Winning the Next Billion Asian Travelers—Starting with China
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TripAdvisor is the world’s largest travel site, enabling travelers to plan and have the perfect trip. TripAdvisor offers trusted advice from real travelers, as well as a wide variety of travel choices and planning features with seamless links to booking tools. TripAdvisor branded sites make up the largest travel community in the world, with more than 260 million unique monthly visitors and more than 125 million reviews and opinions covering more than 3.1 million accommodations, restaurants, and attractions. Based in Beijing, TripAdvisor China operates under the brand daodao.com and offers millions of quality reviews in Chinese alongside homegrown products developed specifically to meet the needs of the burgeoning China outbound market. Daodao has grown to become one of the most visited user-generated-content travel sites in China.
Winning the Next Billion Asian Travelers—Starting with China

Frank Budde, Paul Tranter, Achim Fechtel, Alan Wise, Vincent Lui, and Terri Milunsky

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Asian travelers are packing their bags in record numbers, fueling a transformation of the global travel and tourism industry. By 2030, tourists from Asia will lead all regions of the world in total departures and travel expenditures. China—where rising incomes are driving unprecedented growth in spending and travel—will be the most significant contributor to this growth. By 2030, Chinese will account for about 40 percent of Asian outbound travelers, and China will likely overtake the U.S. to become the largest domestic travel market in the world. Forward-looking companies in the travel and tourism industry are developing strategies for gaining a share of this booming market, but along with the opportunities come significant challenges.

To win in China, companies need a tailored and thoughtful approach and a deep understanding of the unique characteristics of the market. The country is big, diverse, and still at an earlier stage of development than other tourism markets. Drawing on our proprietary consumer research in China, market interviews, our own network of experts, and data from TripAdvisor China’s official website (daodao.com), we have identified nine strategies for winning the Chinese traveler.
Asian travelers are packing their bags in record numbers, fueling a transformation of the global travel and tourism industry. By 2030, 49 percent of all passenger traffic globally will be within the Asia-Pacific (APAC) region or between APAC and the rest of the world, up from 37 percent today. In fact, more than 50 percent of the growth in global traffic will come from the APAC area. As disposable income rises, a billion people in Asia will have annual earnings of US$15,000 or more—and will be ready to give their travel business to airlines, hotels, and tour companies around the world. The vast majority of these “next billion” travelers will come from China, India, Indonesia, Japan, and South Korea.

Travelers from China will account for the lion’s share of this growth—and about 40 percent of Asian outbound (international) travelers by 2030. Within the same time frame, China will likely overtake the U.S. as the largest domestic-travel market in the world.

Judging from their past spending levels, the Chinese will be more than willing to open their wallets: Chinese urban travelers took about 500 million domestic and outbound trips (excluding day trips) in 2012, spending about US$260 billion. According to analysis by The Boston Consulting Group, those numbers will increase to 1.7 billion trips and US$1.8 trillion in spending by 2030. (See Exhibit 1.)

It’s no wonder that global travel and tourism companies have taken notice and are developing strategies for gaining a share of China’s booming market. The reality, however, is that although the opportunities are enormous, so are the challenges, and both Chinese and non-Chinese companies will have to fight for a share of the market.

To better understand the unique characteristics of China’s market and how travel and tourism companies can make competitive inroads, BCG drew on many years of research that our Center for Consumer and Customer Insight conducted on the Chinese traveler, including a detailed 2013 survey of young affluent Chinese travelers.

In addition, we consulted our network of experts, conducted a series of interviews with industry players, and worked closely with TripAdvisor China’s official site (daodao.com) to identify the destinations that Chinese travelers are investigating, the cities they come from, and the factors that motivate their travel choices. This report focuses on China, and future BCG reports will cover other growing markets such as India and Indonesia.
Understanding China’s Market: Travel Companies Should Get Ready for Big Change

The growth projections for China’s travel market are truly staggering. According to our analysis, the market will grow at a compound annual rate of about 11 percent from 2012 to 2030. With so much expansion on the horizon, forward-looking companies have considerable “white space” to capitalize on. Driving this growth is China’s rapidly expanding population of middle-class and affluent consumers (MACs)—households with annual disposable income of US$13,000 or more—with a strong desire to travel, both domestically and abroad.

