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“Analysis of high end tourism market in China
-Targeting bespoke tour-New high end tourism”

**TRABAJO FINAL DE
GRADO**

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Abstract

With the popularity and development of mass tourism, an increasing number of tourists are not satisfied by the mass tourism offer, but rather prefer to gain more personal and special experience from their travels. Although the high-end tourism (luxury tourism) has been well developed around the world, it is an emerging tourism industry in the Chinese market. The aim of this project is to review the existing theory in terms of high-end tourism in China, position the market characteristics, investigate existing problems in new high-end tourism and give some proposal for improvement.

The study was realized using online social media survey with tourism professionals. Furthermore, the study includes the SWOT of running high-end tourism business and PEST analysis of the macro market in China.

Keywords: High-end tourism, Chinese market, bespoke, PEST, SWOT

Resumen

Tras la creciente popularidad y el desarrollo del turismo de masas, los turistas no están satisfechos con la oferta de turismo de masas, sino que prefieren adquirir experiencia más personal y especial de sus viajes. Aunque el turismo del alto nivel (turismo de lujo) se ha desarrollado bien alrededor del mundo, se trata de un sector turístico emergente en el mercado chino. El objetivo de este proyecto es revisar la teoría en términos de turismo de alto nivel en China, comprender las características del mercado, investigar los problemas existentes en el nuevo turismo de alto nivel y dar algunas propuestas de mejora.

El estudio se realizó mediante la encuesta de medios sociales con los profesionales del turismo. Además, el estudio incluye el análisis DAFO de dirigir el negocio del turismo de alto nivel y análisis PEST del mercado macro en China.

Palabra clave: Turismo de alto nivel, mercado chino, PEST, DAFO

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1. Introduction

1.1 Justification of project

With the popularity and development of tourism, more and more tourists are not satisfied by the mass tourism but prefer to gain more personal and special experience from their travels. In this context, the trend of choosing high-end tourism is becoming increasingly popular. Especially in China, with the sharp increase of income, affluent Chinese tourists are looking forward to various high-end tour products.

Indeed, the majority of tourism products and services in China are targeting the mass tourism market. With the increase of “new money¹” and middle class travelers, many tour operator companies start to realize the importance of high-end tourism. As far as we know, there are many sophisticated studies of high-end tourism in the world but not in China. Therefore, the idea of this project is to enable tours companies to meet the needs of Chinese visitors and allow them to understand the market for high-end tourism, as well as being able to generally know the existing problems in “new high-end tourism”².

1.2 Objectives

Main objective

The main aim of this investigation project is to analyze all factors related to of the high-end tourism market, to investigate the existing problems of new high-end tourism and to propose solution for improvement.

Secondary objectives

The secondary aims of this project can be summarized in six points, which relate to

¹ New money: this term is usually used to denotes a person who has recently gained an immense amount of wealth.

² New high-end tourism: “customized”, “bespoke” and “deeply personal” travel.

the different aspects complementing the main aim:

- Understand the situation and trends of tourism market in China, especially the high-end tourists.
- Analyze the structure of high-end tourists in China.
- Understand the macro economic market by PEST³.
- Study the traditional high-end tourism products and bespoke tour as represented new high-end tourism.
- Find out the existing problems of new high-end tourism.
- Propose solutions for the problems encountered.

1.3 Methodology

The investigation of this project was carried out in three different stages; first, a bibliographic search was completed in order to understand the theoretical background by consulting and searching information from specialized resources: books, magazines, articles, blogs, academic documents and web pages. Secondly, two different analyses, a PEST analysis and a SWOT⁴ analysis were carried out and used for understanding the Chinese macro market and bespoke tourism.

1.4 Structure

The project can be divided into the following parts: First of all, there is a brief definition of High-End tourism, and the theoretical framework of the research. Second, it concentrates on the characteristics of Chinese high-end tourists. Third, it explains the macro market in China to understand the current conditions based on 4 factors; political, economical, social and technological. Fourthly, it describes selected represented products and investigate the SWOT of running bespoke tourism businesses. In the fifth place, it presents possible existing problems of bespoke tourism in the Chinese market according to the research carried out. In the end, it provides some suggestions for the Chinese market and list the

³ PEST: an analysis of the political, economic, social and technological factors in the external environment of an organization, which can affect its activities and performance.

⁴ SWOT: is a tool for auditing an organization and its environment. It stands for strengths, weaknesses, opportunities and threats.

conclusions of this project.

1.5 Issues

By realizing this project, several inconveniences were encountered, which make it ever more interesting and necessary:

- The first problem was related to the definition of high-end tourism, since the definition is confusing. Therefore, I have identified the high-end tourism by my understanding.
- The second problem was the language. Due to most of the information was in Chinese.

2. High-end vs. high-end tourism

2.1 High-end consumption

High-end tourism is an unclear wide concept that always includes the concept of luxury tourism. It is therefore essential to understand what high-end can literally be defined as. The following definitions of high-end give us a brief understanding of what the term “high-end” means.

High-end

The Cambridge Dictionary online (2015) explains high-end as “intended for people who want very good quality products and who do not mind how much they cost”, while the definition from Encyclopedia “top of the line, refers to the most sophisticated, and typically the most expensive, product in a line”. Additionally, on English Wikipedia (2015) high-end is equal to Luxury. Whereas, on Merriam-Webster, the definition is “higher in price and of better quality than most others”

From the above dictionary definitions, we can see that generally high-end is about consuming the best product offered at a highest price.

High-end tourism

If we try to use this terminology as applied to tourism, the following question arises.

What is exactly current high-end tourism in China? In China, high-end tourism, as a new industry, still doesn't have one specific definition. Nevertheless Li Mei⁵ (2015) summarized four characteristics of high-end tourism: high-end production, rationalized consumption, specialized production and branding tourism products (LI, 2012).

High-end production: it does not merely mean expensive or luxury tourism products but high-quality and specialized products. For instance, adventure hiking tours or one-backpack wide tours do not have very high prices. However due to their characteristics and personal design, they can also be defined as high-end tourism.

Rational consumption: Travelers choose tourism products according to their budget, interest and needs. High-end tourists pursue originality, characteristic and quality of tourism products and they always demand specific requests which can not be offered by traditional tourism.

Specialized production: Global high-end tourism have developed much earlier than China's and as time pass by, the segmentation of tourism product and service is becoming more detail and specialized.

Branding tourism product: The tourism product, which obey the demands of the tourism market, is designed by professionals. Building up the product brand is to have a good relationship with high-end tourist. At the same time, the brand guarantees the client's experience with their products.

By way of conclusion, high-end tourism can be described as dramatically different from the mass tourism; high-end tourism as an emerging form of tourism shows higher consumption capacity, consumption level and consumption patterns than

⁵ Source: LI, MEI (2012) *Position and marketing choice of high-end tourism market* Thesis: University of Xin-Yang.

average with educated individual or groups.

2.2 Luxury tourism and High-end tourism

The concepts of luxury tourism and high-end tourism have always been confused in China's market. Theoretically, high-end tourism is not equal with luxury tourism. The central core of high-end tourism is on specialty and personal experience and its purpose is not the pursuit of luxury, but to actually understand the significance of a tour. Meanwhile, high-end tourism owns business value and social function in various cases.

Practically, high-end tourism and luxury tourism are the same. "By professional side of top tourism industry, luxury tourism and high-end tourism are not different but two description for exact same thing." Jin Zhang⁶, CEO of HHtravel declared (ZHANG, 2014). Not long ago, the idea of "luxury" was seen as taboo. High-end consumers began developing a "deals" mentality and they did not want to be perceived as flaunting wealth and extravagance (CHEMLA, BETTRIDGE, & MARCHANT, 2010). While, the "luxury became a diluted, meaningless commodity that needed to be re-defined.

To clarify the argument, we need to look at the trend of luxury tourism today. Global Trends in Luxury Travel-A White Paper presents the following current trend of luxury tourism *"To meet the demands of todays' consumers, the description of "luxury travel" has been reborn as customized, bespoke and deeply personal"*

It effectively matches concepts and characters of high-end tourism as we summarized before. In China, the luxury tourism reborn as high-end tourism but customized, bespoke and deeply personal tourism can be considered as new high-end tourism.

⁶ Source:Zhang, 2014. Customized travelling. Retrieved from http://blog.sina.com.cn/s/blog_3e7ff4ad010110x2.html on 15/06/15

2.3. Differences between high-end tourism and mass tourism

Further to this point, by comparing high-end tourism and mass tourism in the table below, we are able to comprehend a more appropriate concept of high-end tourism. The table providing a comparison of two types of tourism in several factors (namely consumer, types of products, privacy, service, destination and transports) (YANG, 2012).

