

- Talk outline
- Chinese introduction
  - 你们好。我叫孔人。听说过你们想知道怎么帮助路兴的中国人， 对吧？明白了吗？大家听过我的话吗？
- Who I am and why you should listen to me
  - [Name], did you publish the prerequisites for this talk? I assumed everyone would be able to understand me if I did this in Chinese. No, oh...OK 没问题, I mean 'no problem'. Let's start again
- Intro
  - Good Afternoon. My name is Matthew Koren. I'm an Associate Principal with Asia Perspective. Asia Perspective is an independent management consultancy firm based out of Shanghai with offices all over the world, allowing us to have a global presence and local knowledge of the Asian business climate. We assist our clients with business advisory services regarding analysis, strategy and implementation.
  - For those of you wondering what an 'Associate Principal' is, it's a 'Principal' with all the work and none of the glory.
  - Maybe my luck is changing though, because I get to come to beautiful Southern Oregon and speak with you. I have a few favorite spots down here, none of which I can tell you about except that one is a secret watering hole on the S. Umpqua River and another is, of course, Crater Lake. Does Crater Lake count, or is there a Central Oregon Visitor's Association I should know about?
  - I want to thank Southern Oregon Visitor's Association for the invitation to come speak, and of course, for putting on this wonderful, action-packed day. Didn't [Name] and her team do a wonderful job? Yeah! [clap]
- Forward Slide
  - First a little about our firm
- Forward slide
  - So you want to know about Chinese tourists, huh? Ok, quick survey, this is the kind of multiple choice where you can have more than one answer, so listen up:
    - How many of you are interested in this topic because:
      - A) You or your organization have or are currently hosting foreign travelers, including Chinese? [prospects]
      - B) You or your organization are interested in creating a strategy to attract the Chinese inbound traveler market? [prospects]
      - C) You keep on hearing numbers that are too good to be true, and you're trying to figure out if all this some big scam?
      - D) You have no idea why you're here...
        - Ok, you're my people. Seriously, if you have an ah-hah moment, just raise your hand. You don't even need to say anything. This goes for everyone. If you have an ah-hah moment at any point in the presentation, let me and your colleagues know by simply raising your hand. I want to know what it is.
- What I'm going to talk about
  - There is a need for the tourism authorities like our area DMOs and all of you to adapt to the modern Chinese traveler in order to tap into the potential of China's inbound travelers.
  - Ok, 8 steps to connecting with the world's biggest tourism market.
  - Today I'm going to tell you:
    - why Chinese inbound travelers should be on your radar, yes, even in Southern Oregon
    - how to connect with these Chinese travelers
    - how Asia Perspective, that's my firm, can help
  - By the way, I love questions. I'll interrupt myself if you don't, so feel free to raise a hand, throw a tomato, whatever you need to do to get my attention, just make sure I can hear you.
- Talk about it
  - why Chinese travelers should be on your radar
    - China is the largest outbound travel market in the world. Let me repeat that, China is the largest outbound travel market in the world. The Chinese travel more now than ever before, not only for tourism and sightseeing but also for study abroad opportunities and business.
    - The total number of China's outbound travelers reached 54.1 million in the first half of 2014, with a total spend of over USD 70 billion (YoY 20.7%) according to China Tourism Academy. By November of 2014 China's yearly outbound tourists reached 100 million for the first time, a milestone in China's outbound tourism. In the whole year, the outbound tourists reached 107 million, an increase of 19.49% over 2013.  
Read more: <http://www.chinainternetwatch.com/8832/outbound-travelers/#ixzz3UWYF0oY1>
    - N. American hoteliers say that Chinese travelers now account for 16% of their business
  - Of course, with that growth comes rapid expansion and change.
  - You have to remember, our sense of scale here is far smaller than what the Chinese live everyday. A small city in China is the size of L.A. So relative terms, like 'big', 'fast', and associated dollar or number amounts I talk about today have to be interpreted with that sense of scale in mind. This is why even Southern Oregon, seemingly a bit of a drive away from our coastal ports, needs to pay attention. The trickle down effect is real, if there's a lot at the top of the funnel, then they will make it through the urban areas down (or up) to here.
