

# CHINESE TRAVELERS TO SPEND \$229 BILLION IN FOREIGN COUNTRIES IN 2015



Retailers have been advised to reconsider their international marketing plans as far as Chinese tourists are concerned. According to a recent report that was published in Fung Business Intelligence Centre (FBIC) and China Luxury Advisors (CLA), latest projections indicate that Chinese travelers are expected to spend \$229 billion in foreign countries this year alone and \$422 billion by the year 2020.

That provides a huge potential market for global retailers and brands.

According to FBIC (a retail and technology think tank) and CLA (a consulting firm), this year alone, **it is expected that 136 million international passenger journeys will originate from China.** The value is the largest globally, and regardless of the recent concerns over China's economy, the amount of travels is still expected to grow by 16% each year until 2020 when it is estimated to reach 234 million.

The report's author, Deborah Weinswig, holds that at the moment, as far as luxury goods go, the Chinese consumer is the most motivated and the most powerful globally. Weinswig, who heads FBIC's Global Retail and Technology team, based her assertions on a recent survey that was conducted by CLA and FBIC on travel and spending habits of 1,000 online Chinese consumers. The research was conducted for the year ending May 21st.

Currently, a typical Chinese traveler spends an estimated \$1,678 on retail consumption for one international travel. However, the averages vary widely in countries with the U.S. being the biggest beneficiary of the expenditure. A Chinese traveler in the U.S. spends an estimated \$2,555 compared to Europe's \$2,548. The values are much higher than those recorded for closer destinations like Hong Kong. For that reason, Weinswig concludes that **Chinese travelers are willing and able to spend more when the distance is greater.**

According to the report, middle-income travelers are gaining more confidence to travel overseas individually rather than in tour groups. The implication of that trend is that retailers whose products are highly customized for groups will feel the biggest pinch as that market continues to shrink.

The impact of the anticipated growth will largely be felt by retailers of high-end products. Therefore, manufacturers of such products are advised to rethink and restructure their strategies in a way that can make the best of this growing Chinese demand.

In its examination of the Chinese market, the report indicated that the luxury goods sector has been the biggest beneficiary of China's growing affluence. Out of the \$66 billion worth of Chinese luxury purchases, an estimated 77% are made in foreign countries. The number is likely to increase as the clampdown on corruption is expected to make domestic demand stagnant.

Sage Brennan, who is CLA's co-founder, reports that for retailers to capture the attention of Chinese travelers, they will need to do active brand management. Brands that boast of high consumer awareness will benefit more in the long-term.

The argument is a likely justification for recent trends in the U.S. where retailers and shopping centers have started to create website content in the Chinese language, offer Chinese travelers

discounts and launch Chinese New Year campaigns. Some even have sales staff who can speak Mandarin. Such trends are ultimate attractions to the Chinese market; which is the greatest retail consumer at the moment. Any company that wishes to be a dominant international force cannot afford to ignore the Chinese market.

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