Table 1 Comparison of high-end tourism and mass tourism

	High-end tourism	Mass tourism
consumer	Well-off class: Celebrity, entrepreneur, high-income individual;	Regular tourist
Types of products	Private Tour; Small Group tour; Education Tours	Package trip.
Privacy	High protected with private contract	No necessary
Service	24/7 service Consultation of travel plan, Private guide for whole trip	Regular service process, Leader of trip, Tour guide
Destination	Unknown village in Yunnan, Tea test tour, Escape to Lhasa, Old country living etc.	Traditional tour: 7 days in Hainan
Transport	All overland transfers with private chauffeur and refreshment	Regular transportation
Accommodation	Over 4 starts hotel	3 starts hotel or economic B&B Pension.

Source: The private bespoke marketing report— example as Tm trip. (2012)

As we can see from the table, it is interesting to note that three characters of high-end tourism are carried out from the comparison:

Small Group

High-end tour companies typically limit the group size. It makes a tremendous

difference of the entire experience for tourists. The whole trip will be more customized and personal for customers. And the tour guide will be able to spend more time to explain all information carefully and answer question kindly instead of using much time on managing group.

No cliché experience

High-end tour operators take into charge clients opinions. As an example, Wild China company offers many tour designer for customers and provide exclusive activities and excursions for them.

Luxurious Transportation and Accommodations

The high-end tourism normally offers very comfortable or luxury travel and accommodation to clients. For example, tour bus offers in-transport refreshments, and accommodation would be high class too.

2.4 Development of high-end tourism

2.4.1 Trend of high-end tourism

Nowadays, experts have noted that the high-end, luxury tourism industry in China is growing rapidly. In fact, during the recession period in Europe, the international luxury travel market has reported a rapid increase in the number of travelers from China that was not impacted as the way it had Western countries. (CHEMLA, BETTRIDGE, & MARCHANT, 2010) According to the 2013 Hurun Report⁷, there were 208 million USD millionaires in China in 2013 (The Chinese Luxury Travel, 2014). The report also said that Chinese tourists are responsible for 25% of world's luxury consumption⁸.

Further to this point, the new tourism law is likely to increase independent traveling, as tour packages will soon become almost as expensive as individual travel. As a consequence, opportunities still remain for operators, especially in the luxury niche markets:

⁷ Hurun Report: an interactive, multi-platform media group targeted at high net worth individuals.

⁸ Source: The Chinese Luxury Travel (2014)

“Although Chinese citizens” outbound travel will continue to be characterized by mass tourism, market fragmentation will become increasingly apparent and mass tourists will increasingly pay attention to the quality of travel products and services while the high-end market will look for special travel experience” (extract of a 2011 report from Chinese Academy of Social Sciences)⁹.

2.4.2 Trends of experience in China

Indeed, a Chinese traveler will seek more and more differentiated travel experience. According to Tourism Market in China (Tourism Market in China, 2014) the main trends of luxury experience are as follows:

Cruise Holidays

By opening of new cruise terminals in Singapore, Shanghai, and Hong Kong and by rapid expansion of regional cruise liners, cruise holiday is becoming the fastest factor in high-end tourism market.

Theme Holidays

Theme holidays are trips dedicated to one subject matter, which gives common context for the entire experience. Examples of this would be “island hopping tour” in the Mediterranean, “luxury shopping tour” in Italy or France, “spa towns tour” in Western or central Europe, “fashion week tours” (with private fashion shows and a visit of independent young fashion designers), or “casino tours” in Monaco.

Cultural or historical tours

Similar as mass tourism, cultural tours still plays an essential role in niche market of high-end tourism. For instance, “renaissance art tours”, “opera and ballet tours”, “modern art tours”, “medieval tours” (with a visit of medieval towns and medieval castles in Western Europe), “local workmanship tours” (discovery of local handicrafts, such as perfume or soap manufacturing), and “holy days tours” that revolve around holy days in specific countries, such as Las Fallas celebrations in Valencia, Spain.

⁹ *The Research Report on Behavior of High-end Tourists Indicates Traveling Patterns of High-End Consumers* <<http://www.travelweekly-china.com/-the-customer-behavior-of-china-high-end-tourism-research-report-shows-the-travel-habits-of-chinese-high-end-consumers/17715>> [Consult: 6 of June, 2015]

Culinary holidays

These types of holidays are dedicated to experience with gastronomy, the cooking of each country, the food products or each area. Experiences related to this can be either cooking, eating, or wine-tasting.

Sports Holidays

Skiing or hiking holidays in the Alps or the Pyrenees Mountains, golf holidays in Scotland, rowing training in Cambridge.

The Chinese Tourist Shopping Luxury Products

Among these trends, a new category of high-end travelers should not be overlooked: the Chinese. For the first time, the number of Chinese US dollar millionaires exceeded the 1 million threshold in 2011 and is estimated to reach 2.4 million by 2016. Rising disposable incomes, a relaxation of visa regulations and an appreciating renminbi boosted Chinese tourism spending to record levels last year, to 102 billion dollars from 13 billion dollars in 2000 (ENSKOG, 2014).

3. PEST

Political

Inner China

1. Consumer Protection—CNTA ban commissioned sale of tourism products

Before 2013, it was very common to have package tours sold at competitive prices by the main Chinese tourism operators. These package tours included shopping sessions imposed on Chinese tourists during their stays to guarantee that tourist guides and travel agencies received commissions from those “partner shops”. Commissions were considered a legitimate retribution to compensate for ridiculously low prices of the tours (guides receiving no fixed salary and were paid through these commissions).

To protect the consumer, a new tourism law was voted in April 2012 during the

second sessions of China's people Congress and implemented by the CNTA on October 1st 2013 (Tourism Market in China, 2014).

According to this new law:

China Tourism Law, Article 33¹⁰. Travel agencies are prohibited from organizing tourism activities and luring tourists with unreasonably low prices, or getting illegitimate gains such as rebates by arranging shopping or providing tourism services that requires additional payment. When organizing and receiving tourists, travel agencies shall not designate specific shopping places, or provide tourism services that require additional payment. However, it does not include circumstances where both sides have agreed or the tourists have requested for such arrangements and no influence is caused on the itinerary of other tourists. In case of any violation to the above two paragraphs, tourists shall have the right to, within thirty (30) days from the end of the travel, require the travel agency to return their purchases and pay the price of the returned purchases on behalf in advance, or refund the payment made for tourism services that require additional payment.

This new law would establish to a healthier condition for the tourism and travel industry in China and help reduce unfair competition, therefore turning China's tourism and travel industry into a more structured market. The impact would be more direct to Mass tourism. High-end tourism market is not influenced as very much as mass market, but as subset of whole tourism market, it is able to develop in healthier circumstance.

China Outer

1. Opening of the Shanghai free trade zone (FTZ):

During the latest Shanghai municipality conference on the tourism industry (end of January 2014), Shanghai municipal officials have reiterated their support for the creation inside of the free trade zone of foreign-invested travel agencies operating in outbound tourism (excluding Taiwan). New regulations in that direction are expected for 2014 (Tourism Market in China, 2014).

2. Express visa procedures to further boost China's outbound tourism

Aware of the potential benefits of China's outbound tourists to their own countries' economies, a growing number of countries have simplified visa

¹⁰ People's republic of China. Tourism Law of the People's Republic of China. 25 of April 2015, Article 33.

application procedures for Chinese citizens (Tourism Market in China, 2014).

Economical

1. Taxation

The rising exchange value of the Chinese Yuan (CNY), which encourages Chinese citizens to travel abroad where their spending power has comparatively increased and where cosmetics, luxury products or spirits are actually cheaper than in China because they are not excessive import taxation (Tourism Market in China, 2014).

2. Consumer confidence

The Hurun China Business Confidence Index, an index measuring the confidence in the economy going forward two years, rose for the first time in five years: 3 out of 10 are highly confident in the economy going forward (Hurun Best of the Best Awards 2015, 2015).

Social

1. Attitudes towards work and leisure

1.1 Face Consumption (*Mianzi* Consumption)

Concept of *Mianzi*

Mianzi 面子 “face; side; reputation; self-respect; prestige, honor; social standing”

Lin Yutang considered the psychology of “face” (Face)

“Interesting as the Chinese physiological face is, the psychological face makes a still more fascinating study. It is not a face that can be washed or shaved, but a face that can be “granted” and “lost” and “fought for” and “presented as a gift”. Here we arrive at the most curious point of Chinese social psychology. Abstract and intangible, it is yet the most delicate standard by which Chinese social intercourse is regulated¹¹.”

