

A Study on Chinese Tourists' preferences in Sri Lanka.

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Abstract

This research was carried out to analysis the behavior of Chinese tourists to Sri Lanka and the reason behind the low consumption of Chinese tourists in Sri Lanka and how Sri Lanka can attract high consumption Chinese tourists in future. Both primary and secondary data were collected in this survey. Self-administered questionnaire and unstructured interview methods were used to collect primary data. The survey was conducted over period of four weeks in month of September 2015 and a total of 100 questionnaires were decoded for data analysis. This study provides data of Chinese tourists' preference during their holiday in Sri Lanka. It consists of their demographic information, their consumption custom, purpose of visit, average duration of stay and their preference when selecting outbound tourism destination. The survey results indicate that majority of Chinese tourists were attracted by exotic atmosphere of Sri Lanka followed by nature beauty. For Sri Lanka, the uniqueness which can be promoted to Chinese outbound tourists is the rich culture experience. There are also several recommendations were given to attract high consumption Chinese outbound tourists at the end of this essay.

Key Words: Chinese tourist, behavior, consumption

1.1 Introduction

Sri Lanka expected to be more attractive in the future as a tourist destination. Therefore as 'Macro Polo described Sri Lanka is "the finest island of its size in the world". Wonderful pristine beaches, lush-green hills, majestic waterfalls, corals, wild life, heritage sites, pilgrimage sites, exotic cuisine-Sri Lanka has everything that a tourist can imagine. It has something to offer to everyone' (Chathuranga, 2010)

In the report which titled as **Tourism development strategies 2011-2016** published by The Ministry of Economics Development has identified the following as key objectives:

- Double hotel room capacity from around 23,000 to 45,000 by 2016
- Accommodate 2.5 million annual arrivals as compared to 650,000 in 2010
- Increase foreign exchange earnings from \$501 million in 2010 to \$2.75 billion in 2016
- Attract \$3 billion in Foreign Direct Investment within next five years
- Increase tourism employment to 500,000 by 2016
- Position the country as one of the most attractive destinations in the world.

With the rise of personal incomes and living standards, the outbound tourism of China grows rapidly recent years. Chinese people are eager to go sightseeing overseas which creates an immense market for some nearby countries. In 2014, the number of outbound tourists reached 107 million, an increase of 19.49% over 2013. At present, China has increased the number of permitted overseas destinations for the citizens to 140 countries and regions. A further and sustained growth of outbound tourism is expected.

1.2 Literature Review

1.2.1 Trends

In 2014 the Chinese outbound tourism turned into a stable growing period from the previous explosively growing period. The origin of travelers is not limited to the first tier cities in developed eastern areas any more,

but also second and third tier cities in middle and western China. Traveling abroad is enjoyed not only by officials and the elite class any more, but also by common people. Fewer Chinese traveled abroad for shopping, while more traveled to experience different cultures and appreciate different scenery. A large number of travelers traveled by themselves.

China Confidential, a Financial Times research service, estimates that total spending by Chinese travelers on outbound trips hit \$498 billion in 2014. Spending by Chinese tourists is now greater than total spending on household consumption of around \$436 billion in Indonesia and \$442 billion in Turkey. And this figure is even more remarkable given that the Chinese outbound tourism trend is at a relatively early stage. Although the number of Chinese outbound trips grew 20 per cent year-on-year to 107 million in 2014, according to official tourism statistics, less than 6 percent of the population hold a passport.

Table2.1.1 Number of trips, average and total spending by Chinese outbound travelers
 (1 Rmb \approx 21 Rs, 1 US\$ \approx 6.3 Rmb)

Number of trips, average and total spending by Chinese outbound travellers		
	2013	2014
No. of outbound trips (m)	97	117
Average spending per capita per trip (Rmb)	28,908	26,197
Total spending (Rmb bn)	2,804	3,065

Sources: China National Tourism Association, China Confidential

While the amount of current spending and the potential for growth remain enormous, there are signs that many travelers are starting to cut back on spending while traveling overseas.

In particular, China Confidential's latest annual report on outbound tourism, a survey which bases on 1,288 outbound tourists and 40 travel agencies nationwide, identified a 6.2 per cent year-on-year slowdown in per capital spending on travelers' outbound trips during 2015, following a 9.4 per cent decline between 2013 and 2014. The most recent contraction was led by an 8 per cent year-on-year decline in spending on shopping.

