CHINA

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GENERAL MARKET OVERVIEW – CHINA

- **Population:** 1.337 billion (May 2010 estimation)
  (Excluding Hong Kong, Macau & Taiwan)
- **Major Markets:** Beijing 22million
  Shanghai 19.21million
  Guangdong 100million
  - Guangzhou 10.25milllion
  - Shenzhen 8.64million
- **Language/s:** Spoken – Mandarin, Read – Simplified Chinese
- **Currency:** Renminbi (RMB)
- **GDP Growth:** 2010 9.1% (estimated)
- **Annual Leave Entitlement:** 5-14 days (most SOE employees only take official public holidays)
- **Public Holidays 2011:**
  1 January (New Year)
  2-8 February (Chinese New Year)
  5 April (Qing Ming Festival)
  1 May (Labour Day)
  6 June Dragon Boat Festival
  12 September (Mid-Autumn Festival)
  1-3 October (National Day)

ECONOMIC OVERVIEW

- China's economy grew by 8.7% in 2009 – the fourth quarter alone surged to 10.7%. On an annualised basis the Chinese economy has been picking up pace the first three quarters of this year, growing at 6.2% the first quarter, 7.9% the second quarter and 9.1% in the third quarter.
- The consumer price index rose 1.9% in 2009 and as of August 2010, China's CPI rose 3.5% from a year earlier hitting a 22 month-high.
- Retail sales of consumer goods surged 16.9% in 2009 (as compared to one year ago).
- The average total income per capita and disposable income per capita in major cities of China in the first quarter of 2009 is:

	Total Income	Disposable Income
Beijing	**RMB8,019**	**7,064**
Shanghai	**RMB8,951**	**8,113**
Guangdong	**RMB6,888**	**6,284**

- Despite economic downturn, the number of Chinese with more than 10 million in investable capital has raised 6% to 320,000 in 2008. Beijing, Shanghai, Guangzhou, Zhejiang and Jiangsu accounted the lion's share of the rich. The highest number was Guangzhou with 46,000, almost 15% of the national total.

MARKET PROFILE

Overview

- The Outbound Tourism Academy said there were 47 million Chinese outbound departures in 2009, an increase of 21% compared to 2008.
- From January to February 2010, Chinese outbound visitors reached a historic high at 9.22 million, up 15.4% compared to the same period in 2009. China National Tourist Administration (CNTA) expects total outbound travel to reach 54 million in 2010, up 11% on last year.
- According to TA's Outbound Market Share Analysis, outbound travel from China has increased from 9.2 million in 2000 to 25.8 million in 2009. Despite the difference between this figure and that given by the Outbound Tourism Academy, it does show the significant numbers of outbound travellers and healthy growth over the last decade.
- Chinese travellers' top five outbound destinations (in terms of numbers) in 2009 were Hong Kong, Macao, Korea, Singapore and Malaysia. Australia ranked 13th among all outbound destinations.
- Australia's current competitor set is defined as Western Europe, the US, Canada, New Zealand and South Africa. Australia ranked 3rd among this competitor set.
- Australia's share of China's total outbound market has increased marginally from 1.3% in 2000 to 1.4% in 2009.
- According to a report released by the China Outbound Travel and Tourism Market, sunshine and beaches, cruises and free and easy tours are among the most popular tourist products in the Chinese market. Off season travel to Australia and New Zealand also remains popular.
- The progressive liberalization of tourism in China has led to a broader and keener competition. European countries are well-received due to well-known brand names, culture, lifestyle, history and business-family link. The opening up of USA, Canada and Taiwan has diverted some of the traffic from Australia. The inaugural ADS group to Canada departed in August 2010.

