

### **About the authors:**

This handbook was written from two distinct business views - Chinese local expertise and Western experience of doing business in China. As such, it provides practical information you can use as well as insight into the challenges of dealing with China's tourism industry and how to prepare for them.

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**The China Outbound Travel Handbook** will give you the basic understanding and insight to begin operating in this challenging, complicated but potentially hugely profitable market place. You will learn who is travelling abroad, what are the best ways of reaching them, how the travel industry is organised in China and how to show your hospitality to Chinese visitors abroad.

This handbook is the travel industry professional's definitive and user friendly tool for effective promotion and marketing in China. It will facilitate the establishment of profitable relationships with the right counterparts in China and improve your ability to welcome the Chinese traveller successfully.

We wish you a pleasant and informative read.

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## Foreword

*As China is about to show the world all that it has learned and accomplished since the open door policy begun with the staging of the summer Olympics, the world's business community is eagerly awaiting to see greater opening up and to seize opportunities to sell more to China's growing middle and wealthy classes.*

*This is also the day, considered auspicious in Chinese custom (the number eight is pronounced 'ba' which sounds like 'fa' for wealth), that the 2008 updated edition of China Outbound Travel Handbook is published electronically as a free resource for practitioners and academics in tourism. The book is available without cost or subscription fee through the ChinaContact Tourism Advice Network to anyone interested in China's outbound tourism market. As I write this forward in Beijing before the Olympic Games Opening Ceremony, I feel that this day marks the true beginning of what my friend and colleague Professor Wolfgang Arlt of COTRI called 'the third phase' of China's tourism sector development. China's travelers are now as discerning and sophisticated as their counterparts in other countries and demand more choice, better quality and more control over their travel. This Handbook will be the first step to reach these customers.*

*Roy Graff, Beijing 8-8-2008*

The Dragon awakes! After twenty years of successful reforms, China has become an active player in the international tourism industry. Travelling abroad is now a regular part of the lives of many people in China, for both business and leisure.

Doing business in China and with China, has been the subject of countless books and training courses for more than a decade. These books and manuals have dealt with general business practices that can be applied to as many industries and sectors as possible. While they are useful for background knowledge and some insight into China's business culture, ultimately they cannot answer specific questions about China's tourism industry. Tourism is one of the youngest industries in China, with outbound tourism literally the 'baby', still learning to define itself and realise its potential. The industry suffers from lack of regulatory enforcement and a ruling body several steps behind the private sector.

There are between 200 and 250 million Chinese today that are financially able to travel overseas<sup>1</sup>. 2007 outbound numbers reached nearly 41 million, an increase of 18.6% over 2006. WTO estimates a minimum annual growth of 12.8%, reaching 100 million by 2020. There are over 700 licensed outbound travel agencies in China. The number of countries given ADS (Approved Destination Status) is more than 135 and still increases. It is an exciting time to be working in tourism, with China representing the single greatest growth opportunity in the world to western travel destinations and tourism companies.

# Map of China



## Disclaimer:

Every effort has been made to check the reliability of the information given in this book. All figures, statistics and numerical representations are updated at time of publication. The author accepts no responsibility for differences between stated figures and those published elsewhere. Due to the dynamic changes in China and the lack of reliably accurate statistical data, we recommend that you check for updates on the market regularly and not rely on statistical data alone.

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## The Chinese Travel Industry

### Introduction

The travel industry in China is complex and vague for two main reasons. First, the industry has only recently been confronted with new free market mechanism where consumers are free to choose their travel destinations. Second, despite this, the industry is still largely controlled and directed by the government. So what effect these two seemingly conflicting factors have?

This situation is comparable to other sectors in the Chinese economy which are in a transitional phase from centrally controlled policies to free market mechanisms. The market mechanism is clear to Western players in travel and tourism: the consumers' demands must be met by suppliers with a premium on value added. But the overwhelming role of Chinese governmental institutions is often misunderstood by Western businesses.

In the Chinese travel industry, the national, provincial and city governments influence greatly the development of the market. We expect this influence to gradually decrease over the coming years, in light of WTO regulations and increased openness to the west. As it stands, only a limited number of licenses are issued to Chinese travel agents allowed to operate international travel. There is no distinction between retail and wholesale business. Foreign tour operators are not allowed to conduct outbound travel in China in any legal form though there are signs that this situation may change in the future.

The limited number of Chinese travel agents engaged in outbound travel clearly cannot meet the growing demand for travel abroad. This has resulted in an extensive grey network of travel agents operating without a license. The big disadvantage of this grey network is that they are not legally liable, are not allowed to deal with foreign exchange or handle visa applications. But this unofficial sub-sector has been the most active, succeeding in gaining a sizeable market share by focusing on business travel or using 'franchised' licenses.