Table 2.1.2 Average spending breakdown on most recent overseas trip
 (1 Rmb \approx 21 Rs, 1 US\$ \approx 6.3 Rmb)

Average spending breakdown on most recent overseas trip						
	Household income group					
	Rmb200,000 or less		Rmb200,000-350,000		Over Rmb350,000	
	Rmb	YoY	Rmb	YoY	Rmb	YoY
Shopping	8,576	2.3%	12,131	-7.1%	16,440	-34.4%
Accommodation	3,119	-5.8%	4,295	-6.6%	7,165	6.7%
Transportation	2,948	-16.6%	4,467	-4.1%	5,578	-3.6%
Food	2,007	-2.0%	2,733	-7.8%	4,110	-13.9%
Entertainment	1,474	-17.1%	2,090	-33.0%	7,131	31.1%
Other services	1,490	-2.6%	1,724	-25.4%	7,597	78.6%
Total spending	19,546	-5.0%	27,436	-10.7%	48,022	-7.7%

Q: How much did you spend on the following categories on your most recent overseas trip?
Source: China Confidential

The lower spend on shopping is in part related to domestic conditions. The general macro economic slowdown may have prompted some travelers to rein in their spending during overseas trips, while Beijing's anti-corruption drive has resulted in a marked reduction in gifting purchases among wealthier travelers in particular.

However, it would be wrong to view this slowdown purely in macro or policy terms. Instead, lower spending on shopping is part of a broader shift in spending priorities, with wealthier travelers increasingly prioritizing experiences over luxury purchases. On average, tourists in the high-income cohort spent 31.1 per cent more than they had a year earlier on entertainment and 78.6 per cent more on other services including car rental and excursions. Those making purchases are increasingly opting for more affordable or lesser known brands, echoing trends seen domestically.

These shifting priorities should broaden the potential beneficiaries of the Chinese outbound trend beyond the luxury retailers that have been the chief winners to date. Rising spending on experiences should benefit hospitality, entertainment and tourism service industries to a far greater extent than in the past, when many Chinese overseas travelers scrimped on hotels, food and activities to spend more at the shops. And the beneficiaries will not just be the big-name hoteliers, restaurateurs and tourist attractions. (Overseas spending by Chinese tourists nears \$500bn

Matthew Plowright)

1.2.2 Ten Facts about Luxury Chinese Tourists

1. **Fast increase in overseas travel.** Chinese high net worth individuals, defined as individuals with wealth of CNY 10 million (equivalent to US\$1.6m), travelled overseas four times last year, totaling 33 days, of which leisure travel made up 20 days, up 10% or two days, and business travel made up 13 days. Total number of outbound trips in 2014 increased 17.8% year on year, to 116 million, according to the China Tourism Academy
2. **Luxury travel buyers influence grew.** More than two thirds of China's super travelers, defined as individuals who spent US\$30,000 or more on travel last year, arranged their leisure travel with a luxury travel agency. Customized service and well-planned itineraries were the key considerations for a good travel agency.
3. **Travel destinations with *Chinese characteristics*.**
 - Antarctica was the destination of choice last year for Chinese super travelers, especially during the Chinese New Year holiday 49% went for the landscape. The Maldives have grown in popularity as a destination these last two years, surging to third place in the preferred international luxury travel destinations. Australia retained its top position with France a firm second. Dubai has also seen a strong growth these past few years, coming in fourth. Among European destinations, UK and Italy showed significant increases in popularity. Domestically, Sanya and Tibet led the way.
 - Specific comparison between US, Japan, France, Australia and the UK. The US was the country respondents had been to most frequently, with 5 trips in their lifetime, and plans to go a further twice in the next three years. It also scored highest for business and visiting friends and family. Japan scored highest for shopping and culinary experiences. France and the UK scored well for shopping and business. Australia scored highest for leisure. Interestingly, for these Chinese respondents, the best culinary experiences were to be had in Japan, with the UK beating France into third place.
4. **Most memorable trip last year and Chinese New Year.** The most memorable trip of 2014 was a 13-day trip with 6 friends, one day and one friend in the group more than last year. For Chinese New Year, it was with family, and a smaller group of 4 people. In both cases, half travelled business class, compared with only a third last year.
5. **When to travel.** The top choice for travel time was the summer holidays, followed by the October national holiday and Spring Festival. However, 56% of respondents chose the off peak season, an 11% increase over the previous year. Chinese New Year was the peak season for family travel. 93% were traveling with family members or friends.
6. **Hotels.** More than half of China's super travelers made their own hotel bookings. The **Peninsula** topped the list of preferred luxury hotel brands for the first time, followed by the **Mandarin Oriental**. **Shangri-La**, which topped the ranking for the past decade, dropped down to the fifth this year. However, for reward cards, **Hilton** and **Marriott** led the way for 29% and 26% respectively.

