes, is popular with individual travellers although some of the wealthier travellers now also hire cars for touring Europe.

c. **Students and their families:** there are currently around 130,000 Chinese students studying at universities in Europe, the majority of these, around 80,000, studying in the UK. Two related travel markets are centred around these students. First, the students themselves often look to travel during vacations and take advantage of being in Europe to travel cheaply and conveniently. They have good language skills and the experience of living in Europe enables easy independent travel. In addition, many students will have other family members visit them during their time in Europe, both to see their relatives and to take advantage of the travel opportunities that the situation can offer.

d. **Business travellers:** many Chinese travel to Europe on business. Business travellers are more likely to stay in premium and luxury hotels, paid for by their companies or government bodies, when in the large cities and often try to combine business with sightseeing. They travel individually or in small groups of colleagues and for business are more likely than tourists to travel to places off the beaten track. It is important to differentiate between business travellers from multinational corporations, state-owned enterprises and small and medium-sized enterprises, all of which may have varying expectations and requirements. Focus group evidence suggests that business travellers are likely to be more particular about their demands on hotels than leisure travellers, with clear ideas about what they want in terms of facilities, comfort and services.

e. **Family groups:** there are two principal kinds of family groups among Chinese travellers to Europe. First, the nuclear family, which is likely to consist of one child and two parents. This could be a couple travelling with a small child or parents visiting an older child studying in Europe. The second kind of family group is one that includes one or both pairs of grandparents as well as the nuclear family group. Importantly, family groups travelling on their own tend to have different expectations and demands of hotels than individuals, couples or tour group members. They may be looking for child-friendly environments, including the availability of childcare or entertainment and appropriate comfort for elderly grandparents.



In addition to these categories it is also important to differentiate:

i. **First, second and third time travellers:** first time travellers to Europe often come in tour groups on package holidays or may be business travellers or students. However, for Chinese with limited overseas travel or living experience and limited foreign language skills, the easiest and most appealing solution for travelling to Europe is the package tour. First time travellers need a degree of 'handholding' making the role of the tour guide fundamental in the mediation of tourists' experiences of the countries they visit. Many second time travellers also come on package tours for the convenience, usually endeavouring to see different countries to those visited on the first trip. However, second and third time visitors with reasonable language skills are increasingly likely to look for independent travel opportunities and the chance to break away from the often punishing schedule and inflexibility of the standard sightseeing tour group.

ii. **Younger, middle-aged and senior travellers:** most Chinese travellers to Europe are in their 30s or 40s. Younger travellers will generally be children from middle class or wealthy families studying in Europe and older travellers are more likely to travel on package tours or in extended family groups where they will have support structures in place to help them with language and other issues.

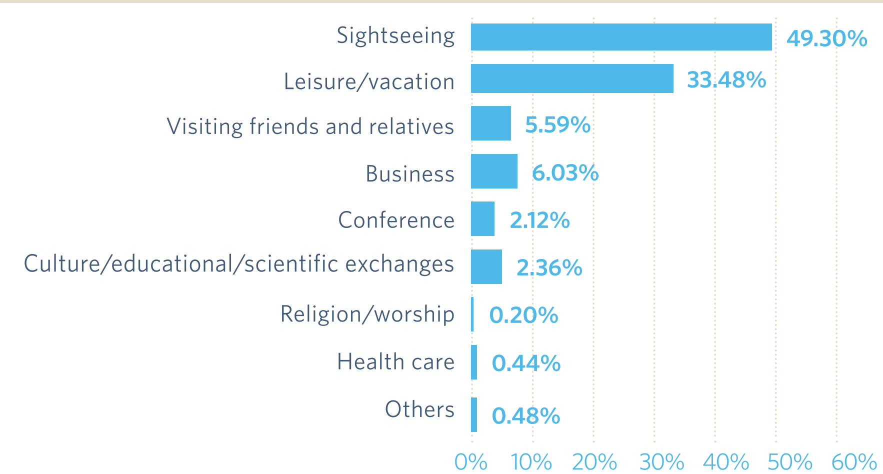
iii. **Financially comfortable lower to upper middle class travellers and wealthy rich or 'super-rich' luxury travellers:** the majority of Chinese travellers to Europe are in the middle class wealth bracket, relatively comfortable financially and looking to broaden their travel experiences to more prestigious destinations. Due to the high cost of travel to Europe, lower-end earners are only rare visitors to the continent. However, there is also an emerging market for wealthier rich and 'super-rich' Chinese demanding high luxury and top-end services and accommodation.

iv. **Educational levels of different travellers:** currently the majority of Chinese travellers to Europe are relatively well-educated. However, China's middle-classes include large numbers of self-made entrepreneurs, not all of whom have been highly educated. Some may have limited English or foreign language skills, but still have the money to travel to Europe. It is therefore important to differentiate between the different needs of these travellers with different social backgrounds.

1.3 CHINESE CONSUMER BEHAVIOUR AND ATTITUDES

According to survey data from the China Tourism Academy, 49.30% of Chinese outbound tourists in 2010 travelled principally for sightseeing with a further 33.48% travelling for leisure or a vacation. Business travellers accounted for just 6.03% of Chinese outbound travel and 5.59% were visiting friends and relatives (CTA 2011: 70).

PURPOSE OF OUTBOUND TRAVEL OF CHINESE TOURISTS 2010*



**Source: CTA 2011*

Not emerging in this survey, however, is the fact that one of the most important additional motivations for Chinese tourists to come to Europe is the prestige that it bestows upon them when they return to China. In fact, one reason why shopping is such an important component of trips to Europe, is that it is very prestigious to share gifts bought in Europe with family and friends upon return. Most outbound tourists in 2010 travelled with family members (46.98%) while 23.81% travelled with friends (CTA 2011: 72) and the most influential factors informing their choice of destination were: the tourist sites themselves (37.32%), tour expenses (27.45%), the leisure environment (11.15%) and local transportation (11.07%). Lodging (6.19%), food (5.99%) and other factors (0.84%) were relatively minor considerations. Indeed, Chinese tourists in Europe have the reputation for saving on accommodation in order to spend more on shopping and gifts.

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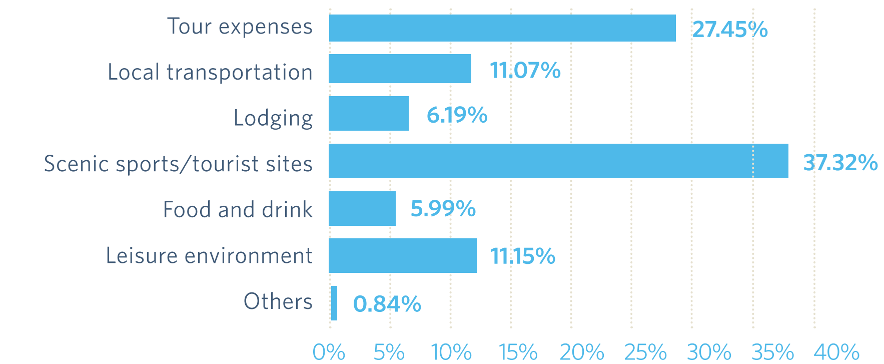
FACTORS INFLUENCING CHOICE OF DESTINATION OF CHINESE OUTBOUND TOURISTS 2010*