To Australia

- For the year ending June 2010, there were 376,619 visitors to Australia, with a rise of 5.79% compared with the year ended June 2009.
- China is Australia's fourth largest inbound market for arrivals.
- Australia's share of competitor outbound has increased from 7.8% in 2000 to 11.5% in 2009.
- For the year ending 2009, visitation was driven strongly by the education (33%) and visiting friends and relatives (27%) markets whereas there was a decrease in business visitors (-19%) and marginal decreases in the holiday and employment markets.
- For the year ending June 2010, China is the second largest source market in terms of economic value (A$2.8 billion), an increase of 18% compared with last year. In 2009, China visitors spent an average of A$7,886 per trip,
- Visitors from China accounted for 11% of all international visitor nights in 2009, making China the second largest market in terms of nights. The average length of stay for Chinese visitors was 55 nights compared to the national average of 34 nights.
- Visitors spent 82% of their nights within the major gateways of Sydney, Melbourne, Brisbane and Perth.
- In 2009, 50% of all visitors from China were repeat visitors.
- Visitors aged 15 to 24 and 35 to 44 years were the largest groups from China in 2009.
- The most popular leisure activities undertaken by visitors whilst in Australia in 2009 were: go shopping for pleasure, sightseeing/looking around; eat out/dine at restaurants/café and go to the beach.
- The arrivals from China are traditionally higher in January and February, peaking during Chinese New Year month and lower during May to June.
- The most visited states are New South Wales, Victoria and Queensland.
- Despite the generally positive outlook, Guangdong travel agents commented that the strong Australian Dollar and Asian Games to be held in Guangzhou in mid November might have a negative impact on outbound travel to Australia. However, some agents said they would like to push Australia in the coming months due to:
    1. Japan – having the recent political crises
    2. Europe – winter season
    3. Australia – best Southern hemisphere climate
    4. SE Asia – not stable, Bangkok and Philippine case

To South Australia

- According to the International Visitor Survey, Chinese visitor arrivals to South Australia (12 months to June 2010) account for 17,000 (up 110% on the previous 12 months). China is the fifth largest market for South Australia in terms of visitor arrivals.

Visitor Numbers to SA (Source: Bureau of Tourism Research)

Year	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Visitors	7,800	4,300	4,900	5,500	14,000	12,000	8,100	17,000

MARKET TRENDS

Consumer Booking Patterns on ADS group tours

- ADS stands for 'Approved Destination Status' and refers to destinations where the Chinese Government permits its residents to travel for leisure. Australia has been ADS approved since 1999.
- Chinese consumers are required to book through a licensed agent for group leisure travel to an ADS destination. Currently, there are 88 travel agents eligible for processing Australian ADS visa issuance.
- Government delegations and technical visits, company incentives, study groups and FIT/Experience Seekers are not required to book through a CNTA-DIAC approved agent and can travel on non-ADS visas. Non-ADS travel is becoming increasingly popular amongst Experience Seekers in the more established regions of Beijing, Shanghai and Guangdong.
- The market is still dominated by shopping tour groups visiting two to three East Coast states.
- Majority of consumers are price conscious and competitive pricing is a feature of the market. Package differentiation is generally on price rather than package inclusions in most of the areas although some agents in Guangzhou, Shanghai and Beijing have started launching higher end programs.
- Meanwhile, some consumers in developed travel regions are becoming more mature and seeking quality and varied travel options. It is expected that small private group and FIT travel will grow in popularity.
- Cairns (2nts), Gold Coast (2nts) and Sydney (2nts) is the most popular itinerary in the market. Great Barrier Reef and Sydney are viewed as "must go" destinations for the Chinese.
- According to Tourism Australia's survey, holiday visitors from China were more likely to plan their trip to Australia 1-3 months before departing China and have shorter planning horizons than VFR visitors.
- Around half (49%) of holiday visitors from China and 60% of VFR visitors booked their flights to Australia within one month travel.
- Chinese consumers and trade require information in Chinese language.
- The most common information sources for first-time visitor to Australia were travel agents (40%), internet (35%) and friend or relative living in Australia (24%).
- The most common information sources for repeat visitors to Australia were previous visits (32%), internet (25%), travel agent (23%) and friend or relative living in Australia (22%).
- Visitors from China used the internet to find out more about Australia after deciding to visit (63%), to look for airfares or air schedules for travel to Australia (36%) and to help plan an itinerary (34%).
- Effective from 1 May 2009, the Chinese Government's Regulations of the People's Republic of China on Travel Agencies aims to address the issue of deceptive package tours for all destinations, including 'below-cost & zero-cost tours'.

DISTRIBUTION IN THE MARKET

Online Environment

- Online travel booking users in China increased by 77.9% to reach 30.24 million in 2009, according to statistics released by the CNNIC.
- The ministry of Industry and Information Technology reported that China's internet users increased 20 million in the first quarter of 2010, hitting the 404 million mark. China has 191 million users of social networking sites at end of March 2010. The top four social networking sites are RenRen (17% of market share), Kaixin001(12%), Qzone (22%) and 51.com (12%). It is believed that Qzone has the most users, RenRen's users are medium active and Kaixin001 had the most active users, 51.com user's are the most rural.
- TA commented that holiday visitors to Australia search online for information and use social networking sites and blogs to assist in itinerary planning and sharing. Hence, the online environment does provide an ideal platform for influencing customers' travel decisions but not for bookings. They still prefer using traditional distribution system to ensure the booking has been confirmed and to lodge visa applications. Overall, the online environment in China is evolving quickly yet travel bookings to long haul destination are mainly through travel agents due to destination visa requirements and the inability to process electronic payment.
- SATC has a Simplified Chinese language website for Chinese trade and consumers as they are unlikely to research destination information in English.

