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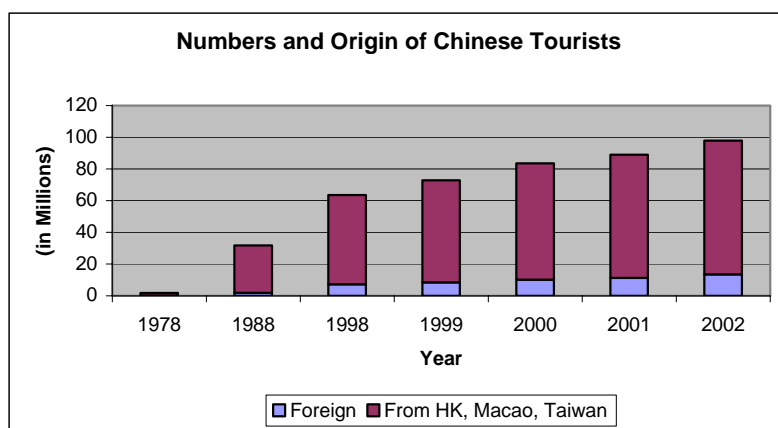
The Emergence of the Chinese Tourism Industry

China is a unique and resourceful country with over 56 ethnic groups, 29 global cultural heritage sites, abundant beautiful natural sceneries and a great historical heritage. The emergence of the Chinese tourism industry began in 1978, when the Chinese government initiated a policy designed to open its doors to the world, both socially and economically. Since then, the life of the Chinese people has changed tremendously, and tourists have begun to view China as a potential destination. Deng Xiaoping, the instigator of China's reform and opening policy, announced back in 1979 that, "China has huge tourism potential. We should move fast to develop our tourism industry and give it the attention it deserves."

China has since taken many steps toward integrating itself into the global tourism market. China has welcomed foreign investment into the industry, and these investors have introduced advanced management systems, thus laying the foundation for further development of the country's tourism industry. By 1988, China was receiving over four million overseas tourists every year and earning US\$2.24 billion in foreign exchange. China is also learning to react to market stimulation, recognizing market trends and developing standards. Management, promotional activities, and services progressed toward higher levels of standardization in 1991, when a system of establishing themes for each year was started with "Visit China '92". This initiative helped attract over six million overseas visitors and brought in US\$3.95 billion in foreign exchange. These efforts have certainly proven effective as, between 1978 and 1997, China's tourism industry rose from 41st in world rankings to eighth. Its share of the world market went from 0.82 percent in 1990 to 2.69 percent in 1997, and China is now the fifth largest tourist destination in the world.

The World Tourism Organization (WTO) has forecasted that by 2020, China will be the largest tourist receiving country in the world. According to H.E. Guangwei, head of the China National Tourism Administration, tourism accounts for 4.16 percent of national income at present, and by 2010 will represent eight percent. For China to strengthen its tourism industry, however, this rate must approach 15 percent. With all of this growth in the industry, there are many points of interest and concern when examining the numbers. The following graph indicates the number of foreign tourists versus the number of tourists from Honk Kong, Macao, and Taiwan that have entered Mainland China.

Figure 1

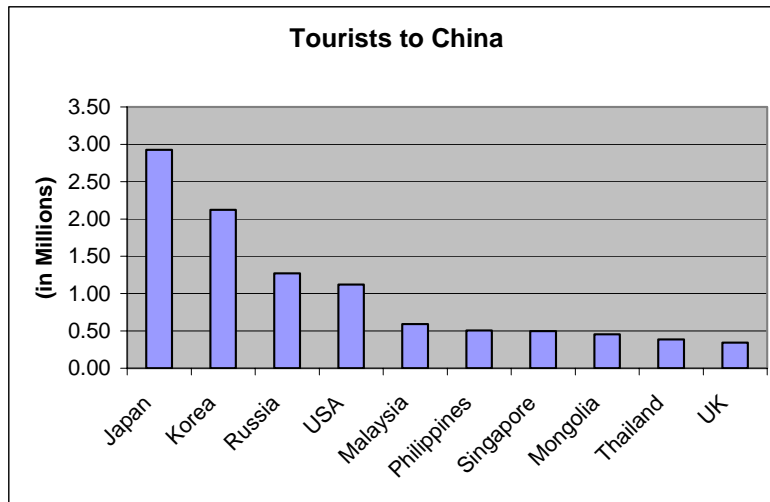


Source: Yin Yali, Cultural Counsellor of Chinese Embassy. April 2, 2003, Budapest

The Chinese tourism industry is developing at a tremendous rate. However, a great majority of these tourists, even as recently as 2002 are coming to Mainland China from Hong Kong, Macao and Taiwan. The number of the foreign tourists is comparatively very small. In 2002, for example, the number of tourists entering China from foreign borders was approximately 13.5M, compared to 84.5M from the Special Administrative Regions and Chinese entities.