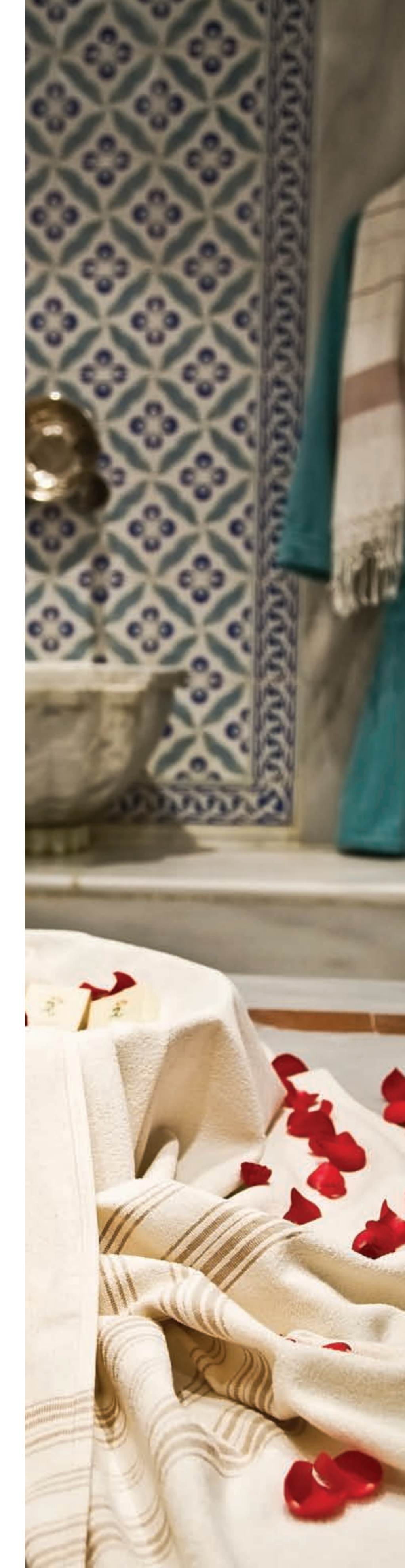
**Source: CTA 2011*

Chinese outbound tourists generally visited between three and five scenic spots (48%) or between six and nine scenic spots (24%) while overseas in 2010 (CTA 2011: 73) and the largest proportion travelled for one week (48.14%). Just under a quarter of outbound tourists travelled for two to three days in 2010 while 19.9% travelled for two weeks (CTA 2011: 74). European holidays are generally between one and two weeks. In Europe, mass tourist holidays often try to squeeze as many as 10 countries in a tour of just 10 days. The more countries visited, the more prestigious the holiday is considered, by some, for recounting to friends and relatives back in China.

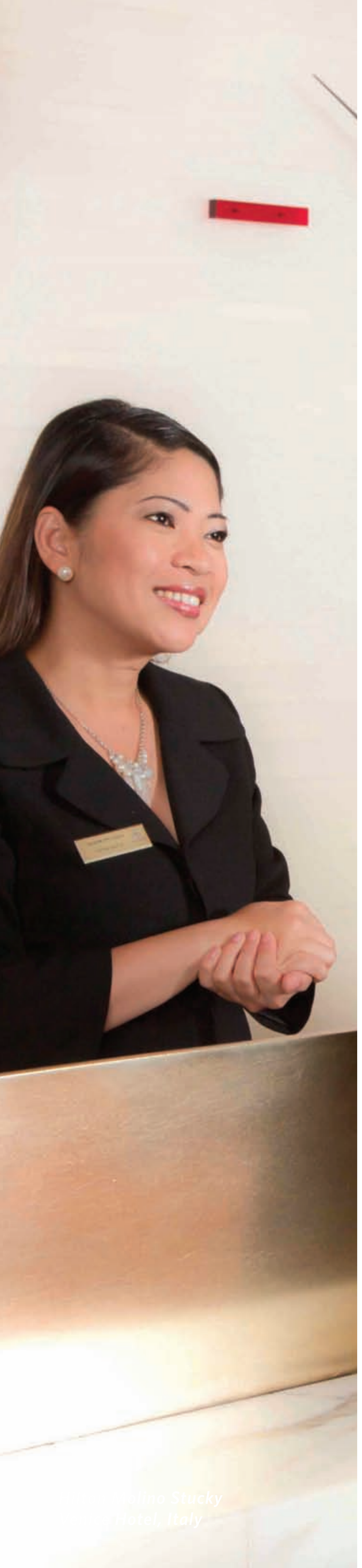
Among the outbound tourists surveyed by the CTA, budget hotels accounted for 35.24% of their lodging while 31.72% and 15.94% were accounted for by medium-priced (two to three star) hotels and luxury hotels (four star and higher) respectively.

> 46.65% said that they spent more on self-paid items (i.e. shopping, gifts, extra food/drink etc.) than they did on their package tour fees.

Per capita spending on outbound tourism last year was generally in excess of Rmb 3,000 (€344 / £299) with 16.86% of tourists spending between Rmb 3,001 (€344 / £299) and Rmb 5,000 (€573 /£499), 33.92% spending between Rmb 5,001 (€573 / £499) and Rmb 10,000 (€1,145 / £997) and a further 16.06% spending more than Rmb 10,000 (€1,145 / £997). More than 26.85% of tourists said that their highest expenditure was on shopping, more than for any other category of expenditure including transportation (22.81%, admission tickets (14.50%) or food and drink (10.38%) (CTA 2011: 75). Indeed, 46.65% of tourists surveyed by the CTA said that they spent more on self-paid items (i.e. shopping, gifts, extra food/drink etc.) than they did on their package tour fees. Only 35.22% said their package tour fees were higher than their expenditure on self-paid items. According to the United Nations World Tourism Organisation (UNWTO) total expenditure on outbound tourism by Chinese tourists increased last year by 22% on 2009 (ITB 2011: 4) and according to IPK's Asian Travel Monitor, Chinese tourists spend an average €234 / £202 per night on trips to Europe (ITB 2011: 17).



Hilton Istanbul, Turkey



Hilton Molino Stucky Venice Hotel, Italy

1.4 CULTURAL FACTORS SHAPING ATTITUDES TO TRAVEL AND TOURISM

This paper cannot offer a comprehensive discussion of Chinese cultural factors shaping attitudes to travel and tourism. They are too numerous and complex to deal with properly here. However, it is possible to identify some common cultural factors that may help Europeans start to understand Chinese travellers more easily. These include the following:[6]

- **Discerning but loyal:** Chinese tourists often have high expectations, especially of high-end hotels. They can also be very demanding in terms of service. However, research has shown that should they have a good experience with a particular travel agency, hotel chain or other service provider, then they are more likely to return to the same provider the next time they are travelling.

- **High brand recognition:** research on Chinese consumption has highlighted the importance of brands for Chinese consumers for whom a recognised brand potentially brings low risk, high prestige and reliability, depending on the product (Atsmon, Dixit, Magni and St-Maurice 2010). In its survey of Chinese outbound tourists the CTA found that by far the most commonly cited criterion taken into consideration when choosing a travel agency was brand popularity (44.49% followed by 37.23% who also valued the recommendations of friends). Consequently, building brand recognition among Chinese tourists is worthy of investment.

- **The importance of family:** nearly half of all outbound tourists from China in 2010 were travelling with other members of their family and the family unit is important both for shaping the travelling experience itself, but also in the preparatory stages of travel. Choices of hotels, form of transport, destination, food and much more will be informed by the sense of family needs. If travelling with elderly parents or children, then their needs, as those of the weaker and more needy members of the family group, are likely to be put first.

- **Collective behaviour:** even when travelling individually, Chinese tourists are unlikely to want to stand out from the crowd, where the crowd can be defined in two slightly contradictory ways: either everyone else who is travelling or all other Chinese people who are travelling. In the case of the former, Chinese do not want to be singled out for special treatment – segregation of tour groups at meals for instance. In the case of the latter, they are likely to have a heightened sense of being Chinese as they encounter so much difference all around them. This is likely to make them feel closer to other Chinese travellers as well as the desire to share experiences with other Chinese (e.g. through a social networking site or microblog). When travelling in a family group, the needs of the family as a whole often come first, not the individuals within it. It is very important to remember, however, that having a sense of the collective does not mean that they are all the same.