Retail Agents

Commission Level: 5 – 10%.

- As of April 2010, there were 1,069 CNTA travel agents in China authorized to handle ADS travel. These agents are dispersed throughout China
- In Tourism Australia's 11 ADS priority regions, there are 88 ADS travel agents as of April 2010 who have the authority to handle ADS groups to Australia.
- Selected online travel portals are becoming popular, particularly with the sale of air tickets, accommodation and FIT free and easy packages.
- Retail travel agents will maintain a dominant role in the Chinese market. It is expected that they will continue to act as both tour operators and retail travel agents and that the number of retail travel outlets will continue to increase.

Aussie Specialists

- The Aussie Specialist Program has been launched in the key 15 ADS regions. The key targets for training are the Tourism Australia identified agents who are able to manage both ADS and other business groups to Australia. The online program has been translated into Simplified Chinese for the agents. As of April 2010, there were 3,809 agents from 384 travel agencies registered in the ASP, in which 43% have been awarded Aussie Specialist Status.
- Tourism Australia launched a Premier Aussie Specialist Program (PASP) in early 2008 with an objective to improve the delivery of high quality travel experiences to Chinese tourists. Currently, there are a total of 76 PASP, covering 11 cities/provinces and 55 agencies of which 43 are ADS agency.

Wholesalers/Large Agents

Commission Level: 15 – 20%.

- Wholesale travel agents in Beijing, Shanghai and Guangzhou are increasingly mature and are expanding their branches to secondary regions like Zhejiang, Sichuan, Chongqing and Liaoning – which also have their own local wholesalers. Their role is to receive booking form other domestic agents, particularly those operating outside the traditional ADS regions or who are not able or not big enough to form groups independently
- Although they do not operate in the traditional sense of a wholesaler, these agents are referred to as Wholesale-Retail agents.

Inbound Tour Operators

Commission Level: Up to 30%.

- Australian Inbound Tour Operators (ITO's) must be accredited by DIAC and the CNTA to handle ADS leisure business from Chinese agents. Tourism Australia has recommended Australian operators to deal only with the licensed ITOs for all Chinese inbound business, as the market has seen a proliferation of unlicensed operators.
- It is also recommended that product suppliers deal only with travel agents approved by CNTA and that caution be exercised in handling business arrangements with all other operators.

KEY THEMES/ EXPERIENCE PROMOTED IN THE MARKET

- **Adelaide** – the Capital of Good Living (Lifestyle, food & wine, well-known names e.g. Penfolds, Jurlique)
- **Barossa** – winery visit, wine-tasting, "Make your own Blend", Whispering Wall
- **Adelaide Hills** – Mount Lofty, Hahndorf German culture, fruit picking, wildlife parks
- **Fleurieu Peninsula** – Granite Island, horse drawn tram, penguin-watching,
- **Kangaroo Island** – Unspoiled nature and wildlife, local produce
- **Limestone Coast** – Self-drive to/from Melbourne, unspoiled nature, wine and local produce

KEY AIRLINE CONNECTIONS TO SA FROM CHINA

- There is no direct service from China to Adelaide. Passengers are required to transit either in Hong Kong, Singapore or in East Coast cities of Australia.
- Qantas and Cathay Pacific are dominant airlines on the route with around 40% of all Chinese tourists entering Australia on these airlines in 2009. However, Cathay Pacific has gained significant market share, overtaking Qantas in 2009. China Southern is expected to gain significant share in 2010 and 2011.
- Percentage of carriage to Australia 09
    - Qantas Airways (20%) flies to SYD, MEL, BNE or PER via Shanghai and Hong Kong
    - Air China (15%) flies to SYD or MEL via Shanghai and Beijing
    - Singapore Airlines (7%) flies via SIN
    - China Eastern Airlines (12%) flies to SYD or Melbourne via Shanghai
    - Cathay Pacific Airways (21%) flies via HKG to ADL,SYD, MEL, BNE,CNS or PER
    - China Southern Airlines (8%) flies to SYD or MEL via Guangzhou
- Starting from Sep 2010, Air China is gradually increasing flights between China and Australia. Beijing/Sydney flight increases to twice daily, Beijing/Shanghai/Sydney flight increases to four times per week and Beijing/Shanghai/Melbourne flights increase to five times per week. There is also a new direct flight between Beijing and Melbourne flying twice per week.
- China Southern will also run a new flight to Brisbane from 1 November. Moreover, Guangzhou to Sydney will increase to twice daily and Guangzhou to Melbourne will run daily.
- Hainan Airlines are planning on flying Hangzhou/Shenzhen/Sydney, three times per week from December 2010 onwards, still to be confirmed.
- Cathay Pacific will also increase flights to Sydney from 24 to 28 weekly onwards and 10 flights per week to Perth from November 2010 onwards.

