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China's Outbound Tourism and Thailand

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Abstract: *This descriptive case study is developed as a supporting study material for Introduction to Tourism and Hospitality course and is written with first year tourism and Hospitality College and university students as audience in mind. It explores the growth of Chinese outbound tourism and its influence on Thailand's inbound tourism receipts in the past 5 years. This case is developed with an objective to help the audience understand the strategic plans developed by Tourism Authority of Thailand (TAT) to sustain the rapidly changing China's Outbound and Thailand's inbound tourist market. This case study found that TAT's Chinese inbound tourist market segmentation and its related marketing campaigns through its overseas offices in China to sustain and increase the market share was very successful.*

Keywords: *Thailand, China, Outbound Tourism, Inbound Tourism*

1. Introduction

China has the world's largest population estimated at 1,378 million people closely followed by India with 1,329 million people in 2016. These two countries alone approximately count more than 36% of the World Population with almost 18 percentages each (Population reference bureau, 2016). Till 1978 due to Chinese Government policies, traveling abroad was the privilege of minority i.e., limited only to senior government officials. (Casagrande, 2015). Post 1978, after economic reforms, China seen a high increase in sustainable productivity and sharp economic growth resulting in decent disposable income among Chinese working population (Hu and Khan, 1997). Since then going abroad has become a status symbol of prestige among the Chinese people. The beginning of outbound tourism in China dates back to 1983, when the citizens of Guangdong area were allowed to travel on organized tours to Visit their Families and Relatives (VFR) in Hong Kong and later in 1984 to Macau. (World Tourism Organization. 2006). But a procedure for getting a passport was not so easy by that time in China. China gradually liberalized its outbound tourism through its Approved Destination Status (ADS) policy. In 1988, other than Hong Kong and Macau, Thailand became the first approved destination for Chinese outbound tourism followed by Malaysia and Singapore in 1990 and Philippines in 1992 (Arita, La Croix, & Mak , 2012). Since formalization of China's Approved Destination Status (ADS) policy in 1995 and Chinese National Tourism Administration (CNTA) allowing Government-selected Chinese travel agencies to market prepaid package tours to countries with ADS, the number of China's international tourism departures raised from 4.5 million in 1995 to more than 98 million in 2013. (UNWTO, 2014). China also became the World's largest international tourism spender by spending USD 164.859 billion in 2014. This value is more than 10 percent of the overall global international spending which counts to USD 1.341 trillion.

Table 1: China Outbound Tourism 1994 – 2013

Year	China Outbound Tourism (Number of International Departures)	Year	China Outbound Tourism (Number of International Departures)
1994	N/A	2004	2,88,53,000
1995	45,20,000	2005	3,10,26,000
1996	50,61,000	2006	3,45,24,000
1997	53,24,000	2007	4,09,54,000
1998	84,26,000	2008	4,58,44,000
1999	92,32,000	2009	4,76,56,000
2000	1,04,73,000	2010	5,73,86,000
2001	1,21,33,000	2011	7,02,50,000
2002	1,66,02,000	2012	8,31,83,000
2003	2,02,22,000	2013	9,81,85,000

Source: World Tourism Organization, Yearbook of Tourism Statistics, 2014

Retrieved from:
http://data.worldbank.org/indicator/ST.INT.DPRT?locations=CN

2. China's Outbound Tourism and Thailand

The most popular outbound tourist destinations for Chinese market are countries like Japan, South Korea, Singapore, Malaysia, Thailand, Indonesia and United States. Thailand however is the most popular ASEAN destination for Chinese outbound tourists. It remained as one of the top 5 outbound tourist destination for Chinese market in the past 5 consecutive years.

Table 2: Percentage of Chinese Tourists in Thailand Inbound Tourism

Year	Number of Chinese Inbound Tourists to Thailand	% of overall inbound tourists to Thailand
1997	4,52,510	6.2
1998	6,04,472	7.71
1999	8,13,596	9.4
2000	7,53,781	7.87
2001	8,01,362	7.91
2002	7,97,976	7.34
2003	6,06,635	6.02
2004	7,29,848	6.22
2005	7,76,792	6.74
2006	9,49,117	6.87
2007	9,07,117	6.27
2008	8,26,660	5.67
2009	7,77,508	5.49
2010	11,22,219	7.04
2011	17,21,247	8.95
2012	27,86,860	12.47
2013	46,31,981	18.67
2014	46,36,298	18.69
2015	79,81,407	26.55

Source: Tourism Authority of Thailand

Retrieved from:
http://tourism2.tourism.go.th/home/listcontent/11/221/276

From 2012, China's outbound tourism towards Thailand has seen a tremendous growth continuously for the past 4 years. "Lost in Thailand" the highest grossing Chinese movie which was shot in various cities of Thailand had become a major pull factor for Chinese tourists to visit Thailand (Phomsiri, 2015). Since then, the number of Chinese tourists visiting Thailand have rose from 1.7 million in 2011 to 2.7 million and 4.6 millions in 2013 and 2014 respectively. The types of tourism in Thailand also have grown and this has boosted the Thai economy in recent years (Sharafuddin, 2015). In 2015, various external factors such as appreciation of Renminbi (RMB), earthquakes in Nepal and Indonesia, MERS break out on May 20th in South Korea (China's most favourite tourist destination of 2014) resulted in Thailand becoming China's most favourite outbound tourist destination in 2015. According to China National Tourism Administration report, Thailand topped the package tour destination list with 15% of overall share followed by Hong Kong (13%), South Korea (12%), Japan (11%) and Taiwan (8%).

