

## Insight into Chinese Ways™ Series

### Part 1: Chinese Tourists Travel Abroad

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– September 10, 2016 –

#### The Chinese are Rich



Things are expensive in China, at least in the first-and-second-tier cities I frequent. What are the “things” that are expensive? Real estate, automotive, and imported goods. Not only are imported goods expensive but, in general, they have higher price tags than what we usually pay in the United States.

I sometimes joke with my friends in China that things there are expensive because they are rich and can afford them. They usually roll their eyes on that comment.

#### The Chinese Tourist-Shoppers

Look at Chinese tourists coming to the U.S. or going to other foreign destinations – they shop at luxury stores and at brand outlet stores and come out with big and small bags. I witnessed a group of Chinese tourists marching into a French high-fashion store in Chicago asking for the most expensive handbag and purchasing it and other very expensive items on their lists without even blinking.

“The Chinese are rich.” Some of my American friends and colleagues make that comment.

Well, come to think about it, I am also more generous in my shopping and spending when I am on vacation – I buy gifts for me, friends and family – especially when I spot good deals.

Not all, but some Chinese are rich, for sure! According to the 2015 List of Billionaires compiled annually by *Forbes* magazine, there are 213 billionaires in China, second only to the United States’ 536.

## What the Chinese Tourists Have to Say About Shopping for Brands Overseas

“What I pay for the same item here, compared to the price in China, it is cheaper. We are not looking for low price; we are looking for value.

“There are much better selections here in the U.S. than in China. Back home, the VIPs have the first dip and we may not even have a chance to see certain products, let alone buy any. Here, we have the advantage of price and availability.”

This may sound right as it appears that luxurious brands only make available a certain number of pieces of the same item in each country.

“I shop for myself, for gifts and sometimes for others – some of the shopping is buy-to-order. I get reimbursed and at a slight premium for my labor.

“Believe it or not, this same U.S. fashion brand and same style of clothing, all are ‘Made in China’, but the products sold in the U.S. and in China are different. How? The U.S. goods have better quality and lower price, and the same goods in China have lower quality and are higher priced.”

All these seem to be very sound reasons for Chinese tourists shopping for brands overseas!

Research company Millward Brown’s 2015 BrandZ study showed that the value of the top 10 luxury goods brands fell 6 percent to US\$105 billion with slower sales in China and Russia. Spending on gifts has fallen in China as the government clamps down on corruption, but this does not reflect the trends of high-net-worth Chinese who still consume luxury goods overseas, during their business/leisure trips.

## What the Experts Have to Say About Chinese Tourists-Shoppers

Fan Zhiyong, associate professor at the School of Economics, Renmin University of China: “Chinese tourists spent US\$20.9 billion in overseas markets in 2013, eclipsing the previous high with a 24 percent jump year-on year.”

Global Blue report 2015: “Chinese tourist spending jumped 87.8 percent in June 2015, with a year-to-date spending growth sits at a whopping 110 percent.”

“Brand product sales growth is following Chinese tourists abroad.”

*Economic Information Daily* and Visa Inc.'s joint report, May 2014: "The U.S. is the top overseas destination for Chinese shoppers."

Ralf Zhu of a L.A.-based Chinese travel agency: "Shopping has been the prime driver for Chinese travelers to visit the U.S."

Christopher Heywood, NYC & Company, New York City's official tourism bureau: "China has been a huge growth market for New York city ... the city expects one million visitors from China by the end of 2018."

Many brands and retailers are learning to click with Chinese shoppers to boost their sales. Some are showing good results – with Chinese tourists-shoppers making their stores must-go destinations, or shopping online with these brands when they are back home in China.

### Win-Win Situation

While the Chinese tourists are getting value-for-money shopping, America is also gaining tourism revenue.

According to the U.S. Travel Association, in 2015 international traveler spending totaled US\$133 billion and that of U.S. resident abroad totaled US\$110 billion, creating a surplus of US\$23 billion in travel spending.

Incoming Chinese tourism to the U.S. is on the rise. In 2014, 1.8 million Chinese tourists visited America and spent a whopping US\$21.1 billion. The U.S. Department of Commerce projects that Chinese tourists to the U.S. will increase to 3.1 million in 2019, and by 2021, Chinese tourists are expected to spend a staggering US\$80 billion annually in the U.S.

Cross-border business again prevails!