Economically, “Mianzi” is related to intellectual and artistic products. The essence of people’s love of “face” is the preference of a person to the consumption of

¹¹ Lin, Yutang (1935). *My Country and My People* (HARDCOVER). New York: Reynal& Hitchcock. Pp. 199-200

intellectual products. These purchases are not for practical needs, but merely to show off and gratify the owners' vanity (Face consumption, 2011). Compared with European consumers, Chinese consumers are more likely to be influenced by trends. Chinese people tend to easily follow mainstream trends; they desire conformity. All this spills over into consumer behavior, creating what many refer to as "mianzi consumption."

Most of Chinese consumers believe that choosing high-end tourism products will boost their face and reputation but ignore unique and authentic travel experiences.

1.2 New money

As author has mentioned before, owing to the dramatically rapid growing wealth, there are 350 billionaires and at least 60,000 people worth at least \$200 million, all of whom are known as *tuhao*, which loosely translates to "nouveau riche" and is described as the rich but uncultured of China. It is common sense that now rich Chinese have no idea what to do with their money, how to act, what to eat and how to dress. They know nothing of living in the elite status.

One young Chinese millionaire summed up "Nobody knows what to do when they become rich, so they just buy things mindlessly." And another son of a millionaire explained that the Chinese yachting lifestyle is about impressing their peers but they will never bring their family or their own wife on the boat. By way of conclusion, Chinese tourism operators ought to be aware of offering the high-end tourism product, while show them how to enjoy the high-end tourism. (FRIEDMAN, 2015)

2. Education

2.1 Language

According to China Daily (2011), China is undergoing a process of Internationalization of the education system, with more and more schools, high schools, and colleges offering foreign languages programs. It would be easy to assume that Chinese tourists have less problem of language, however, according to the report of Ctrip, language barrier continually is situated the second top problem among high-end tourists. (Report of experiences from high-end tourists in 2014,

2014) We can purpose that the internationalization might impact the language of a group of people but not very obvious to high-end tourists.

2.2 Overseas Study

Nowadays in China, thousands of affluent Chinese families send their offsprings to study overseas. For some reasons, overseas study and immigration does drive outbound travel market. The report from Hurun illustrates that university is considered to be the most suitable time to study abroad, followed by high school, while studying abroad in high school and university is easier to drive the family to outbound travel. (The Chinese Luxury Travel, 2014)

2.3 Living conditions

There are approximately 43% well-off individuals living in eastern China. Air pollution in China (2008) declared that 14 Chinese cities are the most polluted cities in the World rank list. Among others, these cities or areas are included: Tianjin, Chongqing, Shenyang, Zhengzhou, Beijing etc., in view of very serious air pollution caused by the utilization of coal, due mainly to industrial and agricultural contamination. (SLANINA, 2008) For this reason, 6 out of 10 Chinese affluent people are interested in owning a holiday home. Yunnan is the fastest growing destination, although Sanya continues to lead the holiday home destination (Hurun Best of the Best Awards 2015, 2015).

Technological

1. Impact of changes in information technology—WeChat

According to the research from Hurun Report, we found out affluent Chinese use the internet on average 6.5 days a week and 91% of them use it every day, followed by rate of use of newspapers with average 2.9 days. (The Chinese Luxury Travel, 2014) Over 50% consumers use their phones to email, but it is worth mentioning that micro-messaging and micro-blogging relatively are used as 39% and 13% in a day. Almost 80% people use micro-messaging (WeChat¹²) throughout everyday and 19% use it 1-2 times a day. They mainly use friend circle (24%), message chat (19%) and photo-sharing (17%)

¹² WeChat: is mobile text and voice messaging communication service developed by Tencent in China. It is the largest standalone messaging app by monthly active users.

As the blog “Targeting the Traveling Chinese Luxury Consumer” by Avery Booker declared, WeChat is becoming an indispensable tool to reach and influence Chinese tourist. From last year, the number of WeChat users jumped up to 53% from 39% and it is perceived the rate of using this micro-messaging would increase 22% in next year. WeChat has become the most important Chinese social platform for everything from push-based marketing. (BOOKER, 2015)

Figure 1 WeChat pattern



Source: Wechat from internet

Summary

According to the PEST analyses, at the moment the Chinese macro market could be a fertile ground for high-end industry.

Firstly, on the political side, the Chinese government published a consumer protection policy and several countries facilitated express visa procedures for Chinese. Therefore, high-end tourism industry can deeply develop in domestic market and outbound market.

Secondly, on the economical and social side, the number of affluent Chinese is rapidly growing up and well-off Chinese are willing to spend their money on tourism in vacations. Then high-end tourism industry have vast potential clients in

China.

Finally, on the technical side, programs such as the WeChat messaging program establishes a new platform of promoting channel. The travel companies are able to attach to the vast clients by the technical support.

After identifying high-end tourism definition and macro market phenomena, we need to move to more detailed factor of Chinese market.

4. Market in China

4.1 Rich people in China

There are approximately 8300 individuals with CNY 1 billion or more in assets in China today, up 200 on last year. (The Chinese Luxury Travel, 2014).

Table 2 Wealthy people in China

Yuan	Know Wealth	Hidden Wealth	Total Wealth
CNY 10 Billion	140	5500	300 (7.1% up)
CNY 2 Billion	1018	2200	3200 (6.7% up)
CNY 1 Billion	2800	160	8300 (2.5% up)
CNY 100 Million			67000 (3.9% up)
CNY 10 Million			1.090.000 (3.8% up)
CNY 6 Million			2.900.000 (3.6% up)

Source: The Chinese Luxury Traveler 2014

As you can see in Table, the number of wealthy people is continually jumping up. With such a massive quantity of rich people, Chinese high-end tourism seems to have a very potential for development.

In fact, tourism remains supreme as the number one leisure pursuit for China's

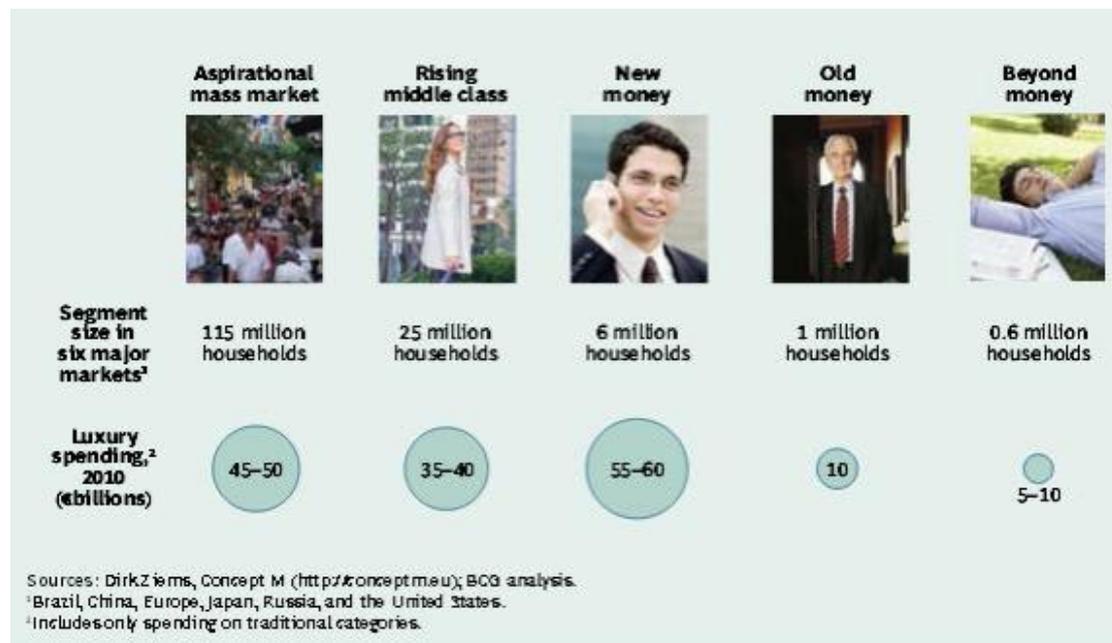
wealthy. 53% in rich group go overseas more than 3 times a year and stay average 7-11 days each time, 68% spend more than 50,000 yuan (7.462 Euro 30/05/2014). (Tourism Market in China, 2014)

Obviously, affluent people are tourists which offer the the greatest potential for the high-end tourism market. However how can we exactly clarify high-end consumers in this huge market?