Figure 2 reveals some other interesting points regarding tourists visiting China. The table illustrates the top ten foreign sources of tourists entering China.

Figure 2:



Source: Yin Yali, Cultural Counsellor of Chinese Embassy. April 2, 2003, Budapest

According to the same WTO report, China will become the fourth largest tourism source country by 2020. The top ten destinations for Chinese tourists are (in order): Hong Kong, Macao, Thailand, Japan, Russia, Korea, the United States, Singapore, Democratic Republic of Korea, and Australia.

To facilitate Chinese travelers, jointly invested travel agencies have been allowed to operate in China and regulations are currently being formulated and revised. Agencies with extensive networks in place are especially welcome as the China National Tourism Administration (CNTA) is depending on them to attract more people to China, and to facilitate a learning environment for Chinese human resources. China is also in the process of increasing the number of countries where Chinese tourists are permitted to travel directly. It is important not only for China to open its doors to the world, but also to share its culture with the world through outbound tourism, which brings Chinese culture to the world.

Despite the exploding growth, China's overall tourism industry is still smaller than other developed countries. According to a study by CNTA, about 44 percent of the trips to China in 1999 were for sightseeing and holidays, while 35 percent were for business-related purposes. This means that aside from the traditional mass tourism market, the markets of business, conference and convention also provide new opportunities for further development

While China's tourism industry is growing rapidly, sustainable growth can be achieved if China is better able to market itself to neighboring countries and market strategically internationally, particularly in North America and Europe (only the U.S.A. and U.K. show up in the top ten source nations in the tenth place). The following section outlines a number of important tourism marketing related areas which still proves to be a challenge for China to overcome in achieve sustainable growth and a prosperous industry.

China & Ecotourism

Ecotourism came into prominence in the eighties as a strategy for reconciling conservation with development in ecologically rich areas. Ecotourism could generate economic benefits at local and national levels and thus create incentives for action to conserve the resources on which it depends. As one of the world's oldest civilization, China offers many of the world's most unique scenic attractions and

most diverse cultural heritage. Every year since 1992, there has been a theme designed to show tourists the diversity that the Chinese landscape has to offer. These themes have covered the ecotourism, cultural/heritage tourism, and city tourism attractions in China. For example, China Mountain and River Tour '93 divided the country into five large regions, each offering an itinerary to attract people with different natural interests. Despite tremendous progress in the areas of ecotourism, China still faces challenges in preserving its environmental well-being in face of its growing tourism industry. Some of these include unplanned development, poor integration between park agencies, neglect & overuse of environmental resources, pollution, over development or under development, deforestation, inappropriate tourist infrastructure, poor quality or counterfeit souvenirs and resource damage during park development. The delicate balance between modernization through urban development and environmental protection has never been easy to maintain. Finding means to support nature conservation, indigenous cultural identity and rights for successful an eco-tourism industry is critical as China's tourism sector rapidly forges ahead.

Challenges:

Dr. Richard Denman of the Tourism Company in UK outlined the many similar challenges shared by ecotourism sectors in many countries¹:

- ♦ *Failure or ecotourism products – the common problems with eco-tourism products failure are the lack of market response and poor feasibility assessment and business planning.*
- ♦ *Cost effective promotion is often difficult for ecotourism enterprises because of their isolation, small size and lack of resources and skills.*
- ♦ *Insufficient quality of service or environmental management.*
- ♦ *Lack of awareness and responsiveness to sustainability issues by the public. Most tourists do not intend to become bad travelers. Both tourists, suppliers and host communities are not made sufficiently aware of these environmental issues and the impact of tourism has on it.*
- ♦ *Lack of product design and management to meet market interest and sustainability objectives.*