- **Networking and gift-giving:** maintaining social relations (guanxi) and networking is a fundamental feature of Chinese society. This is a complex issue that could impact upon tourism in many ways. However, perhaps the most immediate example of this relates to gift-giving. A large proportion of the shopping that Chinese people do while travelling is for gifts for friends, family, neighbours and colleagues. They also look for bargains for themselves of course, but gift-giving is a fundamental part of maintaining social networks and relationships in China. Groups of Chinese visiting overseas organisations will always come armed with gifts for their hosts. Consequently, the giving of a small souvenir or memento on leaving a scenic spot, museum, hotel or other place visited, is likely to be strongly welcomed, appreciated and remembered by Chinese visitors.

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[6]Inevitably what follows includes many gross generalisations that are simply indicative. They will inevitably not apply to all Chinese at all times. For this reason it is important to understand, whenever possible, differences between Chinese of different social backgrounds.

Key values and expectations for tourism:

- **Face and respect:** Chinese visitors expect to be treated with respect and politeness. In Chinese terms they expect to be given face. They have high expectations of hotel service, especially in three star hotels and above because they are used to high standards in China. They expect to be served and treated as the customer, in a friendly manner but not as a friend, by hotel staff. However, respect also applies in a more general sense. The provision of Chinese language information alongside French, German, Spanish, Japanese or Arabic, shows respect for China and Chinese people in general and appeals to their sense of collective identity.

- **Pride:** pride is related to respect. Chinese people are generally not extrovertly nationalist, but if they feel slighted or unfairly treated it can bring out strong feelings of pride, sometimes linked to national identity. Chinese people can be very sensitive to what is often perceived as western bias against China in western media. Consequently they can be very sensitive if they feel that they are being looked down upon, treated with prejudice or patronised.

- **Openness and amenability:** Chinese tourists are very appreciative of honesty, openness, sincerity and amenability. They often remember, and praise, services that go the 'extra mile' – the hotel that delivers forgotten luggage to the airport or posts left items home, free shuttle bus services or warm, welcoming and helpful attitudes when making requests.

- **Familiarity:** For some Chinese tourists, especially younger individual travellers, familiarity of context is not important. Indeed, for some, it is the lure of the exotic that has brought them to Europe in the first place. Nonetheless, for many Chinese tourists, especially those travelling abroad for the first time or little experience of being overseas, little things can become very important for making them feel at home: Chinese tea, slippers in the hotel room, good quality Chinese food, someone who speaks Chinese. Even if a number of Chinese travellers will feel adventurous and try local food for lunch and dinner, most travellers will appreciate key staples at breakfast such as congee or dim sum.

- **Authenticity:** a sense of authenticity is also important for many Chinese tourists overseas. They often like to see local colour and character in hotel lobbies or bedrooms and are highly appreciative of local customs and habits, particularly those that seem exotic and different to their own experiences.

- **Chinese in Europe:** Chinese tourists may not be familiar with the details of European history, but they are likely to know about famous Chinese people who have spent time in Europe. Former premiers Deng Xiaoping and Zhou Enlai both worked and studied in France in their youth in the 1920s. A Chinese poet, Xu Zhimo, wrote a famous poem while studying in Cambridge in the early 20th Century. Sun Yatsen, the founder of the Republic of China, spent time in Britain. Consequently, sites related to these more familiar figures are likely to be of equal if not more interest to many Chinese visiting Europe, as are important locations in European history about which they have never heard.

SECTION TWO
RECENT DOMESTIC DEVELOPMENTS AFFECTING COTT TO EUROPE

2.1 OVERVIEW OF COTT

According to official statistics, in 2010 the number of outbound tourists from China reached 57.39 million, up 20.4% on the previous year (CTA 2011). This figure is expected to rise to 65 million in 2011 constituting a slightly more modest rise of 13% year on year. Double-digit growth in outbound tourist numbers can be expected for the immediate future and the total number of outbound travellers is expected to more than double by 2020 to around 120 million person-visits.

Hilton Malmo City, Sweden

Hilton Arc de Triomphe, France

The total number of outbound (Chinese) travellers is expected to more than double by 2020 to around 120 million person-visits.

In 2010, the vast majority (90%) of travellers went overseas for personal reasons – either business or leisure – and the proportion of overseas travellers on public business dropped to below 10% of the total. This reflects tougher regulations in recent years curbing overseas trips for people in public office, including those running state-owned enterprises. Spending on outbound travel was up 14% year on year to €35 billion / £30.4 billion in 2010, equivalent to an average expenditure of €611 / £530 per person-visit. This figure is expected to rise by around 14.6% in 2011 to reach €40.2 billion / £34.8 billion.

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The largest proportion of Chinese overseas travellers, however, are still destined for Hong Kong and Macau, which are still categorised as overseas destinations in these statistics. 2010 was also the second year in which Chinese travellers could go freely to the island of Taiwan whose popularity with mainland Chinese travellers continues to grow. Last year more than 1.2 million mainland Chinese visitors went to the island.

The top 10 destinations for Chinese travellers in 2010 were: Hong Kong, Macau, Japan, Korea, Taiwan, Vietnam, USA, Thailand, Singapore and Russia (CTA 2011: 62), as they were, in a slightly different order, in 2009. Travel within Asia continues to dominate the Chinese outbound travel market. This is principally due to reasons of cost and convenience.

2.2 DOMESTIC DEVELOPMENTS AFFECTING COTT

Various factors are currently encouraging the further expansion of COTT both in general and to Europe in particular. The key positive factors are:

- Continuing growth in the Chinese economy and personal disposable family income
- The further expansion of China's middle classes
- Further relaxation of the Chinese government's position on outbound travel and tourism and policy changes promoting competition and opening up domestic outbound tourism markets
- Rmb exchange rate increases
- The simplification of visa application procedures to destination countries

Domestic economic growth: the relation between economic growth and the development of an outbound tourist market in China is complex and not one of simple correlation (Arlt 2006: 87). However, it is nonetheless undeniable that the increasing wealth of the population as a whole, and some sectors of the population in particular, leading to individuals and families with greater disposable income has played a crucial role in the development of the outbound tourism market in China.

China's gross domestic product (GDP) reached Rmb 39.8 trillion (€4.56 trillion / £3.97 trillion) in 2010 representing growth of 10.3% year on year, 1.1 percentage points higher than in 2009. Increasing GDP has a knock-on effect on household incomes and according to the Chinese National Statistical Bureau, annual per capita income for urban households reached Rmb 21,033 (€2.406 / £2,099), up 11.5% on 2009. Furthermore, per capita disposable income of urban residents was Rmb 19,109 (€2,186 / £1,907), again up 11.3% on the previous year and representing actual growth of 7.8% allowing for inflation. Per capita disposable income of rural residents was

up by 14.9% year on year in 2010 to Rmb 5,919 (€677 / £591), equivalent to a 10.9% growth rate after inflation.[7]

In addition, a decree by the State Council came into effect in 2010 requiring increases in salaries for all in-post and retired employees of state-owned enterprises and public institutions under the deputy-director level. This resulted in wage increases up to 24% for the highest affected ranks coming into effect in 30 provinces last year.

China's expanding middle classes: China's outbound tourists come predominantly from China's expanding middle classes. In particular, though not exclusively, these are constituted by urban residents in the larger cities and wealthier eastern coastal provinces, which have benefited the most economically from China's economic growth in recent decades. Unlike middle classes in other developed countries, China's middle classes are still emerging and establishing their own identities and one common way to do this is through consumption of up-market housing, leisure services (including travel) and luxury or fashion goods (Li 2008; Anagnost 2008; Tomba 2004). This is one reason why they are so important for China's outbound tourism market.

China's middle classes are expected to expand both numerically and geographically as well as becoming even more economically comfortable in years to come. According to one recent forecast, the number of households earning at least Rmb 60,000 (around €6,864 / £5,988) per annum – taken as the threshold income for membership of the middle classes – will increase by 100 million in the decade between 2010 and 2020 (BCG 2010). This will double consumer spending power in nearly a quarter of China's cities and counties over the next decade. The same report predicts that by 2020 there will be more than 800 urban locations in China with higher disposable income than that of Shanghai, China's wealthiest city, today.

