

California Tourism: Dreaming On Together

Santa Barbara 2017 Travel Outlook
January 20, 2017

visit
California





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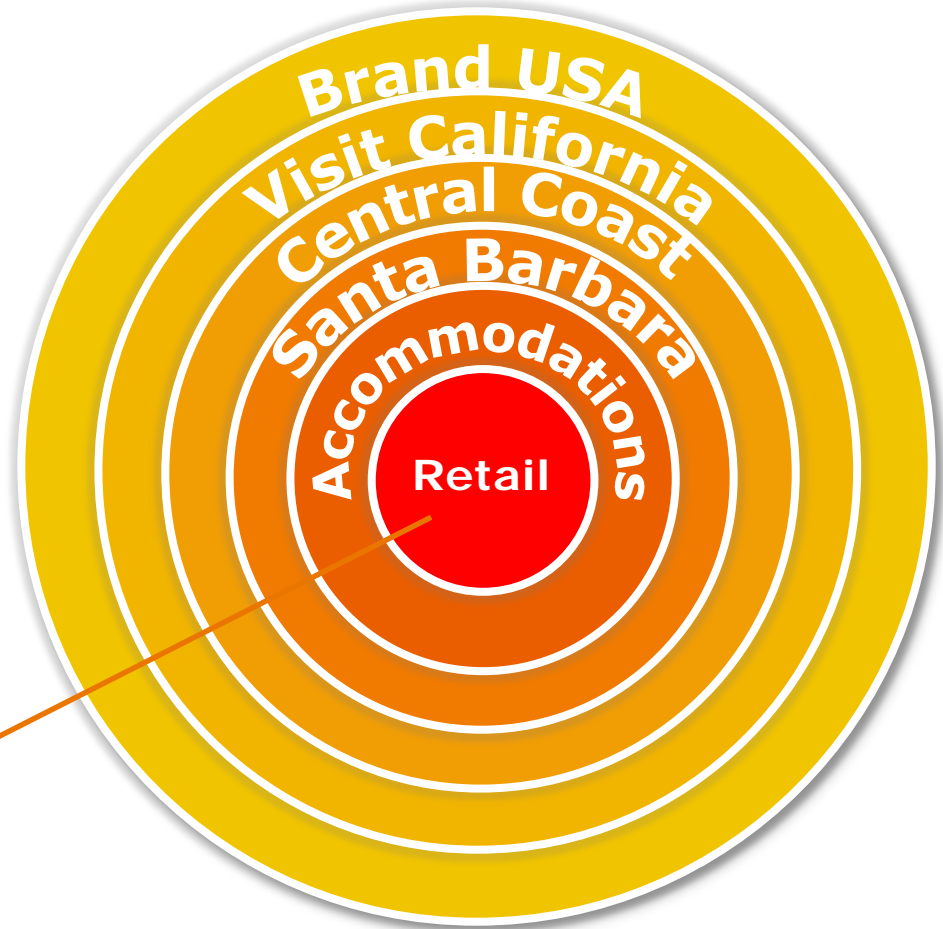
Director of Asia Marketing

Visit California

**Our mission:
Create desire for the
California experience**



Tourism ecosystem



Restaurants
Attractions
Car Rentals

China economic trends



Affluent Segment Trend

- **Upper Middle Class & Affluent Households:** will exceed 100 million households by 2020 each with over \$24,000 in disposable income
- **Growth:** current spending growth rate for this high-spend segment is 17% annually versus 5% for the emerging-middle-class
- **Importance:** will account for 81% of China's incremental consumption growth through 2020
- **Spend Categories:** three top spending categories: food, education and travel
- **Location:** by 2020, 46% of affluent Chinese consumers will live in China's Tier 3 cities

Young Demographic Trend

- **Chinese under 35:** rapidly becoming the dominant force in China's consumer market
- **Absolute Growth:** this segment will drive a 55% expansion in China's consumption spending over the next 5 years to represent 53% of total Chinese consumption
- **Growth Rate:** consumption growing at 14% per year versus 7% for their elders
- **Spending:** outspending their parents and grandparents, by as much as 40% in many product categories