- Forward Slide:
  - 128 bill US dollars spent
    - Meanwhile, the country's outbound travel market is projected to reach RMB 1.5 trillion by 2020. [Convert to USD].
  - More than 50% are 'Rich Young' (read: Millennials)
  - Shopping
  - Bookings are on the rise, related to cell phone use
  - Also, I have a question, if you were planning a trip abroad and planned to see multiple cities, how would you travel between cities? [Take input from the audience.]
  - Yeah, I think it's typical that we would book the same kind of transportation mode in another country as we would our own. So when the Chinese come here, how are they thinking about getting between cities, at least initially?
  - Travel by train is the most popular travel method in China. You see, when you start to think like the target market you'd like to attract, you find new opportunities to hone your strategy.
- Forward Slide
  - The Growing Middle-class
    - Nowadays foreign travel is no longer a privilege for rich people in China. The Chinese middle-class, a group whose annual income ranges between US\$13,500 to US\$53,900 in terms of purchasing power, have amounted to 100 million in 2010 and this number is expected to reach 520 million (half of China's urban population) by 2025 according to McKinsey Global Institute. In the 2013 Chinese International Travel Monitor (CITM) survey I mentioned earlier, the average household income amounted to US\$17,750 – about 4.6 times that of urban Chinese household disposable income per capita in 2012. What's more, around a quarter of the Chinese tourists participating in the survey earned less than \$11,300 per year, indicating the trend that even the less well-off started to step out of the country to see the world.
  - The US Commerce Department projects that President Obama's new visa policy which extends validity limits to 10 years for Chinese leisure and business visitors and 5 years for student travelers and significantly eases the visa application process could mean that as many as 7.5mn Chinese visitors will come to the US by 2021 (3 times as many arrivals than in 2013) and will inject an estimated \$85bn into the domestic economy. Today, the average Chinese visitor spends between \$6,000 and \$7,200 per trip to the US, the mean average spend per day when traveling abroad, excluding accommodation, is 6,707 RMB (US\$1,086) making this group the highest spending per person visitor group to the US. Among China's middle and upper classes, 19% of their annual salaries is spent on overseas travel – dramatically more than any other US travel source country.
  - According to the Chinese Tourism Academy, shopping is the activity on which Chinese tourists spend the largest proportion of their budget. According to their research, Chinese middle-class pursuit luxury brands when traveling to Europe and USA since these type of goods generally is more expensive in China. For

instance, a study made by the China's Ministry of Commerce in 2011 showed that luxury brands were on average 51% more expensive in China compared to the US and a whopping 72% compared to France. Tax-refund policy enhances the attraction of shopping abroad to Chinese visitors, however, many Chinese shoppers don't claim the VAT refund due to complicated procedures and long waiting time. In the future, simplified one-stop procedures and more duty-free stores are expected in countries that have the explicit intention to attract more Chinese white collars and businesses will take more measure to offer Chinese-friendly services such as Mandarin speaking staff and acceptance of Chinese credit cards such as Union Pay.

- According to us, there is only one way the trend can go, and that is up. The future growth will be fueled by multiple factors, primarily we see these as: the growing sense of independence amongst Chinese travelers, the middle-class boom and their increasing disposable income, the growing appetite amongst Chinese students to study abroad, as well as the change in consumer behavior.
- In parallel, the characteristic of the typical Chinese traveler is changing, not only with regards to how much they spend but also how they travel and how they plan and prepare before their trips.
- Rise of the Independent Chinese Traveler
  - In the past, common Chinese people could only afford traveling domestically while traveling abroad was the privilege of rich people; most Chinese tended to travel in large groups together with the guide of travel agents. Today, China's tourist industry is entering a new phase where more and more people travel individually or in smaller groups, not only inside China but also to foreign countries.
  - While group tours are still the preferred option for older travelers, there is growing trend for customized group tours (only families and friends in a small group), as well as independent travelers (mostly younger people). While their top 3 preferred destination attributes continue to be affordability, quality of food and safety, this group is primarily interested in shopping, sightseeing, fine dining, natural parks, art galleries and museums and entertainment attractions. These "Gen 2" travelers now account for 75% of China's FIT market and 73% of its luxury market.