However, competition for their business is fierce, in many cases, playing out between major international brands and fast-growing Chinese challengers. In the hospitality sector, international chains are building new hotels in China at an unprecedented rate, drawn by surging room demand that is projected to grow by about 7 percent compounded annually over the next 10 to 15 years—a growth rate that is higher than what many countries in developed markets will see. Although international hotel chains dominated the five-star hotel sector in 2012 and into 2013, and Chinese operators had a strong foothold in the economy sector (hotels with fewer than three stars), the midrange sector (three- and four-star hotels) has become a hotly contested battleground. International hotels must face off against rapidly growing Chinese chains such as Home Inns (about 1,300 hotels), 7 Days Inn (about 1,300 hotels), and Hanting Inns & Hotels (about 1,000 hotels).
Similar dynamics are playing out in the aviation space, in which China’s airlines have become increasingly outward looking with substantial growth aspirations. For example, China’s top four airlines have grown 15 to 20 percent annually over the past ten years. The country’s major airlines benefit from low labor rates, high levels of productivity, modern fleets, and low fares. Given their cost advantage, if they upgrade their products and services to better meet the needs of the country’s rising middle class, Chinese carriers will pose a significant hurdle to other international carriers seeking the business of affluent Chinese travelers.

On the domestic front, Chinese airlines themselves face competition from China’s rapidly growing network of highways and high-speed trains. Thanks to massive infrastructure investments by the Chinese government, by 2015, the country’s network of high-speed trains will be able to transport hundreds of millions of passengers per year along 18,000 kilometers of track. Today, passengers can travel from Shanghai to Beijing (a distance of about 1,300 kilometers) in less than five hours—a more punctual and convenient alternative to flying, which takes just over two hours, airport to airport.

Distribution will continue to be a challenge in China’s travel market. The market is highly fragmented, and the government still prohibits foreign travel agencies from participating directly in outbound tour business. Fierce competition among low-cost travel agencies makes the domestic sector extremely challenging. And in the digital space, China’s Ctrip has more than 40 percent of the online travel agency (OTA) market, compared with just over 10 percent for the next closest competitor. Qunar is the largest online site for travel searches, reviews, and aggregation: traffic has been growing about 30 percent per year since 2010.

**Strategies for Winning**

In this highly competitive environment, the prize is big, but so are the challenges. Both international and Chinese companies need to be thoughtful about where they compete and the strategies that will help them win. The following nine guidelines can help companies position themselves, reach Chinese travelers, and win their loyalty.

**Follow the money.** China is too big and diverse to be approached with a one-size-fits-all solution. By segmenting different groups of travelers and monitoring their behaviors and spending habits, companies gain insights that can help them prioritize target markets, guide investment decisions, and deliver their services more effectively. By 2030, outbound trips will account for about 40 percent of China’s total market value (up from 30 percent in 2012), and Chinese travelers will be spending about US$700 billion on these trips. As it is today, most of this travel will be for leisure.

From 2012 to 2030, three segments of the outbound leisure market will grow the fastest: young affluents (ages 18 to 30), senior professionals (ages 45 to 55, traveling without an organized tour group), and small groups of families and friends (ages 30 to 45, also traveling without an organized tour group). Combined, by 2030, these segments will account for an incremental 100 million annual trips and US$340 billion in annual spending. This is quite different from 2012, when the outbound lei-
sure market was driven largely by mass-market travelers (those in households with less than US$21,000 of disposable income), consumers with household disposable income above US$21,000 and a preference for traveling in organized tour groups, and consumers in the high-end luxury market—three segments that will experience relatively slower growth to 2030.