China FIT Travel Trend

- Chinese FITs have taken 5.5 international trips on average
- 90% purchased travel components individually for their most recent trip
- China's FITs are young, well-educated and affluent
 - 41% say they can understand most English
 - 91% of Chinese FITs are adults aged 18-44
 - 41% belong to the Post-80s generation (aged 25-34)
 - 77% of Chinese FITs have an undergraduate degree or higher
 - 44% earn a monthly income of over \$2,300
- Over a quarter live in Guangdong province, followed by Shanghai, Sichuan, Beijing and Jiangsu provinces

Issues to Watch

USD RMB EXCHANGE RATE: the RMB is fundamentally pegged to the US dollar so fluctuations can only be limited. No impact on travel to US reported. RMB back to 2011 levels.

STOCK MARKET FLUCTUATIONS: less than 7% of Chinese citizens own stocks, making movements of the stock market largely irrelevant – still 50% above 2013 levels.

END OF 1-CHILD POLICY: not expected to have a significant impact on population growth due to lax enforcement of the 1-child law, previous exemptions, and rising cost of living in urban areas.

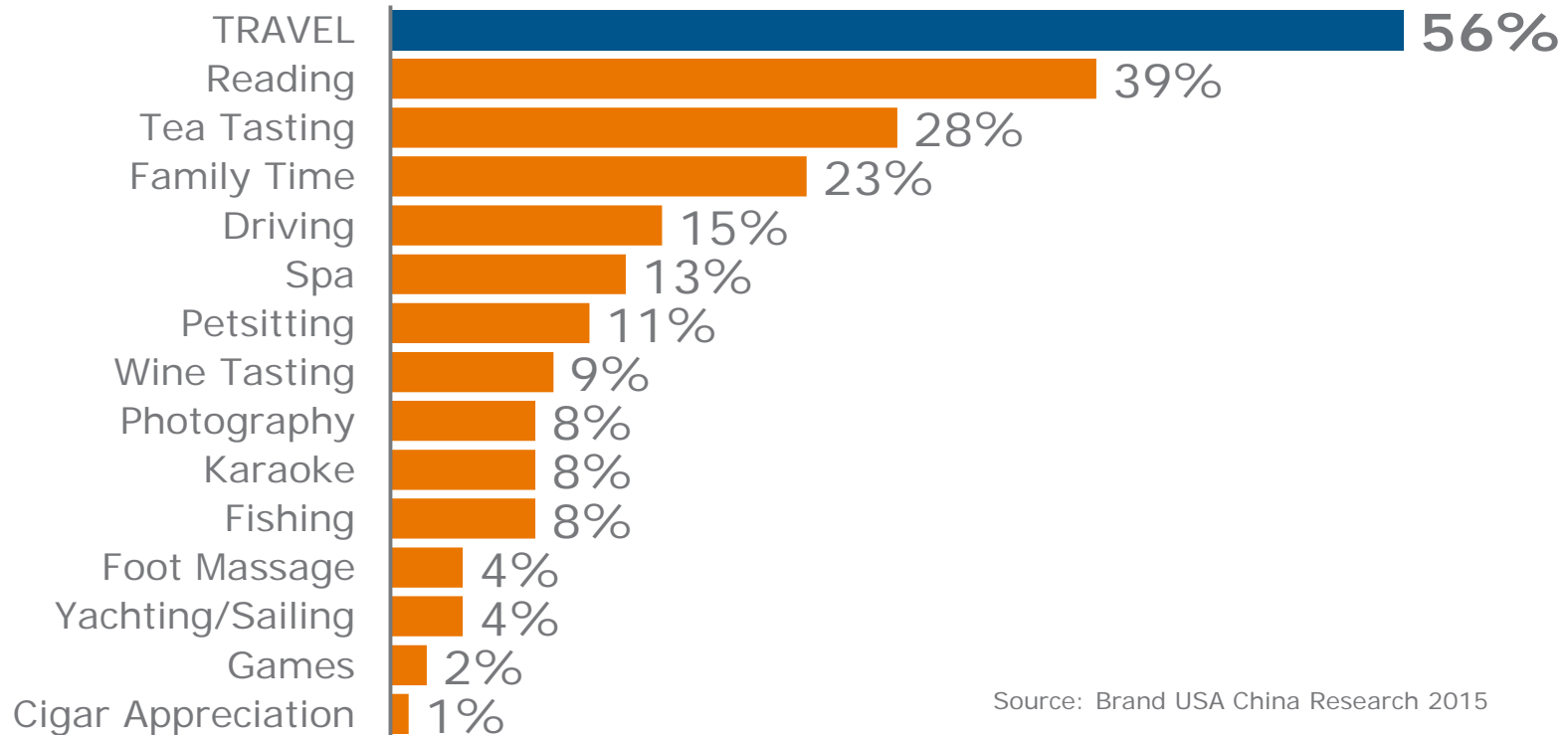
REDUCED IMPORT DUTIES: to reduce black-market sales, the government has reduced taxes on a range of foreign luxury products which make shopping abroad less desirable.