  - In the past, the mainstream Chinese traveler going abroad went on package tours. This was primarily due to lack of experience in the visited country and restraints on the number of independent tourist visa applications. Growing confidence and exposure to the outside world as the Chinese economy continues to modernize, along with the ease of visa policies by receiving countries, has resulted in a rapid increase of independent Chinese travelers. The US Commerce Department projects that President Obama's new visa policy which extends validity limits to 10 years for Chinese leisure and business visitors and 5 years for student travelers and significantly eases the visa application process could mean that as many as 7.5mn Chinese visitors will come to the US by 2021 (3 times as many arrivals than in 2013) and will inject an estimated \$85bn into the domestic economy. In 2013, Hotels.com and the Chinese International Travel Monitor (CITM) made a survey of Chinese tourists traveling abroad and found that three out five respondents said that they preferred traveling independently to a package tour; also hoteliers said 70% of their Chinese guests were independent travelers and not part of a larger group.
  - Chinese independent travelers are relatively younger, have some English skills, are more confident and many of them have some kind oversea study experience. These travelers tend to stay a longer time in each destination compared to Chinese tour groups, and besides sightseeing, they also prefer to do various activities like tasting eating out, discovering arts and cultures, doing sports and enjoying local destination features like river rafting, hiking, etc.
  - Hoteliers report that the busiest times for Chinese guests in their properties are in February at the time of the Spring Festival (Chinese New Year) and around the Labour Day holiday in May. Other popular months are April and July.
  - In the coming years, more and more hotels and restaurants worldwide are likely to provide Mandarin and Cantonese language options (such as menus, guidebooks, signs, etc.) to better serve these independent travelers and help them to discover local sights and activities.
  - In particular, it is interesting to acknowledge that driving and renting a vehicle during a vacation is a new trend among Chinese independent travelers, and it is an area that holds great potential. China's transportation administration announced that more than 200 million Chinese citizens held a driver's license at the end of 2012. Industry insiders notice the trend that more and more Chinese visitors rent cars abroad and drive by themselves for rural pursuits and sightseeing destinations that are not easily accessible by public transportation (train). This group will continue to grow in the next few years when more and more of the receiving countries simplify their process of providing provisional drivers' licenses based on Chinese licenses and renting a car becomes easier for Chinese visitors in the matter of deposit, insurance and payment.
- Reliance on the online world
  - As independent tourists rise, Chinese tourists tend to search, obtain, share and deliver all information about trips abroad on the Internet via their mobile device. Chinese Tourism Academy's study found that internet is the major information channel for over 55% of the outbound travelers in China. Chinese travelers rely on specialized on-line forums and OTA (Online Travel Agencies) and deal sites like Qunar, Ctrip, and TripAdvisor China for attaining information about visa application, trip planning, hotel booking and flight discounts. Furthermore, social media such as Weibo and WeChat plays an important role in their decision-making process and sharing photos, comments and reviews relating to the destination countries during and after traveling. More than 90 per cent of internet users reportedly have a social media account.
- CITM 2014
  - While traditionally television ads were the way to a consumer's heart in China, they have begun to lose some of their punch, although they are still indispensable. Personal recommendations are becoming more important with the rise of mobile device use.
  - [ASK] For how many of you are positive reviews and referrals from happy clients an important part of your business? And I imagine you already have some systems in place to manage your reputation? You already have something going for you with this market.
  - In accordance with this trend, official tourism authorities and market players like yourselves will want to carefully monitor Chinese visitors' reviews and comments online, and focus more and more on Chinese social media for your marketing campaigns in the coming years. The interaction between Chinese visitors and local DMO's will be enhanced through the online channel and it will enable visitors to acquire more accurate and up-to-date tourism information.
- Students- an important force in foreign travel
  - According to China's Ministry of Education, the number of Chinese students studying abroad reached 0.4 million in 2012. In the US alone, according to the American Education Authority, the number of Chinese students amounted to 0.24 million in 2013 and the amount has grown 21% compared to the year of 2012.
  - Although Chinese students going abroad for education and culture exchange reasons remain a minority compared to the total number of Chinese citizens traveling abroad, they represent a significant share of the total that Chinese travelers are spending. Chinese students tend to stay for a much longer time in foreign countries than visitors for other purposes and they have more free time to explore local tourist attractions during their stay. Furthermore, a majority of the students are supported financially by their families, who earn median incomes or above, and their long stay will likely result in them sharing information about the destinations among their networks in China and attract their friends and family to visit.