4.2 Consumers of high-end tourism

BCG Research broke down deeply the segmentation of luxury consumer as five different groups. They are:

Figure 2 Five groups of luxury consumer



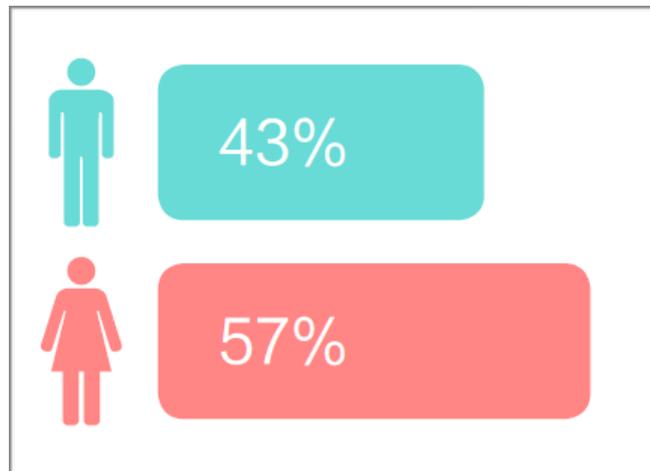
Source: The future potential for developing luxury tourism and hospitality in Lapland. (2013)

It is evident from the information provided by figure that potential luxury tourist comes from aspiring masses, rising middle class and new money markets is considerably larger than traditional “old money”. Because all of these consumers makes purchasing decisions when paying tourism related products and services and hospitality, they are the major market in high-end tourism market.

4.3 Consumers in China

Gender

Figure 3 Gender comparison of high-end tourism consumers

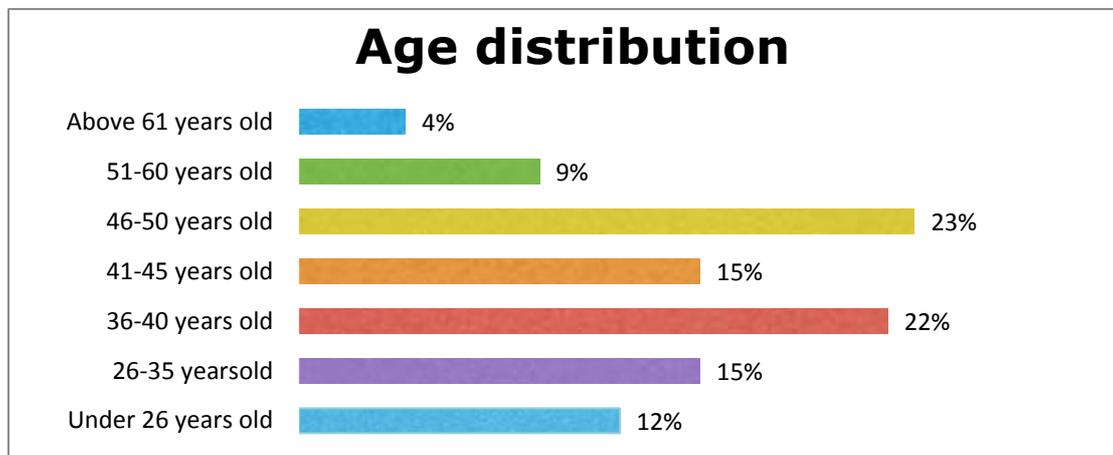


Source: Report of experiences from high-end tourism tourists in 2014 (2014)

Figure 3 reveals the relative rates of gender in high-end tourism among China. Of this figure, female enjoys relatively more high-end tourism products than male. In high-income level, women are likely to spend much more money and time on high-end product than men because they normally have more time in daily life.

Age

Figure 4 Age distribution of high-end tourism consumers

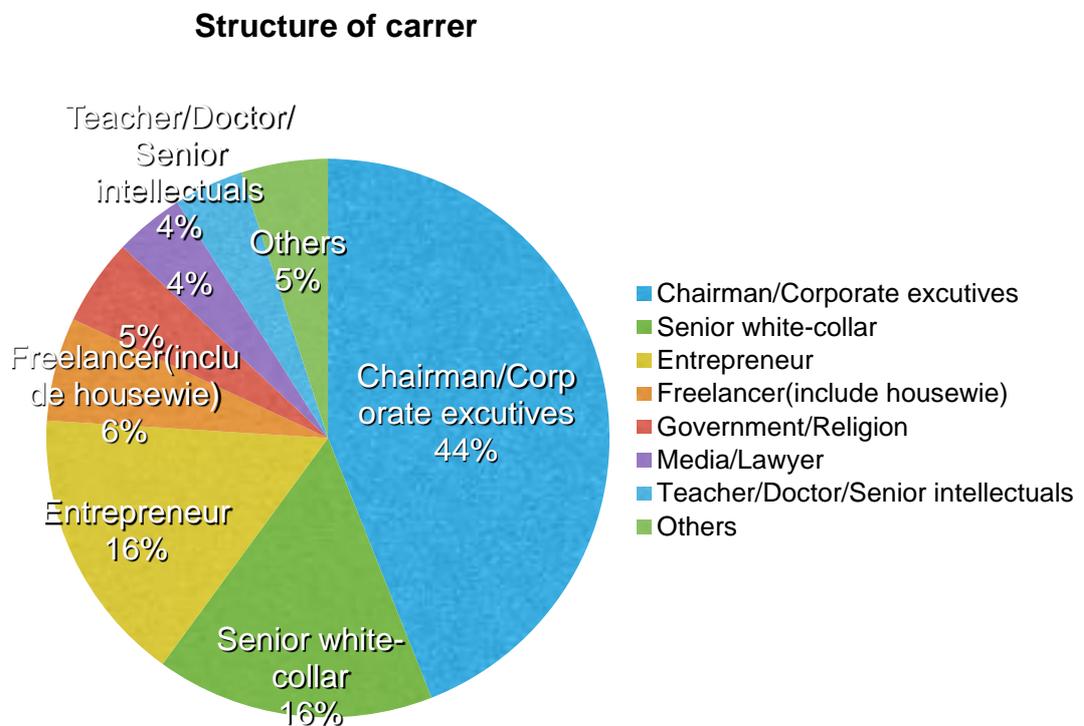


Source: Report of experiences from high-end tourism tourists in 2014 (2014)

It is apparent from the information supplied in Graph 1 that rates of individuals among 36 to 50 years old are responsible for 60% in high-end tourism market. Also evident is the fact that rates of senior age above 51 years old merely occupy 13%. Noteworthy is the fact that China's high-end tourists are likely to be younger than global tourists.

Career

Figure 5 Structure of career in high/end tourism consumers



Source: Report of experiences from high-end tourism tourists in 2014 (2014)

In Graph 2, the pie chart illustrates a comparison the rates of various professional careers among high-end tourists in China's market. It is interesting to note that chairman and corporate executives stand at 44% in the market, and the second highest overall is senior white collar by 16%.

Because of the special historical reasons in China, there is a vast gap of group named "old money". Ten years ago, there were only three billionaires in China. Nowadays, the vast and growing wealth of China is all new money and rising middle class people. (FENG, 2012) Nevertheless, we can clarify the special segmentation of this market:

Table 3 Three typical groups of career structures

New money	Celebrity and Chairman: They are on the top of high-end tourism market. They are the mole of rest tourists.
Rising middle class	White collar
Lower middle class	In daily life, they live in a lower stander life but they would save money for high-end trip.

Source: Prepared

4.4 High-end accommodation

A great and comfortable accommodation plays an essential role in high-end tour. The trip might be tiring and difficult, but accommodation will be absolutely luxurious. According to Hurun Report's survey¹³ on ILTM's international high-end hotel database, consumers spend more than average on their rooms (The Chinese Luxury Travel, 2014).

The top three principal considerations when they choose a luxury hotel are location, hotel and price. From here, we can notice that high-end tourists are different from mass tourists, when they are not familiar with a place, choosing the location of the hotel and brand instead of money explains they care more about the quality of trip than the money they would spend.

Table 4 List of China affluent preferred hotel brands

Rank	Hotel	Index
1	Shangri-La	100
2	The Ritz-Carlton	99
3	Peninsula	85
4	Mandarin Oriental	79
5	Four Seasons	61
6	Sheraton	58
7	Park Hyatt	50
8	Kempinski	49
9	Hilton	47

¹³ Source: The Chinese Luxury Traveler 2014 (2014)

10	Intercontinental	47
11	Marriott	46
12	Grand Hyatt	33
13	Fairmont	31
14	St. Regis	25
15	Westin	25

Source: The Chinese Luxury Traveler 2014 (2014)

It is very interesting to notice that the first preferred hotel brand is Shangri-La but not others. Shangri-La Hotels is a Hong Kong-based company and its five-star lodgings of the chain can be found across Asia, the Middle East, North America, Oceania and Europe. Apart from their excellent service and the most well-known luxury hotel, Its Chinese characteristic can be the key reason why it can be the most liked hotel.

