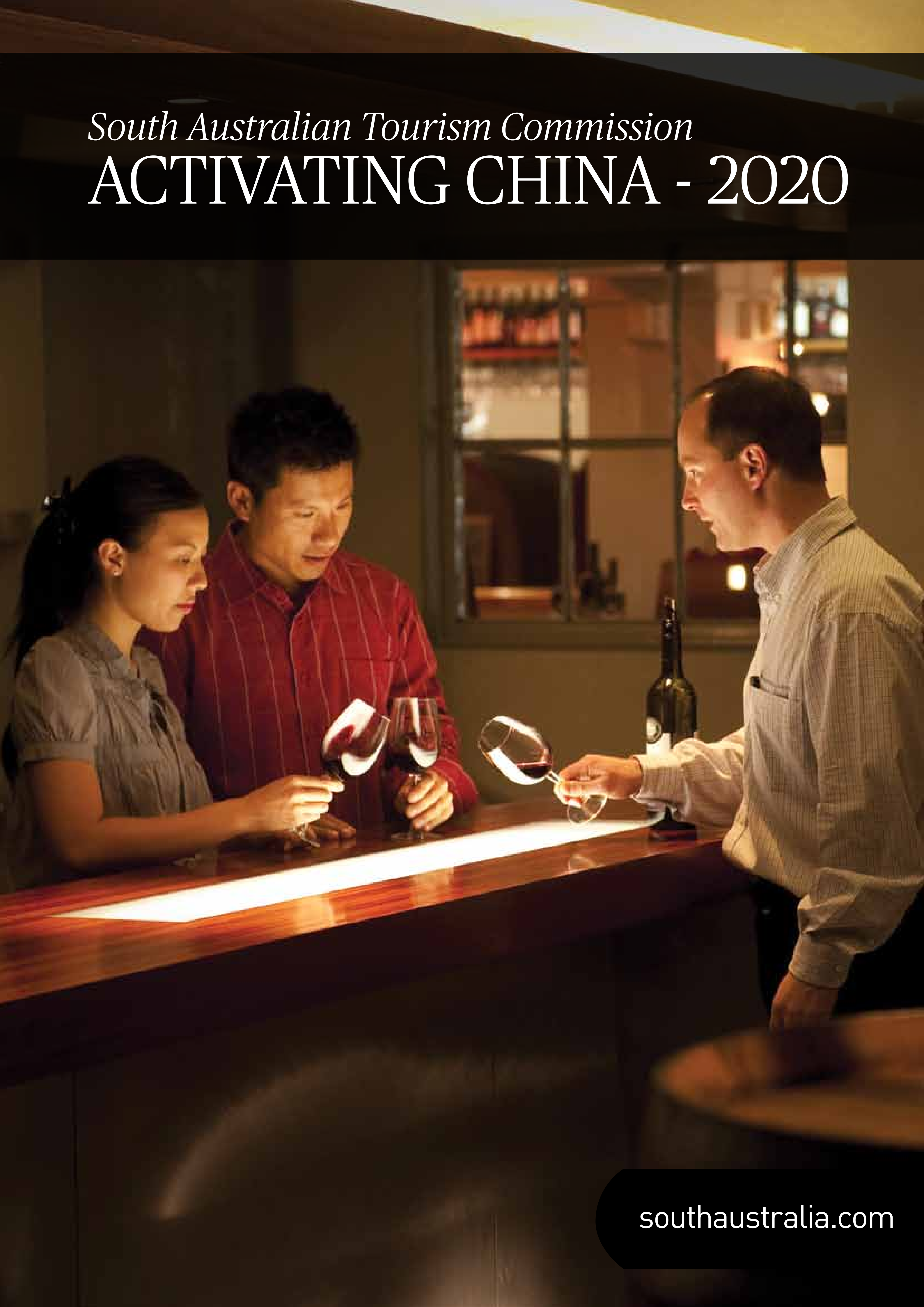
# South Australian Tourism Commission
# ACTIVATING CHINA - 2020



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# *Message from the*
# PREMIER, Jay Weatherill

China has experienced phenomenal economic growth over the past three decades and has now emerged as an economic superpower.

It is important that South Australia continues to increase trade and investment links with China. The South Australian Government has adopted a whole-of-government approach to the market and is actively supporting key industries in our quest to develop Chinese markets.

The rapid growth in China, along with the loosening of travel restrictions, has seen the emergence of the Chinese leisure traveller.

China is among the largest and fastest growing of all inbound tourism markets and represents a huge opportunity for us to increase visitor numbers and expenditure in South Australia.

From the Barossa Valley to iconic Kangaroo Island, our stunning beaches and award-winning wine, events and festivals, South Australia truly offers a diverse Australian travel experience for Chinese visitors.

Activating China – 2020 outlines the tourism response required from South Australia to boost the economic contribution of this emerging inbound market.

The South Australian Tourism Commission has undertaken an extensive examination of the market and identified six strategic focus areas outlined in this document that will guide business development and marketing initiatives forward to 2020.

We will work with our tourism partners to ensure that South Australia secures substantial market share and harnesses the potential of the China market.

We have set an ambitious agenda for China and we are confident that with the support of the State Government, the industry and their commercial partners, we will achieve great success.

Jay Weatherill

Jay Weatherill, Premier

# *Message from*
# MINISTER Leon Bignell

South Australia has been welcoming Chinese people since the 1850's, when many came to our shores to search for gold.

Now Chinese visitors arrive looking to explore the jewels of our tourism industry.

China is an increasingly important market for the South Australian tourism industry and in the past decade it has been the fastest growing of our major international markets.

Australia became the first Western nation to receive China's Approved Destination Status (ADS) in 1999, and the number of visitors has increased with China's growing prosperity. South Australia is now welcoming 18,000 Chinese visitors each year, generating $110 million in tourism expenditure in the state.

Our Chinese visitors tell us that a key part of the attraction of South Australia, along with our pristine natural environments and world class food and wine, is that they feel safe and welcomed.

Our aim is to triple the number of Chinese visitors to 57,000 by 2020, boosting related expenditure in the state to $450 million. This Activating China - 2020 tourism strategy sets out a path to our goal. We know Chinese people like to travel, and with more than 100 million Chinese projected to travel outside of China by 2014, we want to ensure as many as possible put South Australia on their itinerary.

Our strategy will focus on improving access between mainland China and Adelaide, developing tourism experiences tailored to the Chinese market and improving our sales and promotions through Chinese travel agents and Inbound Tour Operators.

This is an ongoing journey, with several vibrant new tourism products already emerging, and many more in development. It is clear we need to continue to increase the number of China-friendly experiences. South Australia has a clear competitive advantage thanks to our experience-focussed tourism opportunities, wine, natural beauty and food, which are all highly appealing to the Chinese market.

Activating China - 2020 will guide government and industry to work together to attract more Chinese visitors through to 2020.

This is an exciting time for South Australia as we work to significantly grow our tourism industry and adapt to the growing Chinese market.

Leon Bignell, Minister for Tourism

# *Executive* SUMMARY

Chinese visitation to Australia has been growing strongly over the last ten years and in 2012 exceeded half a million inbound visitors. This figure is tipped to near one million visitors by 2020, and as such is the largest and fastest growing of all inbound markets. 18,000 of these Chinese visitors included South Australia in their itinerary, spending $110 million, making it our most valuable market, although this is partially due to large numbers of long staying education purpose visitors.

We know that as markets mature, their dispersal throughout Australia increases, as shown by the established European and North American markets, and more recently by Hong Kong and Taiwan. Projections show that this rising tide of Chinese travellers to Australia will almost double Chinese visitation to South Australia, from the current 18,000 visitors to 34,000 visitors by 2020. However, if South Australia takes full advantage of the opportunity presented, then this potential rises to 57,000 with expenditure in South Australia of $450 million.

To achieve this potential it is essential that we understand the current Chinese traveller, as well as the likely changes in travel patterns that are to occur through to 2020. At the moment, Chinese holiday itineraries are most commonly of around eight nights and include three destinations. Competition for this market is fierce. So far, these markets have been dominated by New South Wales, Queensland and Victoria, with other states struggling to lure Chinese visitors away from these well trodden east coast itineraries.

By 2020, the most profitable of these travellers will be couples aged between 35 and 54 with a household income of greater than RMB120,000 in the affluent middle class in core cities who have prior experience of Australia, travelling independently or in quality customised small group tours. South Australia will offer them distinctive experiences centred on our identified strengths; Wine, Naturalness and Food.

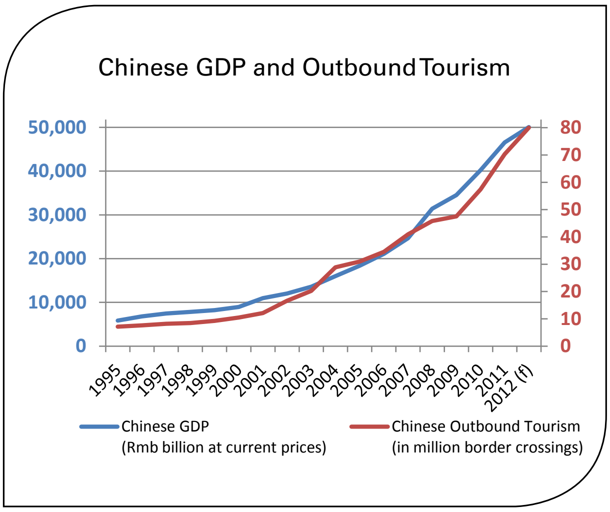
To ensure that the Chinese opportunity is fully realised, South Australia must concentrate on the six identified Key Focus Areas. We must:

- **Communicate to the most profitable consumer for SA** by growing awareness, consideration and intention for SA though traditional and digital media in China.
- **Make it easy to research and book SA** by working with Chinese travel agents, Inbound Tour Operators (ITOs) and online sources to ensure the best of SA is sold in China.
- **Make it easy to get to SA** by working with airlines to develop direct air services between Adelaide and key Chinese hub cities.
- **Deliver quality SA experiences** by working with commercial partners to develop compelling tourism offerings.
- **Deliver quality SA infrastructure** by working with accommodation providers to better cater to the distinctive needs of their Chinese guests.
- **Leverage partnership opportunities,** especially with Tourism Australia, South Australian consumer brands and relevant South Australian government agencies.

