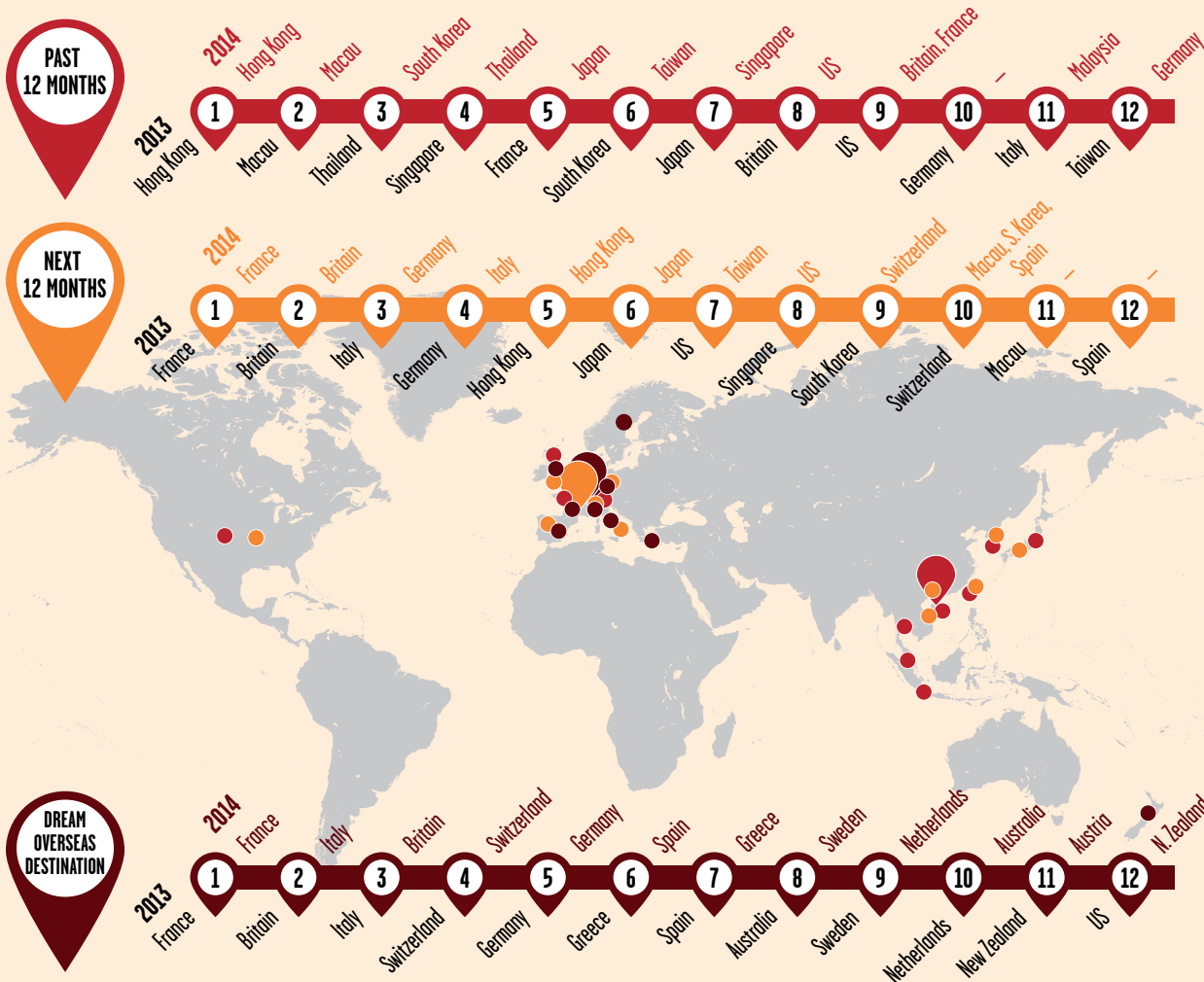


# OUTBOUND TRAVEL FOR THE MASSES

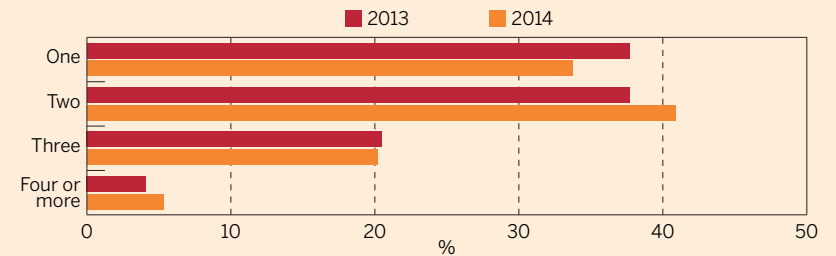
China Confidential's latest annual survey of over 1,250 outbound tourists and 37 travel agencies across the country shows that Chinese tourists are travelling abroad in greater numbers and more frequently than ever before. We estimate that at least 270m Chinese – a population more than four times that of France – can now afford to travel overseas and will spend Rmb3.1tn (\$513bn) in 2014, up from Rmb2.8tn in 2013. Rising wages and rapid inland growth mean that this number will continue to increase in the coming years. The results of our second annual survey do show, however, that growth in travel and travel spending has not been uniform across the board, with both visits and spending dropping in several notable areas.

Most popular overseas travel destinations, 2013 vs 2014

