

MAILMANX

Travel Inspired



THE NEW CHINESE TRAVELER

5 TRENDS SHAPING CHINESE TRAVEL POST COVID-19

JUNE 2020



INTRODUCTION

China has become the fastest global market to rebound with more than 50M tourism trips during the May long weekend as the Chinese traveler is the first to enter the new post-COVID-19 world.

COVID-19 has sent shockwaves across the world, affecting every person and industry in some way. We've seen an unprecedented global impact on the world of tourism, particularly due to travel bans and countries locked down.

China has entered the recovery stage and is putting an end to months of lockdown. It has become 'business as usual' for many as the country looks to reignite its economy and business sectors, in particular the travel industry. Consumer attitudes have changed during COVID-19; travel companies and operators will need to adhere to the new normal.

Out of all the changes we expect to see, here are the **5 key trends set to shape Chinese travel post COVID-19**



Demand for guaranteed hygiene

COVID-19 has changed the way we travel, particularly by plane. Airlines cut domestic flights, eliminated onboard amenities, and put restrictions on types of travel.

A big data report, conducted by Baidu and research centre people.cn from Jan 20-30, revealed that more than one billion people searched for virus-related issues, including best practices on maintaining a clean environment daily. As we have been restricted to our homes, house hygiene product sales have increased by 150% during the COVID-19 period, as we begin to head out again, this need for cleanliness will transcend to our travel.

As more Chinese people begin to fly again; there will be a stronger focus on the risks of travel and understanding the status of COVID-19 in the destination. The Centers for Disease Control and Prevention offers a searchable COVID-19 risk assessment by country coupled with China's QR code system, created by Ant Financial, which classifies people using three color codes (red, yellow, green).

These measures work in two ways:

1. They reassure Chinese travelers of the safety and cleanliness when venturing back into public spaces
2. They mitigate the risk areas on venues, for example, Disneyland reopened in May with visitation limits capped at 30% and patrons required to wear face masks at all times, and entry supplied only to those with a green QR status



The practice of social distancing and the regular washing of hands are now standard practice until a vaccine to prevent the contracting of the virus is available. These personal actions, along with general public controls like ensuring traveler numbers do not exceed 30% of the maximum capacity in a business, work to ensure virus numbers will not rise again. Bookings for tourist sites in China increased by 176% at the beginning of May when compared with the numbers of attendees during the Qingming Festival (Tomb-Sweeping Day) a month prior. People are clearly itching to get out and about, making the importance of the above controls crucial to public and individual safety.



Monica, F
Zhejiang Province

"I continue to wear my mask even though restrictions have lifted as I want to feel clean and protected wherever I go. I want this to be the case in other countries to show they have taken the same steps as China."

Ugly rise in xenophobia is discouraging would-be travelers

With COVID-19 still raging outside China's borders, and an increase in xenophobia and anti-Chinese sentiment has led to sporadic attacks around the world. "Microaggressions" that many Chinese experience daily, in passing, have become more frequent as people lazily associate those of Asian heritage with the virus spread.

On May 8, United Nations Secretary-General Antonio Guterres, addressed the "tsunami of hate and xenophobia, scapegoating and scaremongering" that was on the rise, urging governments to strengthen the immunity of their communities against a "virus of hate." Media and social media have played a significant role in stirring up hysteria for fear of the disease and fear of racism. Stories of Chinese people in racial incidents have gone viral, creating a more fearful Chinese community. This is affecting tourism as people refrain from traveling to countries hosting these unwelcome incidents.

Recent hashtags that have trended on Chinese social media include:

- #NoDiscriminationAgainstChineseCitizen# - 27.6M reads and 2K discussion
- #OverseasChineseStudentsSufferFromRacistBecauseTheyWearMasks# - 5.4M reads and 1.5K discussions



By late-April in the US, a coalition of Asian-American groups had received almost 1,500 reports of incidents of racism, of these attacks, at least 125 of the incidents were physical. In the UK, at least 267 incidents were reported from Jan to March which equates to more than the total number of 2018 and 2019 combined, while in Australia, there were 178 incidents in the first two weeks of April, 62% of which were against women. The Chinese traveler leads the charge with \$277.3B spent on international travel in 2018, so this new fear instilled in the would-be Chinese tourist will have a serious negative effect on popular destinations like the UK and USA.



Johnny, M
Shanxi Province

"To be honest, after reading the news and social media about the hatred in some parts of the US towards Chinese people, it's changed my perception of traveling there."



After lockdown, people are craving the great outdoors



As China's economy emerges from virus containment measures, the rebound in leisure travel has so far been conservative with most travelers choosing to stay close to home. To mitigate risk while traveling, trips of independent exploration in open spaces are favored as they leave enough room for social distancing. Crowded transportation options are less popular with 41% of travelers opting for road trips and 29% preferring high-speed trains.

A McKinsey survey of 1,600 travelers in eight Chinese cities found that 56% of travelers are planning a trip between September and October around the National Day holiday. Around 54% are waiting on an announcement from experts, or the reopening of schools with roughly 50% opting for domestic travel only, to enjoy the beautiful scenery of China.

Between 85-90% of the survey respondents felt that in early April, travel was "not safe at all," however, this attitude is changing. When comparing the May Day Holiday of 2019 and 2020, car rental reservations rose 10%, with Shanghai, Hainan, and Chengdu being the most popular travel destinations.