# *The Emergence*
# OF CHINA

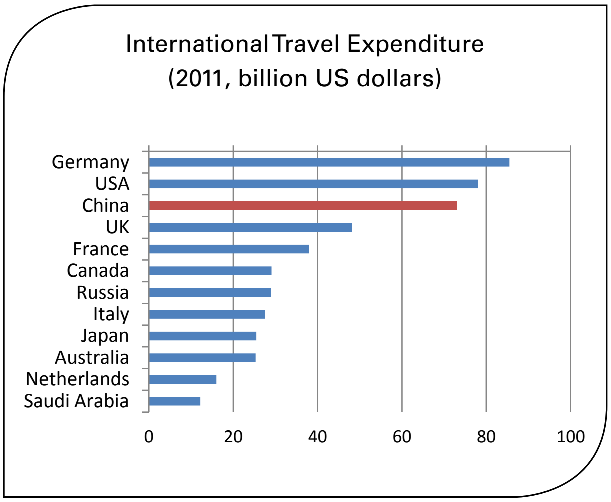
China's rapid expansion is well documented, with phenomenal economic growth over the last three decades. Sustained Gross Domestic Product (GDP growth of 10 per cent and more has often been achieved in China over the last 10 years, although this has recently slowed to around eight per cent. This strong, sustained growth means that the Chinese economy is now five times larger than it was in 1999.

This rapid growth, along with the loosening of travel restrictions, has seen the emergence of the Chinese leisure traveller. From less than 10 million outbound border crossings in 1999 to an estimated 80 million in 2012 and a projected 100 million in 2014, China has become a significant growth engine for the global tourism industry.




*Source: GDP: Compilation of China's National Bureau of Statistics reports by http://www.chinability.com/GDP.htm Outbound Tourism: China Outbound Tourism Research Institute (COTRI): www.china-outbound.com*

China is now the third most valuable global source market, with an estimated outbound spend of over US$70b, behind Germany and the US and substantially ahead of the UK. China is the only one of these large source markets that will experience substantial growth in the medium term.




*Source: China Outbound Tourism Research Institute (COTRI): www.china-outbound.com*

In 1999, Australia was the first Western destination that received Approved Destination Status (ADS) from China and inbound visitation has since grown strongly, starting from less than 100,000 to 527,000 today. China is now Australia's most valuable inbound market, worth an estimated $2.7b in 2011, and the third largest by visitor numbers, behind New Zealand (1.1m) and the UK (570,000). Strong growth is projected through to 2020, with visitation approaching 1 million and expenditure of $7 to 9 billion. South Australia, from a considerably lower base, has seen similar growth, up from only 2,000 arrivals in 1999 to 18,000 Chinese arrivals in the 12 months to September 2012.

The Tourism Forecasting Committee (TFC) projects that arrivals will almost double by 2020, which would mean a minimum of 35,000 arrivals to South Australia, assuming the current market share is maintained.

# *The Emergence*
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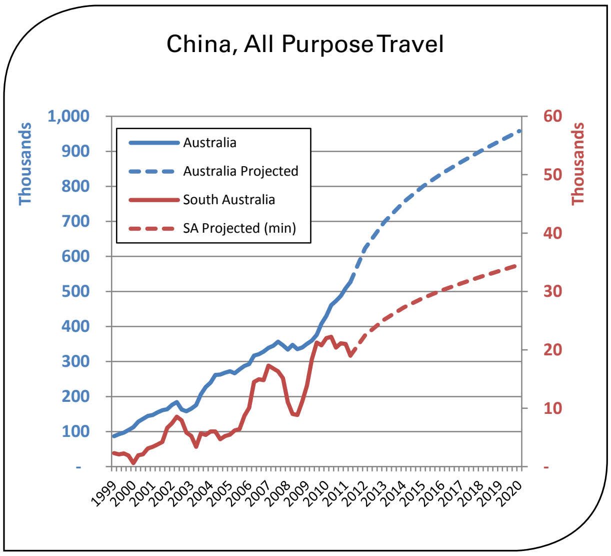
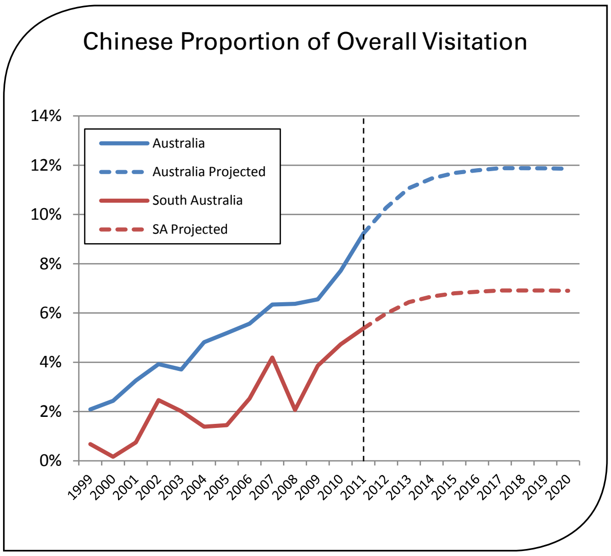



*Source: International Visitor Survey (IVS) and Tourism Forecasting Committee (TFC) projections*

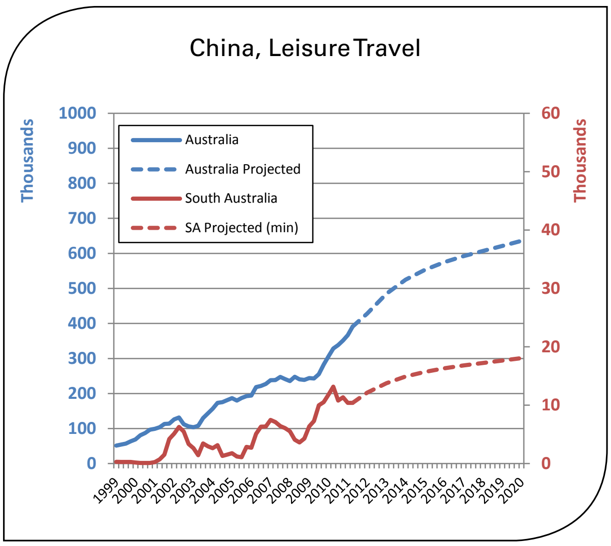



*Source: International Visitor Survey (TRA), Tourism Forecasting Committee (TFC) and SATC internal projections*

China represents a substantial source of visitor arrivals for Australia, and yet Australia represents less than one per cent of all Chinese trips, the majority of which are currently being taken in Hong Kong and other nearby Asian destinations. The potential upside to Chinese visitation is substantial.

This strong growth in Chinese arrivals to Australia, far above the growth from any other inbound market, has resulted in Chinese visitors representing an increasing proportion of overall visitation, rising to ten per cent of visitors in 2012 and projected to approach 12 per cent by 2015. South Australia lags behind the national proportion as China currently represents six per cent of all visitors to the state.

Leisure purpose travel is the primary concern of this strategy, and this sector is projected to grow strongly, from 11,000 arrivals to SA today to 17,000 by 2020.

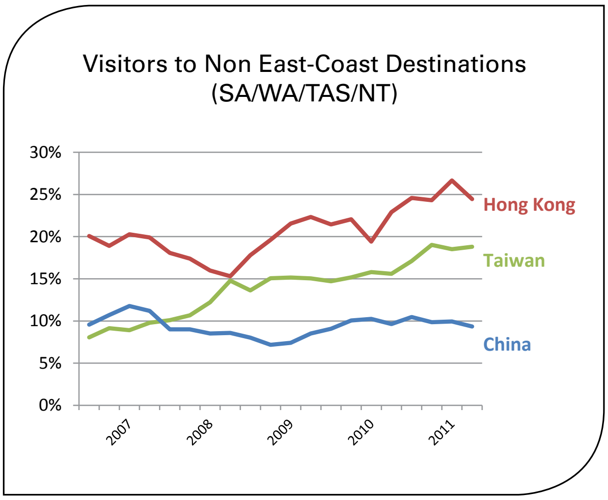



*Source: International Visitor Survey (TRA) and Tourism Forecasting Committee (TFC) projections*

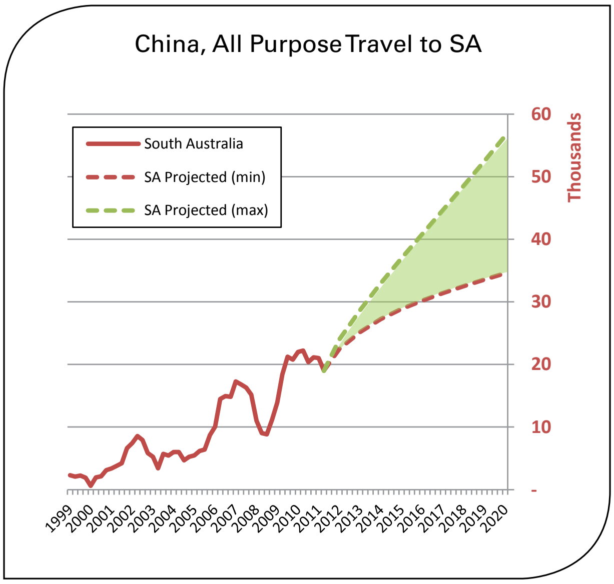
# *The Emergence* OF CHINA

## THE UPSIDE OPPORTUNITY

The projection for South Australia, as shown previously, is a conservative estimate that assumes we hold steady in market share of inbound arrivals to Australia. Two comparable markets to mainland China are Hong Kong and Taiwan which, as more mature markets, have shown a considerable increase in dispersal from the eastern states to the smaller states in the last five years. A similar increase in dispersal from China is anticipated, meaning stronger growth and market share for China than that shown previously.




The minimum projection by 2020 of 36,000 total Chinese visitors of which 17,000 are leisure purpose assumes a constant market share of 3.2 per cent of inbound Chinese. However, South Australia currently receives six per cent market share of Hong Kong visitors to Australia. As this is China's most comparable market, we can assume a maximum upside opportunity of matching this market share by 2020. This would result in a total of 58,000 overall visitors, of which 38,000 would be for leisure purpose.