  - We predict a dramatic increase in jointly constructed exchange programs between Chinese and foreign universities as well as collaborations between Chinese student unions abroad and local tourism authorities to help promote their cities and regions to Chinese travelers.
- Forward Slide
  - Many organizations are still not fully realizing their international market potential
    - DMOs are spending a ton of freaking money promoting you guys, but it's not there job to book reservations for you.
      - Our international guests usually can't book online in their own language, and it's not cost-effective for us to employ Chinese speaking staff on the phones or in our businesses.
    - We're getting left behind
      - Anyone hear about the expensive certifications you can get that supposedly prepare you to serve the Chinese consumer?
      - We aren't 'China Ready' and it's not economically feasible to meet requirements that are not tailored to our unique business needs.

- Language-related products and services, such as in-house Mandarin-speaking staff and translated travel and tourism guides, again rank as the most important amenities for Chinese travelers in international hotels (85% in 2014, compared with 86% in 2013) and is also the area most in need of improvement.
- Forward Slide
- What's your Chinese strategy?
  - How many of you would say you or your organization does not have a Chinese strategy?
  - You're all wrong. You have a Chinese strategy, if you answered yes to that question, it's probably a very poor one.
  - Listen, they are already traveling here, and that number is only increasing.
  - Story: Creperie story—was hungry for lunch. walked by a new local shop. looked at the menu posted on the window. couldn't find anything I was excited about. if I was that business owner, I'd be changing my menu.
  - Similarly, you have people that are walking by your business everyday, that want to explore what you have, but it's not accessible to them. Even a little effort goes a long way.
- Forward Slide
- In order to reach the Chinese traveler, remember:
  - Culture
    - 5000 year history
  - Forward Slide
  - Three Foundations:
    - Group Harmony
      - Talk about 'us'.
    - Respectful Communication
      - The concept of 'face' is important to Chinese. 'Face' simply means 'reputation' or how people see me. Compliments, especially in front of others, is appreciated though you may not get an outward response. Just know that they are appreciated. Although the Chinese have a sense of humor, it is not self-effacing, so just stick with compliments.
      - Calling someone by their first name is generally reserved for close friends and family. Use their title if provided, and Mr./Ms.
    - Relationships and Networks
      - Think about your network in this room. How long did it take you to create those relationships? One of the best ways to forge a new relationship with the Chinese is over a meal. "If you can't get along over a meal, how will you come to an agreement when serious matters are discussed?"
      - Generally, it's better to take the long-view,
      - Exchanging gifts is important in the Chinese culture. The thoughtfulness behind what it is and how you give it (i.e. red/pink/gold) is important. But never sign a card in red ink. Don't give clocks, sharp knives, towels/hankerchiefs.
      - Avoid white flowers and yellow chrysanthemums.
      - Avoid the number '4', it sounds like death. While the number '8' is good fortune.
      -
  - How you interact
  - how to connect with the Chinese traveler
  - Why Brand China?
    - In European and North American markets, emotional attributes such as "trendy" and "cool" can sway large segments of consumers. But in China, brands are powered mostly by their functional characteristics, such as quality and taste.
    - I've seen multiple studies where value for price is top of the list for our discerning Chinese consumers.
    - rising inflation is making Chinese consumers more price sensitive and less loyal to their preferred brands.
    - Yet brand development remains essential in China.
  - how we can help
    - [go through Brand China slides]
    - 1-3
    - 4-6
    - 7-8
  - What I told you
  - Conclusion
    - In conclusion, the focus of Chinese travel abroad market in the future will be independent travelers who rely on internet for information, who wish to take time to discover exotic sights and cultures and who are willing to spend money when visiting. Receiving country DMO's need to adapt to the new trends, continue to make efforts to promote their destinations online and especially focus on Chinese social media. Moreover, tourism industry businesses need to get ready for the upcoming Chinese visitor-wave, and let's start first with Brand China.
  - Next steps
  - To Do
    - Reformat 'Glimpse of China Outbound Travel' image to remove title text.
    - Insert Hotel Mobile Booking to Social Media/Online slide
    - Make sure title matches program