Overall, the challenge for ecotourism product development and marketing is to stimulate more visitor spending per head and reduce the environmental impact and increase support for conservation. One way to achieving successful ecotourism development is by promoting the importance of environment and values of ethnic cultures. Strengthening the promotion of ecotourism messages and products can effectively promote a healthy ecotourism industry. These can be done by collaborating with local and indigenous communities in determining the type of tourism development in their area and encouraging individual and community-based entrepreneurship. Private sector can also play a significant role by providing a strong linkage between environmental protection and developing tourism destinations. International and local tour operators should be encouraged to promote ecotourism as a sustainable tourist activity, as well as to provide advise on product development and overall quality of the destination. Finally, successful ecotourism development demands a presence on the Web. Up-to-date, detailed information can serve as an effective medium in promoting ecotourism products and raise the awareness of nature and ethnic conservation. China would benefit from capitalizing on opportunities to market its ecotourism attractions as clusters. For example, the province of Guilin has been identified as being particularly rich in natural beauty and allure. Marketing efforts can attempt to capitalize on this “cluster” by promoting Guilin as a center for eco-tourists in China. This will help to create synergies in Guilin's, and, effectively, China's tourism marketing plan.

China & Urban/City Tourism

Shanghai, the epitome of modern China, is the communication hub of the economy, science, trade, and transportation renowned for its charming stature in the world. It has been said that Xi'an represents 3,000 years of Chinese history whereas Beijing represents 1,000 years and Shanghai 100 years. Overseas

¹ Denman, Richard. “Product Development, Marketing and Promotion of Eco-tourism: Summary Report”. The Tourism Company.

tourists visiting Shanghai in 1997 reached over 1.5 million, an increase of 18 percent over the previous year. The number of domestic tourists was 70 million. By 2000, the number of domestic tourists will reach 100 million while overseas tourists will top 2.5 million, creating a total income of US\$2 billion. Beijing is the other major city tourist destination in China, especially after winning the 2008 Olympic bid that will prove to be an important driver for the country's tourism industry. Sources from the Beijing Tourism Bureau say that Beijing is going to build a theme park, a convention-exhibition center, and a pedestrian street as the three major projects before 2008 to boost the city's tourism.

Challenges:

Each of the aforementioned cities (Xi'an, Beijing, and Shanghai) has something unique to offer to the Chinese tourism industry. Each of these cities has a unique infrastructure, culture, and personality. As a result, marketing efforts should be concentrated, and take advantage of the tourism clusters inherent in these cities. Developing Beijing as a first-class metropolis and a destination of tourism featuring the Orient is the chief goal of the city's "10th Five-year Plan" and tourism development plan by 2020. Beijing's successful bid in the 2008 Olympics has moved its tourism sector up the time 10 years ahead of schedule. Additional challenges lie in identifying competitors and collaborators in attracting visitors, which will enable China's tourism planners to better analyze their market. This, as well as identifying the behaviours of city tourists, developing marketing strategies for museums and art galleries, and identifying demand factors in city tourism are all areas where China should begin to focus more attention as they integrate into the global tourism market.

China & Cultural Heritage Tourism

China Heritage Tour '94 focused on ancient Chinese history and culture and thus on the value of protecting the cultural heritage. Fourteen itineraries were drawn up allowing visitors to become familiar with important figures in Chinese history, from the great thinker Confucius to the first emperor Qinshihuang; from the Italian explorer Marco Polo, to Chinese geographer Xu Xiake. China's culture and heritage has long been a mystery to those in other countries. This is something that China's tourism promoters can take advantage of. At the same time, there are many misconceptions and stigmas surrounding China's culture that planners should be aware of, and make efforts to overcome so that China's culture can be admired for what it is. With such a historically rich, and largely unknown culture to foreigners, Chinese culture and heritage tourism is a key to a successful marketing program.

Challenges:

China's keen to promote ethnic tourism that will promote growth in more remote areas. However, inadequate socio-environmental impact assessment, lack of ethnic control and ownership, inequitable benefit distribution, and incomplete ethnic images have resulted in the erosion of traditional ethnic culture and social values. Overcoming global misperceptions about China is another challenge facing China's tourism leaders. Only by eliminating these stigmas and enhancing the experience will China be able to approach its tourism potential. Tourism development through heritage site promotions, adoptive reuse of old buildings for heritage hotels, and managing the implications of tourism, tourists and local residents on heritage site development would serve to immerse foreign tourists in Chinese culture during their stays. While these practices have been tried and tested in other countries, such resource management is still a relatively new field in China.