Chinese visitors currently spend $110m while in South Australia, 3.6 per cent of the $3.0b spent nationwide. Projecting this to 2020 can be done using Tourism Australia's forecast of 95-137 per cent nominal expenditure growth and assuming that the share of expenditure rises to five per cent, the current Hong Kong figure. This results in a potential of $370-$450m in expenditure.

Tourism is a labour-intensive industry and this increase in expenditure will have a substantial impact on employment in South Australia. The latest available tourism employment data for South Australia is the Tourism Satellite Account (2010-11), which reports 33,000 direct jobs in the sector. From this we know that $151,000 in tourism expenditure supports one job in the industry. Should the full $450m potential of the industry be reached by 2020, this will support a further 1,700 jobs in the tourism sector across South Australia. This figure is adjusted for inflation, and includes both full time and part time positions.

# *The Emergence*
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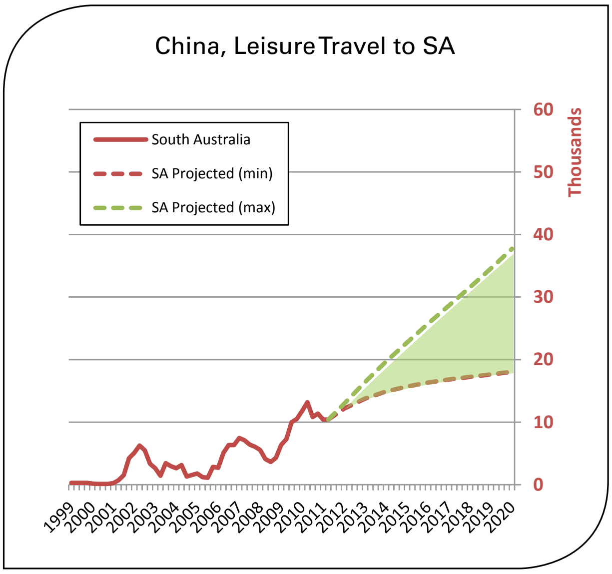
As previously stated, as at September 2012 Chinese leisure travel to South Australia was 11,000 visitors. Using the same assumptions as for overall travel, the leisure opportunity for SA is projected to be between 18,000 and 38,000 visitors by 2020.




Achieving Chinese visitation to SA above the minimum projected figures requires substantial and effective actions across all aspects of the tourism experience, from marketing and distribution systems in China, air access to South Australia, the development of quality infrastructure and experiences and the development of meaningful partnerships to enable these actions.

## INSIGHT:

The Chinese leisure tourism market is large and growing. Both Australia and South Australia are experiencing strong growth, and are projected to grow robustly for the foreseeable future.

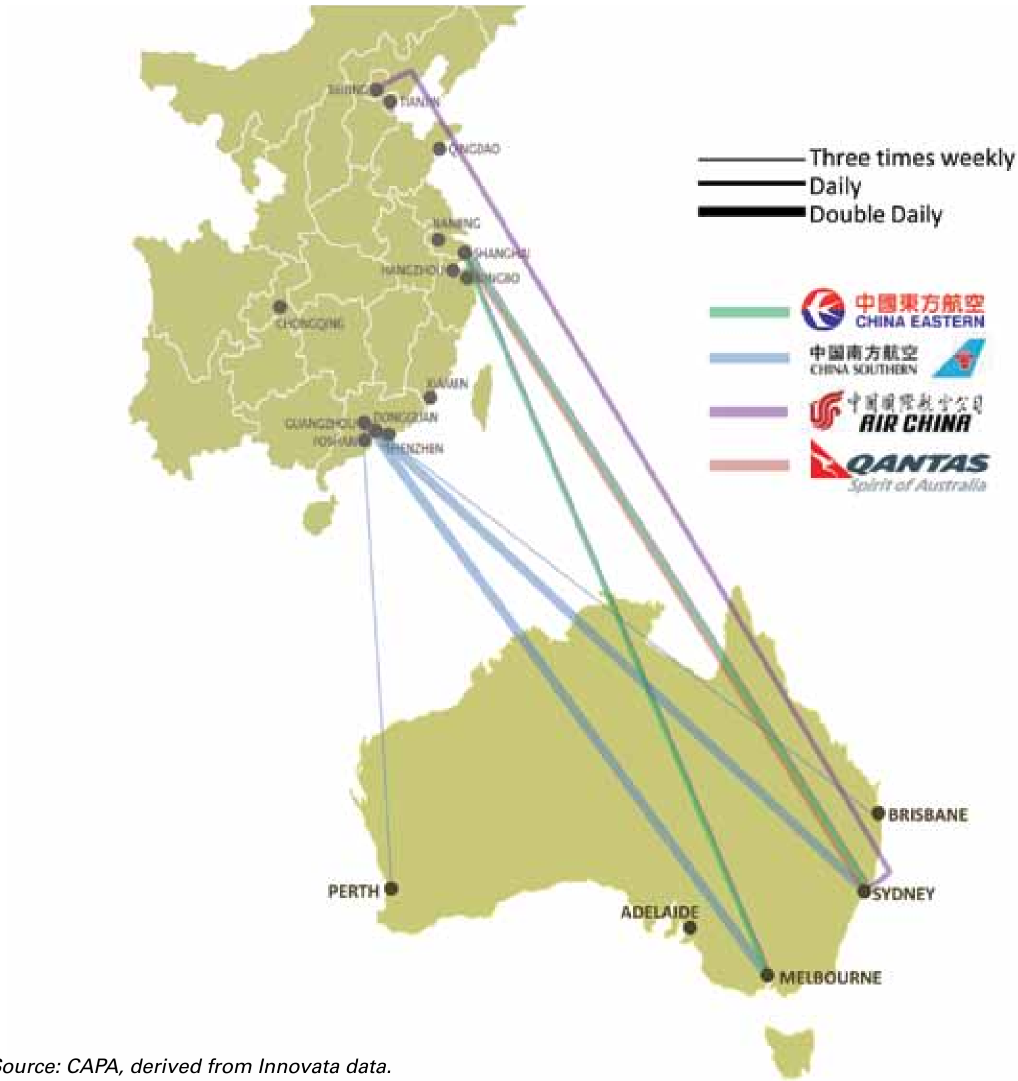
# *The Emergence*
# OF CHINA

## AIR CONNECTIONS BETWEEN AUSTRALIA AND CHINA

Direct flights from mainland China to Australia have been increasing, with the recent addition of Guangzhou-Perth by China Southern, and increased frequency of many flights to the Eastern states.

As of 2013, China is currently directly accessible to all our key competitive destinations in Australia; China Southern services Guangzhou to four Australian cities; both China Eastern and Qantas service Shanghai to Sydney and Melbourne; and Air China services Beijing to Sydney. There are also services operated by Jetstar via Singapore and Hainan Airlines services Sydney.

Current Direct Air Access between Australia and China



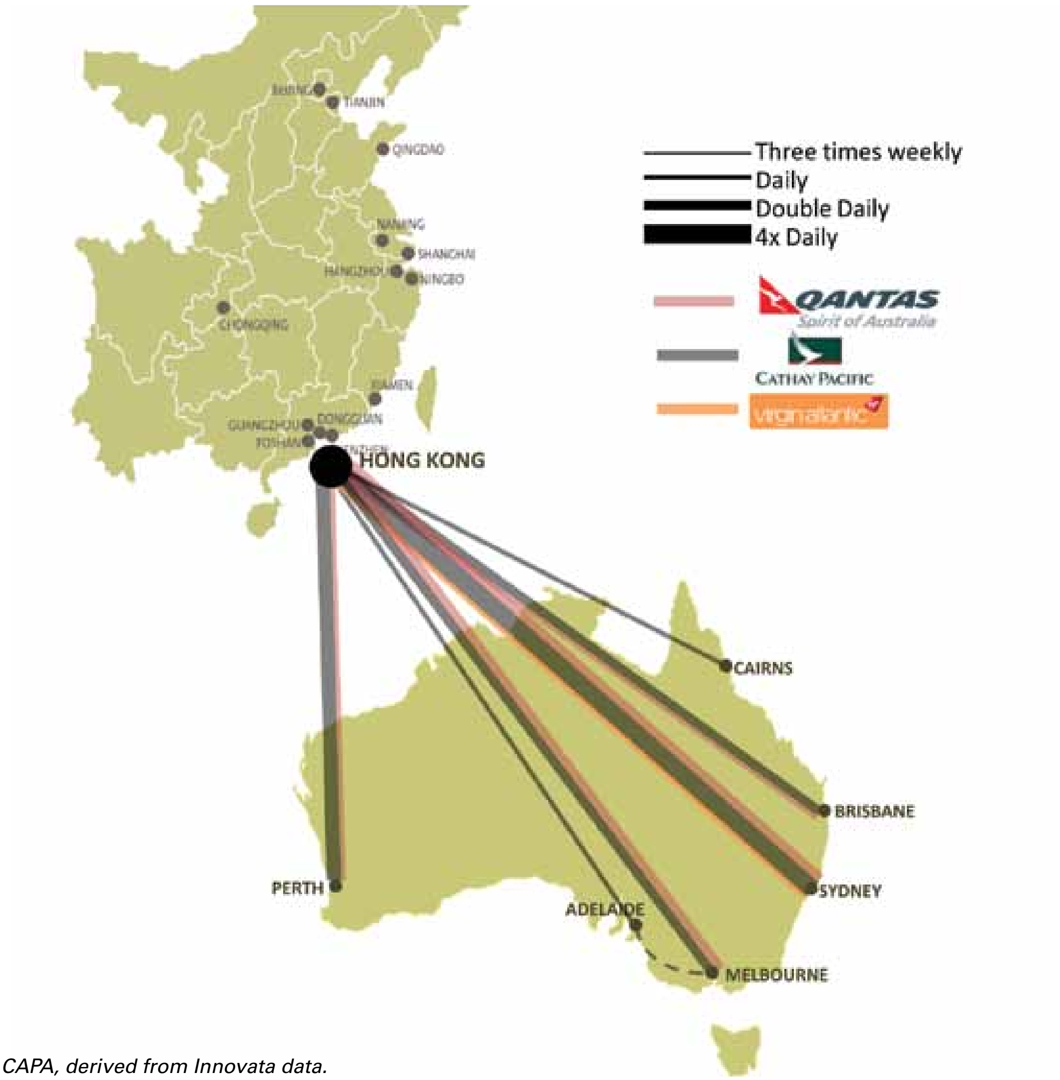

*Source: CAPA, derived from Innovata data.*

# *The Emergence*
# OF CHINA

The most important and most direct route to access South Australia is with Cathay Pacific via Hong Kong, although connections are also possible through Singapore with Singapore Airlines and Silk Air, as well as Kuala Lumpur with Malaysian Airlines.