Hoogewerf said, “China’s luxury travelers may prefer the idea of luxury hotel brands like the Peninsula and Mandarin Oriental, but their most-used reward cards are still with the Hilton and Marriott.”

7. **Air travel. Air China**, the leading Chinese member of the **Star Alliance**, was the run-away winner of the best frequent flyer program, with 66% of respondents being members. There has been a surge in flying business class in the past year. **Singapore Airlines** was the winner of the best business and first class.
8. **Looking forward 3 years**. There is a clear trend towards experiential travel, especially as China’s high net worth individuals are doing more business travel than ever before. Physical and spiritual relaxation lies at the heart of their leisure travel needs, demonstrated in the rise of **medical tourism**. Europe and America can expect to lead the way for Chinese luxury travelers, coming in first and second 47% and 45% respectively.
9. **Impact of smartphones. WeChat** overtook email as the most used function on smartphones at 58%, up 19%. WeChat was also the most widely accessed source for travel news, at 42%, followed by travel apps. 94% of respondents have installed travel APPs on their smartphones, led by **Ctrip** (49%) and **Qunar** (15%). For taking photos, smartphones have overtaken professional cameras, although half of the respondents claimed to have a camera costing more than USD\$3,000, with **Canon** leading the way. The subject matter of their photos has shifted to people (47%), rather than rivers and oceans (42%), animals (41%), and natural scenery like hills and mountains (31%).
10. **Travel retail**. The Chinese luxury consumer is now the absolute Number One consumer of luxury in the world, with 35% of the total consumption of luxury, according to a recent report by tax refund brand Global Blue. Russians came in a distant second place with 13%. Europe was the destination of choice for luxury shopping, with France leading the pack for 22% of respondents. For gifting, **Apple** overtook **Hermes** to become the preferred luxury brand to gift, although spending on gifting declined 5% year on year, on the back of the government’s anti-corruption campaign. (Hurun Report: The Chinese Luxury Traveler 2015)

1.2.3 Demographic and Economic Overview

The national census of 2010 recorded the population of the People's Republic of China as approximately 1,370,536,875. About 16.60% of the population were 14 years old or younger, 70.14% were between 15 and 59 years old, and 13.26% were over 60 years old. The population growth rate for 2013 is estimated to be 0.46%.

1.2.4 Top 10 Most Popular Destinations

Top 10 most popular outbound destinations for Chinese tourists in the first half of 2015.

1. South Korea
2. Taiwan, China
3. Japan
4. Hong Kong, China
5. Thailand
6. France
7. Italy
8. Switzerland
9. Macau, China
10. Germany

Three main reasons for Chinese outbound tourists’ preferences: no language barriers, abundant shops and excellent cuisine.

Analyzing from travel destinations, Asia still dominated China’s outbound tourism market. From January to May 2015, South Korea still ranked as the No.1 destination country. Nevertheless, the situation changed after MERS broke out on May 20th, which meant Japan moved into first place. As for European countries, Germany became popular among Chinese tourists as a result of simplified visa application procedures. In the first half of 2015, the number of Chinese visitors to Germany was 1.7 times that of the same period of previous year. France, Italy and

Switzerland, famous among Chinese citizens for romantic culture and art, also took a large market share. The number of mainland tourists visiting Hong Kong dropped dramatically by over 50% due to the protests against mainland shoppers. (China outbound tourism in 2015- Travel China Guide)

1.3 Research Problem

Recently, Chairman Sri Lanka Tourism Promotions Bureau Rohantha Athukorala logic of targeting the minimum threshold traveler of \$250 was that given the high cost of construction and labour in Sri Lanka, unless Sri Lanka have a hotel property that can attract a \$250 it will not be financial viable. "If not, the owner will have to wait for asset enhancement alone which is not a strong business model that can be marketed for a potential investor he commented. Whilst we can do all the focused B2B marketing on a private-public partnership for us to attract a \$250 tourist. Sri Lanka needs a strong brand building communication campaign targeting UK/Europe traveler who nets in a 22% of the net proceeds. Though the Asian travelers account for a higher footfall due to India and China, the revenue to the country is only 13% which clearly justifies the argument for the core market to be Europe. The sad story is that for the last 3 years we have neglected the western markets by pumping in a colossal Rs.860 million to China alone which needs to be balanced if we are to name the industry financially attractive." said Dr Athukorala.

Under above situation, this extended essay mainly focus on 3 questions.

- 1) How can the services be improved for Chinese tourist?
- 2) How to attract \$250 Chinese tourist by analysis the behavior of Chinese tourists.
- 3) What strengths does Sri Lanka have that can be used to promote Chinese tourism development?