Exhibit 2 shows that to capitalize on the growing leisure segment, companies should be aware of the areas in which travelers will “trade up” or be willing to spend a disproportionate amount of their budget. Many Chinese travelers are willing to pay a premium for lodging, dining, and shopping, and the trends continue to move in this direction. In 2013, more young affluent travelers were planning to trade up than in 2010, particularly for lodging (the net trade-up—the difference between the percentage of people willing to spend more and the percentage of those who want to spend less—was 54 percent in 2013 compared with 23 percent in 2010), shopping (57 percent compared with 37 percent), and dining (70 percent compared with 35 percent). When they travel domestically, many Chinese, who are passionate about dining, willingly spend hours waiting in line to try the restaurants with the best reviews—a behavior that could carry over to outbound travel. In terms of airline travel, the trade-up intention is not as strong (16 percent compared with −8 percent). It’s interesting to note that travelers are more likely to trade up on the type of carrier than the type of seat.

Chinese visitors typically spend 40 percent of their travel budgets on shopping once they reach their destination. They shop for luxury goods and search for bargains in premium brands. Destinations that lack excellent shopping will be disadvantaged, and those that have it will be well positioned to win. For instance, France and Italy are home to Louis Vuitton and Prada, and the Nordic region is associated with leading-edge design. Travel and tourism companies that understand the interests of

**EXHIBIT 2 | Companies Should Be Aware of Areas in Which Chinese Travelers Are Likely to “Trade Up”**

<table>
<thead>
<tr>
<th>Dining</th>
<th>Shopping</th>
<th>Hotel</th>
<th>Entertainment</th>
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<td>Respondents (%)</td>
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<td>+35</td>
<td>+20</td>
<td>+31</td>
<td>+12</td>
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Source: 2013 BCG Center for Consumer and Customer Insight China travel survey.

Note: Net trade-up (TU) = TU – trade-down (TD); TU means customers are willing to spend more; TD means customers tend to spend less. Net TU ignores customers who are “neutral” on the topic. MAC = middle-class and affluent consumers with real annual household disposable income of at least US$13,000 (2012 dollars).
these travelers and provide specialized services and appealing shopping excursions may be able to carve out a profitable niche.

**Anticipate new, high-volume destinations.** Although outbound traffic from China is growing, levels remain relatively low—for now. But most industry analysts expect that to change in the next 10 to 15 years. The critical questions for travel and tourism companies are: Which destinations will generate the strongest demand by Chinese travelers? At what point will the volume of travelers warrant tailored offerings?

In 2012, Chinese travelers took 48 million overnight outbound leisure and business trips. About 45 percent of those trips were to Hong Kong and Macau, some 35 percent were to the rest of Asia, and only about 20 percent were to non-Asian destinations. In other words, Chinese travelers represented only a small fraction of total inbound tourists for most non-Asian countries in 2012. That will change, however. China’s outbound leisure and business-travel market is projected to grow to about 211 million trips per year by 2030, and interest in non-Asian destinations will increase. According to data from TripAdvisor China’s official site, of the website’s unique visitors in July and August 2013 who researched outbound destinations, 12 percent researched Hong Kong and Macau, 44 percent researched other Asian destinations, and 44 percent researched destinations outside of Asia. Paris, Rome, London, and New York, which were among the most frequently researched destinations, may see a sharp uptick in Chinese visitors. (See Exhibit 3.)

Similarly, BCG’s 2013 survey showed that a growing number of young affluent Chinese tourists were interested in longer-haul trips. While two of the ten most popular destinations for the past three years were long-haul trips (to the U.S. and France), eight of the ten most desired destinations for intended travel over the next five to ten years are outside of Asia. The top “dream” destinations include the Maldives, the U.S., France, Australia, Greece, the U.K., New Zealand, and Italy. Although they are below critical mass for most non-Asian regions today, by 2020, Chinese travelers will account for a growing amount of inbound tourism to most regions. Chinese visitors to North America will reach 9 percent of inbound tourists, up from 4 percent in 2012; 19 percent in Europe, up from 7 percent; and 29 percent in Australia and New Zealand, up from 16 percent.