KEY HIGHLIGHTS OF MARKETING ACTIVITIES IN 2009/10

Promotion with GZL Guangzhou

Timing: Dec 2009 – Mar 2010

Partners: GZL, Singapore Airlines

To promote SA's key experiences including city lifestyle, wine, nature and wildlife through print and advertising, editorials, consumer show and radio interviews.

SATC / Tourism NT / CEPT Travel Joint Promotion Campaign
Timing: Oct – Dec 2009
Partners: Tourism NT and CEPT Travel Shenzhen

To promote SA's key experiences including city lifestyle, wine, nature and wildlife through joint tactical advertisements in local daily newspapers, editorials and direct mail to credit card holders.

Joint Promotion with Shenzhen CITS
Timing: Dec 2009 – Jan 2010
Partners: Shenzhen CITS, Singapore Airlines

To promote self-drive itineraries through print and radio advertising, seminar to consumers and an exclusive SA exhibition area in its travel centre.

Joint Promotion with BCTS Shenzhen
Timing: Dec 2009 – Jan 2010
Partners: BCTS

To stimulate sales of inaugural charter flight to SA on 15 February through print and radio advertising, consumer shows, billboard and trade seminars.

GZL "Admiral's Feast" Joint Promotion
Timing: Jun – Aug 2010
Partners: GZL, TQ and TTAS

To leverage TVB "Admiral's Feast" Travel and Culinary TV program filmed in SA, a deluxe wine and food tour was launched and escorted by the celebrity chef host – Chef Wong.

Jerry Yan's "Finding your True Self in SA" Media Famil
Timing: Visited SA 11-17 Dec 2009. Book launched 2010.
Partner: Tourism Australia

A travel photo album of 196 pages and size of 18 x 23.5 cm was produced with a circulation of 480k in China, Hong Kong and other parts of Asia. Jerry Yan is a very well known singer, actor and model throughout Asia.

Greater China Mission 2009
Timing: 8-12 Nov 2009

SATC together with SeaLink and Great Southern Rail attended the first Greater China Mission. 173 buyers from travel agents in Hong Kong, Taiwan and China met with 47 Australian sellers and 60 media. Throughout the three day event, SATC had 96 appointments. There were an increasing number of agents who were interested in SA and have since started promoting it.

Panda Online Campaign 2010
Timing: Apr and Jun 2010
Partner: Tourism Australia

Leveraging the arrival of the Giant Pandas into Adelaide, a China wide website platform www.uutuu.com was used to introduce SA. Themes for the campaigns were "Visit Panda's New Home" and "Meet Panda's New Friends" (i.e our wildlife). South Australian tourism experiences and information was introduced to consumers through internet games, interactive Q&A and an online competition. This campaign resulted in a ten-fold increase of unique visitors to southaustralia.com/cn during the months it ran.

SA/SQ MOU with Shanghai Jinjiang Intl Tour and Shanghai Spring Intl Travel
Timing: March 2010
Partners: Singapore Airlines, Shanghai Jinjiang Intl Tour and Shanghai Spring Intl Travel

Posters in apartment lifts and a series of LCD screens at a popular Shanghai cinema were used to promote South Australia and Singapore Airlines.

MAJOR PLANS FOR 2010/2011

Shanghai Expo Events (Sep-Oct)
Timing: September – October 2010
Partners: Various state and federal government agencies.

The Shanghai World Expo has been the largest ever world expo with around 70million visitors attending. The Australia Pavillion has recorded over 7million visitors and had been one of the most popular pavilions.

1. In September the SATC coordinated a media famil for journalists from four media publications. This visit was in conjunction with DTED and included tourism and other broader elements.
2. The SATC ran a consumer online quiz in conjunction with the Australia Pavilion website. The winner won a trip to South Australia to be taken in 2011.
3. A special South Australia event was held at the Australia Pavilion and the SATC sponsored the visit of six key agents from Southern China to come to Shanghai.