With a sharp rise of inbound tourism from China, in late 2014 and early 2015, Tourism Authority of Thailand with the objective to focus on quality tourism conducted a detailed "China market research" with 2,400 respondents in eight of China's most populous cities having direct flight connections to Bangkok; Beijing, Shanghai, Guangzhou, Kunming, Chengdu, Shenzhen, Xi'an and Shenyang. The results revealed that of the total Chinese outbound travelers, an estimated 10 million people are high-value tourists. These high-value tourist market groups are Chinese adults of good educational background, stable job with high-income and willing to spend three times more than average Chinese outbound tourists per trip. TAT further sub segmented this high-value tourist market into three groups based on their socio-economic factors namely;

Reformer Group, Succeeder Group and High Value Mainstream group.

TAT Deputy Governor for Policy and Planning, Mr. Santi Chudintra and TAT East Asia Executive Director, Mrs. Srisuda Wanapinyosak in a press meet held on 29th April 2015 defined these groups as,

"1. Reformer Group: This group includes people of good financial standing. They like to explore new experiences while searching for the meaning of life. They have high regard for preservation and show respect to the host country. This group comprises of about 2 million people.

2. Succeeder Group: This group includes determined people, working hard to get ahead in life and achieve more than others. They are made up of about 4.3 million people.

3. High Value Mainstream group: These are wealthy people who constantly want to improve their own image and that of their families. They are careful spenders and tend to focus on comfort during their travel. Approximately 3.8 million people make up this group" (Tourism Authority of Thailand, 2015).

Based on above research and segmentation, TAT launched creative campaigns through its all five overseas offices in Chinese cities Beijing, Shanghai, Guangzhou, Chengdu and Kunming to attract those three market segments and the results were positive by the end of 2015. In 2015, Chinese tourists stayed shorter than other nationalities in Thailand with an average length of stay of 8.14 days in 2015, compared with an overall average of 9.47 days for all inbound tourists. But their spending was comparatively higher than the average. They spent THB 5,982.79 per day which is THB 840.61 higher than the overall average spending of THB 5142.18 per day. (Department of Tourism, 2015) Of all those 7,981,407 Chinese tourist arrivals in Thailand, 44.93% (3,586,224) tourists were through organized group package tours and remaining 55.07% (4,395,183) tourists were independent tourists.

Travel China Guide in its reports states that in” the first half of 2016, female was the main force in outbound tourism. They accounted for about 58%, up to 34.394 million. The other 42% were male tourists, about 24.7926 million. Among all tourists, 80’s and 90’s played an important role in outbound tourism. 24% of outbound tourists, 14.1672 million, aged between 30 and 39 years old; and 20% of them, 11.806 million, aged between 20 and 29 years old” (China Outbound Tourism in 2016, 2016). This pattern also reflected in Thailand’s inbound tourism with more repeated visitors especially women and youth traveling in groups. With a change in tourist demography and to maintain satisfaction for this new trending market, TAT started new campaigns with special focus on individual experiences like exclusive website for encouraging female travelers, shopping, health care like herbal massage and golfing which resulted in 87,57,466 Chinese inbound tourists arrivals in 2016 resulting a growth rate of +10.34 percent compared to 79,36,795 arrivals in 2015.

3. Conclusion and Direction for Future Research

This case study explored the growth of China’s outbound tourism, its influence in the size of Thailand’s inbound tourist arrival, TAT’s strategies to handle the rising inbound tourist market and its success in the past 5 years. There is a limited research conducted to explore the leakage, multiplier effects and positive / negative impact of inbound tourism in national, regional and other micro-levels. Hence, this case can be used as a base for conducting further researches to 1. Understand the influence of inbound tourism growth trends in accommodation industry viz., pattern of arrivals and number of guest check-ins in Thailand especially by segmenting the guest check-ins based on type of accommodation establishments such as star hotels, resorts, home stays, etc, 2. Spatial distributions of different types of accommodation industry in Thailand and guest check-in pattern based on guest nationalities, 3. Multiplier effects of inbound tourism in local economy, etc. Such researches may through light on in-depth understanding of patterns, trends and its influence in growth of both tourism and hospitality industry.

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