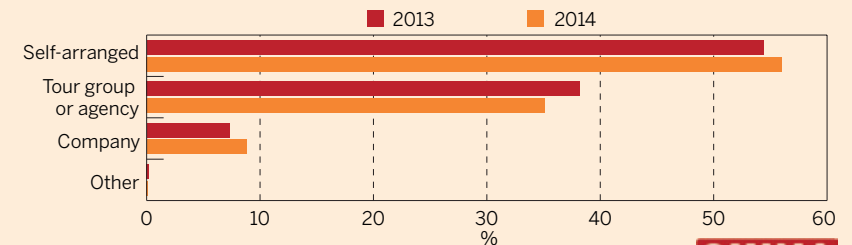


- The travel agencies we surveyed reported an average 29.2% YoY increase in overseas bookings, while 66.3% of outbound tourists surveyed took more than one overseas trip over the past 12 months, up 62.3% from our 2013 survey.
- Chinese tourists are increasingly planning and booking their overseas trips themselves. 56% of tourists surveyed booked their own overseas flights and accommodation, while almost two-thirds researched their destination on independent travel review websites such as Tripadvisor's (TRIP:Nasdaq) Daodao.com.

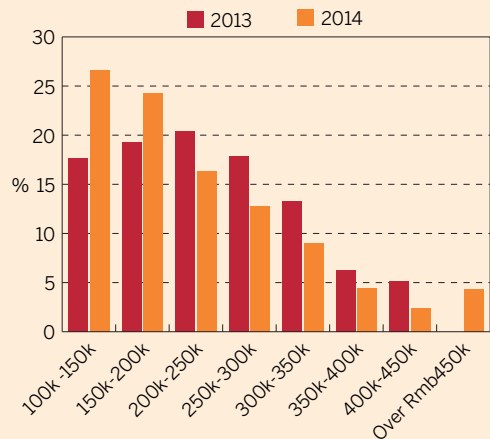
How many overseas trips have you taken over the past 12 months?



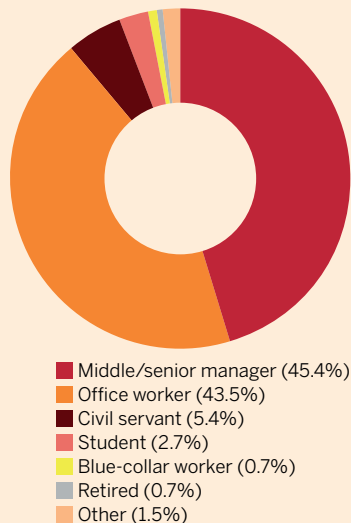
Who arranged your most recent overseas trip?



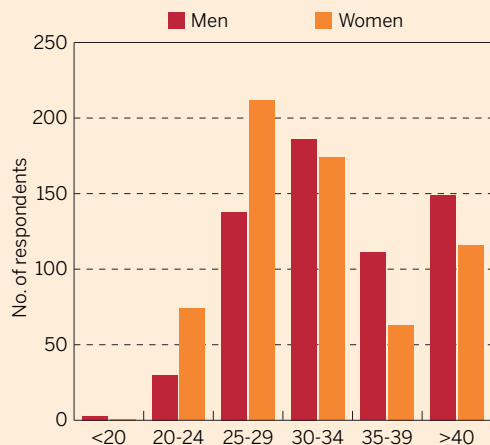
What is your annual household income?