Tourism Australia Premier Aussie Specialist Program (PASP) Famil
Timing: September 2010 and May 2011 (10-12person each group)
Partners: Tourism Australia and other states.

To educate new operation and sales staff of PASP agencies on SA products. The September famil featured self-drive from Adelaide – Melbourne.

Tactical campaign CYTS Beijing Timing: Oct2010-Jan2011

A campaign featuring brochures, editorial and other advertisement of SA will be coordinated with CYTS Beijing who are one of the leading tour operators in Northern China.

Inaugural South Australian Roadshow to China
Timing: Oct 26 – Oct 29 2010

Aurora Ozone, Jacob's Creek Visitor Centre, Majestic Hotels, Sealink, Hahndorf Inn and Hertz attended the inaugural South Australian Roadshow to China to introduce their product and service to the Chinese tour operators and media.

Greater China Travel Mission (GCTM) 2010
Timing: Nov 2010

GCTM provides an opportunity for the Australian travel industry to build awareness of Australian tourism products and services amongst the Chinese travel trade and media. GCTM targets the group and leisure travel markets and provides direct access to travel agents, tour operators, government representatives, media and airlines in China, Hong Kong and Taiwan. The event also provides suppliers with information on new and existing issues affecting Chinese travellers to Australia.

China International Travel Mart 2010
Timing: November 18-21
Partners: TA

The largest trade and consumer trade fair in China.

Tactical cooperation with Shenzhen CEPT and TNT
Timing: TBA
Partners: SZ CEPT, TNT, TA

To target higher end repeat visitors, FITs and small groups with the themes of wine, nature and wildlife.

Tactical Cooperation with GZL, TQ, TAS
Timing: Ongoing
Partners: GZL, TQ, TAS, TA

Continue to leverage the broadcasting of TV food and travelogue "Admiral's Feast" which was filmed in SA earlier in the year and incorporate a tour hosted by the shows host and celebrity chef – Chef Wong. To target food and wine lovers, platinum credit card holders, Chef Wong's fans and high end repeat visitors.

SQ MOU campaigns in Shanghai and Beijing
Timing: Jan 2011
Partners: SQ

The campaign will be web-based to tap into the growing market of those searching for travel information online.

ATE 2011 and ATE Famil
Timing: April 2011

SATC to leverage off ATE 2011 to be held in Sydney and to host a surrounding famil to SA for key partners.

ACTIVE INBOUND COMPANIES IN THE CHINA MARKET

- Tranquil Travel
- ETA
- Transglobal
- PTC
- Sunland
- Auga
- ATM
- Golden Dragon
- New Asia Pacific Travel
- Jade Express

Please note that the Chinese ITO industry is variable with new operators starting regularly and fortunes of companies changing quickly. It is common for Chinese ITO's to sub-contract different portions of an itinerary out to other ITO's.

OPPORTUNITIES FOR OPERATORS

- Greater China Travel Mission 2011
- Participation in ATE 2011
- Hosting of Premier Aussie Specialists Familiarisation tours for China agents
- Exposure of relevant products in our electronic newsletter which is distributed to all travel trade partners and media in China
- Inclusion of relevant products in our tactical campaigns
- Exposure of relevant products on the Chinese website

USEFUL TIPS FOR WORKING IN CHINA MARKET

Please refer to page 35.

HONG KONG

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GENERAL MARKET OVERVIEW

- **Population:** 7.05 million (July 2009 estimate)
- **Language/s:** Spoken – Cantonese (main dialect), English and Putonghua (widely used in the business environment)
  Read – Traditional Chinese and English
- **Currency:** Hong Kong Dollar (HKD)
- **GDP Growth:**
  2006 7%
  2007 6.4%
  2008 2.4%
  2009 2.8%
- **Annual Leave Entitlement:** 7 days
- **Key Public Holidays in 2011:**
  1 January (New Year)
  3-5 February (Chinese New Year)
  22-25 April (Easter)
  1-2 May (Labour Day)
  25-27 December (Christmas)

Economic overview

- The Hong Kong economy continued to show a broadly-based recovery in the second quarter of 2010, benefited mainly from the robust growth momentum in the Mainland and other Asian economies. Real GDP leaped distinctly further by 6.5% in the second quarter over a year earlier, after a growth of 8.0% in the first quarter. On a seasonally adjusted quarter-to-quarter comparison, real GDP expanded by 1.4%.
- Due to economic problems in Europe and indications that growth momentum in the US has weakened, Hong Kong's year-on-year export growth may experience some deceleration in the second half of the year.
- Even allowing for a possible deceleration of growth in the second half of 2010, the GDP growth forecast for 2010 as a whole is 5-6%.
- The performance of the labour market was somewhat mixed. While the unemployment situation improved further, the seasonally adjusted unemployment rate rose back slightly to 4.6% in the second quarter. The latter, when matched against the concurrent rise in job vacancies, indicates that the rise in unemployment was in large part due to frictional factors, as more workers were in search of employment opportunities with better terms and conditions.

