

TRAVEL AND HOSPITALITY

US-China tensions and Chinese tourism

November 6, 2019



China: Tap the wanderlust. Image credit: China Luxury Advisors

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The recent drop in inbound international tourism from all countries has been among the most notable drags on U.S. exports. But there is a glittering silver lining, in the case of visitors traveling from China and the amount of money they have continued to spend.

It is no secret that tourism to the United States from China, like most international visitation, has been dented by the current political tensions, but the economic impact of the overall decrease in traffic has been offset by strong growth in per-person spending by visitors from China.

Good and bad

According to data from the National Travel and Tourism Office, 2.9 million Chinese travelers visited the U.S. in 2018, down from 3.2 million in 2017.

This trend is expected to continue throughout 2019.

Chinese visitation in the first half of 2019 was 3.7 percent lower than in the same period in 2018.

Due to short-term political issues, the United States' share of long-haul travel from China, though still very high, has declined from 15.3 percent in 2015 to 12.9 percent in 2018. That is the bad news.

However, Chinese tourists are still traveling overseas in increasing numbers.

Despite the dip in Chinese tourist arrivals to the United States, overall Chinese travel to all global long-haul destinations grew by 4.3 percent in 2018 and the number of outbound trips has continued to climb in the first half of 2019, increasing 14 percent to 81.29 million trips, according to figures from the China Tourism Academy.

There are pockets of good news for the United States, as well.

Visits by Chinese tourists to Los Angeles grew by nearly 7 percent in 2018, according to the Los Angeles Tourism and Convention Board.

San Francisco, a key West Coast gateway city for Chinese visitors, advertised on two popular Chinese apps, WeChat and Weibo, and drove 12 million users to a contest promoting the city's landmarks, according to the San Francisco

Travel Association.

And here is more good news: Despite the slowdown in arrivals to the United States, Chinese tourists continue to spend.

Money walks

The U.S. National Tourism & Trade Office reported that although Chinese arrivals to the United States fell 6 percent in 2018, spending by Chinese tourists increased 3 percent, which equates to roughly a 10 percent increase in per-person spending.

This tracks with Alipay's 2019 data, which shows that the average total spend per Chinese outbound traveler (globally) during the first week of October 2019 ("Golden Week") actually increased 15 percent over the period a year ago.

Los Angeles tour guide, interviewed by CLA: "We have not seen spending levels impacted by the trade war - we are still seeing consistent spending on a per person level, by both groups and independent travelers. We have seen our number of group-format guests drop by about 50 percent, but our FIT (Free Independent Tourists) business has not been affected as much - posting a decline of only 10 percent. The trade war didn't really affect small private tour groups we still experienced a super peak season from the end of April to the beginning of October this year. "

Tour guides also noted the changing patterns of shopping destinations among Chinese tourists.

With fewer large groups coming, smaller groups are increasingly turning to luxury shopping and mainstream shopping destinations, rather than stores that historically paid high commissions to Chinese tour groups. This is good news for U.S. retailers and malls.

We have seen this movie before.

Short-term dips in Chinese tourist arrivals have recently hit a number of countries - South Korea, Japan and Thailand - but after a brief shake-up Chinese tourists returned to the market.

In South Korea, Chinese tourism peaked in 2016 but then dropped by nearly half in 2017 due to political tensions stemming from South Korea's deployment of the THAAD defense system.

However, visitation rebounded 15 percent in 2018 and 29 percent in the first half of 2019, according to the latest data released on July 23. The Korea Tourism Organization confirmed that the recovery is due to "improved sentiment about South Korea."



Sage Brennan is co-founder of China Luxury Advisors

Recommendations

Focus on independent tourists

These consumers are still traveling and spending money while they travel - find ways to engage these consumers on their native platforms through geo-targeted ads, KOL [key opinion leader] content, OTA collaborations and more.

Inform

Provide Chinese language resources and information to Chinese tourists - use WeChat Mini Program and other tools to provide Chinese menus, interact with fun games, provide itineraries and experiences. Take the place of the tour guide and provide the resources for Chinese tourists to fully experience your destination.

Lay groundwork for the rebound

The dip in Chinese tourism to the U.S. is temporary. The market is still growing globally, and spending continues to grow.

Invest in a powerful ground game now to engage the more experienced high-spenders currently visiting the U.S. and lay the groundwork for a rebound in arrivals once the political headwinds subside.

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