The desired type of holiday will also shape tourist destination plans. Larger cities, hot spots, and beach resorts were favored destinations in 2013 and will continue to be in the future. Sightseeing, relaxing, and shopping are popular activities now and will remain so, and outdoor and adventure trips are emerging as a new trend, providing opportunities for countries such as New Zealand to increase their share of Chinese visitors. On TripAdvisor China, interest in outdoor and adventure destinations such as Nairobi and the Serengeti National Park more than tripled in the past year.

It is worth noting that some destinations such as the U.K. have, in the past, been hampered by lengthy or expensive visa-application processes. However, plans to simplify these processes are in the works, and soon, Chinese nationals visiting the EU will no longer need to submit separate U.K. visa applications if they book with selected travel agents.
Capture big prizes in “small” cities. While well-known super tier 1 cities such as Shanghai, Beijing, Shenzhen, and Guangzhou all have populations of more than 10 million, they are also highly competitive environments. Travel and tourism companies would do well to get off the beaten path and look beyond China’s urban megahubs to places with potentially greater opportunities. More than 80 percent of China’s MAC population live in places many people would be unable to find on a map. For example, the cities of Rizhao in Shandong province, Hu-zhou in Zhejiang, and Xinxiang in Henan will each have MAC populations well in excess of 500,000 by 2020. By 2030, 29 nonsuper tier 1 cities will have MAC populations of more than 3 million. And, in many cases, these cities represent unique opportunities for consumer goods and service providers. It is interesting to note that in Wenzhou, a tier 2 city in Zhejiang, daily sales of Vertu luxury mobile phones (with prices upward of US$7,000) reportedly match sales in Beijing and Shanghai.
The same phenomenon is true of travel. According to 2013 data from TripAdvisor China’s website, which tends to attract more experienced travelers, more than 70 percent of unique site visitors researching outbound destinations lived outside the four super tier 1 cities. And online traffic from these visitors is growing two to three times faster than that of visitors from the super tier 1 cities. (See Exhibit 4.)

Companies that reach beyond China’s super tier 1 cities may have to further adapt their service models, marketing, and distribution, but they also have a better chance of gaining a first-mover advantage. For instance, Australia’s Jetstar launched flight service from tier 3 Haikou, the provincial capital of resort-rich Hainan province, in 2009, and, starting in 2014, United Airlines will offer three direct flights weekly between San Francisco and Chengdu—a destination that no U.S. airline has ever before serviced. Similarly, hotels have an opportunity to secure prime locations in lesser-known cities that may become destinations of choice for MACs traveling domestically in the next 30 years.

Keep your Chinese travelers happy. Travel and tourism companies that deeply understand and cater to the preferences of Chinese travelers can differentiate themselves and win market share. Many of these preferences are evolving quite quickly—particularly for the young affluent segment. For example, Chinese travelers tend to be more spontaneous and have shorter planning timelines than their Western counterparts, mainly because they love bargains but also because planning for a vacation three to six months in advance is not the cultural norm in China. In such a new market, travel options that may be standard or outdated in some parts of the world...

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**EXHIBIT 4 | Most TripAdvisor China Visitors for Outbound Travel Are from Outside the Top Four Cities**

| TripAdvisor China unique visitors for outbound travel, July and August<sup>1</sup> (%) | Number of cities in TripAdvisor China’s 2013 data | Example cities, 2013 | Growth, 2012–2013 (%)
|---|---|---|---
| 259<sup>1</sup> | Anshan, Yichang | 420 |
| 35 | Wenzhou, Baotou | 340 |
| 20 | Tianjin, Dongguan | 290 |
| 4 | Beijing, Shanghai, Shenzhen, Guangzhou | 150 |

<sup>1</sup>Unique-visitor origin cities were determined by mapping the users’ IP addresses to some 300 cities in China. City tiers are identified on the basis of the forecast 2018 MAC population. Because of rounding, totals may not equal 100.

Source: TripAdvisor China (daodao.com).

Note: TripAdvisor China users include proportionally more experienced independent travelers than the overall market. MAC = middle-class and affluent consumers with real annual household disposable income of at least US$13,000 (2012 dollars).