Outbound travel trends



Preferred leisure activities of middle and upper classes



Source: Brand USA China Research 2015

Travel spending trends

SPEND PER TRIP

\$7,500 spend per person per trip to the U.S. -- makes Chinese the highest spending visitor group per person per trip to the U.S.

LUXURY SPEND

75% of Chinese tourists purchase more than 3 luxury items per trip



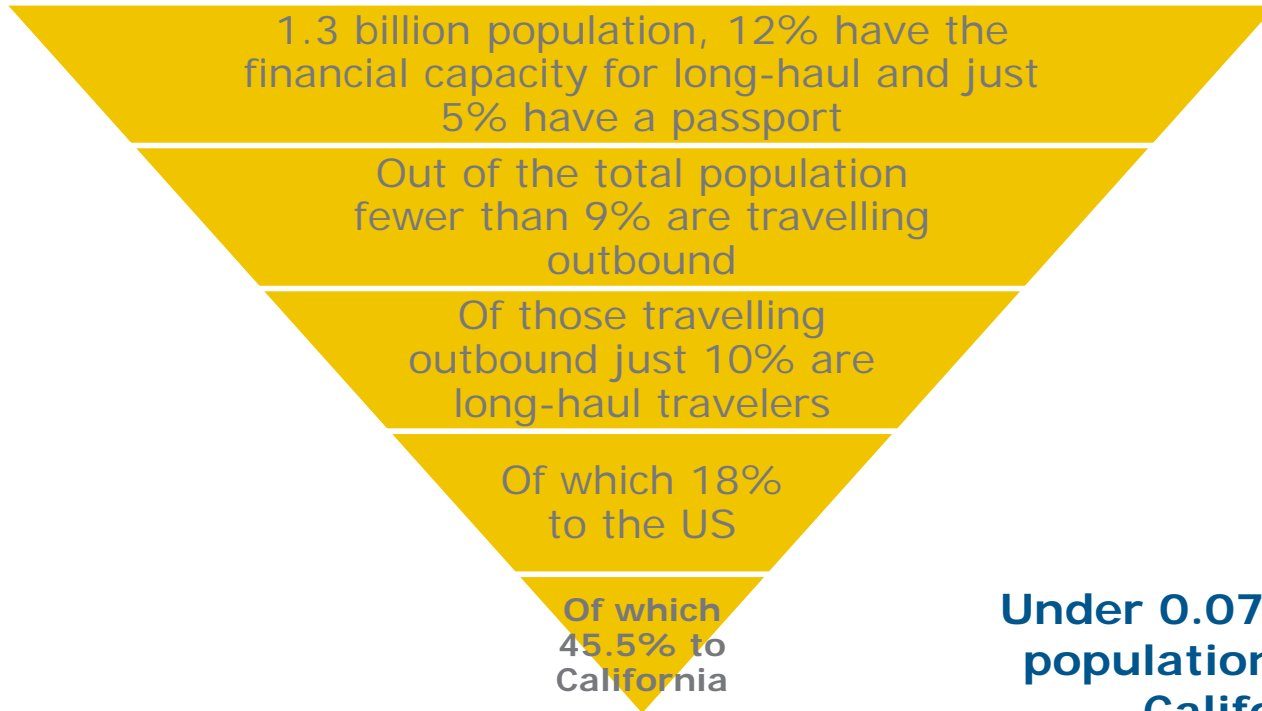
TRAVEL SPEND

China's middle and upper classes spend **19%** of their annual salaries on overseas travel – dramatically more than any other source country