Domestic connections within Australia are also possible using Australian carriers. This indirect access represents both a cost and time disincentive for Chinese to visit South Australia for leisure.

Current Direct Air Access between Australia and Hong Kong




*Source: CAPA, derived from Innovata data.*

# *The Emergence* OF CHINA

As Adelaide is currently directly connected to Hong Kong, this means it is a one stop flight from anywhere in mainland China, and from six major cities using Silk Air / Singapore Airlines via Singapore.

It is worth considering that less than half of the leisure visitors to New South Wales live in the three Chinese cities that have direct connections to Sydney. Even those from directly connected cities are not guaranteed to have arrived directly. Direct air access is not an all or none issue, but rather a continuum: from none to Hobart, limited to Perth, fair to Melbourne and good to Sydney. It should also be remembered that achieving a direct flight will only enable direct service from one of three key cities.

Sydney and Melbourne International airports currently handle the vast majority of Chinese leisure passengers, with 70 per cent exclusively using a combination of these two airports to arrive and depart Australia. A further 20 per cent use these airports for just one of the international legs of their journeys, leaving only 10 per cent who do not use these airports at all, primarily being travellers flying in and out of Perth, Brisbane or, to a lesser extent, Adelaide.

Queensland international airports are used by only half of all Chinese leisure visitors to that state, indicating Queensland is often in the middle of a three or more stop itinerary.

## INSIGHT:

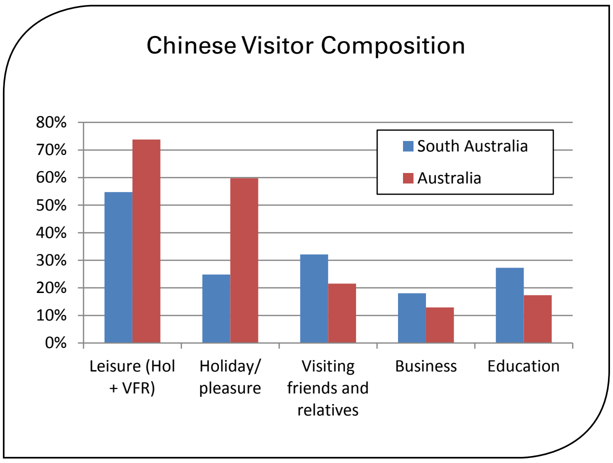
South Australia currently has no direct air access to mainland China, while key domestic competitors all have varying degrees of direct access to China's three main hubs.

Cathay Pacific's Hong Kong-Adelaide route is currently the most direct access to Adelaide.

Indirect access also comes via interstate Australian ports with additional domestic legs. This adds time and cost to travel and decreases South Australia's competitiveness in China.

# *The Current*
# CHINA MARKET

There are four key types of visitors from China; Holiday, Visiting Friends and Relatives (VFR), Business and Education. Each type of visitor displays different characteristics, so it is worth considering each separately.




| Holiday Purpose Visits | | | |
|---|---|---|---|
| Visitation to SA | SA Market Share | Avg Length of Stay in Aus | Avg Stopovers in Aus |
| 5,000 | 1.5% | 8 nights | 2.8 |

The proportion of Holiday purpose visits to SA are relatively low. Despite that fact that 60 per cent of Chinese visits to Australia are for holiday purpose, only 25 per cent of Chinese visits to South Australia are for holiday purpose, meaning holiday market share to SA is only 1.5 per cent, far below the market share of the other categories. Attracting a larger share of this market is essential to the success of South Australia's China tourism strategy.


| Visiting Friends and Relatives (VFR) Purpose Visits | | | |
|---|---|---|---|
| Visitation to SA | SA Market Share | Avg Length of Stay in Aus | Avg Stopovers in Aus |
| 6,000 | 4.6% | 50 nights | 2.2 |

Long stays with few stopovers characterise an average Chinese VFR trip to Australia. South Australia performs better with this group, with 4.6 per cent market share. However, this still lags behind the seven per cent of South Australia's average market share for VFR.

Recently released Australian census data shows that out of the 320,000 Chinese born Australians, 16,000 (5 per cent) reside in South Australia, double the 8,000 recorded in 2006. Victoria and New South Wales have substantially larger populations, with 94,000 and 156,000 Chinese born residents respectively. This represents a large pool of influencers whose impact on itinerary planning should not be underestimated.

This sector should be supported where possible.

*The Current*

# CHINA MARKET

| Business Purpose Visits | | | |
|---|---|---|---|
| Visitation to SA | SA Market Share | Avg Length of Stay in Aus | Avg Stopovers in Aus |
| 3,000 | 3.6% | 17 nights | 2.0 |

| Education Purpose Visits | | | |
|---|---|---|---|
| Visitation to SA | SA Market Share | Avg Length of Stay in Aus | Avg Stopovers in Aus |
| 5,000 | 5.3% | 160 nights | 2.1 |

South Australia receives a relatively small number of government and business travellers which, although higher yield, are not the core focus of the SATC. However, it should be noted that Chinese business travellers display a stronger propensity toward leisure activities than business travellers from Europe, North America, or even Hong Kong. Although the top three activities for a business traveller from most markets are eating out, shopping and sightseeing, Chinese business travellers show a stronger likelihood to participate in most leisure activities while on a business trip, especially shopping for pleasure, going to the beach and visiting a casino. Conversely, they were substantially less likely to visit a 'pub, club or disco' while on their trip.

This market has a potential to support leisure travel and should be encouraged through appropriate mechanisms.

The IVS reports the arrival of 5,000 Chinese students in the year to March 2012, while Education Adelaide reports 12,786 Chinese enrolments in Adelaide in 2011. This discrepancy is attributable to individual students enrolling in several courses and some enrolments not resulting in a commencement of study. Although not a focus of *Activating China - 2020*, a strong education market will support the growth of leisure travel by increasing awareness and word of mouth promotion of South Australia, as well as providing a spur to VFR visitation. Recent IVS data shows that around one in five Chinese students were visited by a family member while studying in South Australia. This sector should be supported where possible.

Education purpose visits are substantially longer than all other types, and as such contribute the vast majority of both expenditure and nights spent in South Australia. However, the nights and expenditure are not generally attributable to traditional tourism areas of transport, accommodation and activities.

## INSIGHT:

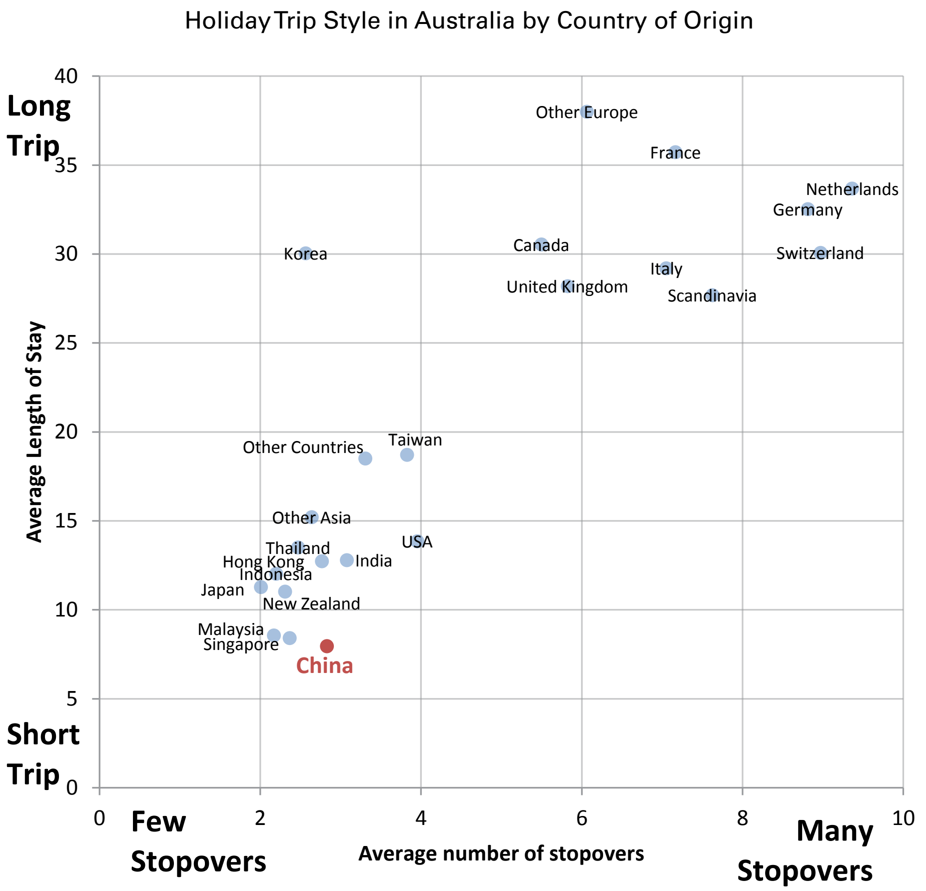
Chinese visitation to SA is currently strong for VFR, business and education purpose visitors, with a lower market share of the holiday market. This is a strong growth opportunity.

# *The Current* CHINA MARKET

## TRIP LENGTH AND STOPOVERS

Chinese holiday purpose visitation to Australia is currently characterised by short, fast paced trips. The average duration of a trip is eight nights with 2.8 places visited, meaning not quite three nights are available per stop.

This is the shortest average trip length and the least amount of time per destination of any nationality. By comparison, Asians generally visit three places over 12 nights, while Europeans tend to visit eight places over 30 nights.




*N.B. Holiday only has been examined here, as VFR trips are of very long duration with few stopovers*

## INSIGHT:

Chinese holiday visitors travel the fastest of any traveller. Travel patterns focus on the East Coast and visit three destinations over eight nights.