Political Outlook

- Economic links between the Mainland and Hong Kong have grown in leaps and bounds. The mainland factor is now prominent in everything in Hong Kong – in trade, in investment, in stock market, in tourism and in financial service business.
- Supplement VI to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was signed in May 2009. The further liberalization measures expand the market access and business opportunities of Hong Kong companies and signifies a closer economic integration between Hong Kong and the Mainland
- The pilot program for the usage of the RMB for cross-border trade settlements in Hong Kong and five other Mainland cities came into operation in July. The program allows Hong Kong traders to enjoy greater flexibility in their operation, expand the scope of RMB business for Hong Kong banks, and enhance the capability of Hong Kong as an offshore centre for RMB.

MARKET PROFILE

Overview

- According to TA's Outbound Market Share Analysis, outbound travel from Hong Kong has increased from 62 million in 2000 to 78 million in 2009.
- Australia's share of Hong Kong's total outbound market has remained steady at 0.2% since 2000.
- Hong Kong travellers' top five outbound destinations in 2009 were China, Macau, Taiwan, Japan and Thailand. Australia ranked 7th among all outbound destinations.
- TA's current competitor set is defined as Western Europe, the UK, Canada, New Zealand and US. Australia ranked 2nd among this competitor set.
- Australia's share of competitor outbound has increased from 16% in 2000 to 20.4% in 2009.

To Australia

- For the year ending June 2010, there were 141,000 visitors to Australia, with a rise of 3% compared with the year ended June 2009.
- Hong Kong is Australia's tenth largest inbound market for arrivals.
- Visitation to year ending December 2009 was driven strongly by the holiday (17%) and visiting friends and relatives (12%) markets whereas there was a decrease in business visitors (-9%).
- For the year ending 2009, visitors from Hong Kong spent $645 million on trips to Australia, spending an average of A$4,801 per trip,
- Visitors from Hong Kong accounted for 3% of all international visitor nights in 2009, making Hong Kong the thirteenth largest market in terms of nights. The average length of stay for Hong Kong visitors was 32 nights compared to the national average of 34 nights. Visitors spent 23% of their nights outside the major gateways of Sydney, Melbourne, Brisbane and Perth, compared to the national average of 32% of nights.
- In 2009, around 70% of all visitors from Hong Kong were repeat visitors.
- Visitors aged 35 to 44 years were the largest group from Hong Kong in 2009.
- The most popular leisure activities undertaken by visitors whilst in Australia in 2009 were: eat out/dine at restaurants/café, go shopping for pleasure; and sightseeing/looking around.
- The arrivals from Hong Kong are traditionally lowest during May.
- The most visited states are New South Wales, Victoria and Queensland.
- The FIT segment has grown in both size and maturity, and is supported by airline ticket-only promotion and increase of marketing campaigns conducted by FIT agents. However, most agents do not have strong marketing capabilities to sell Australian product or product which matches consumer needs.
- Travel agents have commented that the strong Australian Dollar might have negative impacts on outbound travel to Australia.

To South Australia

- South Australia attracted 10,700 visitors year ending June 2010 – up 43% from the previous year. Majority of SA arrivals were corporate, FIT and VFR travellers.

Visitor Numbers to SA (Source: Bureau of Tourism Research)

Year	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Visitors	6,100	5,900	7,000	7,400	6,400	4,000	7,500	10,700

MARKET TRENDS

Consumer Booking Patterns

- Australia is getting more and more popular as a free and easy travel destination while the traditional Group Inclusive Tour (GIT) market is still important. The FIT market will continue to grow in the coming years as travellers continue to become more mature.
- Value-added offers' tend to be what consumers are now chasing, preferring to spend a bit more for better quality, like 5 star hotel or business class upgrade with very competitive surcharge.