The Chinese appetite for getting out and about is growing significantly. Roughly 90 million Chinese travelers took trips during this year's Labor's Day holiday, numbers that doubled when compared with the Qingming Festival earlier in the year. This shows that as restrictions lift and we see a rise in public confidence, the numbers grow immensely.

The option deemed the safest - virtual tours - have seen a 200% rise in popularity but this will drop due to the increasing confidence in the safety of real-life travel which will begin to take up people's time. An improved local experience is giving potential travelers more options which are altering the perspective of safety for long-distance domestic trips.



Yujun, F
Jiangsu Province

"I chose to visit Ya Mu Mountain in Sichuan Province because I did not want to go to any highly-populated areas due to my reservations of safety. My tour group was small, and we stuck to very remote areas and seeing a different part of China was enriching."

4 Decrease in luxury spending

While China is showing positive signs of recovery, there are two significant issues for luxury retail sales:

1. A recent survey stating that 41% of the 1,000 participants have reduced their spending to safeguard for future crises cutting out non-essential purchases like luxury items and overseas travel
2. There is a disconnect between supply and demand. The small amount of domestic demand for luxury products cannot be matched by supply as luxury production remains on lockdown in Europe

A report on the impact of COVID-19 on luxury sales from consulting firm Boston Consulting Group (BCG) states that luxury brands should expect a decline in sales between \$85 and \$120B in 2020. This will come as no surprise as 51% of the surveyed Chinese participants said they would work harder to earn more, but only 8% are willing to shop more.

Industry sales have declined up to 85% in China during the country's lockdown period compared to countries like Italy, France and Spain that have seen a 95% decline. The BCG best-case-scenario estimates sales will still be down at least 10% by December 2020 when compared to 2019.

To help boost retail spending, cities across China, most notably Wuhan, have been handing out coupons with Shanghai issuing RMB 20B (\$2.82B) worth of coupons during the May Day holiday. The surplus of savings that the Chinese are looking to spend will likely be directed to online purchases from countries like Australia where the good exchange rate will entice the Chinese buyer.



While the Chinese do believe there will be a steady rise in household income, savings, and spending as restrictions ease, current consumer purchases for a category like apparel are 40-50% lower than the pre-COVID figures.



Justin, M
Jiangsu Province

"I do see my spending rising as we can go out again, possibly even more now thanks to my built-up savings. In the future, I almost have a pent up excitement to spend more than I usually do."



Silver lining: The benefits of increased domestic travel



Tourism made up over 11% of China's economy in 2019, and this has been one of the hardest-hit sectors as a result of the outbreak. China recorded over 115M tourist trips domestically during the May Day Holiday with tourism revenue reaching RMB 47.56B (\$6.79B). This was a 59.58% drop from the RMB 117.67B recorded for last year's May Day holiday.

The strong desire to 'get a breath' and the fact that international travel remains out of the question for most Chinese has meant good news for local tourist attractions such as the Forbidden City, which opened for the first time since COVID-19 with a capped number of entrance tickets that completely sold out.

Trip.com revealed that younger people have been the main force of travel with those born post-90s accounting for more than half of the total bookings. This focus on domestic travel will also work to boost the economy, affecting things like retail spend.

Some areas will benefit more than others however as Hubei province, where COVID-19 first emerged, opened 22 tourist sites in the area but attracted just over 109,000 visitors on 1 May. This was an 87% drop from the year prior.

All of this leads to the fact that the people of China will be restricted to national travel for the rest of 2020, which means that the opening of international borders in 2021 will see a boom of people hungry for overseas travel. For this reason, companies would do well to prepare for this surge now. The rate of Chinese overseas travel compounded with the fact that the standard traveler has been starved for overseas adventure means that 2021 could potentially see some of the biggest tourist numbers on record.



Yi, F
Hunan Province

"During the May Day Holiday, I was happy just to be able to leave Shanghai, but visiting lesser-known places near my hometown gave me an appreciation for the beauty of China."



Conclusion

They'll be ready, but will you?

Chinese travelers made 150M outbound trips in 2018, spending \$277B abroad according to the United Nations World Trade Organization. The fact that more than 200M Chinese residents have passports explains why. It may take some time to return to healthy figures such as those from two years pre-COVID, but considering the domestic travel numbers despite the current safety risks, it's clear that people are itching to get out and about.

This means planning for the 2021/22 travel surge needs to begin now. The influx of tourists with money to spend will be significant as recovery continues to happen. Some market segments will mobilise faster than others, for example, Chinese group travel has always been an imperative element of Europe's travel market. However, the independent traveler segment will likely recover faster in the wake of the COVID-19 as the Chinese traveler is becoming far younger, confident and digitally native.

China provides the largest outbound travel market in the world. While the numbers will, of course, take a hit from the outbreak, it is clear that how people travel has changed, but the passion for doing it has not.





MAILMAN X is a China performance-led destination marketing agency and marketing platform. We use big data, machine learning and local insights to deliver rock star travel marketing programs to the world.

From inspiration to conversion, our expert travel marketers deliver rich digital solutions which capture hearts through the entire travel consideration journey.

For more information, reach out to michael@mailmangroup.com

Special Thanks to Michael, Denis, and XiaoShuai