# The Current
# CHINA MARKET

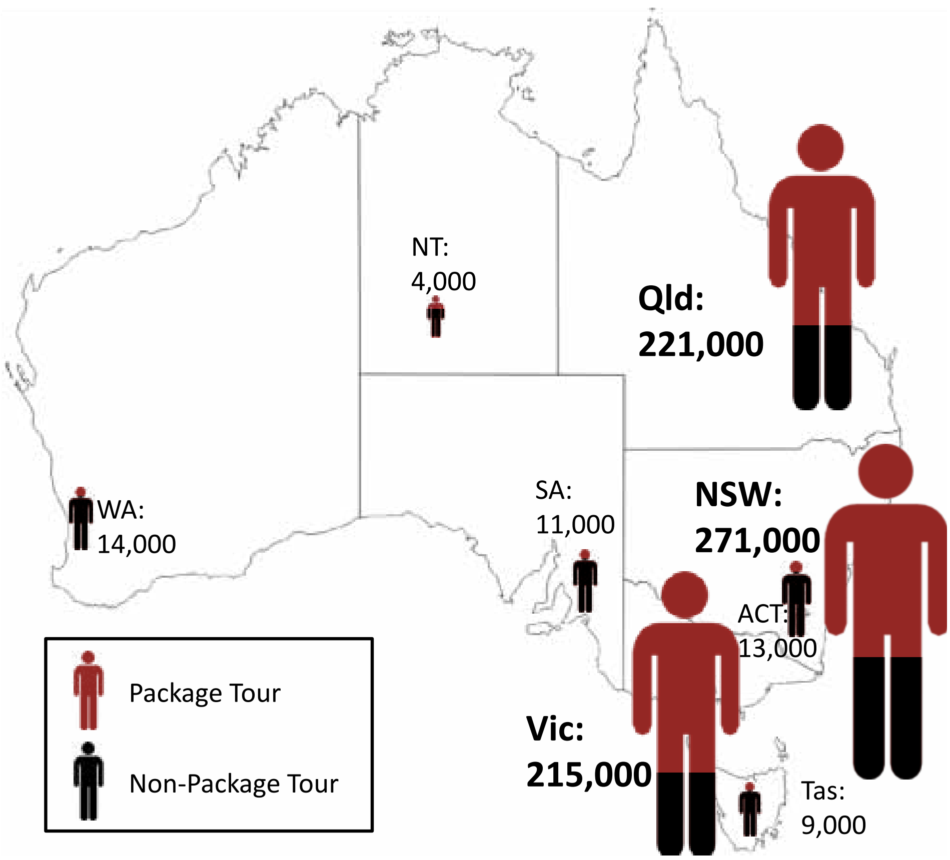
## PLACES VISITED

Looking at the broader leisure category (Holiday + VFR), the package tour market dominates, with 63 per cent of Chinese leisure visitors to Australia arriving on a package tour, compared to only 25 per cent for the average international visitor. These tours are primarily concentrated in the eastern states where 70 per cent of visitors are package tourists, while in the lower volume states only 10 per cent of leisure visitation is by package tour.

This mass package tour market focuses on volume out of China and is dominated by low immersion, low yield trips.

The vast majority of itineraries involve Sydney plus two other destinations, usually Melbourne, Gold Coast, Brisbane or Cairns. Total tour costs, including airfares, range from RMB11,000-18,000 (A$1,700-$2,700). These margins allow little room for anything outside basic land content while in Australia. Adelaide is not included in most of these itineraries as it adds complexity and cannot be provided at a competitive cost due to smaller economies of scale and the lack of a shopping commission structure. It is the opinion of the SATC that we should not compete directly to capture this low yield mass market.

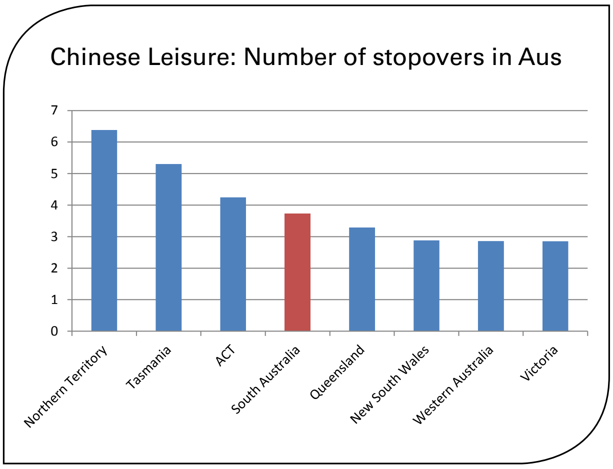
A Reality Check: Annual Leisure Only Visitation of Chinese to Australian States




*Icon overall area reflects visitation figures, 12 months to September 2012*

# *The Current*
# CHINA MARKET

When visiting South Australia, itineraries are far more independent and generally lengthen to four stops, rather than the average three-stop itinerary. For 90 per cent of SA visitors, Adelaide is the only stopover in South Australia, the other three generally being in the eastern states. SA also achieves a larger proportion of younger Chinese travellers, who are more likely to do more stopovers while in Australia.




*N.B. Stopover is defined by the number of tourism regions in which a traveller stayed overnight during their entire journey in Australia*

## INSIGHT:

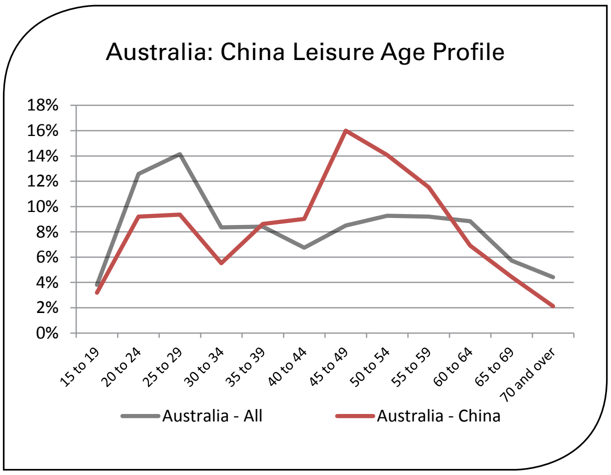
The lower holiday market share is largely the result of not getting a share of the large east coast package market. South Australia struggles to be included in the most common Australian itineraries which are three-stop, high-volume, low-price east coast destinations. As such, trips to SA tend to include four or more stops in Australia.

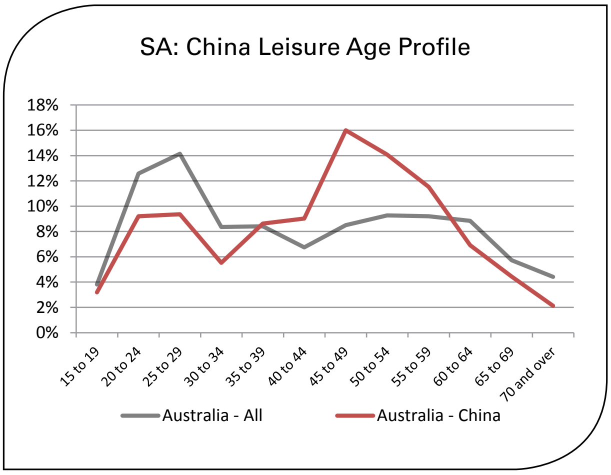
# *The Current*
# CHINA MARKET

## CURRENT LEISURE VISITOR DEMOGRAPHIC PROFILE

### Age

Over half of all Chinese leisure visitors to Australia are between the ages of 40 and 60, peaking at 45-49. This is considerably different to the average international traveller, where visitation peaks at 25-29.




In South Australia the 40-60 group is still the strongest, but we host a much larger proportion of 20-29 year old travellers, likely due to the low proportion of package tours and strong VFR market.

### Spend

Current spend by Chinese leisure visitors in Australia is $1,900 per trip. This figure includes only 30 per cent of the cost of the international airfare. Removing the international airfare component, the average eight night trip spend is around $200 per day, inclusive of domestic transport costs, accommodation and shopping. This makes for a very tight and competitive market for the in-destination operators and a fiercely price sensitive market.

South Australia yields somewhat higher than the Australian average, mainly due to being off the low yield package tour routes, and a higher proportion of long staying VFR purpose travellers.