- Short–haul destinations are more in demand.
- Consumer booking lead–times are becoming shorter.
- Cruise holidays are becoming popular.
- Competitive airlines' ad hoc offers attract consumers to purchase in advance for one-year ticket and further stimulate individual travellers' trend.
- The high and low season's price difference is well noted by the consumer, and smart travellers will take low season advantage whenever possible.
- The majority of consumers continue to rely heavily on printed material (such as traveller's guide books) for destination information, while young travellers tend to be internet savvy to search for a destination. Point-of-sales remains strong in traditional distribution partners and online transaction is relatively minimal.

DISTRIBUTION IN THE MARKET

Online Environment

- Although more than half of all households in Hong Kong have an internet connection, online purchasing is still relatively limited. Selected online specialists such as Zuji, have increased marketing resources in Hong Kong to drive customers towards online booking.
- Most key operators and airlines promoting Australia have developed websites providing product information, special deals, travel clubs, newsletters and online enquiry features.
- Airlines are using airfare discounts and frequent flyer bonus points to encourage consumers to book directly via the Internet. Both Cathay Pacific and Qantas have achieved solid results with direct online consumer bookings.

Retail Agents

Commission Level: 5-10%

- In February 2010, the Travel Industry Council in Hong Kong had 1,513 members/travel agents, including 1,352 outbound agents.
- There are ten major wholesalers/retail agents selling Australian group tour packages.
- The four major airlines, Qantas Airways, Cathay Pacific Airlines, Virgin Atlantic Airlines and Singapore Airlines continue to heavily promote their own FIT travel products.
- Agents are dependent on airline pricing to adjust the inclusions of the itineraries to remain competitive. Tour packages often have a limited "shelf-life' and the frequent production of flyers provide an opportunity to enter into tour programs at various times of the year.

Aussie Specialists

- The Aussie Specialist Program was introduced in Hong Kong in 2001. At March 2010, there were 411 qualified Aussie Specialist agents in the program.

Wholesalers/Large Agents

Commission Level: 10-15%

- The market is dominated by a small number of key players that act as both wholesalers and retailers, supported by a consortium made up of over 1,500 travel agents in Hong Kong.
- Wing On Travel and Hong Thai Citizen Travel are the two main retail agents with their own extensive branches which share 70% of the total group travel business.
- There are three major group wholesalers offering programs to Australia and sell to over 1000 retail travel agents. They are Jetour Holidays, Kuoni Travel and Charming Holidays.
- The major FIT wholesalers are the airline subsidiaries 'Holiday' departments which contribute the largest source of FIT business.

Inbound Tour Operators

Commission Level: 20-25%

- Inbound Tour Operators (ITO's) handle all group business from Hong Kong to Australia and consequently provide a key role in developing new itineraries and products for the Hong Kong market.
- A large proportion of FIT and non-group business are also booked through ITOs.

KEY THEMES/ EXPERIENCE PROMOTED IN THE MARKET

- **Adelaide** (Lifestyle, food & wine, well-known brand names e.g. Penfolds, Jurlique)
- **Barossa** (Famous wineries, Penfolds 'Blend your own tour", Whispering Wall, fine dining)
- **Adelaide Hills** (Hahndorf, Mount Lofty, strawberry picking, wildlife parks)
- **Fleurieu Peninsula** (Victor Harbor, Granite Island, Horse-drawn Tram, penguin-watching, whale-watching)
- **Kangaroo Island** (Unspoiled nature, wildlife and local produce)
- **Limestone Coast** (Self Drive, unspoiled nature, wine and local produce)
- **Eyre Peninsula** (Emerging region due to seafood & aquaculture)

KEY AIRLINE CONNECTIONS TO SA FROM HONG KONG

- Cathay Pacific and Qantas Airways are the significant providers of service to Australia. In 2009 there was an increase of 21% in direct services operating between Hong Kong and Australia.
- Percentage of carriage to Australia:
    - o Cathay Pacific Airways (53%) flies to ADL, SYD, MEL, BNE, CNS and PER
    - o Qantas Airways (32%) flies to SYD, MEL,BNE and PER
    - o Virgin Airlines (7%) flies to SYD
    - o Singapore Airlines (3%)
- Cathay Pacific will increase flights to Sydney from 24 to 28 weekly and 10 flights per week to Perth from November 2010 onwards.KEY HIGHLIGHTS OF MARKETING ACTIVITIES IN 2009/2010

Promotion with Miramar Travel
Timing: Nov09 – Mar 10
Partners: TA, TVIC, TQ, TTAS, Miramar Travel

To promote group "Self Drive" tours through media conference, TV commercials, print and online advertising and travel seminars.