Government policy and attitudes: the continuing relaxation of the Chinese government's position on outbound travel and tourism has helped revenue from outbound tourism outstrip that from domestic and inbound tourism over the last year. The growth in GDP and household incomes are important factors encouraging outbound tourism. However, without the appropriate government policies and attitudes, increasing wealth alone could not account for the levels of growth that the market has seen in recent years.

Having moved from a position of limiting and controlling outbound tourism, the authorities have gradually moved in recent years to one of tacit encouragement of the sector. In particular in 2010, the government made it easier for foreign companies to get involved in China's outbound tourism market and made further policy changes that will open up the market to more domestic players and improve the reach of licensed outbound travel agencies into lower tier cities and markets.

Rmb exchange rate increases: with increasing international pressure on the Chinese authorities to de-link China's currency, the Renminbi, from the dollar and allow it to float more freely on international currency markets, the Chinese government has allowed some gradual appreciation of the currency in recent years. In 2010, the real appreciation of the effective exchange rate for the Renminbi was 5.97% (CTA 2011: 11). Although the appreciation is relatively modest, the increasing value of the Chinese currency nonetheless generally lowers the cost of outbound tourism and makes overseas tourist consumption – including shopping – increasingly affordable and attractive.

Simplification of visa application procedures to destination countries: various countries eased visa application procedures for Chinese travellers in 2010 by either simplifying bureaucratic procedures, lowering or abolishing visa fees or lowering the visa requirements. In the European Union, the Schengen area countries simplified visa procedures and reduced fees for children while Germany, Spain and Croatia all further simplified visa procedures in different ways. Ireland and Albania both reduced their visa fees for Chinese citizens. Some of the biggest changes were in visa arrangements for Chinese travellers to South Korea and Japan, but other countries making similar changes included Thailand, the United States, Canada, Mexico and South Africa.

[7] These are national average figures which, in a country the size of China, do not represent the diversity of local experiences. Indeed, average incomes in the large cities and eastern coastal provinces, which are for this reason the main source markets for outbound tourism, are considerably higher than these figures.

Hilton Athens, Greece

Other factors affecting Chinese outbound tourism: fuel costs, tax increases and safety and security concerns had some negative impact on Chinese outbound tourism in 2010 while further positive influences can be attributed to better support systems, financial services and insurance arrangements, improving satisfaction among outbound tourists and the publicity for overseas destinations generated by the Shanghai Expo in 2010.

With international events driving up the price of oil in 2010 there was inevitably a knock-on effect on aviation fuel prices, which in turn put up the cost of outbound travel. Consequently sixteen domestic and international airlines operating routes out of China increased either ticket prices or fuel surcharges to cover the extra fuel costs. Along with travel-related tax increases, this, to some degree, counteracted the financial gains to outbound tourists coming from currency exchange levels.

Chinese outbound tourists have become increasingly concerned with safety and security while travelling overseas and are known to pick carefully their travel destinations taking into account any possible safety concerns. In 2010, there were several major incidents that adversely affected Chinese outbound tourism to the destinations involved. Political instability in Thailand with the suppression of 'red-shirted' protests, political tensions between China and Japan following the fishing boat incident near the Diaoyu islands, the hijacking of a tourist bus in the Philippines which led to the deaths of six Hong Kong tourists, and serious injuries to eight more, and the stranding of dozens of mainland Chinese tour groups on Taiwan during typhoon 'Catfish' in October 2010 all had a short-term negative impact on Chinese outbound tourism to these destinations. In 2011, political upheaval in the Middle East and the earthquake and nuclear disaster in Japan have had similarly negative effects on outbound tourism.

At the same time, however, China's travel industry has made steps to providing better and more systematically organised emergency support systems for tourists stranded overseas. To some degree this was triggered by the Icelandic volcanic eruptions in 2010, which left thousands of Chinese travellers stranded for days or even weeks. Consequently, travel agencies are now required to have backup provisions in place should similar problems arise in the future. This is also linked to the further development of China's travel insurance industry, which has expanded its offering both for individual travellers and for travel agencies and tour groups to include medical care, emergency rescue services, personal injury claims, property loss and damage and travel delays.

Outbound tourists have also been encouraged by improving financial services for Chinese tourists overseas. In particular, China Union Pay (CUP) bankcards are now increasingly accepted in European and other destinations with CUP services available in 98 countries worldwide. In 2010, CUP also entered into new collaborative agreements with shopping centres and duty-free shops in 18 different countries including France, Italy and Turkey. Both Harrods and Selfridges department stores in London have CUP terminals installed for Chinese customers and Harrods recently reported a rise of 40% in sales to Chinese customers since the introduction of 75 terminals for Chinese customers in its London stores (Moore 2011).

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Recent surveys of Chinese outbound tourists also found that levels of satisfaction among returning tourists was greatly improved in 2010 compared to 2009. This enhances the power of word-of-mouth recommendations, which have been shown to play a key role in Chinese outbound tourist decision-making processes. At the same time, the Shanghai Expo in 2010 provided a golden opportunity for the 246 participating countries from around the world to sell themselves as potential tourist destinations to the 73.08 million visitors who attended. A large proportion of these visitors were relatively wealthy, middle-class, urban Chinese from the large cities and eastern coastal provinces – in other words the body of the population from which most of China's European outbound tourists are drawn.

Word-of-mouth recommendations have been shown to play a key role in Chinese outbound tourist decision-making processes.

SECTION THREE
COTT IN EUROPE: RECENT TRENDS AND DEVELOPMENTS

3.1 MORE FIRST, SECOND AND MULTIPLE TIME VISITORS

The vast majority of Chinese outbound tourists can still be classed in the category of mass tourists travelling on package tours of one kind or another. Most of these are first time travellers to Europe. In 2010, 68.36% of Chinese outbound tourists were travelling abroad for the first time (CTA 2011: 69). For a destination, like Europe, which is prestigious but expensive, it is even more likely in the short to middle term that Chinese tourists will be travelling to the region for the first time, and given the cost involved, many Chinese outbound travellers will only ever go once.[8]

However, there are nonetheless increasing numbers of second and third time visitors, with some coming back even more often. These multiple visit tourists are in the minority, but they are increasingly important as they a) make different demands to first time tourists and b) offer new opportunities for the European tourist industries. They are more likely to travel as individuals or in small groups, more likely to travel independently, more likely to be looking for specialist or niche experiences and more likely to be visiting sites off the beaten tourist track.

Recent research has shown that even Chinese mass outbound tourists are becoming more discerning in their tastes and have increasing expectations of products and services when travelling overseas.

It is also important to remember, however, that even first time Chinese travellers to Europe are often nonetheless experienced travellers. Not only may they have travelled to other international destinations, but, just as importantly, they are also likely to have travelled widely within China. China's middle classes are increasingly used to taking holidays and short breaks within China, to visiting friends or relatives in other parts of the country and also travelling widely for business. This means that they often have quite extensive experience of good, even luxury, hotels operating to high international standards. Consequently, when travelling in Europe, they are often comparing the level of service they receive with that they are used to at home. In fact, recent research has shown that even Chinese mass outbound tourists are becoming more discerning in their tastes and have increasing expectations of products and services when travelling overseas (CASS 2011: 79).

3.2 HOW THE EUROPEAN TOURIST INDUSTRY IS ALREADY CHANGING

The European tourist industries still have much to do to adapt effectively to the new influx of Chinese tourists. Some changes are already being made, but the pace of change is slow and adaptation tends to be superficial or not yet sufficiently thought through.

The increase in Chinese tourists coming to Europe has been widely reported in the media over the last year with a focus in particular on their shopping habits and high spending levels. In 2009, Chinese tourists spent €158 million / £137 million in duty-free shops in France, more than €48 million / £41.6 million more than their Russian counterparts. The average spending of Chinese tourists in France in 2009 was €1,071 / £928 per head and their total spending was 47% higher than the previous year. In the same year, which saw a marked increase in Chinese tourist spending across Europe, spending by Chinese tourists in Italy rose by 34% and in Sweden by 32%.