As we said “Chinese characteristic”, it does not simply mean language services and Chinese cuisine, but services which fit to Chinese people such as “Chinese breakfast”, “Mah-joong room”, or “Feet spa”. Compared to other international hotel chain, Shangri-la hotel place itself into Chinese client’s position. In its homepage, we can notice The Ritz-Carlton hotel has not only host different Chinese culture events but also adapt the local traditional decoration style. All these factors together only try to reach one goal-make the guests feel like at home.

As can be seen in the picture, marketing a well-known hotel, it is very important for high-end hospitality options to be concerned that hotel should understand Chinese characteristic.

Figure 6 Picture of web page The Ritz/Carlton



Source: picture from the official web page The Ritz Carlton <http://www.ritzcarlton.com/zh-cn/Default.htm>

4.5 High-end Transport

After Howarth HTL segmented transportation (ILTM Asia The future of luxury travel, 2011) as follows:

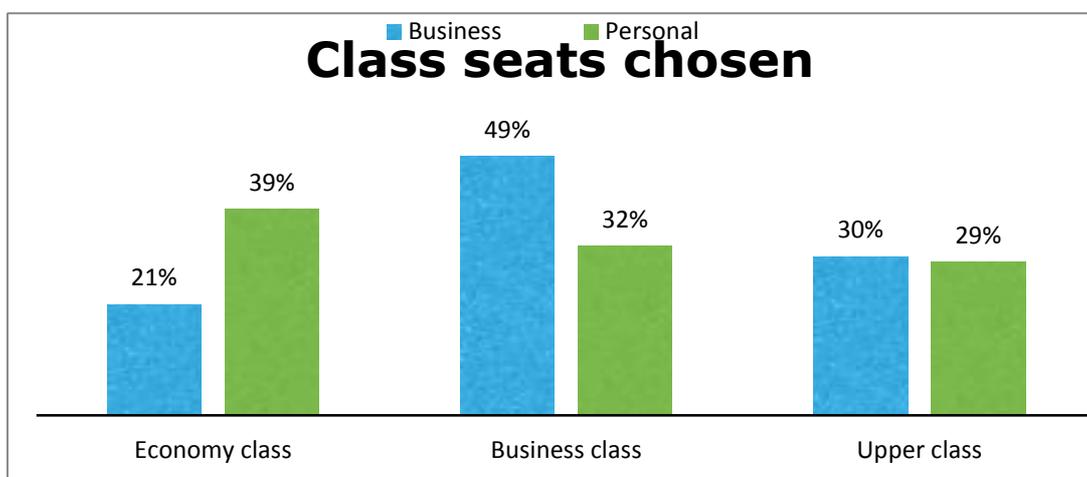
- Air, including private charter flights and helicopter chartering. Most airlines offer at least Business class products as well as longer flights offering a first class service.
- Rail, both for traveling between destinations with most providers offering first class carriages, or as part of the holiday itself e.g. Orient Express.
- Water, with luxury cruises a growing luxury segment, especially river cruises.
- Road, transportation in the home and destination ranging from limousine services, valet parking to executive car rentals.

When making travel arrangements, the factor most considered is convenient transportation. For example, airplane company offer three different prices seats, namely economy, business and upper class, which offer different service to tourists.

Flight seats chosen in China

Here we are going to know more about clients' preferences about class seats in airplane.

Figure 7 Class seats chosen in flight

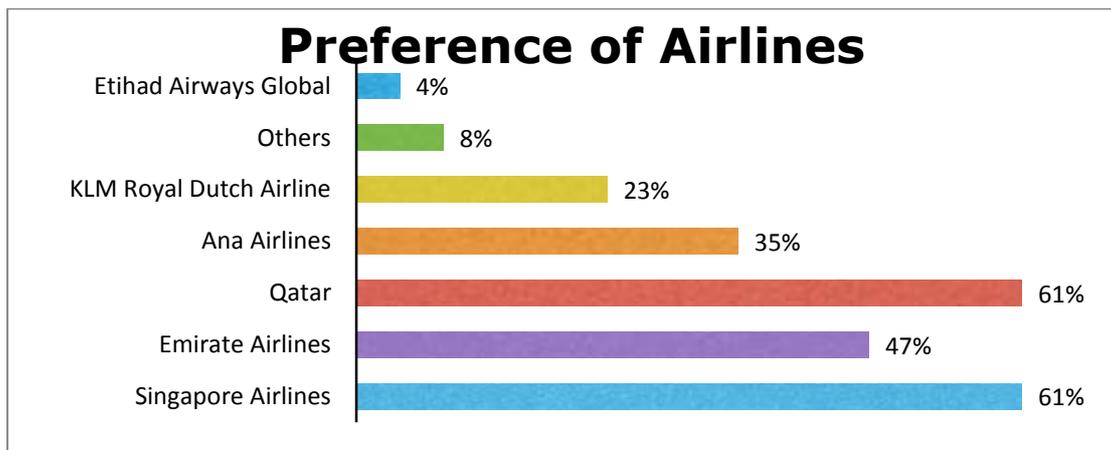


Source: Report of experiences from high-end tourism tourists in 2014 (2014)

Traveling by business, above 80% of tourists has chosen business and upper class. However, the rates of tourist by traveling personal reason a mere are 60%. Further to this point, majority apparently consider most the comfortable experience of transportation. In contrast, 39% people do not mind taking the economy class (The Chinese Luxury Travel, 2014).

Preference of Airlines

Figure 8 Preferences of Airlines among high/end tourism consumers



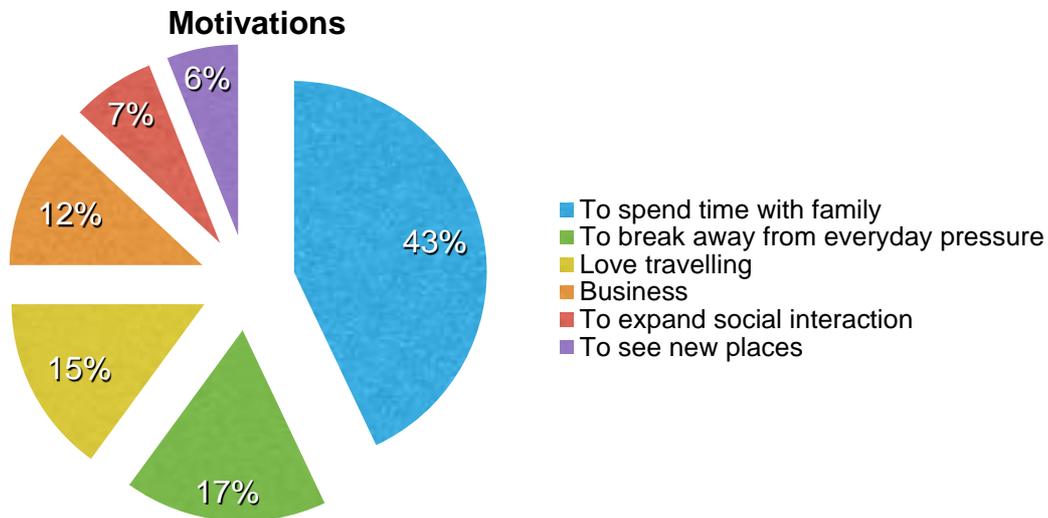
Source: Report of experiences from high-end tourism tourists in 2014 (2014)

Noteworthy, the top 4 preferred airlines (Singapore Airline, Emirate Airlines, Qatar and Ana airlines) have been rewarded as the 5-stars airlines by SKYTRAX¹⁴ in 2014.

¹⁴ Skytrax: is associated with Quality Excellence throughout the world by the air transport industry, and the brand is recognised amongst the travelling public for Airline and Airport Star Rating, the World Airline and World Airport Awards and the leading Air Travel review site. <http://www.airlinequality.com/skytrax-research/>

4.6 Purpose of High-end tourism consumer in China

Figure 9 The percentage of purpose of high/end tourism consumer in China



Source: Report of experiences from high-end tourism tourists in 2014 (2014)

As we can see from the pie chart, to spend time with family, to break away from pressure and love and love traveling are the three principle motivations with 75% (especially spend time with family by 43%). (Report of experiences from high-end tourist in 2014, 2014) Therefore, we can determine that the main motivation of high-end tourists is to spend time with family.

4.7 Preferred destinations

Domestic Travel Destination

Table 5 List of preferred domestic travel destination

2014 Region Percentage			2013 Region Percentage		
1	Sanya	14.4%	1	Sanya	18.9%
2	Hong Kong	13.9%	2	Hong Kong	15.1%
3	Tibet	13.9%	3	Yunnan	11.1%
4	Yunnan	10.6%	4	Tibet	9.5%

2014 Region Percentage

2013 Region Percentage

5	Macau	10.6%	5	Hangzhou	6.8%
6	Hangzhou	5.8%	6	Xinjiang	6.1%
7	Xinjiang	5.5%	7	Macau	6.1%
8	Beijing	5.1%	8	Xiamen	5.9%
9	Qingdao	4.5%	9	Sichuan	5.1%
10	Sichuan	4.5%	10	Qingdao	4.4%

Source: The Chinese Luxury Travel (2014)

Sanya is continuing top domestic tourist destination, followed by Hong Kong, and Tibet followed its upward trends to become third travel spot. (The Chinese Luxury Travel, 2014) By the way, Yunnan, Hangzhou, Xinjiang and Sichuan have declined in popularity rankings. In contrast, Macau, Beijing and Qingdao have increased degrees in rankings.