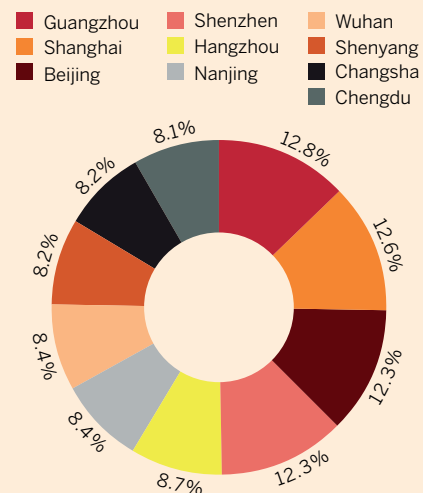
What is your occupation?



Respondents by age, gender



Respondents by city



## Travel spending

Our respondents spent an average of Rmb27,921 (\$4,616) on their last trip abroad, a slight decline from the average of Rmb28,908 reported in our 2013 survey. Part of this decline is due to the central government's crackdown on corruption – our survey noted a particularly sharp drop in spending on jewellery and watches – but low- and middle-income travellers are also becoming increasingly selective about the goods they purchase on each overseas trip. As foreign travel has become more frequent, the urgency to stock up while abroad has waned. Nonetheless, the total amount spent by Chinese tourists abroad continues to grow steadily.

### KEY FINDINGS:

- We estimate that total Chinese outbound spending in 2014 is likely to hit Rmb3.1tn (\$513bn), up from Rmb2.8tn in 2013 and Rmb2.2tn in 2012.\*
- As overseas holidays become more frequent, travellers have less need to splurge on shopping every time they travel abroad. Respondents spent an average of Rmb27,920 on their most recent overseas trip, down from Rmb28,908 in our 2013 survey, due mainly to the 12.4% YoY decline in shopping spending.
- Spending on watches and jewellery fell 34.9% YoY according to our 2014 survey.

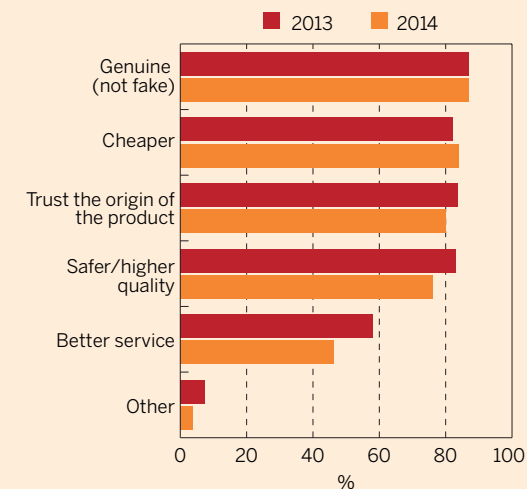
\*Our spending and trips figures are based on tourist data from China's National Tourism Administration. We assume spending growth will fall to 10% in 2014, down from 26% growth in 2013, given the increasingly mature tourism market and China's slowing economy. We estimate that growth in the total number of trips will fall to 15% this year, down from 17% in 2013.

Average shopping spending breakdown



\*Alcohol and cigarettes were combined in 2013 survey but listed separately in our 2014 survey

Why did you buy goods overseas?



## Brand preferences

Chinese tourists have a reputation for being extremely brand-conscious in their purchasing decisions – a view reinforced by our findings. French-owned luxury brands remained extremely popular in our 2014 survey, though we do note an increasing divergence in brand preferences between different income groups. This year, our lower-income respondents showed a growing preference for Chanel, Coach and Prada, while purchases of Dior and Louis Vuitton declined. Meanwhile, a higher proportion of wealthy respondents said they purchased Hermès, Louis Vuitton and Armani on their most recent trip abroad. Our 2014 survey also covers our respondents' preferences in the categories of electronics and alcohol, demonstrating the breadth of brand awareness among China's outbound tourists.

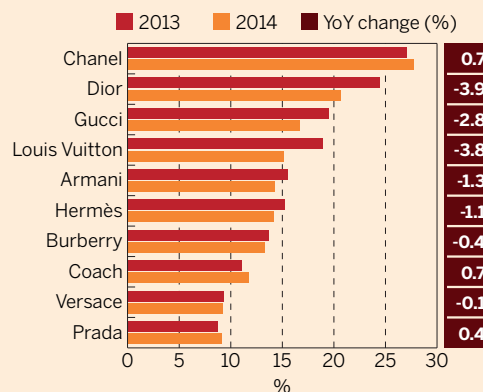
### KEY FINDINGS:

- Despite the YoY decline in the average amount spent at the shops, shopping remains central to the overseas travel experience, accounting for 43% of total spending.
- Travellers continue to favour European designer fashion brands such as Chanel, LVMH's Dior (MC:PAR) and PPR's (PP:PAR) Gucci, although a greater number are purchasing lesser-known brands.