[8]Although Chinese tourists may be in Europe for the first time, many of them are not travelling overseas for the first time, having already taken package tours to nearer destinations such as Thailand, Singapore or Hong Kong or travelled overseas for business.

To meet this demand large fashion and shopping outlets in the European capitals where most Chinese tourists gravitate have started to take special steps to accommodate Chinese tourists including accepting CUP credit card payments, facilitating tax refunds through CUP, employing Mandarin, or even multiple Chinese dialect-speaking staff, offering Chinese language information about their products and European stores on their websites and stocking goods popular with Chinese customers. Stores like Louis Vuitton or the Galeries Lafayette fashion store in Paris, Burberry in London or Gucci and Prada in Milan employ Chinese-speaking sales assistants and look to cater specifically to Chinese tourists. British luxury fashion house Burberry recently reported that 30% of the sales in its UK stores were to Chinese customers.

A recent report from London Luxury, a retailers' organisation representing fashion boutiques in the prestigious Bond Street area of central London, found that Chinese shoppers spent €230.7 million / £200 million in this area alone in 2010, representing a 155% rise on the previous year. The report found that Chinese shoppers spent on average €696 / £600 each per visit to one of these stores (Moore 2011).

> Chinese shoppers spent €230.7 million / £200 million (in the Bond Street area) alone in 2010.

For fashion goods shopping, Chinese tour groups now often incorporate stops in fashion outlet 'shopping villages' such as the one in Bicester, near Stratford-upon-Avon in the UK. Similarly the Clarks Shoes factory outlet in Somerset has found its way onto many Chinese package tour itineraries in the UK and fashion outlets in Italy and France have done the same.

However, shopping is not the only area of European tourism that has changed with the arrival of increasing numbers of Chinese tourists. Global hotel chains, realising the opportunity of the outbound Chinese market, are actively taking steps to build brand loyalty. Earlier this year, Hilton Hotels & Resorts, the flagship brand of Hilton Worldwide, introduced Hilton Huanying (meaning 'Welcome' in Chinese), a programme in which participating hotels offer Chinese travellers familiar comforts in the arrival, guest room and breakfast experiences. Such programmes offer Chinese breakfast items, slippers, hot drinking water and Chinese tea in guest rooms and ensure that Chinese-speaking staff are on duty at hotel reception.

Large hotel chains have also started producing Chinese language versions of their websites and other information for Chinese tourists, although Chinese versions often offer less rich content than versions in English or other European languages.

Major tourist and sightseeing destinations are also waking up to the presence of Chinese tourists in Europe. For instance, the Roman baths in Bath, one of the UK's leading tourist destinations now welcoming 60,000 Chinese tourists a year, recently won an award in Beijing for its Chinese language website. Some tourist destinations, such as the city of Berlin, have full Chinese language versions of their websites as do other major European tourist sites such as the British Museum or the Louvre. Some provide Chinese language versions of their audio tours and guide books in Chinese.

However, this kind of information coverage for Chinese visitors is patchy at best and often entirely non-existent. Indeed, focus group evidence for this research suggested that for independent travellers, a functioning knowledge of English or another major European language is absolutely essential and overall Chinese information provision was at best scarce.

3.3 DEGROUPING AND THE INCREASE IN INDIVIDUAL TRAVEL

It is now possible to divide Chinese tourists in Europe into two main groups: mass tourists who travel in tour groups and more sophisticated travellers coming to Europe on either self-arranged or partly self-arranged holidays. Many of these are individual travellers looking for something other than the package tour experience. This includes:

- More relaxed sightseeing
- Freedom from imposed frantic schedules
- A deeper understanding or experience of European culture and history
- A chance to explore off the beaten track of Chinese tour groups
- Greater choice of timing and destinations
- More chance to experiment with European food
- Greater contact with local people and other non-Chinese tourists
- Greater choice of hotels and lodgings

Within Europe, package tours remain the most common form of travel for Chinese tourists, but these individual travellers are, and have the potential to be even more, important for the European tourist industry. Most tour groups have limited itineraries visiting the same principal tourist sites. In the UK, for instance, few go to places other than London, Oxford/Cambridge, Bath or Stratford-upon-Avon. In France, the vast majority of tourists do not get much beyond Paris. In Italy they are concentrated almost entirely in Rome, Florence and Venice. Consequently the opportunities that Chinese tourism has brought to the European tourist industry to date have been narrowly focused within these routes.

> Individual travellers are, and have the potential to be even more, important for the European tourist industry.

Many individual travellers will still want to see at least some of the same things that tour groups visit, only at their own pace, in their own way and more selectively according to their own tastes. Indeed, this is an example of the cultural characteristic of collective behaviour discussed above. However, individual travel, also crucially offers the chance for those outside of the package tour supply chain to start to take advantage of the boom in Chinese outbound tourism. For individual travellers shopping is often less important than it is for those on tour groups. For one thing there is less pressure put on them by tour group operators to buy things or to visit shops and fashion outlets. However, these travellers are more likely to spend time and money in restaurants, bars, cafes, nightclubs, museums, art galleries, and tourist destinations off the beaten track. They are more likely to choose their own hotels, buy their own train, plane or boat tickets and make a generally broader contribution to the consumer economy of their destination country.

One reason Chinese still travel in tour groups is because of visa application processes. Visa regulations, generally stipulated by agreements with the Chinese government, often require, or make it much easier, for tourists to travel in tour groups. When the ADS agreements were formulated for Europe nearly a decade ago, the principle form of travel envisaged by both sides was the package tour. Over the years, the requirements as to what constitutes a 'group' in some cases have been treated more leniently so that it could even refer to a small group of three or four friends travelling together, for instance. This has helped the development of a more individual traveller-focused sector. Nonetheless, it is still generally easier for Chinese tourists to acquire visas through their travel agents as part of a package tour deal. Travel agencies in China have supported this trend by applying for group visas and 'grouping' together travellers who in reality are individual ones.

Caledonian Hilton Edinburgh, UK

3.4 COMPETITION FROM OTHER GLOBAL DESTINATIONS

Europe remains an attractive tourist destination for Chinese tourists. However, from a Chinese tourist's point of view, Europe is just one among many possible tourist destinations. Europe exists in a globally competitive market for Chinese outbound tourists which has become ever more competitive in recent years. Indeed, on official Chinese statistics, Europe has seen its overall share of the Chinese outbound travel and tourist market drop from 4.4% in 2009 to just 4% in 2010. Furthermore, the growth of Chinese tourists coming to Europe is small compared to both other established and new emerging tourist destinations.

> From a Chinese tourist's point of view, Europe is just one among many possible tourist destinations.

In 2010, the total number of Chinese tourists going to Oceania (principally Australia) was 1.102 million, less than half those travelling to Europe. However, this constituted growth of 66.37% over the previous year (CTA 2011). Similarly, the growth in tourist numbers to Africa, still only an emerging tourist destination, was 90.92% compared to the 14.69% for Europe.[9] Travel to North America, which only recently acquired Chinese ADS status, was also up by 28.48% to 1.492 million person-visits (1.0776 million to the USA and 0.306 million to Canada) as North America becomes an increasingly important and popular destination for Chinese tourists. At the same time, recently opened Taiwan is proving a big draw for Chinese tourists with 1.22 million visitors to the island last year and strong growth expected in years to come.

Compared to destinations nearer to China, Europe suffers from expensive travel costs, exacerbated in recent years by the hike in aviation fuel costs. However, this also applies to other more distant destinations including Australia, the USA and Africa. One thing that many European destinations lack, in contrast to the United States, Canada and Australia, are large established overseas Chinese communities.[10] Overseas Chinese communities play an important role in attracting overseas Chinese tourists. They sometimes constitute a tourist site in themselves, they attract friends and relatives of overseas Chinese and they offer ease of access to the local community for Chinese travel agencies, tour guides and tourists alike.