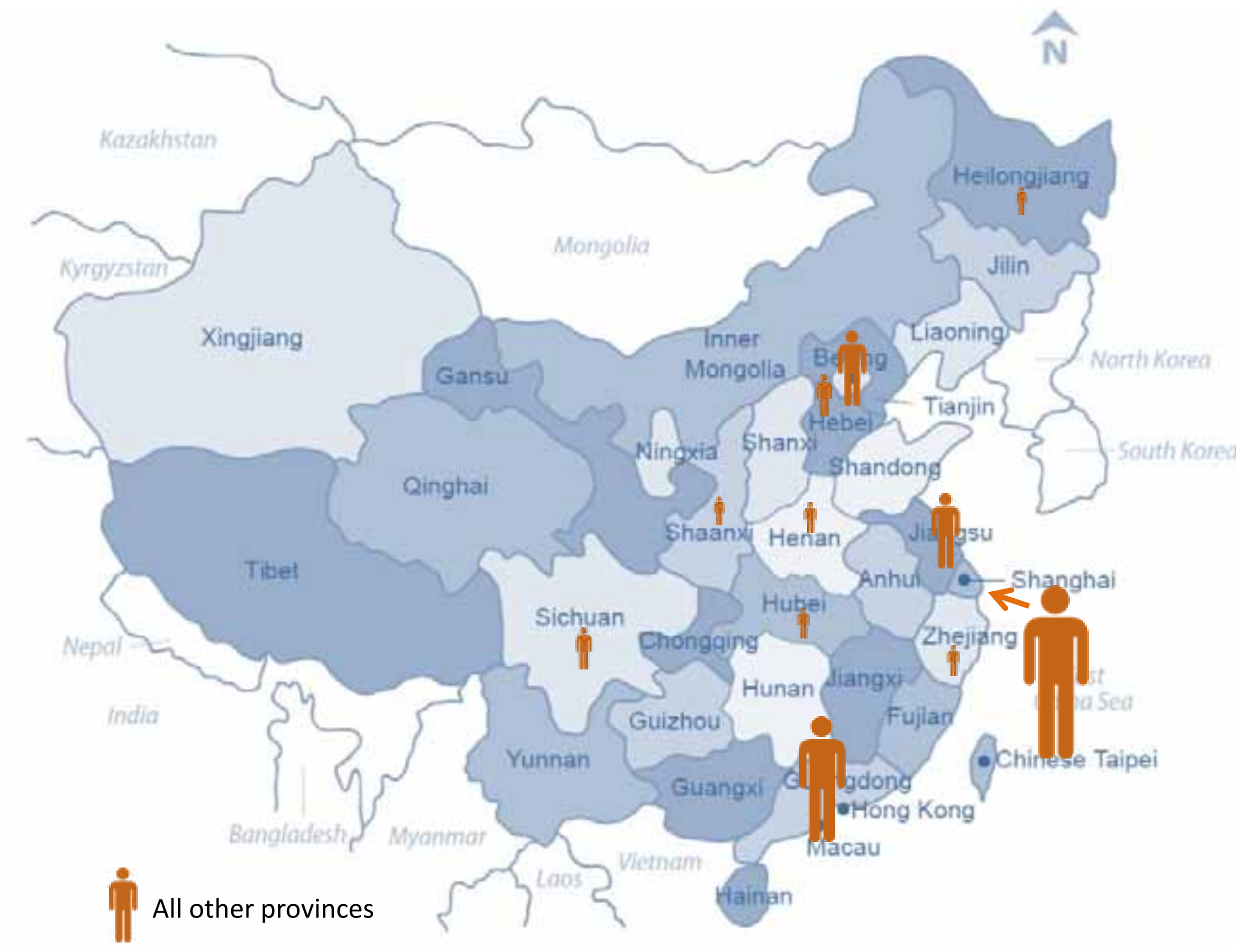
# *The Current*
# CHINA MARKET

## Origin in China

Of the 10,000 Chinese leisure visitors to SA last year, 47 per cent appear to originate in Shanghai, Guangdong or Beijing, as shown by the map below.

Holiday purpose visitors are more likely to come from these cities, representing 55 per cent of current SA holiday visitation. Australia overall had a more widely distributed visitation, with 41 per cent of leisure visitors coming from these three most highly developed cities.

Origin of Current Chinese Leisure Visitation to South Australia



*The Current*

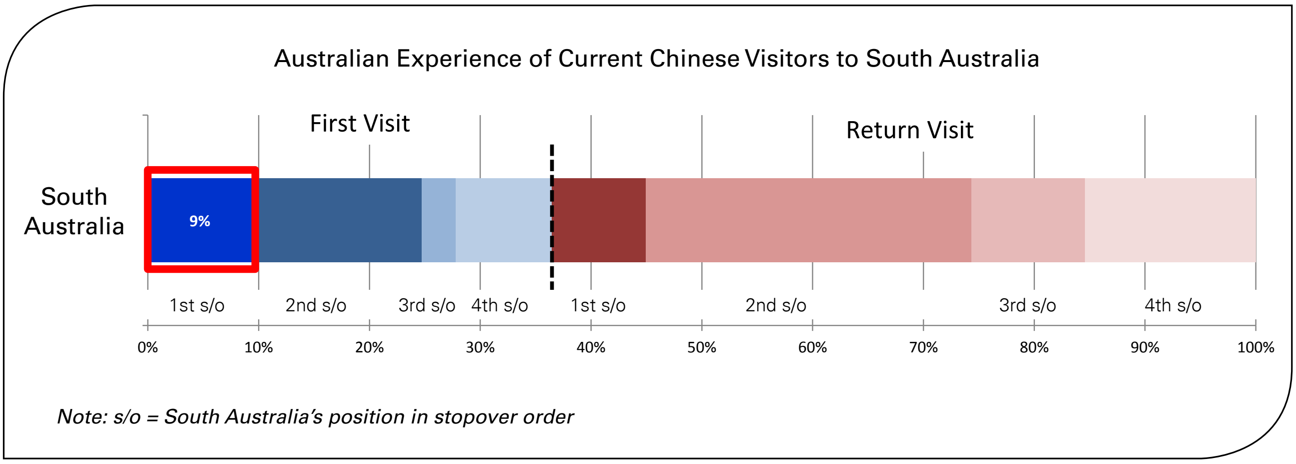
# CHINA MARKET

## Prior Australian Travel Experience

Currently, nine out of ten Chinese visitors to South Australia have already experienced some part of Australia prior to arriving in Adelaide, either on a previous trip to Australia (red coloured bars below) or during the earlier stages of their Australian trip (pale blue colours below). This is not the case for the eastern states, for whom more than 50 per cent of their visitors are on their first visit to Australia.

For Queensland, their proportion of first time visitors is over 70 per cent, but mainly as their second destination in Australia, reflective of the group tour itineraries being sold in China.

Direct consumer research in China shows that awareness of SA regions is 10 per cent or lower for those who have not previously visited Australia, but over 30 per cent for all regions for those who have previously visited Australia.




## SUMMARY of INSIGHTS:

The current Chinese inbound leisure market:

- is in their 20's or is 40-60
- is primarily from Tier 1 Chinese cities
- has experienced Australia prior to arriving in Adelaide; and
- spends $19,00 on average while in Australia

# *The Current*
# CHINA MARKET

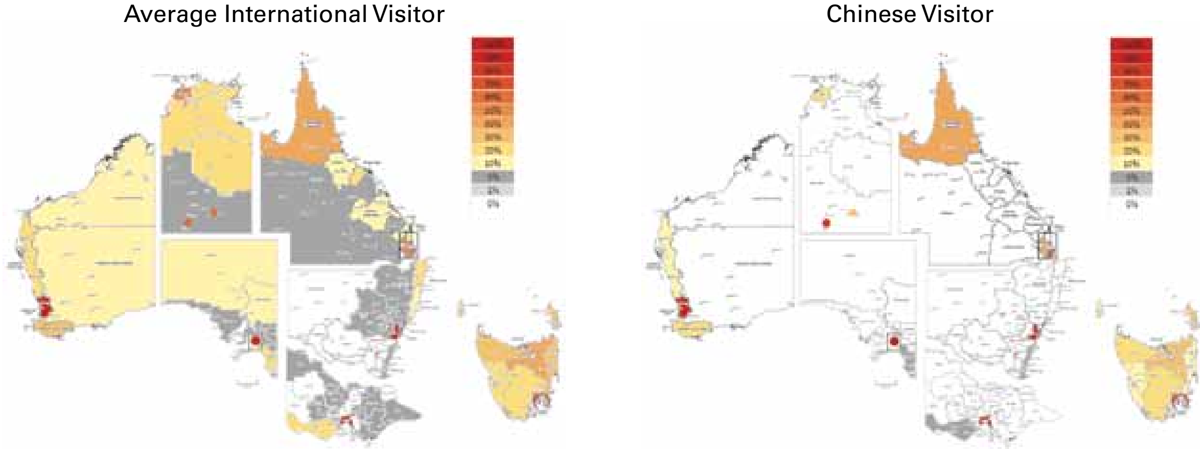
## CHINESE DISPERSAL INTO REGIONAL AREAS

Chinese visitors currently do not have a strong propensity to disperse to regional Australia, as demonstrated by the chart below. The Chinese market overwhelmingly concentrates their overnight visitation to capital cities, as well as the Gold Coast and Cairns with only seven per cent of Chinese leisure visitors spending a night outside these regions. In South Australia less than six per cent spend a night outside of the Adelaide tourism region, with similar proportional figures for Sydney and Melbourne.

This is in contrast to the average international visitor who disperses far more into regions, with 33 per cent spending a night outside of the capital cities, the Gold Coast or Cairns. The main drivers for these trip behaviours are the aforementioned tight itineraries for holiday purpose trips, generally being three stops over eight nights. VFR trips, although longer, tend to have fewer stopovers as they are focussed on the region in which the friend or relative resides, which is usually a capital city.

Leisure Dispersal:
Proportion of *overnight* visitation to regional areas of Australian States

Average International Visitor | Chinese Visitor

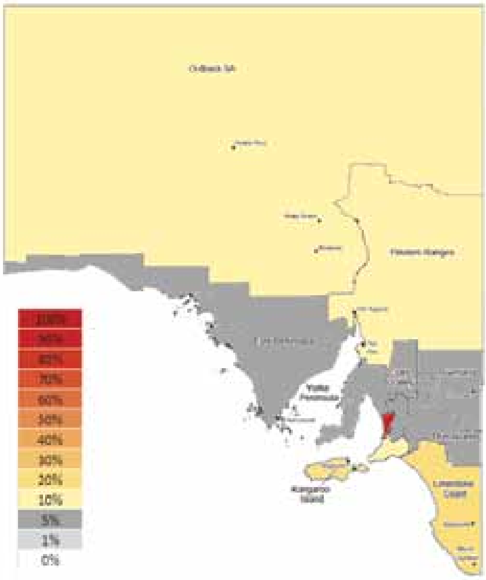


*Average dispersal to regions within each state, expressed as a proportion of overall leisure visitors to SA*

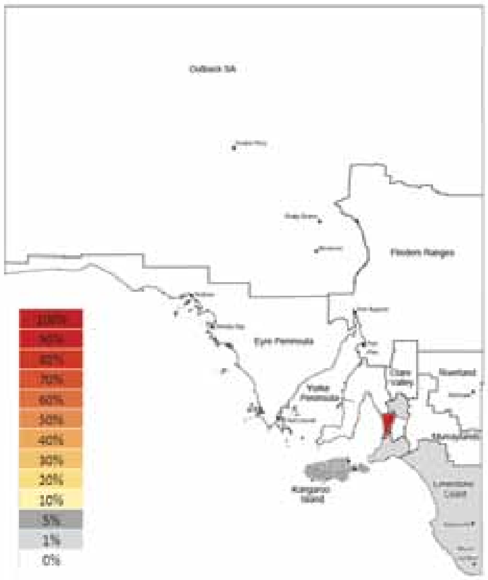
# *The Current*
# CHINA MARKET

**Leisure Dispersal:**
**Proportion of *overnight* visitation to regional areas of Australian States**

**Average International Visitor**




**Chinese Visitor**




*Average dispersal to regions within each state, expressed as a proportion of overall leisure visitors to SA*

For most inbound markets to South Australia regional dispersal is usually high, with 42 per cent of our international leisure visitors spending a night outside of the Adelaide region. This figure is highest among western hemisphere visitors at 49 per cent, much lower in Asia at 21 per cent and lowest for Chinese visitors at six per cent. From this very small pool of Chinese tourists who overnight anywhere other than Adelaide, the most popular overnight regions were Kangaroo Island, the Limestone Coast, the Barossa and the Fleurieu Peninsula.

