



CREATE CONSULTING

Middle East Tourism Market

China Outbound Group Tour Operator Survey

May 2023



Executive Summary

- Traditional China group tour operators rarely publish sales data, but sales trends can be ascertained by insiders
 - The number of Middle Eastern destinations permitted to receive Chinese tourist groups remains limited until the **3rd batch** of countries is announced
 - UAE tops Middle Eastern Chinese tourism sales, followed by Egypt and Iran Chinese tourist groups, which are dominated by retired consumers, and **especially by women**
 - Price **competitiveness** remains key for group travel product sales
 - Tour operator sales staff work under enormous pressure resulting in aggressive sales tactics and strategies
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Introduction

As China's outbound tourism market continues to re-open and normalize, industry leaders have been scrambling to make sense of the new normal of Chinese outbound travel trends.

The **three principal vehicles** for such outbound travel include:

1. The more traditional large **travel groups** arranged by China's leading outbound tour operators, whether operated by wholesale or retail tour operators;
2. Semi-independent and/or **tailor-made** group travel, arranged by retail tour operators as well as very niche (more high-end) tour operators and travel clubs;
3. Lastly, **fully independent travel (FIT)** supported by China's leading Online Travel Agencies (OTAs), and to a much lesser extent, international OTAs and tourism companies.

Fully independent travel is largely limited to short-haul Asian destinations such as Hong Kong, Macau and Thailand, whilst traditional group tours still dominate Chinese travel to long-haul destinations, especially South America and Africa, and largely to Europe and the Middle East. This is particularly true for newer destinations where concerns of language, cultural barriers and personal safety persist.

China's millennials have made incredible progress in terms of FIT travel, their mastery of foreign languages (particularly English, but also French and Spanish) and adoption of new technologies in the form of user-friendly apps that assist in cutting through previous language and payment barriers. This progress has transformed them into almost **limitless, audacious travelers**. When space tourism becomes internationally viable, it would be surprising if China doesn't dominate that market with these fearless travelers. While these particular consumers are as comfortable traveling to Dubai, New York and Amsterdam as they are in Bangkok, they remain, for now, in the minority when compared with outbound groups.

China's major online travel agencies regularly publish outbound travel data, but the traditional group tour operators (who need to strategically protect themselves from their competitors in a cutthroat environment) are understandably far less transparent with specific sales data, especially when it comes to sales breakdowns according to destination and consumer profiles. As such, much of the traditional tour operators' specific sales data remains unpublished.

What can be ascertained from these tour operators, however, are the general sales trends at a specific point in time, through engagement with trusted industry associates. As with all industries, insiders, competitors or not, share industry-relevant information all the time in non-public settings. To date, **Chinese outbound groups are permitted to travel to 60 countries** (the first batch being 20 countries, the second batch 40 countries) around the world. For the Middle East, the permitted countries include: UAE, Egypt, Jordan, Iran and Azerbaijan (South Caucasus, but now considered a northern extension of the Middle East). Significant Middle Eastern tourism destinations not included are Turkey, Saudi Arabia, Israel, Oman, Qatar, Morocco and Tunisia.



Group Travel to the Middle East

Having conducted **private interviews with 20 of China's leading outbound tour operators**, the following China-Middle East tourism trends since the restart of international travel in January 2023 have been established:

- Top selling Middle East destinations:
 - UAE (visa on arrival, leisure & business travel, transit to other regions);
 - Egypt (e-visa, leisure travel);
 - Iran (visa free, leisure travel)
- Near-future high sales destinations: China's tour operators are confident that Morocco will be included in the 3rd batch of countries allowed to receive Chinese tour groups, and will sell well. They furthermore hope that Saudi Arabia, Israel and Tunisia will be included due to their **high sales potential** (UAE and Egypt were included in the first batch of countries, Iran was included in the second batch of countries announced in March 2023).
- Sales momentum: Sales to Egypt are already slowing down while sales to Iran remain **incredibly robust**. Pre-pandemic, the majority of group packages to Jordan were joint itineraries with neighboring Israel. As Israel is not on the batch list, this has hindered sales to Jordan (the lack of direct flights from China has added to the challenge). New joint itineraries have been developed including Jordan and Egypt, and momentum is starting to grow.
- Determining sales factor: Price competitiveness remains key. When China re-opened for outbound travel, many travelers were so eager to resume international travel that price, even **significantly higher prices** compared with pre-pandemic times, was less of a factor, and they were happy to pay almost any relative price. Since the resumption of international travel has become the norm again, consumers are becoming more price-sensitive again in terms of product prices and cost-effectiveness.
- Group traveler profile: Outbound group travel is dominated by retired consumers who enjoy financial stability and limited family responsibilities. **Women** dominate the retired traveler class (friends and family), while the majority of retired men who book group tours do so with their partners.
- Budget constraints: The pandemic with its strict lock-downs under the Zero-Covid regime no doubt took a significant toll on private business enterprises, resulting in bankruptcies and the loss of jobs. This phenomenon hit the millennial and Gen Z age groups the hardest, but it is now becoming clear that financially stable retired consumers also have to be careful with their budgets, should they have

to financially support their children and relatives experiencing unemployment and/or financial distress.

- Source markets: The source markets for Chinese outbound group travel remain unchanged and are dominated by **Beijing** and the surrounding region, **Shanghai** and the Yangtze River Delta region, and **Guangzhou** and the greater Pearl River Delta region. Other notable provinces providing outbound group tourists include Shandong, Sichuan, Hubei and Anhui.
- Sales strategy: China's large outbound tour operators place incredible pressure on their frontline sales staff. Through the years, a misconception was created that tour operator sales staff merely take bookings from informed and already decided consumers. If that ever was the case, it certainly does not hold true any longer. Sales agents are expected to proactively and aggressively sell specific products. Both carrot and stick incentives loom larger over the tour operator sales staff, adding a heightened level of aggression to their sales tactics and strategies.



Conclusion

For tourism destination and products wishing to **increase their share** of tour operator group business, the following points remain important to achieve success:

- Consumer marketing and digital marketing campaigns should focus predominantly on female consumer segments
- While digital marketing targeting Gen Z and Millennials is important, campaigns targeting China's senior citizens make strong return-on-investment sense
- Having strong China tour operator relations is non-negotiable, but remains only a starting point
- It's essential to encourage tour operator sales staff with value-for-money products and attractive sales incentives
- As the Chinese outbound travel recovers and prices gradually normalize, wealthier regions and first-tier cities will offer the most robust markets with least price sensitivity for the time being.

About Create Consulting

Create Consulting was founded in 2010 as a country branding (tourism / trade / investment) and lifestyle marketing solutions provider in the lucrative but challenging China market. The agency was founded by Beijing native Eileen Zhang and Michael Jones with the objective of providing creative China marketing solutions for emerging brands in a cost-effective manner. Since its humble beginnings, the agency has grown in experience and strength to include a multinational communications team spread across Beijing, Shanghai and Guangzhou. In addition to country branding, as well as lifestyle creative social media campaign planning and execution, strategic media campaigns and journalist engagement, the agency also offers unrivaled marketing and sales support for tourism brands due to its position as the leading outbound tour operator relations agency in China.

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