Chinese tourists made great contributions to the development of outbound destinations in many aspects during the year, including hotels, restaurants, attractions, airlines and retail industry. The destination countries also adopted new policies to attract the Chinese, such as decreasing visa fees, simplifying visa applications, operating more international flights to China and employing Chinese tour guides and salespersons.

Undoubtedly, Chinese market is becoming the most important one in the tourism industry. According to Hotels.com's Chinese International Travel Monitor (CITM) report, the average Chinese overseas traveler spends about \$1,086 per day while on vacation in 2014, excluding accommodation costs. Compare with their average spend in Sri Lanka, there are so many strategies can be applied to stimulate Chinese tourists' consumption in Sri Lanka.

1.4 Objective of the Study

Satisfied customers are the main asset to an industry. Catering beyond the expectations of Chinese tourists will develop Sri Lanka as one of the top class tourism destination and lead to the delightedness of customers.

There are 3 objectives of the study:

- To analyze the behavior of Chinese tourists during their holiday in Sri Lanka.
- Recommend suitable strategies to attract high consumption Chinese inbound tourists to Sri Lanka.
- To identify the specific attraction of Sri Lanka for Chinese tourists.

1.5 Methodology

1.5.1 Primary data

Self administered questionnaire has been distributed among 100 Chinese tourists randomly in different scenery spots and hotels to understand their experiences when traveling in Sri Lanka and how they feel about their trip in Sri Lanka. Two instructed interview were used to collect primary data, of which the participants are, manager of Chinese market of Walkers' Tours, manager of Chinese market of Jetwing travels.

1.5.2 Secondary data

Available secondary data relevant to the subject are extracted from the web based publications such as "Hotel.com", official statistics, journals, newspaper articles and previous research report published on the subject of Chinese outbound tourism.

1.6 Results and data analysis

1.6.1 Analysis of data collected from tourists

According to the survey results female Chinese tourists are 55%, male Chinese inbound tourists are 45%. Majority of the tourists were in the age group 26-40(60%), they are the main consumer group of Chinese. Majority of the tourists' income is less than US\$2000(67%). Survey research shows that majority of the tourists(88%) are not first time abroad travel tourist and half of the tourists travel once a year, only 18% of them travel more than twice a year. Further the survey results confirmed that 43% of the tourists travel during their annual leave, and 45% of them have no plan and at the same time majority of the Chinese tourists to Sri Lanka stay for 5-10 days. only 21% of them stay over 10 days.

Survey results revealed that, 67% of the Chinese tourists to Sri Lanka are individual tourists. For individual tourists, they always choose car and driver rent method to move, so strictly regulation should be issued to control the drivers' behavior, make sure they will not destroy the image of Sri Lanka. Further, 67% of the Chinese tourists spend \$100-300 during their trip in Sri Lanka, and this amount include accommodations and airfare, that means we still have a big space to promote. The average airfare is about \$600 for round way trip, divide this amount, the average cost is between \$50-200. Majority of the Chinese tourists are satisfied with their trip in Sri Lanka(67%), 3% of them are dissatisfied because of the problem of their belongings safety and the satisfied Chinese tourists will recommend Sri Lanka to their friends(70%) and almost every Chinese tourists will buy souvenirs more or less cause Chinese people have the custom to bring souvenirs to friends and family.

According to the survey results, 96% of the Chinese tourists purchased Ceylon tea during their trip, and 33% of them bought handicrafts, only 24% of them bought gem&jewelries. Since the price of gem&jewelries are high, although the percentage is comparatively low, but the benefits for relative business people is high. 51% of the Chinese tourists are attracted by the exotic atmosphere of Sri Lanka, 42% of them come for the nature beauty, only 6% of them think Sri Lanka has Highly cost effective. 55% of the Chinese tourists complain about the poor transportation of Sri Lanka, it took too much time to move from one place to another. 33% of them have the problem with local food. Chinese people are not accustomed with Sri Lankan food, they prefer Chinese food. And also, the lack of excursion is another problem, they might have motivation to spend more money, but there is no activities offered. Survey results also stated that, when selecting abroad destinations, safety is the most important factor, following is the accommodation, food and traffic condition is also important for Chinese tourists.

1.7 Conclusion

This study aimed at to better understanding travel motivation, constraints and decision behavior in the context of Chinese tourists to Sri Lanka. These variables play a significant role in influencing their future travel behavior. According to the survey results, the exotic atmosphere of Sri Lanka is the most important factor for Chinese tourists. One of the main reasons for this large share is that China has totally different culture from Sri Lanka, and they like to experience new things.