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can still seem innovative and fresh to Chinese travelers. For instance, on average, China’s travelers who take cruises are much younger than Western travelers.

When they travel internationally, Chinese—particularly those who are less experienced travelers—strongly prefer organized group tours (often with strangers). However, according to BCG’s 2013 survey of young affluent consumers, this appears to be changing: although 55 percent of respondents reported that their most recent trip was an organized group tour, about 65 percent said that they intend to travel independently or with friends within the next five to ten years. Travel and tourism companies should also keep in mind that at age 30 or above, some Chinese travelers help plan a trip for, or even travel with, their parents—a practice most likely rooted in tradition and culture. Some leading cruise lines have recognized this as an opportunity, and they appeal to newly affluent young Chinese couples to take their parents on the most memorable—and, often, the first—trip of their lives.

Airlines should take note that Chinese travelers value certain airline services more than Western travelers do and will pay extra for those services. For instance, Chinese tourists expect and appreciate flexibility in the form of greater weight allowances for luggage and more lenient policies on changing flights. Both Emirates and Qatar Airways have identified this trend and are promoting increases in baggage allowances to attract Chinese vacationers.

In BCG’s 2013 survey, young affluent travelers indicated that they fly significantly more with Chinese carriers today but are likely to increase their use of international carriers. The top booking considerations were price, safety record, and seat comfort. The biggest deterrents were flight delays, inconvenient departure times, and uncomfortable seats.

When it comes to hotels, the biggest decision factors for young affluent travelers are location, cleanliness, and price. As travelers become more sophisticated, they start to have more specific requirements for hotel brand and style, providing opportunities for hotel chains to educate the market continually and more creatively. Although Chinese travelers prefer hotels that provide a sense of comfort and familiarity—such as Chinese TV channels and Chinese food options—these needs become less important as travel experience grows. (See Exhibit 5.) In a TripAdvisor survey of hotel preferences, the most important considerations for business and leisure travelers alike were location and reputation. Generally, room size, quality, and brand were more important to the business segment, while price mattered most to leisure travelers. In terms of payment options, offering China UnionPay—the dominant credit-card organization in China—is important, particularly for less experienced travelers.

Brands really matter, but you may need to adapt yours. Effective brand management is a critical aspect of any China-travel strategy, and the companies that get it right will be in the best position to win. Many global brands are less well known in China, however. For example, for young affluent Chinese travelers, the aided awareness of Shangri-La, an Asian brand, was higher than for any other international luxury-hotel brand. And the aided awareness of local airlines was considerably higher than of international carriers. Air China, China Eastern Airlines, and China
Southern Airlines all ranked higher than 70 percent in aided awareness, compared with less than 40 percent for their international peers. And since the country’s travel market is still emerging and evolving, there is, as yet, little brand loyalty to international brands, but there are many opportunities for travel service providers to rethink and strengthen their brand portfolios.

A major strategic consideration is the role of global versus local brands. When a company is trying to appeal to Chinese consumers—no matter which option the company chooses—it must be consistent in the way it presents the brand: Chinese travelers value authenticity, which they associate with a consistent brand presentation. On the one hand, companies can leverage their global brands, as Club Med has
done, by customizing their services in small ways—such as offering a Chinese selection in the hotel buffet. On the other hand, Intercontinental Hotel Group (IHG) offers a more customized approach, recently launching its Hualuxe brand, the first upscale international hotel designed specifically for Chinese travelers. Hualuxe has Chinese-style architecture, furniture, and décor; private dining rooms; noodle bars; and teahouses with a wide selection of high-quality Chinese teas. The first property is scheduled to open in China by the end of 2013. Hualuxe, however, is still the exception. Few global travel companies have created an authentic local brand for the Chinese market, though Club Med recently expressed its own intentions to investigate similar options.

Be creative to maximize your marketing impact. Most companies would readily admit that their marketing spending doesn’t always achieve the desired returns. China’s market magnifies this challenge for subscale foreign players. The country is large, most travelers are inexperienced, and awareness of many foreign brands is low. For these reasons, traditional marketing may not always be effective, and companies must find new ways to make an impact.