GLOBAL FORCE

Chinese consumers account for **46%** of spending on luxury goods, mostly purchased abroad


California Travel Pyramid



Under 0.07% of China's population traveled to California in 2015

CHINA + CALIFORNIA =

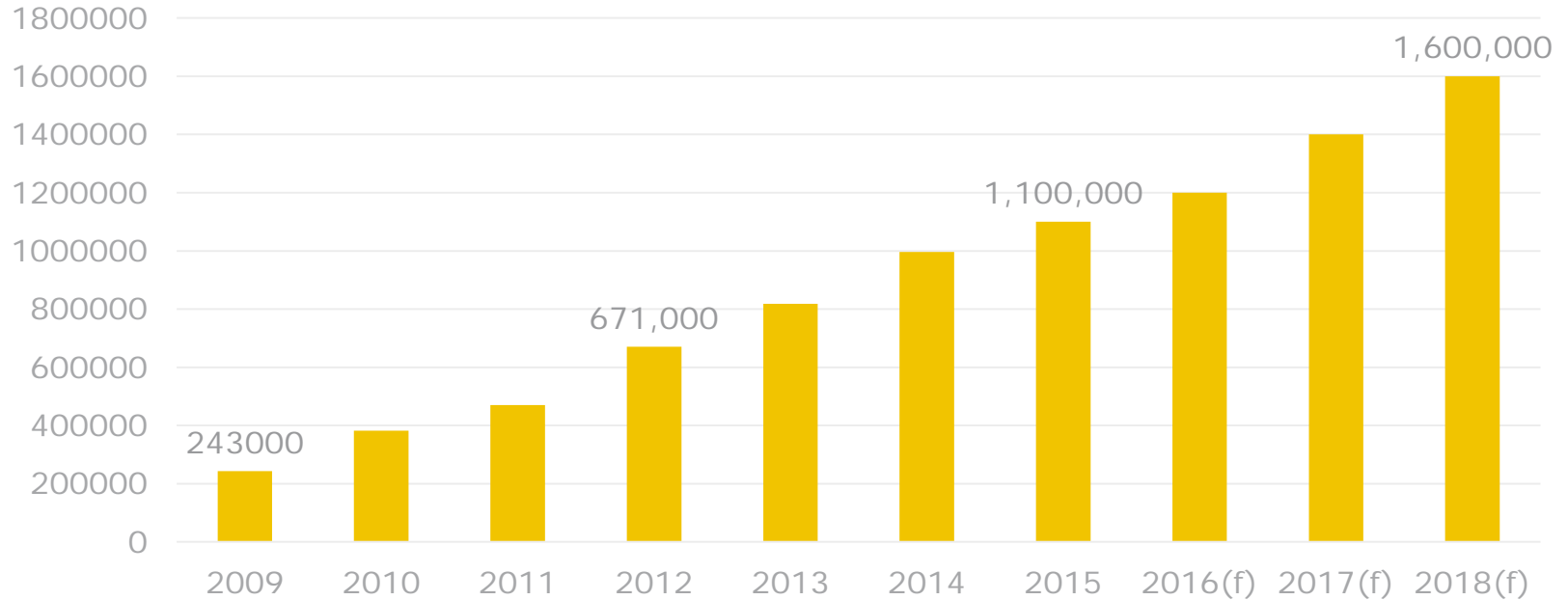
**Superlative
Business**



California is China's top U.S. destination
1 million visitors
\$2.6 billion spending

Source: U.S. Census Bureau; U.S. Department of Commerce; BLS; Tourism Economics

China Visitation Growth



Source: Tourism Economics

Airlift

131 weekly non-stops | 13 China gateways



13 China Gateways



China market expansion

Greater China strategy will foster key travel trade, media, online and brand partnerships