The average spend of Chinese tourists in Sri Lanka is still low, there are a lot of promotions can be done to stimulate the consumption of Chinese tourists during their tours in Sri Lanka. The survey results show that the poor road situation of Sri Lanka is the biggest barrier during Chinese tourists' trip. The move from one place to another spend too much time that makes them feel tired. Social medias play a major role in developing Sri Lanka as a tourism destination among Chinese tourists, as Chinese tourists relies more on the reviews of others when making their decisions on travel.

The average period stay is about 5-10 days and majority of the tourists were on 7-day tours. Until now, Sri Lanka is not a luxury tourism destination at all among Chinese tourists. According to the research results, we can easily know that the largest consumption during Chinese tourists' tour in Sri Lanka is for airfare and accommodations, and most of them are not accustomed with western food, so some of them will bring fast noodles especially old age tourists.

1.8 Limitation of the Study

In this study, it has limited the discussion under the following aspects. No enough literature is available locally with regards to the Chinese inbound tourism market yet. As the time frame is limited and only few individuals were interviewed which may not represent the entire situation.

1.9 Recommendations

Chinese tourists love gem stones, but not all of them can afford it, the per capital income in China is only \$7000. But when we look at the black tea, things are totally different, there are many promotions can be done. Chinese people love tea, tea as gift is also a custom through the ages. Almost every Chinese tourists will buy tea more or less. What we can do now is to push out high grade tea brand, increase the quality and packaging. Since in China, the highest grade green tea can be sold as \$1000/500g or even more. Compare with the price of Ceylon tea, we have a large space to develop. But the quality must be improved as well.

More activities should be offered to Chinese tourists, the trend is that Chinese tourists begin to spend more money on entertainment. Fire balloon, more excursion route and other possible activities should be developed to attract more high consumption Chinese tourists.

Another thing that should be done is the infrastructure construction, the poor transport is an issue for Chinese tourists. Ms. Huang who interviewed with me mentioned that the transportation is too poor to make her satisfied. She engaged in a 7nights 8 days trip which charge \$1570 and her itinerary is:

Day 1: Arriving, Pinnawala Elephant Orphanage, Danbulla.

Day 2: Sigiriya, Matale Spice Garden, Kandy dance show, Temple of the tooth

Day 3: Peradeniya Royal Botanic Garden, Peradeniya- Nuwara Eliya by train, Visit tea plantation

Day 4: Nuwara Eliya- Yala, Safari

Day 5: Yala- Galle

Day 6: Galle city tour, leisure

Day 7: Galle- Colombo by train, Colombo City Tour

Day 8: Departure

Since the move took too much time, she felt very tired when they arrived, and has no energy to go sightseeing, just want to stay in the hotel. And there is one more thing she has complained, in the itinerary, they are supposed to stay in Galle on the 5th day, but their hotel is in Kaludara, it took them one and half an hour to go Kaludara, and then on the 7th day, they need to go back to Galle and take the train to Colombo. From this case, we can get some information about the travel agency, hotels in Kalutara will request less than Galle. But they do not mention this in the itinerary, the lack of regulations to control travel agencies lead to a bad image of Sri Lanka tourism industry.

And also, compared with other competitors, Sri Lanka is more expensive than them, cause the airfare is high, what we can do is to open more direct flights from China to Sri Lanka and do our best to decrease the price of air tickets.

On account of that there are lots of artificial gems are selling in many tourist spots, government need to do something to control the gems relative business to maintain the image of Sri Lanka as a tourism destination. Culture tourism and buddhist tourism can be promoted to attract new segment of Chinese tourists. It is important that the websites in Chinese to introduce Sri Lanka, as well as the popular social media such as Weibo, Wechat, printed manuals and traditional media. Adding more information on local commodities, history and cultures, scenic spots, food, transportations, local customs and practices, festivals and celebrations will be more useful for tourists. This will create more diverse, thorough, precise and practical tourism information.

Introductions of the tour routes and scenic spots with local characteristics should be practical and convenient for Chinese tourists to make decision. At airports, train stations or tourist information centre, tourist handbooks in Chinese covering information of local customs, laws and regulations, emergency calls, prices of different transportations should be helpful for Chinese tourists follow the local customs and rules. Hotels are encouraged to provide free WiFi, hot drinking water and other basic services complying with Chinese habits; restaurants, shopping spots and entertainment places are encouraged to support the payment through Union pay POS. To protect the legal rights and benefits of tourists, a tourism risk management system should be introduced to Chinese tourists.

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