All other regions were less than 1%. The immediate focus of South Australia's China strategy must be Adelaide and expectations of overnight regional dispersal should be kept low. A recent internal review by SATC identifies a small number of partially 'China Ready' operators in South Australia, primarily located in the Adelaide Tourism Region, with a small number in the Barossa, the Adelaide Hills and on Kangaroo Island. This is broadly reflective of the current hotspots identified above.

## INSIGHT:

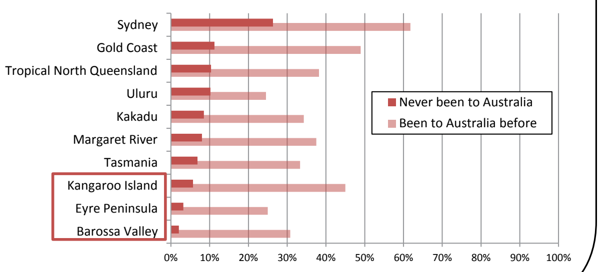
Even in the more developed inbound markets in the eastern states, Chinese visitors overwhelmingly confine their overnight stays to capital cities with day trips to nearby regions.

# *The Current*
# CHINA MARKET

## CONSUMER AWARENESS

Awareness of South Australia as a destination and its tourism products is low, even among our target market of experienced international travellers in core Chinese cities. Less than six per cent of these Chinese travellers who have not previously visited Australia are aware of our three key tourism regions of Kangaroo Island, the Barossa and the Eyre Peninsula. Awareness jumps considerably for those who have visited Australia before, especially awareness of Kangaroo Island, reinforcing the opportunity to attract return visitors to South Australia.

Awareness of Tourism Products in Regions




*Source: BDA China Product Testing, Beijing & Guangzhou, international travellers and those considering international travel in the future. Percentages reflect respondents who have High or Very High Awareness of the tourism product in each region*

## INSIGHT:

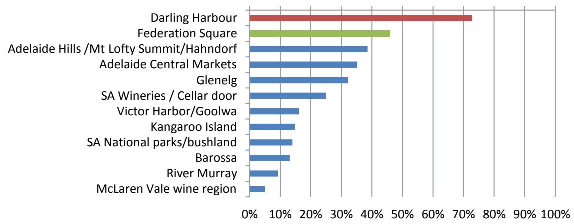
First time Chinese travellers have low awareness of South Australian tourism regions, but this increases substantially for repeat visitors, especially for Kangaroo Island.

## ICONIC SIGHTS

Chinese leisure visitors to Sydney are quite concentrated in the attractions that they visit, with 73 per cent visiting Darling Harbour (shown in red below, Sydney's top attraction). In Melbourne, the concentration is less, with 46 per cent of Chinese leisure visitors going to their top attraction of Federation Square. Adelaide is yet less concentrated, with our top attraction of the Adelaide Hills drawing 39% and the Central Market drawing 35 per cent. Although these figures should only be considered indicative as the attraction list for each state is arbitrary, it does show that the other Australian cities have a stronger list of core attractions than Adelaide.

However, having a concentrated group of key attractions to visit does not necessarily drive large tourism numbers. Canberra, with a comparable number of Chinese leisure visitors to Adelaide, has the most concentrated Chinese visitation around a single site, with 91 per cent visiting Parliament House.

Chinese Visitation to Key Attractions
Expressed as % of leisure vistors to applicable state, selected attractions only.




*Figures are expressed as % of leisure visitors to applicable state, selected attractions only.*

*Some sites, such as the 'North Terrace Precinct' have not been consistently included in the survey, so are not reported here. Regional attractions are likely to have been visited as part of a day-trip, rather than an overnight stay, as previously discussed.*

## INSIGHT:

South Australia lacks distinctive landmarks to compete with the likes of Opera House and Harbour Bridge. Rather than create an icon, SA should leverage its close regional assets.

*The Future*
# CHINESE TRAVELLER

## GEOGRAPHICAL TARGET MARKET

SATC's geographic focus in China is aligned with Tourism Australia's and was derived after extensive research into economic factors, travel propensity, visa risk profile, aviation access as well as travel maturity. There are over 200 cities in China, and the SATC prioritised five as core cities (including Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing and Hangzhou) and a further seven into secondary cities.

SATC is mainly active in the core cities due to their higher travel maturity and travel propensity. That being said, SATC also supports agent marketing activity in secondary cities that are in close proximity to the core cities, given that agents from the core cities effectively become wholesalers for the agents in the surrounding secondary cities.

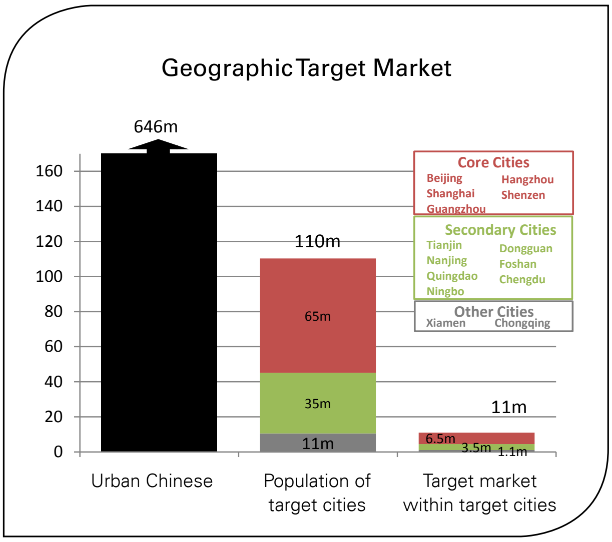
Broadly, a dual speed travel market exists between core cities and then secondary cities. But even in the core cities there are considerable differences.

SATC's Core Markets of Activity

| Cluster | City | Trade Promotion | Consumer Promotion |
|---|---|---|---|
| Northern | Beijing | Core | Core |
| | Tianjin | Secondary | Limited |
| | Qingdao | Secondary | Secondary |
| Eastern | Shanghai | Core | Core |
| | Hangzhou | Core | Core |
| | Nanjing | Secondary | Limited |
| | Ningbo | Secondary | Limited |
| Southern | Guanzhou | Core | Core |
| | Shenzhen | Core | Core |
| | Dongguan | Limited | Limited |
| | Xiamen | Limited | Limited |
| Western | Chengdu | Secondary | Limited |
| | Chongqing | Limited | Limited |
| Other | Other cities as targeted by Tourism Australia | | |


***Core:*** *Core market of activity, with strong focus on consumer marketing, trade engagement, and cooperative marketing campaigns*
***Secondary:*** *Peripheral market of activity, with targeted trade training and consumer promotions*
***Limited:*** *Tertiary market with less SATC activity other than supporting trade initiatives*

# *The Future*
# CHINESE TRAVELLER




## TARGET MARKET DEFINITION

Using this geographic definition, the primary target market for South Australia can be expressed as:

"Couples aged between 35 and 54 with a household income of greater than RMB120,000 in the affluent middle class, in core cities who have prior experience of Australia, travelling independently or in quality customised small group tours."

Each component of this definition should be considered:

**Couples aged between 35 and 54:** As previously shown, this is the key age demographic for Chinese visitors to Australia, representing 39 per cent of all inbound visitors. Although South Australia currently receives a large number of visitors in their 20s, these are predominantly driven by education purpose.

**...with a household income of greater than RMB120,000 in the affluent middle class:** This is a bare minimum household income to allow for a sufficient budget for a South Australia holiday. In reality, most Chinese visitors to SA will have a substantially higher household income.

**...in core cities:** Our target market has its highest instance in 14 cities, being the Chinese hub cities of Beijing, Shanghai and Guangzhou, five further cities adjacent to these hubs and four other areas as identified by Tourism Australia. SATC will initially focus on these cities which represent the strongest opportunities.

**...who have prior experience of Australia:** As previously shown, Chinese who have visited Australia before have a much higher awareness of South Australian product, and are therefore more likely to visit South Australia.

**...travelling independently:** As markets mature, they move away from structured group travel. Although independent travel is currently an emerging trend for Chinese visitation, this will grow and as such it is the focus for the medium to long term.

**...or in quality customised small group tours:** Group tours are an essential part of the Chinese travel patterns, and should not be ignored. However, focus should remain on providing quality product, rather than competing directly with the Eastern states for subsidised shopping-based tours.

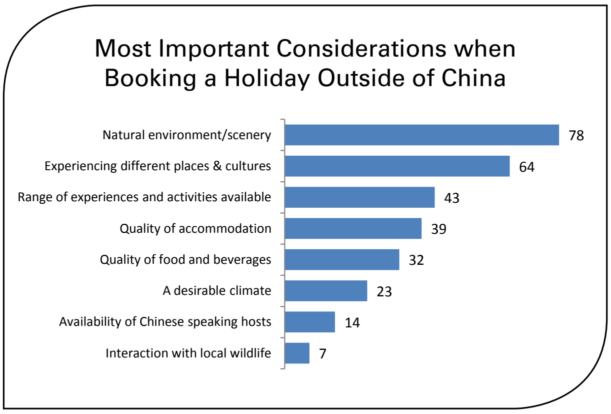
The Chinese leisure market should be the primary focus, although the sizeable VFR, education and business markets are also important. SATC should facilitate growth in these areas, but not actively target this non-holiday visitor in marketing messaging or infrastructure development.

### SA TARGET MARKET:

Couples aged between 35 and 54 in the affluent middle class with a household income of greater than RMB120,000 in core cities who have prior experience of Australia, travelling independently or in quality customised small group tours.