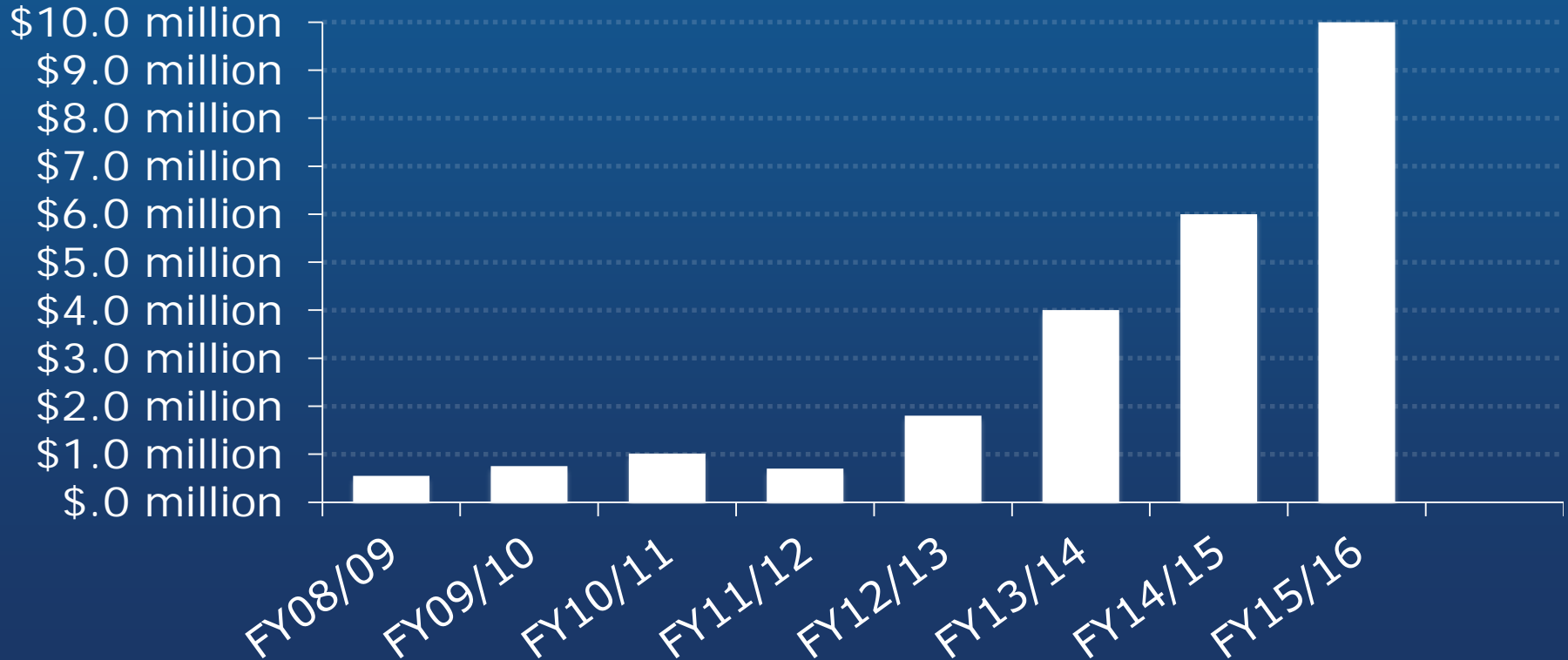
- Focus: Product development and sales staff training
- Secondary cities: Guangzhou, Chengdu, Taipei



5 OFFICES ACROSS
**GREATER
CHINA**



Visit California's Investment





California dream big

- Broadcast
- Online TV
- Dream365TV content
 - Sun Nan California Dreamers video
- Digital banners, pre-roll/in-banner video, digital out-of-home boards
- Social/Key Opinion Leader activities

'Dreamers' China





Media Relations





**Partnering with
Visit California**

Activation opportunities: **Travel Trade**

- **Training seminars**
- **Trade shows**
- **Airline and tour operator co-ops**



Activation opportunities: **Travel Trade**

TRADE SHOWS

- **Guangzhou International Travel Fair**
February 2017
- **Taipei International Travel Fair**
November 2017

CO-OPS

- **SiChuan Airlines**
(March-June):
Western China
- **China Southern**
(March-June):
Guangzhou and Southern China
- **Air China** (March-June):
Beijing and Northern
China
- **China Eastern
Airlines**
(March-June):
Shanghai and Eastern China



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2017 VISIT CALIFORNIA

Outlook

FORUM

Feb. 27–March 1, 2017
Santa Barbara



Thank you!

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