China & Food and Entertainment

Chinese culinary culture forms an integral part of the social system dating back to as early as the Xia Dynasty (traditionally dated 2205-1766 B.C.). After several thousands years of development and improvement, Chinese cuisine has become a special part of the world's food civilization. In fact, this year's tourism promotion theme is defined as "Culinary Kingdom-China 2003". China offers a wide variety of nighttime activities. The cities thrive with Chinese opera, dance, music, and fine cuisine.

Museums, art, and classical gardens yield a host of treasures. Other cultural favourites include colourful folk dancing, classical Chinese dance, and "Wushu," the traditional form of martial arts. In larger tourist towns, you'll also find modern dance, jazz, classical and rock music.

Challenges:

Each city center in China has something unique to offer to the Chinese tourism industry with regards to food and entertainment. Again, marketing efforts should be concentrated. International joint venture opportunities should be explored based on grand cultural exchanges, and perhaps a permanent display of joint establishments (for example, Chinese culinary theme parks, etc.) With regards to the food industry, marketing efforts should be conscious of the Chinese food industry worldwide, which has sold the world on the idea of "Chinese food" that is not even Chinese. Perhaps a Chinese Culinary Festival held in targeted foreign countries would be a unique idea to encourage foreign tourists to visit China.

Travel Agencies & Tour Companies in China

China recently announced that it is opening its domestic market to foreign travel agencies. Overseas investors will be allowed to set up wholly owned travel agencies in China, two and half years ahead of the schedule agreed under the WTO commitments. Foreign tour companies will be able to set up wholly owned travel agencies next month according to provisional rules issued by the CNTA and the Ministry of Commerce last Saturday. Under these rules, overseas investors will be allowed to set up agencies in Beijing, Shanghai, Guangzhou and Shenzhen in Southern Guangdong province and Xi'an in Northwest China's Shaanxi Province.

Challenges:

Lowering barriers to foreign investment will serve to increase strategic capacity building, and strengthen China's position in the global tourist marketplace if China is able tap into the expertise of these foreign investors as a tool for increasing the domestic knowledge pool. Currently there is a great deal of reliance on the expertise of these foreign investors. China's goal should be to eliminate the need for foreign expertise in this arena.

China & the Hospitality Industry

Restrictions on foreigners' accommodations have been lifted in many regions of China - including Shanghai, Guangdong, Yunnan, Jiangxi and Hubei, and most recently Beijing. With the exception of a few restricted areas, such as military barracks, foreigners will be able to stay virtually wherever they want. Abolishment of the policy, which reflects the characteristics of a planned economy, is another sign China is moving quickly towards a more open and market-oriented economy in keeping with its commitments to the WTO. It is important that this trend continue. After more than two decades of receiving affluent tourists and senior officials from Western countries, China is greeting a new generation of visitors - budget-conscious tourists with few accommodation options. Unlike business travelers, backpackers want delightful experiences away from five-star, neon-lighted luxury towers. Foreign hotel giants, anxious to grab a share of the growing niche market, have been developing strategies to attract budget-conscious tourists. For example, Six Continents, the world's largest hotel group, hopes to form an alliance with the Chinese Government.

Challenges:

Like the travel agency and tour company industry, it is important that China continue to welcome foreign investment and advanced management style to enhance this sector. Again, it is very important that China's tourism industry concentrate on learning best practices and management techniques from these foreign investors, who having been in the business for decades, and have subsequently streamlined their businesses.

China & the Aviation Industry

China's aviation industry has opened direct air routes around the globe, and has attracted worldwide attention with its flight safety record. Latest statistics from the Civil Aviation Administration of China (CAAC) indicate that 11 Chinese airlines offer flights to a total of 62 cities in 32 countries. China is targeted to rank third in the world by 2020 in terms of aviation passenger and cargo turnover. It currently ranks sixth in the world. A Chinese survey of airline passengers has revealed that in the last three years tourist traffic has grown substantially. In 2002, the percentage of business travelers fell 6.4 percent to 58 percent compared to 2001, but tourist traffic rose six percent to 32.09 percent. State-owned enterprise employees still provided the largest number of passengers traveling by air. However, analysts said the demographics of air travel are changing because of favourable economic conditions in China. There are now more private sector businessmen traveling by air. In 2002, more than 30 percent of Chinese airline passengers traveled on average three times or less.