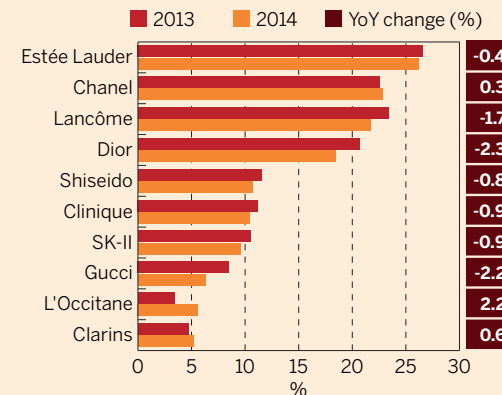
• Over a third of travellers bought consumer electronics products on their most recent overseas trip, spending an average of Rmb1,285. Respondents overwhelmingly preferred phones and tablets made by Apple (AAPL:Nasdaq) and Samsung (005930:SEO).

• Almost a quarter (24.1%) of all outbound travellers surveyed bought alcohol to take home with them on their most recent trip, spending an average of Rmb363. Wine and champagne were the clear favourites, though whisky was a close second, with Pernod Ricard's (RI:PAR) Chivas leading the pack. ●

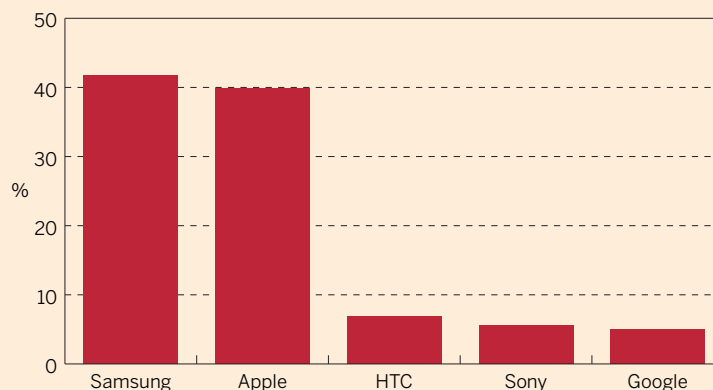
Most popular designer fashion brands purchased



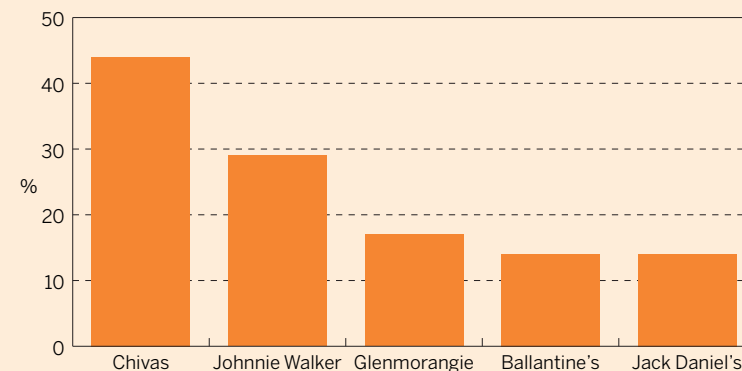
Most popular cosmetics brands purchased



Most popular smartphone brands purchased



Most popular whisky brands purchased



**Who are our respondents?** In Jan 2014, we surveyed 1,257 respondents in first- and second-tier cities in China, with the following criteria:

- Respondents have taken at least one overseas trip in the past 12 months.
- Residents in one of ten cities in mainland China: Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Shenyang, Hangzhou, Changsha, Wuhan and Nanjing.

- Balanced ratio between male (49.1%) and female (50.9%) respondents.
- At least 150 respondents from each of the four first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) and at least 100 respondents from each of the other cities.
- Minimum annual household income was set at Rmb100,000, with at least 20% above Rmb300,000.

- At least 20% of respondents are over 40 years old.
- A maximum of 50% of respondents who have been to Hong Kong in the past 12 months.

**In-depth interviews with travel agents:** We have also interviewed managers overseeing outbound bookings at 37 travel agencies across China. The travel agencies were located in Beijing, Shanghai, Chongqing, Chengdu, Taiyuan, Nanjing and Wuhan.