Given the growing popularity of social media, mobile technology, and celebrity endorsers, some travel providers have started to use the concept of advocacy marketing to their advantage. This involves asking several strategic questions: What is your target segment? Who influences the consumers in that segment? How do you turn these influencers into advocates for your company? Advocacy marketing is about finding the critical 2 percent of influencers, building a relationship with them, and turning them into advocates for your company.

Critical influencers who can be used for advocacy marketing can include celebrity endorsers, credentialed experts, or current customers. For example, New Zealand hosted a Chinese celebrity wedding in Queenstown for a famous Chinese actress, Yao Chen, who, alongside Lady Gaga and Justin Bieber, is among the most followed social-media personalities globally with 37 million followers on Weibo (a Chinese social-networking platform). News of the wedding spread quickly on Weibo, which registered 40 million discussion items with New Zealand as a key topic. Tourism New Zealand estimated that close to 7,000 media articles were written about the wedding, and Queenstown was portrayed as the ultimate destination for romance and honeymoons—exposure worth tens of millions of marketing and advertising dollars.

In another example, a 2012 Chinese movie called *Lost in Thailand* and set in northeastern Thailand, was the first Chinese film to gross more than RMB 1 billion, and the prime minister of Thailand met with the film’s crew to thank them for their contribution to Thailand tourism. Not only did the film promote interest in Thailand in general, it also revived passion for the country’s inland areas, particularly for return visitors and more experienced travelers. In fact, Chinese travelers to Thailand over the Chinese New Year Golden Week tripled the year after the movie. Because these were not typical approaches to marketing, they created buzz—and got people talking about and interested in traveling to these new destinations.

Know your distribution options. Distribution in China is challenging, particularly for subscale foreign players. To succeed, travel companies must seek innovative ways to
break into the Chinese market, recognizing that there is significant white space in this uncharted territory, that there could be disruption from new players on the horizon (including mobile-only offerings), and that everyone has a shot at winning. Although the market is still evolving and definitive answers are in short supply, one thing is certain: industry players must be extremely flexible and dynamic, taking a pragmatic, focused, and prioritized approach to distribution. The optimal distribution model depends on the company, its target segments, and the competitive landscape.

China has many legal and regulatory constraints, and the travel market has splintered into a kaleidoscope of competing channels. What’s more, Chinese consumers continue to emphasize that they trust recommendations from people they know, as well as online opinions, more than corporate marketing messages. Travel and tourism companies that monitor and manage their online reputation can drive demand for their products through review forums. At the same time, OTAs are rapidly gaining share from traditional travel agencies and—with airline and hotel websites—will soon become the primary research and purchase channel for hotels and airline tickets.

Our 2013 survey of young affluent Chinese travelers showed that use of these online agencies is up 17 percentage points since 2010, largely at the expense of state-owned travel agencies, private travel agencies, and agency hotlines. Many global hotel chains have acknowledged the importance of the online agency channel and of Ctrip, the largest player, with market share exceeding 40 percent. For example, in 2013, IHG developed a link between its own reservation system and Ctrip. The link enables Ctrip users to see real-time availability and get online booking confirmations for all IHG properties worldwide. And since 2012, Marriott Rewards members can elect to earn Ctrip points for their stays at participating Marriott International hotels globally.

Although many top global hotel chains focus on the direct channel, they also carefully manage the agency channel—particularly online—driving demand in the Chinese market through their premium brands and locations, granting favored distributor status to buyers of large “room blocks,” giving the distributors healthy margins, and imposing strict volume and pricing guidelines. For example, agencies and OTAs may not publish room rates that are lower than the rates of the hotel’s direct channel. By contrast, airlines tend to rely more on wholesale distribution networks. Club Med capitalizes on point-of-sale influence, embedding its own sales reps in major travel-agency outlets to create its own dedicated counters. Although consumers make travel purchases through the agencies, the reps are trained and paid by Club Med. The company has invested aggressively in brand building by opening a flagship store designed by French decorators in downtown Beijing and developing its own online channel.