Outbound Travel Destination

Table 6 List of preferred outbound travel destination

2014 Region Percentage			2013 Region Percentage		
1	Australia	11.8%	1	France	11.8%
2	France	9.6%	2	US	11.8%
3	Dubai	9.5%	3	Singapore	9.2%
4	Switzerland	8.7%	4	Switzerland	8.0%
5	Maldives	8.7%	5	UK	7.7%
6	US	7.7%	6	ITALY	7.3%
7	Japan	6.5%	7	Australia	6.8%
8	Germany	6.2%	8	Dubai	6.0%
9	Singapore	5.6%	9	Germany	5.7%
10	New Zealand	5.6%	10	Maldives	4.8%

2014 Region Percentage			2013 Region Percentage		
11	Italy	5.6%	11	Japan	4.7%
12	Thailand	4.1%	12	Canada	4.4%
13	UK	3.9%	13	South Krea	4.2%
14	Canada	3.4%	14	Thailand	3.9%
15	Hawaii	1.8%	15	New Zealand	3.8%

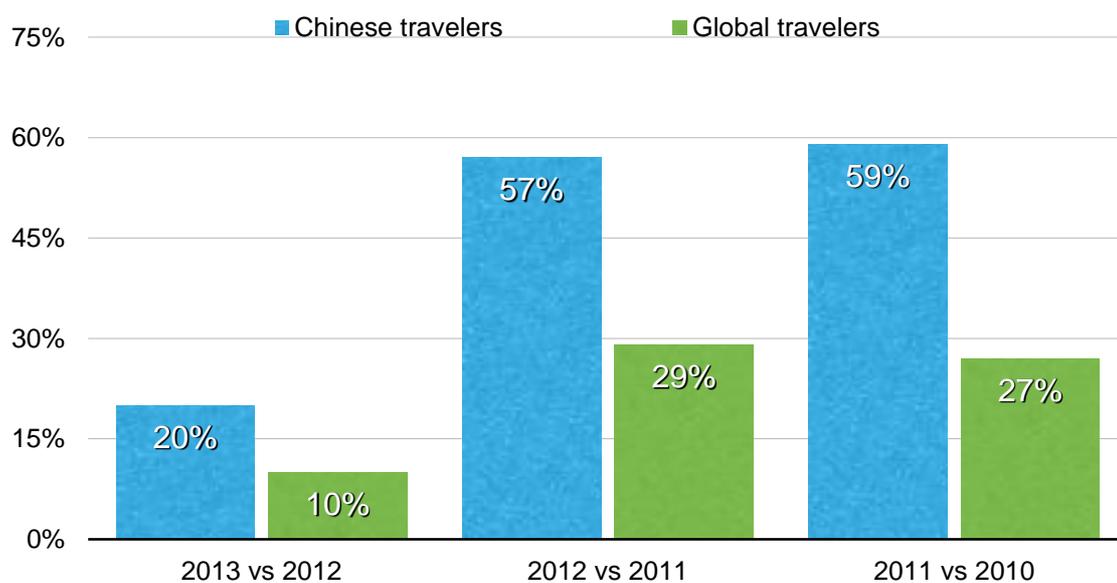
Source: The Chinese Luxury Travel (2014)

Australia has climbed from seventh to first place to become the most preferred international tourist destination. Meanwhile, Dubai, Maldives and Hawaii are rising significantly in popularity. Whereas, the popularity of European countries (namely, France, Germany, Italy and UK) has decreased. (The Chinese Luxury Travel, 2014)

4.8 Chinese tourist spenditure

Chinese tourists are the fourth consecutive year ranked No.1 of tourist spending with 27%, widening the gap between second place to 10 percentage points, Russia and followed by Indonesia, US and Japan. (The Chinese Luxury Travel, 2014)

Figure 10 Rates of spending between Chinese travelers and global travelers in 3 periods



Source: The Chinese Luxury Travel (2014)

As we can see from the line table, Chinese tourist spending growth rates are approximately twice higher than global travelers spending growth rates.

Although Chinese tourist spending growth slowed compared with the periods two years, at only 20%, still there were 10 per cents points higher than global tourists spending growth.

Gifting

As related to the above mentioned interest in shopping got Chinese tourists, gifting is one reason driving Chinese wealthy people to travel shopping. Chinese shoppers did 73 percentages of their luxury shopping abroad in 2013, up 8 percent from previous year, citing price gaps between mainland and overseas stores (The Chinese Luxury Travel, 2014).

Summary

If we summarized what he have analyzed previously, we can highlight several issues, which are listed below:

It is very interesting to notice the following characteristics:

1. Female tourists tend to enjoy more high-end tourism than male tourists.
2. In the Chinese market, there are not old money people in China due to historical background, but enormous number of new money people.
3. Chinese high-end tourism consumers are likely to be younger than global consumers.
4. Chinese consumers have very strong attachment to their family, no matter on activity choosing on vacations or gifting, they always consider their family at first time.
5. Regarding hotel or transportation, Chinese consumers are more likely to choose Asian brands.

6. Chinese tourists spend two times more money than global tourists.

Knowing Chinese tourists' characteristics, we are starting to know about typical high-end tourism product.

5. Traditional high-end tourism product

Between 1949 and 1974, the People's Republic was closed to all but selected foreign visitors. In the late 1970s, when Deng Xiaoping decided to promote tourism vigorously as a means of earning foreign exchange, China started to develop its tourist industry. Major hotel construction programs greatly increased the number of hotels and guest house, more historic and scenic spots were renovated and opened to tourists, and professional guides and other service personnel were trained. The expansion of domestic and international airline traffic and other tourist transportation facilities made travel more convenient (Turisom in China). Therefore, based on historical conditions, travel agency has greatly boosted over the last few decades.

The China Travel Service (CTS) is the tourism and travel agency of the government of the People's Republic of China. It is a subordinated agency to the National Tourism Administration. After the establish of CTS, many travel agencies have been continually found, for instance, China International Travel Service Limited, Head Office (CITS), China Youth Travel Service (CYTS), Shanghai Spring International Travel Service.

On the side of traditional high-end tourism, each travel agency has their breakthrough at cruise trip, MICE, private personal tourism products and exclusive club's tourism products. Following, it will introduce different types of traditional tourism products:

5.1 Cruise vacations

Cruise vacations on both oceans and rivers have seen large upswings in popularity in recent years.

Figure 11 Picture from web page of China Travel Service



Source: CIT.CN <<http://www.cits.cn/youlun/>> [Consult: 22 of June, 2015]

It is the publicity from official web page of China Travel Service (CTS)¹⁵. CTS cooperate with the global well-known cruise company, especially Italy Costa Cruise Lines, which found in 1860 and is the biggest Cruise Lines Company. CTS and other companies as China Youth Travel Service (CYTS)¹⁶, according to itinerary, duration, cruise position class and services and Chinese port access, settle different price. Their sales channel includes official web page, direct sale-store and sales terminal system, which are all obeyed uniform price policy.

¹⁵ China Travel Service: is the tourism and travel agency of the government of People's republic of China.

¹⁶ China Youth Travel Service: The Head Office of China Youth Travel Service, under the Communist Youth League of China, is one of the three largest travel agencies in China.

Given a glance to the figure from CYT official web page, the main China's port access cities in China are: Tian jing, Shanghai, Hong Kong and Beijing. And duration of cruise normally is from 1 day to 5 days, and it will not be over than one month; the range of price is from 2,000 yuan/per person to 2,000,000 yuan. (Shao, 2014) Cruise tours have already become an essential traditional luxury tourism product. However, management skill, production and operation capacity are relied on collaborated company, because China's own cruise history is a blank space. According to China's market and target group, the standardized cruise product which is offered to affluent Chinese people, is very far from the new type of high-end tourism product.