Europe is also generally considered an expensive location to visit compared to other parts of the world. With the exception of luxury fashion goods, which due to high sales taxes in China can be found at sometimes half the price of similar goods back home, shopping, hotels, food, transport, entrance fees, car hire and fuel are all considered by Chinese tourists to be more expensive than in other destinations. Levels of service are also often considered lower than those found in other parts of the world.

> Levels of service (in Europe) are often considered lower than those found in other parts of the world.

[9]This may be largely attributed to business travel, considering the sizeable investment of Chinese firms in Africa. However, travel to Africa was also boosted in 2010 by the soccer World Cup hosted by South Africa.
[10]The UK is an exception, but the majority of the established Chinese community in the UK has its roots in Hong Kong rather than mainland China. Other large Chinese populations in Europe have until recently remained small compared to those in either South East Asia or North America. Although some large Chinese communities have emerged in other places (e.g. around Florence in Italy) and some of the older communities have expanded considerably over the last decade, these communities are less well established in the host country than their counterparts in other parts of the world.

3.5 SECURITY FEARS AND CONCERNS

As discussed earlier, safety and security are high on the list of priorities for Chinese outbound tourists. In general this is not a large problem for European destinations, which enjoy relative political and social stability compared to some other countries in South East Asia, the Middle East or Africa for example. However, that does not mean that European countries are immune to such concerns. In fact, in August 2011, the Chinese media widely reported the social unrest in London and other UK cities, which resulted in widespread looting, rioting, deaths, injuries and thousands of arrests. What is more, some Chinese media sources have made direct links between the UK rioting and the potential risks to visitors to London for the Olympic Games in 2012. Although the Olympic Games are still a year away, the potential for these kinds of media discourses to root themselves in the popular imagination should not be underestimated.

3.6 TARGETED MARKETS AND NICHE PRODUCTS

For several years now, a key trend in Chinese outbound travel to Europe has been the emergence of specialist and niche tourism (Arlt 2006; CTA 2010; CASS 2011: 79). This covers a range of different kinds of tourist offerings from those within the mainstream tourist spectrum – such as cruises, island holidays or skiing holidays – to more specifically focused travel including fashion tours to Milan or Paris, shopping holidays in the UK, luxury car driving in Germany, cultural, artistic or historical tours to many different parts of Europe (e.g. German or French castles, Renaissance art, etc.), golf holidays in Scotland or culinary holidays (including cooking, eating and/or wine-tasting). These kinds of specialist holidays are becoming increasingly popular with Chinese outbound tourists (CTA 2010; CASS 2011: 70).

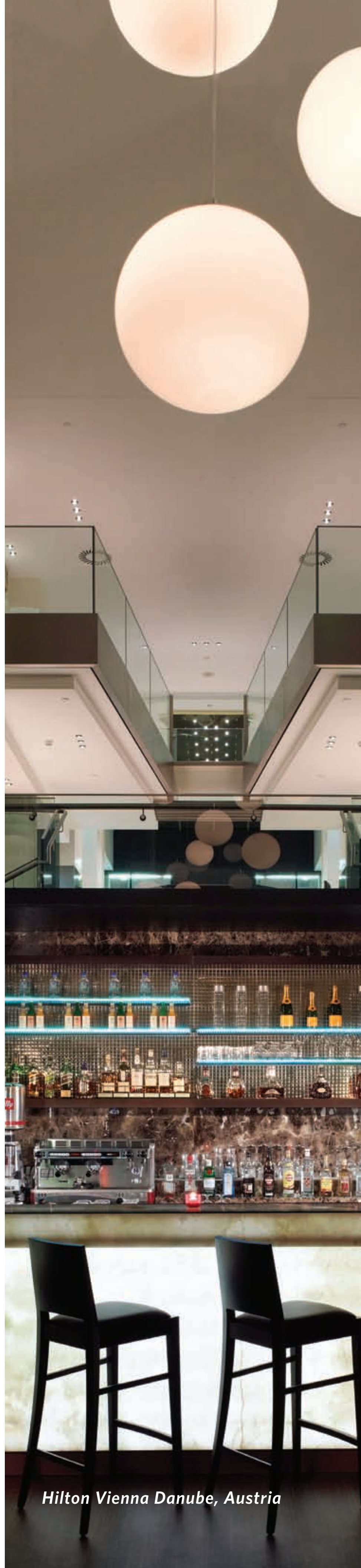
To quote a recent report from the Chinese Academy of Social Sciences: 'Although Chinese citizens' outbound travel will continue to be characterised by mass tourism, market fragmentation will become increasingly apparent and mass tourists will increasingly pay attention to the quality of travel products and services while the high-end market will look for special travel experiences.' (CASS 2011: 79). This means that outbound tourist destinations need both to pay greater attention to service quality in general, but also to start to differentiate between mass, middle and high end tourist markets from China.

> Outbound tourist destinations need both to pay greater attention to service quality in general, but also to start to differentiate between mass, middle and high end tourist markets from China.

The first-time traveller to Europe is less likely to look for a specialist or niche tour than a second or third time traveller. However, as the numbers of the latter increase, the demand for a broader or contrasting experience to the basic sight-seeing and shopping tour is growing. To some degree, the European market is also reacting to this demand with some small specialist travel agencies (e.g. Glamorous Travel in Manchester) looking to exploit this demand. However, this has yet to happen on any large scale.

> The demand for a broader or contrasting experience to the basic sight-seeing and shopping tour is growing.

The importance of niche Chinese markets for the European travel industries should not be underestimated. Given the size of the Chinese population, the number of potential customers for a niche tour may nonetheless be considerable. For instance, perhaps only one in 10,000 Chinese people is interested in or able to go on a French cooking holiday, but that is still equivalent to more than 100,000 potential customers for the product. What is more, these potential customers are likely to be geographically and socially concentrated into particular social groups or levels living in particular, identifiable parts of the country. They are also likely to have relatively predictable media consumption habits making them both accessible and targetable.



Hilton Vienna Danube, Austria


The Waldorf Hilton, London, UK

SECTION FOUR
COTT IN EUROPE: LOOKING TO THE FUTURE

The key features of future COTT in Europe will principally include the following:

- Continuing growth
- More global competition
- More individual travel
- More younger travellers
- A central role for electronic and new media resources
- A more streamlined and competitive Chinese travel industry
- The further development of specialist and niche markets
- Simpler visa application procedures

The growth in Chinese tourism to Europe can be expected to continue strongly and steadily. Currently, 91% of Chinese outbound travel is within Asia. However, this proportion will diminish gradually as more and more tourists venture beyond Asia. A fair proportion of these will come to Europe. However, the USA is now an increasingly important competitor for Chinese outbound tourists and on current form, is going to be setting the standard that others have to match in the future. The USA is ahead on prestige and fashionability and the attraction of the USA is only tempered by the difficulty to get visas. Meanwhile Southeast Asia is ahead for leisure and fun. Australia sells itself well as part of Asia and new destinations such as the Maldives are emerging as top-end luxury holiday destinations. Into this mix fits a Europe that has enduring popularity for its cultural heritage, global importance and recognition, but is falling behind in terms of quality of service and tailored provision for Chinese tourists. Consequently, although there will be steady growth in Chinese tourist numbers to Europe, the proportion of Chinese outbound tourists coming to Europe can be expected to slide further in the face of increasing global competition.

> Europe has enduring popularity for its cultural heritage, global importance and recognition, but is falling behind in terms of quality of service and tailored provision for Chinese tourists.

Projections of Chinese visitor numbers are inevitably problematic, not least because of the lack of accurate, reliable and consistent figures for the present. However, taking the official Chinese figures (2.335 million in 2010) – most likely an underestimate – as a base then we can expect around 4.5 million by 2015 and around 8.6 million by 2020. Increasing proportions of these travellers will be younger people and Europe will become increasingly affordable for Chinese expanding middle classes. However, just how many of them will come to Europe will depend in no small part on what action European governments, the tourist industries and supporting retail and service sectors do to attract Chinese visitors in the future.