Furthermore, there are opportunities for companies to play aggregator roles in the distribution chain: Kuoni Group, the largest foreign-travel-services company in China, has a successful wholesale business—GTA—that aggregates a wide range of premium hotels and ground travel offerings, which it sells to retail travel agents, wholesalers, tour operators, and OTAs. The company’s success is due to its wide range of travel options, local sales and service, competitive credit terms, and a website and
distribution solution that connects seamlessly to the online platform of group travel agencies.

Join forces to win, but choose your partners wisely. Since few foreign travel companies have sufficient scale or influence in China, there is value in partnering creatively with other industry players or collaborating at the destination level. Joining forces with other industry players can strengthen a company’s brand, service offering, and competitive position. For instance, to access China’s traffic flows, many international airlines have entered into alliances and code share arrangements with Chinese carriers, extending their networks and tapping into otherwise inaccessible markets. However, given the cultural and mindset differences, these alliances can be difficult to manage, so companies seeking to grow in this way must carefully evaluate potential partners, put the right governance in place, and ensure that interests are aligned.

Local tourism boards can be powerful allies. Joint initiatives that promote a specific destination can help build awareness and aggregate demand so that local service providers ultimately benefit. Government-sponsored tourism campaigns have been very successful in Australia, Hawaii, and Japan. Similarly, travel service providers can associate themselves strongly with a destination that will in turn enhance their brand. The success of the Emirates airline, for instance, is driven in part by being linked to Dubai as a destination. In 2012, Dubai and Emirates joined forces to run a Do More in Dubai campaign. Mindful of Dubai’s world-class shopping, the airline increased its baggage allowance as an added incentive for global travelers. Dubai benefited too, becoming one of the top ten most researched destinations by TripAdvisor China users for the past two years.

Companies should explore ways to share in the profits from all aspects of the travel value chain—gaming, meals, accommodations, guided tours, local transport, shopping areas, and airport retail outlets—that could benefit from Chinese visitors. For example, Singapore Airlines and SilkAir have joined forces with Changi Airport to launch a program that offers travelers “Changi Airport dollars” worth up to SG$40 per passenger to spend while in transit.

Invest for the future, but keep your options open. Winning travel and tourism companies will have a variety of investment strategies, but all should address a range of considerations along a continuum of time, effort, and risk. At one end are the near-term marketing, branding, and communication tactics that will begin to engage Chinese travelers, shaping their perceptions and preferences. Airlines and hotels have longer planning timelines than tour operators and travel agencies—and shoulder more risk. For instance, airlines must invest ahead of the curve to secure airport slots and lock in route networks. Hotel and resort developments are long-term, capital-intensive projects.

Although there is value in investing ahead of the curve to leapfrog the competition and secure new sites and routes, there are advantages to keeping one’s options open and maintaining a degree of flexibility wherever possible. There is no need to finalize and lock in your investment decisions today. “Soft” product and service changes can be made in a more variable, as-needed manner. For instance, certain
luxury hotels in London make temporary changes to their rooms, services, and menus to accommodate some wealthy Middle Eastern tourists who observe Ramadan and make their way to London in the weeks around the holiday. The Chinese preference for traveling during February, May, and October may coincide with low seasons in many Western markets. Travel and tourism companies can capitalize on this peak-travel season by making soft product changes, catering to Chinese travelers.

TAKEN TOGETHER, THESE nine strategies will form a strong foundation for travel and tourism companies seeking to capitalize on China’s fast-growing travel market. Today, that market is wide open, with enormous opportunities for forward-looking industry players aiming to build their brands and gain the loyalty of Chinese travelers. The key to success is to identify the most profitable segments of the market, their unique needs, how best to reach those segments, and how to optimize your return on investment. (See the sidebar “Is Your Company Set Up for Success?”) Armed with these insights, you can determine how well positioned your brands are for the targeted segments, which companies you need to partner with—and what it will take to win.

NOTE
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