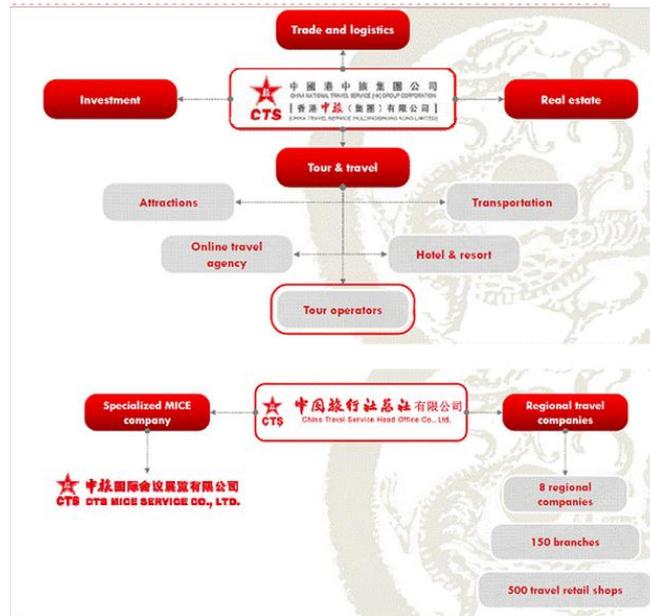
In summary, cruise holiday products have already become the most outstanding product type in China's high-end tourism industry, nevertheless this type widens from concept of high-end tourism as "bespoke, customized and high private".

5.2 MICE

Meetings, incentives, conferences, and exhibitions (MICE) is type of tourism in which large groups, usually planned well in advance, are brought together for a particular purpose and normally in particular countries and cities. (Business tourism) MICE events are usually centered on a theme or topic and are aimed at a professional, academic or trade organization or organization or other special interest group.

China Travel Service Head Office Co., Ltd (CTS), following China international Travel Service Limited, Head office (CITS), possesses one professional Corporation (CTS MICE), which is considered as represented operator company in terms of MICE activities. (Profile of HKCTS Group) Below is the structure diagram of CTS:

Figure 12 Structure diagram of CTS



Source: Diagram from CTS

In the process of offering service, the charged travel agency or company does not need to give any initiative or customized service. In high-end tourism field, according to client consumption, the MICE can combine with some luxury tourism activities such as golf experiencing trip or red wine taste in vinery. Target group of MICE can highly cross the group of high-end tourism, but this type is far from bespoke, customized and high private tourism product.

5.3 Customized trip and membership

Between traditional and emerging travel agency, CAISSA Travel¹⁷ significantly influents Beijing and domestic market. On traditional side, CAISSA Travel merely has done particular promotion and great customer feedback. On emerging side, it gradually breaks away from traditional mass tourism model, but launch the customized products and membership program.

¹⁷ CAISSA international Travel Service Co., Ltd: is one of the travel agencies specially approved by Chinese National Tourism Administration to organize citizens to travel abroad.

Figure 13 Product of web page from CAISSA



Source: Caissa <<http://www.caissa.com.cn>>

Customized product means customers are able to confirm all their demand for their trip, then travel agency will integrate all information and offer a designed trip with commission charge to clients. By the new type of tourism, tourists are able to be more initiative to control their trips. On the other side, travel agency is requested to enhance its trip process system and resource control skill, which can be a big challenge for their tour operator team.

Figure 14 Membership page from CAISSA



Source: Caissa <<http://www.caissa.com.cn>>

Membership is another controlling system. CAISSA Travel establishes another CRM¹⁸ system inside of their clients. After analyzing the vast quantitative datum of clients, it invites clients for membership in free charge. And latter, clients will receive more promotion of their services and products.

In conclusion, CAISSA Travel has merely built up or added promotion model on traditional business model. Its target group is still mass tourist but with offering better quality products and higher prices. Therefore, tourism products from CAISSA can not be considered as new high-end tourism products.

6. New high-end tourism products in China

According to the situation of “consumption upgrade” supported by the wealth accumulation and rapid economic development of China, in industry of high-end tourism, some emerging tour operator companies did offer excellent tourism product. For instance: private health care tour from L'AVION¹⁹, customized private aircraft tour, travel around world trip from Trip TM and etc.

Bespoke tour

Figure 15 Picture of web page from Trip TM



Source: TM Trip <http://www.lifetm.com/en/index_en.html>

¹⁸ CRM: a business strategy designed to anticipate, respond and satisfy customers and grow customer relationships for mutual benefit.

¹⁹ L'AVION international travel service: is the first private health service Chinese travel expert company.

The TripTM Global Theme Travel Club(TripTM International Travel Service), which is dedicated itself to creating high-quality theme travel experiences together with its clients, is an interactive platform for the people pursuing high-quality life (Trip TM). It is very interesting to mention that only members of the club have permission to attend their tours. Different from other company, they TripTM choose their clients. In their official homepage, they define their members as Trippies, which are celebrities and elites in every industry in China. And they will pay 200,000 yuan member fee per year.

This company is famous of their high level bespoke tour and it is called as 24/7 service travel. It provides the pre-travel, during-travel and post-travel services. About price, TripTM does not declare to the public, but “the price is out of imagination” is the regular comment for TripTM’s products. However, compared with one theme trip of Antarctic tour (guests take the military aircraft to the Antarctic continent, and camping in the Antarctic) sold 520,000 yuan, you would imagine how much it could cost those entirely customized tourism product. And from Manager Zhan Wenwen’s word “ TripTM are able to offer their clients the priceless activities, such as entering Vatican Church without waiting in big line”. (Wang, 2012)

Based on the previous introduction of TripTM’s customized product, its customization, exclusivity, and privacy have settled a great stander for new high-end tourism product.

7. SWOT of bespoke tour business

From the previous part, we can see that Trip TM Global Theme travel is considered as the represented travel operator of bespoke and customized travel (YANG, 2012). Now, with knowledge of marketing, we are going to analyze Trip TM bespoke travel by SWOT:

Strengths

1. Shareholders of Trip TM have vast connections with elite crowd in various industries, meanwhile Trip TM is one of four business categories in TM Group, so Trip TM can fully use the customers basis of TM Group and black membership card holders to carry out their high-end private tourism products.
2. On the view of external environment, the bespoke, customize and personal high-end tourism tends to be more insight because of the increase in the number of wealthy people number.
3. By fostering Trip TM brand over 4 years and gathering experience from 4 year running business, their elites and professional management team are possible to bring up a brighter future for Trip TM

Weaknesses

1. The management model is too simple for Trip TM and TM Group if we compared to its powerful shareholders of different elite enterprise and their employees' ability.
2. Some expansion of multi-tour service is far away from the new high-end tourism products we have talked about.
3. Trip TM has not developed its specialization as L'AVION which has their specific area as health care tour.
4. In Trip TM, the scale of tourism products is not strong and big as the one of HH Trip which using the original customers to improve the target selection and in results promotes their new high-end tourism products to extensive mass basis.

Opportunities

1. The dramatically rapid growing number of wealthy people, for example, there are 350 billionaires and at least 60,000 people worth at least \$200 million.

2. Chinese tourists regularly spend twice more than global tourists on travel, and it is going to continue increasing growth.
3. Visiting new places, enlarging possible market.
4. Something related to their preference for Asian brands.

Threats

1. The high-end tourism market is still immature in China, because wealth people do not understand how they can enjoy their high-end trip and the face consumption is main stream in consumption atmosphere.

8. Problems of the Chinese market

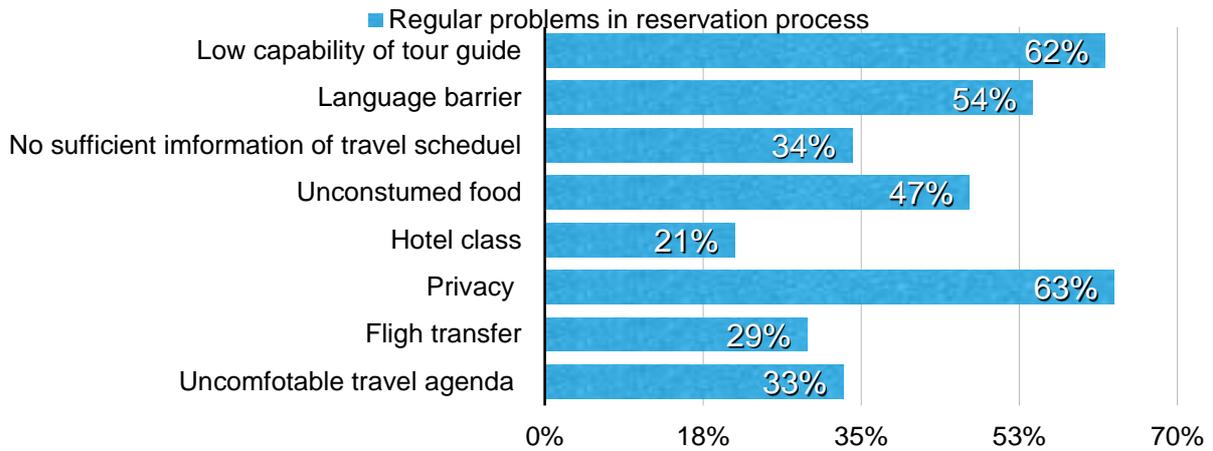
From traditional mass tourism to traditional high-end tourism, then to new high-end tourism, Chinese tour operators pursuit the most to offer “luxury”, “high-end” and “deeply personal” products or service (HALLOTT, 2013). In spite of over 10-year development, today high-end tourism still exist quite a few places to be improved.