The Internet and new media have already become fundamental features of the Chinese outbound travel experience to Europe and this centrality will only increase. China's current generation of travellers is already using the Internet and their mobile phones as taken-for-granted sources of information and modes of communication both in preparation for travelling and for keeping in touch with friends and relatives while overseas. Absolutely fundamental are social media – blogs, microblogs, bulletin boards, social networking sites and personal web pages. These are the communicational bread and butter of the current generation of young, financially comfortable, educated Chinese middle classes and the European tourist industries have barely even recognised the existence, let alone the potential, of these communication channels. Those who are less behind the game than the rest have good Chinese-language websites, but this will not be enough for the future which is digital.

Within China there are significant changes afoot within the Chinese tourist industry. Partly as a result of market pressures and partly through government pressure, the travel industry is becoming more corporate, more consolidated and more vertically integrated at one end, while lowered entry thresholds at the other will make it easier for smaller operators to become involved in the more lucrative outbound tourist market. Over the last year or so, China has seen a number of acquisitions that look to spread companies interests along the supply chain – travel agencies have taken interests in airlines, hotel chains and theme parks, for instance, while also expanding their online interests. This will result in a narrower market in the future, but one that offers increasingly sophisticated and streamlined services to their customers. Again, new media will be at the centre of developments in the sector with more and more individual travellers looking to buy tickets and book hotels online.

At the same time, Chinese tour operators are looking increasingly for brand recognition in a market that has to date had relatively few prominent national brands. Tour agencies are looking for opportunities to distinguish themselves from the competition and they will increasingly do this through product differentiation and the development of innovative and specialist products. All of this offers opportunities for the wiser players in the European travel industries to seek productive collaboration with their Chinese counterparts. The future will not be without mass tourism, but the way forward is also to provide increasingly diversified travel products and services for first, second or third time visitors, students and their families, travellers of different age groups, travellers with special interests and in different brackets.

SECTION FIVE
RECOMMENDATIONS

In the light of the preceding discussion it is possible to formulate a series of recommendations for the European tourist industries as to how they should attempt to maximise the potential of future Chinese tourism in Europe. Several specific recommendations are made below. However, over and above these there is a more general need to aim at a more holistic understanding of China and Chinese markets. This means not only understanding what Chinese people do when they are in Europe, but also understanding their social and cultural backgrounds, their everyday lives, the way they gather information and make decisions and the way they plan and prepare for their overseas travel and leisure activities more generally. It means taking a more joined-up approach to attracting Chinese tourists to Europe.

For those in the European tourist industries this means first and foremost, recognising the need to learn, to adapt and to change fundamental attitudes to Chinese tourism. It is not enough simply to make superficial changes to service offerings and assume that this will make them seem 'China-friendly'. What needs to be learnt includes:

- What Chinese travellers of different kinds commonly expect of their travel experience and how to introduce appropriate quality control checks to ensure these expectations are being met
- How Chinese people differ among themselves according to social and cultural background and status, wealth, education, gender and geographic location
- How to adapt products specifically for Chinese tourists

- How to train staff so that they have a more holistic understanding rather than simply following generalised cultural 'formulae' for how to deal with Chinese people
- How to adapt marketing strategies to the new Chinese realities

> It is not enough simply to make superficial changes to service offerings and assume that this will make them seem 'China-friendly'.

More specifically this report can make the following recommendations for the European tourism industry:

1. Establish a greater physical and digital presence in China

Many European countries and tourist offices already have offices in China or work in collaboration with their embassies and consulates. However, Chinese travellers' invariably get their travel information about European countries, cities, hotels, sight-seeing destinations and transport not from these offices but from other Chinese sources. Consequently, few Chinese travellers feel that these countries have a presence within China. Rather they expect to ask other Chinese people about these destinations and then find out more when they arrive.

Given the size of China and its population, a digital presence is far more important and potentially effective than a physical presence, but it is important that digital resources can also point people to an accessible physical presence at least in the large cities should they want it. Importantly, having a good Chinese language website is *not* all that is required in this respect. This will be dealt with in greater detail below.

> A digital presence is far more important and potentially effective than a physical presence.

Thinking beyond the tourist information office, European tourism operators of different kinds should also be looking to enhance or establish collaborative and cooperative agreements with Chinese travel agencies, travel websites, tour operators, hotel chains and other organisations in the Chinese travel industry. Not only can such collaboration potentially help extend marketing networks further into local markets, but it can also provide important information and feedback on the latest trends and fashions in Chinese travel.

2. Take new media seriously

European tourist industries need to take new media seriously and implement coordinated strategies to exploit the marketing opportunities that they offer. The Internet is a fundamental part of the preparatory process for the majority of Chinese outbound tourists today. China now has 485 million Internet users with a national penetration rate of 36.2% and penetration rates in the large cities more than double that. There are more than 318 million Chinese accessing the Internet on a regular basis using their mobile phones and 98.8% of households with Internet access enjoy broadband speeds while the average Internet user spends 18.7 hours per week online.[11] Almost every Chinese tourist coming to Europe will be a regular Internet and mobile phone user and many will be strong social media users.

> China now has 485 million Internet users. There are more than 318 million Chinese accessing the Internet on a regular basis using their mobile phones.

[11]All figures from the China Internet Network Information Centre, CNNIC 2011.

Recent reports (e.g. CTA 2011; CASS 2011), backed up by focus group evidence for this report, have found that before travelling, Chinese tourists will look online for information about destinations, hotels, transport and much more.[12] Many also now book their travel online, usually through one of the large travel websites such as Ctrip or eLong, but they also look for hotel websites for further information on rooms, services provided, photos and so on. However, currently many international hotel chains either offer no information in Chinese or else they offer severely reduced information on their Chinese site. A search on one hotel chain's Chinese website, for instance, found no hotels in London and only one in Milan, Italy, while a similar search on Ctrip or eLong found more than a dozen hotels belonging to the same chain in these same cities.

However, more than official websites, Chinese travellers are more likely to get their information through social media of one kind or another. Online video-sharing sites offer videos of tourist destinations, blogs and microblogs recount good and bad travel experiences, traveller review websites, like TripAdvisor, are very popular and influential in decision making processes before booking hotels or choosing holiday destinations. Word of mouth has always been important for Chinese outbound tourists. However, whereas in the past this meant seeking recommendations from friends and relatives, this is now extended to whole networks of known and unknown people online. These are the media that the European travel industry has to take seriously. Social media is quick, influential, popular and 'cool'. Used appropriately, its marketing potential is enormous.

> Social media is quick, influential, popular and 'cool'. Used appropriately, its marketing potential is enormous.

3. Innovate and adapt following Chinese tastes and expectations

In order to remain competitive in the Chinese outbound tourist market, the European travel industries need to innovate new products and services suitable for Chinese travellers and adapt existing products to Chinese tastes and habits. This means having a more China-oriented outlook – not just thinking about what to do for those who manage to get here despite the odds, but rather to think about how to lower those odds and attract people to Europe in the first place, by making things easier and more appealing for them.

For instance, red wine has become one of the most fashionable alcoholic drinks in China in recent years, representing good taste and prestige. Consequently there is great potential for European vineyards and cellars to attract Chinese tourists either within a broader general sightseeing tour or within a specialist wine appreciation tour of some kind. However, the wine cellar cannot simply expect Chinese tourists to have the same tastes, expectations and understandings of their tours as might other European or domestic tourists. For European tourists the basics of wine appreciation, understood in a western cultural sense, may be taken for granted, and familiarity with the wine-making process may be assumed. Cellars often sell wine and that is all.

However, Chinese tourists might expect more – an introduction to grape cultivation and wine production, a short wine-tasting lesson and so on. They would appreciate some kind of certificate, in Chinese, and a small gift to commemorate the visit, which might also make them better disposed to buy extra bottles of wine as gifts to take home. What is more, although Chinese may have very different drinking habits to Europeans, and appreciate their alcohol in different ways in different social contexts – some may prefer sweeter rather than dry wines even with savoury dishes for instance – this does not mean that they do not taste the difference between good and bad wine. Indeed, in recent years, some Chinese have developed a refined palate for different European wines. The key point here is that with some effort, an attractive tourist service tailored for Chinese tastes could be developed, but to make it successful the tailoring is of crucial importance.