Promotion with SIA Holidays
Timing: April – August 2010
Partners: Singapore Airlines, SIA Holidays, Jurlique

To promote free and easy tour packages through tactical advertising with value added offers which included free Jurlique sachet packs and 1/2 dozen natural oysters.

TVB "Admiral's Feast" Travel and Culinary TV Program
Timing: March 2010
Partners: DTED, PIRSA

SATC jointly sponsored and coordinated a TVB filming crew to SA from 11-23 March to produce a 4-episode culinary travelogue. TVB is the largest television station in Hong Kong and Southern China. The show was filmed in six regions including Adelaide, Adelaide Hills, Barossa, Kangaroo Island, Limestone Coast and Port Lincoln and resulted in 4 x 1 hour episodes featuring SA.

TVB "Admiral's Feast" Promotion
Timing: Apr – May 10
Partners: TTAS, 5 GIT (group) and 3 FIT agents

To leverage the above travel and culinary TV program filmed in South Australia, the SATC worked with 5 GIT and 3 FIT agents to promote SA and Tasmania FIT and GIT tour packages. The tour included a 3-night stay in SA and a visit to Adelaide, Adelaide Hills, Barossa and Kangaroo Island (Optional).

MAJOR PLANS FOR 2010/11

Promotion with SIA Holidays
Timing: April 2011
Partners: SIA Holidays, Singapore Airlines

To continue promoting free and easy tour packages themed around food and wine, nature and wildlife.

Promotion with Wing On Travel
Timing: Oct 2010 – Mar 2011
Partners: TA and all other STOs

To promote an "Around Australia in 19–day" itinerary which covers all states during Chinese New Year as well as other group itineraries with 2-3 states and FIT tour packages. Promotional channels include print, TV and online advertising.

ACTIVE INBOUND COMPANIES IN THE REGION

- Tranquil Travel
- ETA
- Wel Travel
- Australian Tour Management (ATM)

OPPORTUNITIES FOR OPERATORS

- Exposure of relevant products on the Traditional Chinese website.
- Bi-monthly electronic newsletter (SATU) which is distributed to all travel trade partners in HK.
- Inclusion of relevant products in our tactical campaigns.

USEFUL TIPS FOR WORKING IN THE CHINA & HONG KONG MARKETS

Business

- Personal relationships are very important in Chinese culture. Building relationships is vital for business.
- Chinese names are the opposite of western names where the family name precedes the given name. It is polite to address someone you have just met as Mr or Ms followed by their family name. If the person has adopted a western name it is usually fine to address them by that name.
- Addressing someone by his or her courtesy or professional title and family name conveys respect. In Chinese the name precedes the title. For example, Liu Xiansheng for Mr Liu, and Liu Jingli for Manager Liu.
- It is common social practice to introduce the junior to the senior, or the familiar to the unfamiliar.
- Chinese people place more attention on formalities and being courteous. If you visit an important person for business it is always respectful to take a small gift.
- Be mindful of using colours and numbers. Black is considered sad, pink and red are happy, gold is excellent. Try to avoid the number 4, the number 8 is considered lucky.
- Never use clocks or anything with a '4' as gifts.
- Chinese people usually do not express their disagreements openly and directly, as doing so would be discourteous. The concepts of "face" and "saving face" are very important.
- Chinese people generally do not touch each other. If you do not know someone, do not touch him or her.
- Try to avoid pointing at people with your finger.
- English is becoming more common in big cities like Shanghai, Beijing and Guangzhou, but only some can communicate fluently in English. If there is a meeting with Chinese it is useful to arrange for a translator. People from Hong Kong usually speak English well.
- Be mindful of school holidays (July, August and normally January/February) and seasonal travel patterns to capitalize. Peak periods for travel are Golden Week (October) and Chinese New Year (Feb).
- Try to avoid talking about Chinese politics and religion.
- Remember that China is the People's Republic of China and Taiwan is the Republic of China. When you mention about "Taiwan", do not say "Republic of China".
- Drinking is an important part of Chinese entertaining and is considered as a social lubricant. Beer, whisky and wine are popular alcoholic drinks and be prepared for the "bottoms up" tradition at events and functions.
- Chinese people prefer to travel in family groups, either immediate or extended.
- Chinese generally prefer Chinese style food but where not possible will usually favour fish or beef.
- Chinese people prefer hot meals (especially in winter), except some entrées and some summer foods such as cool noodle.