8.1 Regular problems in the reservation process

In the reservation process, bespoke and customized tour shows up majority problems, for that reason this process is more likely to lose clients.

As we can see in the line graph, “Low effective communication” is the main problem which causes that clients abundant bespoke tour in the middle. Meanwhile, 62.8% clients finds unsatisfied with the design of bespoke product. Nevertheless, the standardized theme tour product is more satisfied for 82% for clients.

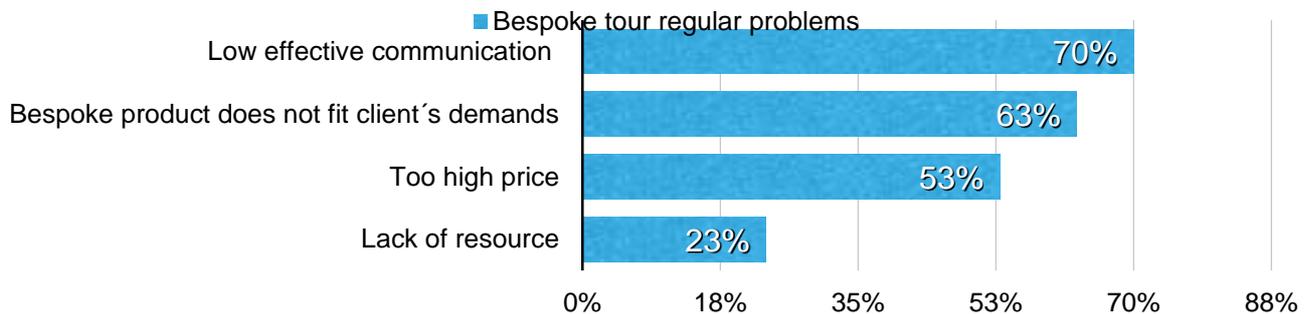
Figure 16 Rates of regular problems in the reservation process



Source: Report of experiences from high-end tourism tourists in 2014 (2014)

8.2 Regular problems in the traveling process

Figure 17 Rates of regular problems in traveling process



Source: Report of experiences from high-end tourism tourists in 2014 (2014)

In the traveling process, clients meet many problems which would cause their satisfaction of the whole high-end tourism products. 63% clients considered crowded and low privacy is the main problem of bespoke tour. According to the survey from HHtrip, clients tend to be more satisfied with bespoke product if the number of group is less than 6 people. It is obvious to see that high-end clients attach importance to privacy, they would love to have 1:1 service.

8.3 Segmentation of tourism market is not clear

The segmentation of tourism market refers that according to travel purpose and tourist characteristics, the target market is divided into different segments. Its

purpose is to develop and promote more specific tourism product of tourism destination and tour operator.

Since the end of the 1980s, the tourism operation model of developed countries has undergone significant changes, for instance the new mode of production, new technology, new consumers and new environment turn standardized mass tourism to structural and personalized tourism style. (YANG, 2012) Increasingly more and more tourists can not be satisfied by mass tourism, but tend to high-end tourism market. However, due to the current maturity of domestic tourism, China high-end tourism still can not be compared with international stander. Therefore, some domestic tour operator company lack of correctly comprehending of well-formed international high-end market, and they are not aware of clarify different segments of the market. Most of their classifications of target group are not able to describe distinct characteristics, whiles many Chinese tour operators do not attach importance to investigation of market.

8.4 The products are cliché.

Due to the lacking of tourism market segmentation, the product design and development from travel agencies still focus on traditional sightseeing tourism products. The content and program of tourism activities are simply procedural, even have been used for decades. For instance, Wuxi International launched tourism products as Taihu Yuantouzhu, Liyuan, Xihui Park and Mountain Giant Buddha for 8 years without any changes. This situation is extremely contraire to the concept of high-end tourism. Currently, many travel agencies are not aware of this problem, although when they design and develop new tourism products, they still reuse the traditional mass tourism model and ignore demands from high-end tourists.

9. Proposals for improvement

In the above analysis of China's high-end tourism market, we have found out some issues in the market development. Combining with the analysis of Trip TM business and market problems, some pieces of advice about the development of high-end

tourism business will be pointed out.

9.1 Replacing existing products

The idea underlying is that the existing bespoke tourism product might be replaced by a standardized tourism product. As the most popular tourism product, requests high cost of communication, high creative design and high personalization. Due to low effective communication and inappropriate pricing, many clients can not be satisfied with their reservation experience. Nevertheless, the standardized tourism products have been run for many years in market. Tour operators provide different standard products after researching each client's demands and personality and whole process is extremely obeyed luxury standards. As a result, this type of products has been entirely accepted in high-end tourism market.

Meanwhile, these issues, such as “low capability of guiding, no Chinese food, flight transfers, etc.” should be detailed problems on any tourism product, not only on bespoke tourism products

Therefore, based on quantitative experience of running a standardized tourism product, we could result that the bespoke tourism product is likely to be replaced by standardized tourism product with small adjusting.

9.2 Strengthen management abilities

In the high-end tourism industry, high-end customers definitely have different or special demands which establish their different characteristics. Therefore, tour operators need to filter their targets groups and make detail records of their clients' trip experiences. The detail records are able to include some contents such as preference of aircraft for themselves and their families (aircraft class, seats and meals). Meanwhile, in “one to one” consulting processes, consultants should directly give professional suggestions and answer to clients instead of merely listening to their clients.

Nowadays, the society, e-technology, and the tourism industry include the integration of all resources. In high-end tourism industry, travel companies have to

enhance their service and quality to offer their clients high extra valued-added tourism products. In summary, to establish a better customer relationship is the way to achieve a win-win development between travel companies and customers.

10. Conclusion

The high-end tourism is emerging tourism industry in China. Every day, more and more Chinese tourists are preferring more personal and specialized travel than unoriginal mass tour. This is such wide filed of tourism industry and each component of the provision to offer high-end products and services.

Therefore, to analyze all this, in the first place, we have clearly clarified that high-end tourism that high-end tourism is luxury tourism in reality.

Next, it described how the phenomenon of macro market for high end tourism is in China. At a result, Chinese macro market could be a fertile ground for high-end industry:

Table 7 Summaries of PEST

Firstly, on political side, Chinese government published consumer protection policy and several countries facilitated express visa procedures for Chinese. Therefore, high-end tourism industry can deeply develop in domestic market and outbound market.

Secondly, on economical and social side, the number of affluent Chinese is rapidly growing up and well-off Chinese are willing to spend their money on tourism in vacations. Then high-end tourism industry has vast potential clients in China.

The last, on technical side, WeChat messaging program establishes a new platform of promoting channel. The travel companies are able to attach to the vast clients by the technical support.

Source: Prepared

Then, after learning the situation of current Chinese macro market, we moved to more detailed characteristics about Chinese consumers. Further, we have summarized:

Table 8 Summaries of characteristics of Chinese consumers

Female tourists tend to enjoy more high-end tourism than male tourists.

In Chinese market, there are not old money people in China due to historical background, but enormous number of new money people.
High-end tourism consumers are likely to be younger than global consumers.
Chinese consumers have very strong attachment to their family, no matter on activity choosing on vacations or gifting, they always consider their family at first time.
No matter hotel or transportation, Chinese consumers are more likely to choose Asian brands.
Chinese tourists spend two times money than global tourists.

Source: Prepared

The most important part of this project are the last two chapters. After all the investigations carried out, we have found out several existing problems in China, which need to be faced when trying to enlarge the tourism market:

Table 9 Summaries of existing problems

In reservation process: "Low effective communication" is the main problem.
In traveling process: "Crowded and low privacy is the main problem of bespoke tour.
Segmentation of tourism market is not clear.
The products are cliché.

Source: Prepared

In the end we came out two proposals for improvement:

Table 10 Summaries of proposals

Entirely bespoke tourism product might be replaced by standardized tourism product with some adjustments based on consumers' demands.
Strengthen management abilities: establish a better customer relationship is the way to achieve a win-win development between travel companies and customers.

Source: Prepared

Although currently the market is dominated by mass tourism and there are several problems of high-end tourism, according to the investigation of project I believe that, in close future, high-end tourism will play an essential part in China's market.

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