[12]In the 2010 CTA survey 57.41% of outbound tourists said they would use BBS or websites as an important source of information before they travel, more than any other information source. The second most important source was recommendations by relatives and friends (47.02%) (CTA 2011: 71). 51.5% said they looked for information on scenic spots, 47.9% on tour prices, 36.76% on transportation and 26.01% on lodging.

Hilton Diagonal Mar Barcelona, Spain

Athenee Palace
Hilton Bucharest, Romania

4. Be proactive and seek to understand trends in China

The above recommendations show ways in which the European tourist industries need to be more proactive in looking to encourage more Chinese tourists to come to Europe, to make more of them enjoy the experience, encourage more of them to make recommendations to their friends, relatives or online networks and encourage more of them to come back in the future. The European tourist industries must not think only about passively reacting to the 'flood' of Chinese tourists. Rather, they need to be proactive in ensuring they attract as many Chinese travellers as possible to Europe.

There is great potential to do this through better understanding of Chinese markets and travel fashions and trends combined with the ability to adapt quickly to shifting demands. For instance, in 2010 there were 790,000 cruise trips purchased in China, leaving from Chinese ports. This constituted a 20.1% year-on-year increase (CTA 2011) and a growth rate five times that of the global average of 3.2% over the last 10 years or three times the global growth rate of 6.6% in 2010 (CASS 2011: 68). Other than cruises, island holidays, either to the Maldives or other parts of Southeast Asia, were also very fashionable in 2010.

Europe could easily appeal to both of these trends. The Mediterranean, for instance, can offer relaxing, culturally rich cruise holidays with plenty of shopping opportunities and prestigious stop-off destinations. Suitably adapted to welcome also Chinese tourists, cruise holidays could constitute a great opportunity for the European tourist industry. Similarly, Greece, Turkey, Italy and many other countries all offer great island holidays, which could be opened up to Chinese people with the appropriate marketing. However, this requires being in touch with the latest fashions and trends in China, knowing how best to adapt and exploit them and being well-positioned to do so quickly and flexibly.

5. Deepen the provision of Chinese language materials, information and services

It is increasingly common to see Chinese language guidebooks, audio guides and signage around some of Europe's top tourist destinations. As discussed above, some of the better hotel chains now also go a step further to have Chinese-speaking staff and cater to Chinese tastes in their service provision. We have also seen how more tourist destinations are now setting up Chinese language websites.

However, in general, there is still hardly any Chinese-language provision for tourists to Europe. Mass tourists rely often entirely on their tour group leader to translate and provide information when necessary and individual travellers need English or other European language skills to be able to get around. If the European tourist industries are truly interested in expanding their appeal to Chinese tourists and attracting more of them to Europe, then this is something that has to change.

There may be momentum towards individual travel in the Chinese outbound tourist market, but as long as English is a prerequisite for independent travel in Europe, the potential of this emerging market is inevitably limited. Package tours are currently the only options for people with no or little English and these are not attractive to everybody. Many younger people can cope because they speak good English. Yet, older, less well-educated people might also like to travel independently but would struggle to do so because of difficulties with the language. The aim of European tourist industries should therefore be to make it not only possible to come to Europe but easy and comfortable even for those with limited English abilities. Older generations should not have to rely on younger people to translate tourist information for them or to communicate with the hotel or other travel organisations.

Chinese language provision is not only about practicality. It is also about image. Abundant information and signage in Chinese not only facilitates Chinese travel in Europe, but also sends out two important messages: 1) Chinese are very welcome in Europe and 2) Chinese are recognised for their new global standing and importance for both tourist markets and in the world economy more generally. Even Chinese with good English skills travelling in Europe generally welcome information in Chinese, even if they do not particularly need it. As well as providing useful information it appeals to a sense of national recognition, pride and feeling welcome in Europe.

SECTION SIX

CONCLUSION: HOW THE RISE OF CHINESE TOURISM WILL CHANGE THE FACE OF THE EUROPEAN TRAVEL INDUSTRY

When predicting the future it is best to start with the relative certainties. In this case, these are that a) Chinese traveller numbers to Europe will continue to rise, b) that they will spend greater amounts of money while they are there, c) that more of these tourists will travel individually, d) that more of them will be returning for a second or third time and e) that more of them will be attracted by specialist or niche holidays or tours.

So this returns us to our initial question: how will this rise in Chinese tourism to Europe and these changes in the nature of Chinese outbound tourism to Europe change European travel and tourism industries? To answer this, we move out of the realm of certainties and into the realm of conditional hypothesis and speculation. The reason for this is that just what changes will come about in the European tourism industries depends to a very large degree on what actions are taken by their key players – the hotel operators, sightseeing destinations, retailers and others in the hospitality industries, as well as governments and national or local tourist boards. If these players do nothing, then we will see gradual, probably slowing growth in arrivals of Chinese tourists and almost certainly a decline in Europe's proportion of the Chinese outbound tourism market as more Chinese travellers choose to go elsewhere. On this scenario, the European travel industries will see only gradual change, if any, as a result of Chinese tourism.

If however, the key suggestions in this report are taken seriously and carefully implemented and followed through by all the relevant players, then the potential for a fundamental transformation of European tourism exists. This transformation would include:

- Growth rates in Chinese tourists increasing, perhaps by 50% or more
- The financial benefits of Chinese tourism being spread much more broadly in the tourism industries and related retail sectors than at present
- More niche markets (such as golfing holidays, whisky tours, fashion or shopping trips) developing across Europe catering to Chinese tastes and interests but also with the potential to attract more tourists from other source countries
- Chinese language becoming a norm within the realm of tourist information provision alongside Japanese, Arabic and other European languages
- A transformation of marketing strategies and the appropriation of new media opportunities in China
- Key players in the European tourist industries developing deeper-rooted engagements and co-operation with Chinese partners
- A fuller, more nuanced understanding of the cultural and social backgrounds of Chinese tourists as well as the operational aspects and latest trends and developments in Chinese tourism being seen as fundamental across the sector

Crucially for this transformation to come about, the European travel and tourism industries have to nurture the growth of individual and independent Chinese outbound tourism in Europe. However, with current trends in Chinese tourism, this could be like pushing at an already partially open door. What is important, if this potential transformation is to be realised, is that this door is not slammed shut through inertia, complacency or inaction.

Hilton Berlin, Germany

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APPENDIX 1:
METHODOLOGICAL NOTE

This report is the result of predominantly a desk-based research conducted adopting the following principal research methods:

1. Review of extant literature, data and scholarship including library resources, Internet/electronic resources, review of academic journals and recent appropriate journalism. Most of the materials used were in either Chinese or English. However, other European language materials were consulted as and when appropriate and possible.
2. Interviews, generally conducted by phone, email, video-calling or online chat with scholars, government officials and other relevant experts.
3. Analysis of recordings supplied by Hilton Hotels & Resorts and Hilton Worldwide to the researcher of focus groups conducted in China on behalf of Hilton Hotels & Resorts and Hilton Worldwide for related research on Chinese tourism.
4. Conducting online discussions with high frequency travellers using the Hilton HHonors Communispace facility.
5. Online or telephone interviews with Chinese people with recent experience of travelling to Europe.

FOR FURTHER INFORMATION CONTACT:

Louise Harris at Golley Slater (for Hilton):
+ 0207 255 6400 / hiltonteam@golleyslater.co.uk

George Gu at Ketchum Shanghai (for Hilton):
+ 86 21 6353 2288 / george.gu@knprsh.com

John Forrest Ales at Hilton Hotels & Resorts:
+ 1 703 883 5212 / johnforrest.ales@hilton.com

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