

TRAVEL AND HOSPITALITY

Middle East on track to become top retail, travel destination for discerning Chinese

June 22, 2017



Affluent Chinese travelers are setting sights on the Middle East and North Africa.

By JEN KING

The rising sophistication of Chinese travelers has resulted in a retail and tourism boom in the Middle East and North Africa, as visitors seek new destinations off the beaten path.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

According to a new report by [The Luxury Conversation](#), and commissioned by Reuters Communications, the Middle East and North Africa (MENA) region is no longer lagging in popularity among Chinese tourists. Most often, tourism from China is linked to Europe and North America, but increasingly, due primarily to visa policies, infrastructure and experiential trends, Chinese tourists are booking trips to MENA, opening opportunities for luxury brands and hospitality.

"There are a number of factors driving the Chinese interest in the Middle East," said Nick Cakebread, managing partner at [Reuters Communication](#), a Shanghai-based luxury marketing agency. "First, local travel incentives introduced by a number of countries in the Middle East have made it easier for Chinese nationals to travel.

"These include visas on arrival for Chinese nationals visiting the United Arab Emirates," he said. "Second, Chinese travelers are getting far more sophisticated and are seeking new destinations off the beaten path.

"They've been to Europe, Asia and America. They want to go somewhere new. Third, the Chinese government's implementation of the One Belt One Road' initiative, which is an economic initiative running straight through the region, has brought greater awareness to the region."

Adventures along the new Silk Road

Per The Luxury Conversation's "[Chinese Travelers Seek New Silk Roads Adventure](#)" report, the outbound Chinese tourist industry is valued at \$168 billion, and is expected to continue to rise.

As the market value increases, so will the number of Chinese consumers booking trips around the world. Figures from 2016 put the outbound Chinese population at 120 million and rising as more tourists set out to explore local culture, experiences, gastronomy and shopping.

MENA destinations that expect an influx of Chinese tourists include Dubai and Abu Dhabi in the United Arab

Emirates. Both cities are luxury hot spots, with high-end retail and hospitality brands all jockeying for a piece of consumers' attention.

In Dubai, for example, 540,000 Chinese tourists visited in 2016, up from 450,000 in 2015. Dubai and China are connected via infrastructure with more than 100 weekly flights leaving more than a dozen top-tier Chinese cities including Beijing, Shanghai and Hong Kong.



British automaker Bentley's Gigapixel image taken in Dubai, UAE. Image credit: Bentley

Similarly, Abu Dhabi plans to attract 600,000 Chinese visitors a year by 2021, a 265 percent increase from the rate of travelers from China recorded in the first nine months of 2016.

The UAE has become so popular among Chinese tourists that the emirate has organized a visa on arrival program for Chinese nationals.

Even with no direct flights between China and Morocco, the North African country, for example, has set its sight on Chinese tourism by dropping its visa requirements last July.

Since the decision went into effect, 42,000 Chinese tourists visited Morocco in 2016, a 300 percent year-on-year increase from 2015. For 2017, Morocco has set its Chinese visitor goal at 100,000.

During Chinese travelers' "new Silk Road adventure," the demographic intends to shop and absorb a destination's local culture and heritage.

In terms of retail, Chinese tourists are expected to spend \$264 billion abroad by 2019, an amount that far exceeds any other traveler demographic.

Purchasing luxury goods while abroad accounts for more than half of a Chinese tourist's budget for a trip. According to Middle Eastern retailer Majid Al Futtaim Group, nearly 25 percent of all luxury goods sold at the Mall of the Emirates in Dubai are purchased by Chinese tourists.

"It's no secret that wherever affluent Chinese travel, the region sees an economic boost from luxury retail and hospitality," Mr. Cakebread said. "These travelers, while interested in finding unique experiences, will not forego luxury in their quest for adventure."



In 2016, Dubai's Mall of the Emirates celebrated Chinese New Year. Image credit: Mall of the Emirates

Dubai has a thriving luxury retail sector, which accounts for more than 40 percent of all tourism spending.

In the coming years, new retail developments in MENA will cause this percentage to evolve. High-end shopping destinations in the works include the Palm Mall in Muscat, Oman and Riyadh's Mall of Saudi, expected to open in 2022.

Aside from shopping, Chinese tourists are also showing an interest in cities that may not be traditional must-visits thanks in part to access provided by the "One Belt One Road" infrastructure project. The One Belt One Road initiative, when complete, will connect China to Europe and the Middle East via network of highways cutting through more than 60 countries.

The ease of travel provided by One Belt One Road has inspired the Chinese to visit lesser known destinations in regions and countries on the project's route.

Similar to most of the mobile-connected world, Chinese tourists are also looking to one-up friends by heading to the most far-flung destinations possible and sharing snapshots on WeChat Moments. Often at the center of a "humblebrag" on social media is a cultural site.

In response, some countries plan to overhaul their tourism strategy to emphasize local culture. For instance, by 2030, Saudi Arabia plans to increase its museum system from 155 to 241, up its UNESCO World Heritage Sites from four to 10 and make 155 archaeological sites tourist-ready.

Once tourists have arrived

With all this in mind, the luxury retail and hospitality sector must respond accordingly to ensure visibility among Chinese travelers visiting the MENA region.

The Luxury Conversation suggests that specific services are needed to ensure a worthwhile Chinese tourist relationship. These services include CRM, payment systems and collaterals.

For example, having a presence on WeChat is incredibly useful and vital to facilitating relationships with Chinese visitors ([see story](#)).

Also, leveraging digital payment systems familiar to Chinese tourists, such as WeChat Pay and Alipay, is necessary to ensure seamless transactions while abroad. For instance, with Chinese travelers being one of the most valuable customer bases for luxury goods, negotiations are underway to make mobile payment solutions WeChat Pay and Alipay acceptable in North America ([see story](#)).



French department store Printemps also accepts Alipay. Image credit: Printemps

In addition to CRM efforts and payment solutions, MENA destinations must have Mandarin-speaking sales associates on staff, as well as marketing materials translated for Chinese consumers.

Outreach within Mainland China is also necessary. Doing so will inspire Chinese consumers at the planning stages of their travel plans to visit a MENA destination.

"In fact, a trip to MENA may now provide more bragging rights than a trip to Europe," Mr. Cakebread said. "As these new travelers become more and more digitally integrated, the ability to post on their feeds a new destination that their friends may be unfamiliar with is a growing commodity.

"This building of social capital through sharing of experiences is a powerful motivator, and increasingly we see that typical destinations such as Europe or the United States are losing their social capital value amongst the changing demographic of Chinese travelers," he said. "Who wouldn't want a picture at the top of the Burj Khalifa, or at the Gates of Petra?"

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.