Challenges:

Given rapid growth in the industry, it is important for China to concentrate on human resource development in the aviation industry. Managing is an extremely sensitive undertaking in an industry that is so capital intensive, and revenues are so uncertain. Given China's new economic face, it will be difficult to develop such human capital internally without learning from foreign individuals and companies who have been actively managing capital for decades. Inner China "air travel route mapping" is another practical application to facilitating people's access to aspired destinations.

Insurance and Global Travelers in China

While tourism insurance is available through tour groups, it is still not available to the individual tourists who are now penetrating the market. The China National Tourism Administration (CNTA) issued a regulation in May 2001, which instructed all travel agencies to buy insurance for their clients. These regulations have left those travelers that travel independent of an agency without any options for tourism insurance. It will be in the countries best long-term interests to develop such a product for future travelers' security.

Challenges:

It is vital that China is able to develop such insurance for these travelers going forward, especially in a tourist destination where perceptions of risk exist. Perception is reality. Again, developing partnerships with foreign insurance companies in the early stages of the development of this market will be integral to China's success in this venture.

E-Tourism

Internet can be used as a tremendously effective tourism marketing tool. Online tourism programs, hotel and ticket booking, tourism route selection, information on various tourist destination are all important features that can be provided on the internet. Tourism websites are the middlemen of the tourism industry. They collect tourism information (board and lodging, travel and entertainment), make designs and plans thereabout, and then sell it to tourists as packages for profit. Because of their convenience and rapidity, tourism websites are popular among consumers.

Challenges:

While logistics and online payment are relatively rare in China's tourism-related websites, China will face increasing challenges in improving its e-commerce as online reservation and bookings become more popular. Sophisticated tourists, especially international tourists, will increasingly demand efficient and reliable online payments and reservation system. According to a report by the Yingyeda Group

Electronics in Beijing², many of China's tourist websites do not have up-to-date content thereby unable to attract tourists and making advertisement efforts futile. Online tourism information must be kept up-to-date and provide accurate, relevant material for tourists to make informed decisions. Personalization and interactive capabilities online for travelers in planning tourist routes, transportation modes and destinations will effectively increase the popularity of the internet as a tourism marketing tool. Yingyeda's report also suggest the integration of various tourist industry websites from various tourist enterprises to share their knowledge database and thus provide more content and leverage on shared e-commerce capabilities.

Summary of Key Challenges Facing the Chinese Tourism Marketing Industry.

When examining the efforts of China with regards to cultural/heritage tourism, eco-tourism, urban/city tourism, the hospitality industry, the aviation industry, it appears that many of the right steps are being taken. By continuing to attractively package the many attractions that China has to offer, and continuing to break down the barriers to foreign investment, and the flow of people, China will continue to strengthen its position in the global tourism marketplace.

While China is making great strides in promoting its offerings on many levels, the underdeveloped Chinese market has given rise to glaring inadequacies with regards to its tourist infrastructure, as well as human resource shortcomings. China's tourism industry still retains remnants of the old system in organization and methods of operations and management: less effective state macro-control, lack of related laws and regulations, disorder in domestic market competition, unreliable product quality, lack of knowledge of international market demand, backward international marketing and promotion means, and rigid business operations. All of these factors will affect the brand image of China in the international tourism market, and need to be addressed for moving forward. Methods must be devised to train China's labour force in the investments arena, as well as in the negotiation process, and investor relations for China to gain more autonomy in this area.

Among others, a key to China's success in marketing China's tourism industry is to continue to learn from best practices, knowledge sharing with global experts, and develop strategic global partnership for human capital development and institutional capacity building for tourism. China's industries in eco-tourism, city/urban tourism, cultural/heritage tourism, food and entertainment, travel agencies and tour companies, hospitality, aviation, and tourism insurance, are all relatively new from a global perspective. Such interactive engagement and global partnerships will serve to aid these industries through this time of transition, and create immediate advantages by serving to develop a successful, and all encompassing marketing plan for Chinese tourism. Perhaps more importantly, these partnerships will engage present tourism leaders to lead in a just-in-time fashion and will create a learning environment for China's tourism executives of tomorrow.

² Zhang, Yuepeng. "Integrating Tourism and Tour website is the mainstream of tourism development". Yingyeda Group (Beijing) Electronics Co. Ltd.