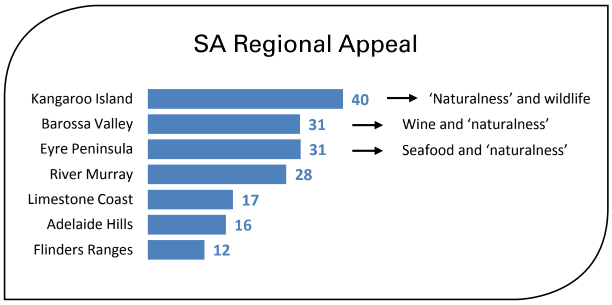
# *SA Consumer*
# POSITIONING

Research conducted by Tourism Australia late in 2011 confirmed that Australia has strong consumer appeal as a 'must visit' long haul holiday destination. Despite a high level of awareness, consumer knowledge of Australia is mainly limited to the icons of Sydney Opera House, kangaroos and koalas, followed by Sydney, Great Barrier Reef and beaches. Australia is seen to offer nature experiences, is easy going, and has unique wildlife in a developed country. Recent research by the SATC shows that natural scenery, including blue skies and beaches, is desired by 78 per cent, while food and wine are gaining traction. Most Chinese tourists enjoy dining out, sightseeing and visiting the beach when they are in Australia.




***Source: BDA China Product Testing, Phase 1, % who selected aspect in top three.***

This consumer research demonstrated that the nature of Kangaroo Island and wine of the Barossa are strong offerings with high appeal for the China market. Kangaroo Island was the most favoured region followed by the Barossa and the Eyre Peninsula.




***Source: BDA China Product Testing, Phase 1, % who selected region as #1 place to visit in SA***

Within these regions, research shows that the highly preferred experiences include Australian animals, SA food, Island experiences, SA wine and coastline. These findings are in broad alignment with Tourism Australia's research.

Although the Eyre Peninsula rated highly in this consumer research, it should be noted that current Chinese leisure dispersal patterns are not favourable to increasing tourism to this region in the short term, although it is certainly an opportunity in the future.

Therefore, the South Australia tourism position for China revolves around three key aspects, being Wine, Naturalness and Food. This aligns well with the State Government's key strategic priorities, of Premium Food and Wine from Our Clean Environment.

*SA Consumer*
# POSITIONING

## WINE

Knowledge and appeal of wine is growing rapidly in China, as wine represents western luxury and sophistication, driving a strong desire for Chinese visitors to learn more. This appeal for South Australian wine is likely to grow in 2013 due to the screening of the Chinese drama Jiang Ai, of which four episodes were set and filmed in South Australia, and are focussed on the romantic appeal of wine.

In the last three years, 42 per cent of Chinese leisure visitors to SA visited a winery during their trip, a very high proportion and behind only Canada and the UK and on par with several European countries. There are several reasons for this:

- The growing Chinese interest in wine and its place as a status symbol, especially in light of strong exports of SA wine brands to China.
- Wineries provide a good logistical fit for the established ‘Day trip from Adelaide’ itineraries. There is also very little cost involved for the tour operator.
- Chinese visitors are generally older, with a peak in the 40-60 year old group.

Wine is a strong driver of Chinese visitation and can be effectively delivered in a day trip from the Adelaide Tourism Region. As such, wine should be a strong focus in the immediate term (one to five years), while trip patterns remain short and centred on capital cities.

## ‘NATURALNESS’

The Chinese consumer seeks ‘Naturalness’, a much broader category than simply ‘nature’ or ‘wildlife’. Naturalness encompasses aspects of daily life such as open areas of parks and gardens, blue, unpolluted skies, and the accessibility of freshly harvested high quality organic produce. The appeal of these urban lifestyle experiences of naturalness should not be underestimated.

Regionally, both Kangaroo Island and the Eyre Peninsula were rated highly due to the appeal of their nature and wildlife offerings. However, both destinations have some cost and time barriers to travel to visit on the Chinese visitor’s short itineraries. In the immediate term (one to five years) it is unrealistic to expect large volumes of Chinese tourists will travel to these regions, with the possible exception of day trip itineraries to Kangaroo Island. However, as the market matures and regional dispersal becomes more widespread, both regions represent a significant opportunity.

In the immediate term the focus should be delivering ‘naturalness’ experiences in Adelaide itself, or within a day trip distance from Adelaide.

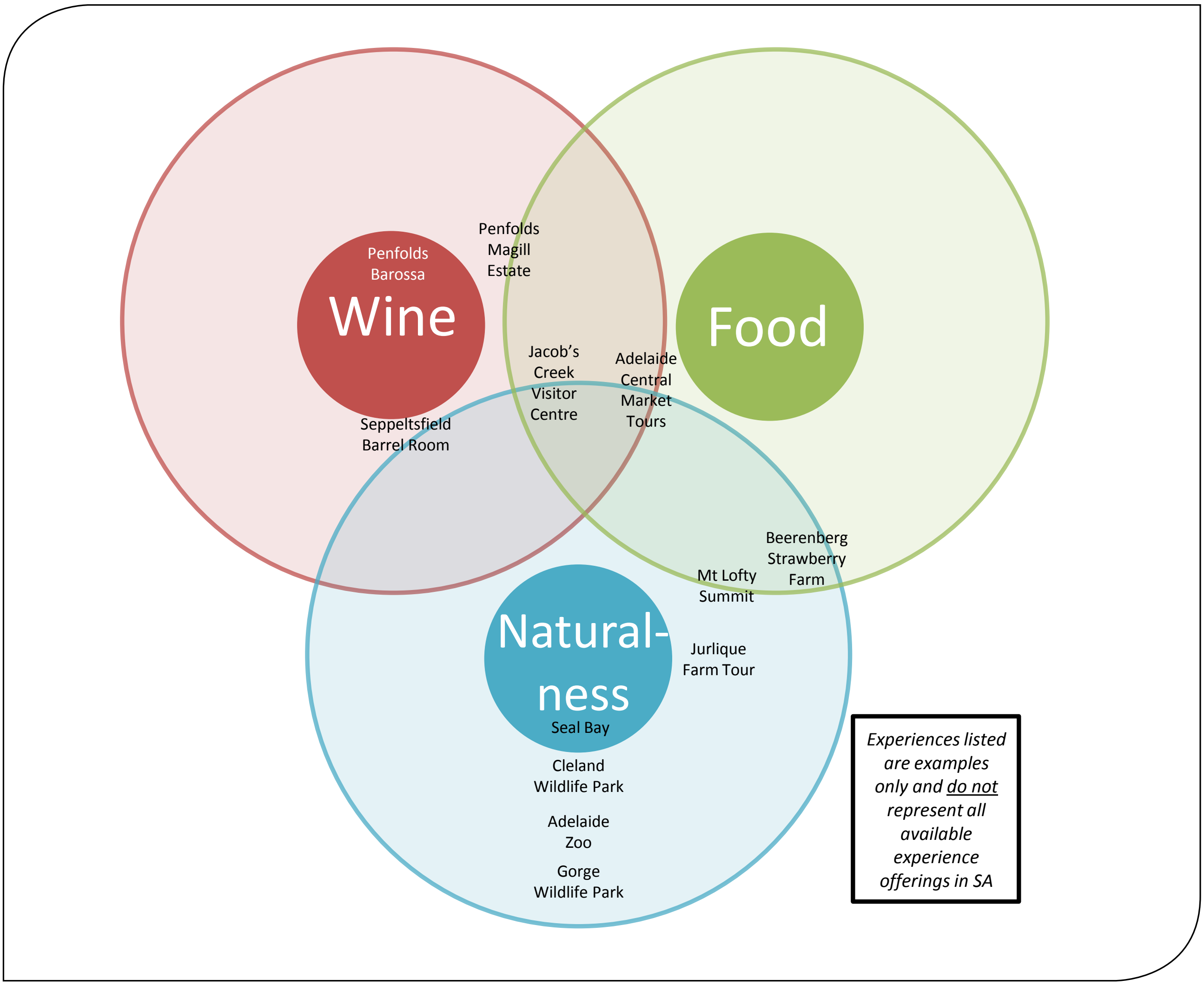
## FOOD

This is an essential part of the experience for Chinese visitors. Quality food-based experiences that showcases fresh South Australia produce, particularly fresh seafood, should be an initial priority for experience development in the Adelaide region. The concept of catch and eat, freshly shucked oysters or fresh abalone and lobster are especially appealing to Southern Chinese. The tailoring of Central Market tours for the Chinese market which offers a culinary experience that showcases SA produce is a good example and has considerable potential to expand.

# SA Consumer POSITIONING

## PUTTING IT ALL TOGETHER

Each experience offered in South Australia should endeavour to include as many of these themes as possible as part of the tourism offering to the Chinese audience.



*Summary of*

# STRATEGIC INSIGHTS

| Chinese Visitation to Australia | | | | | | |
|---|---|---|---|---|---|---|
| Visitors from China | Australia | | | South Australia | | |
| | 1999 | 2012 | 2020 | 1999 | 2012 | 2020 |
| Visitation | 87,000 | 573,000 | 958,000 | 2,000 | 18,000 | 35,000 to 57,000 |
| Expenditure | <$500m | $2.7b | $5.3 - $6.5b potential * | N/A | $110m | $370 - $450m potential* |
| Leisure Visitation | 55,000 | 430,000 | 626,000 | N/A | 11,000 | 18,000 to 38,000 |

**Based on Tourism Australia's modelling of China 2020 tourism potential. TA includes all airfare costs, so figures scaled back to reflect reported TRA Chinese 'Modelled international visitor expenditure (including package expenditure)'.*

- The Chinese leisure tourism market is large and growing. Both Australia and South Australia are experiencing strong growth, and are projected to grow robustly for the foreseeable future.
- South Australia currently has no direct air access to mainland China, while key domestic competitors all have varying degrees of direct access to China's three main hubs. Cathay Pacific's Hong Kong-Adelaide route is currently the most direct access to Adelaide. Indirect access also comes via interstate Australian ports with additional domestic legs. This adds time and cost to travel and decreases South Australia's competitiveness in China.
- Chinese visitation to SA is currently strong for VFR, business and education purpose visitors, with a lower market share of the holiday market. This is a strong growth opportunity.
- Chinese holiday visitors travel the fastest of any traveller. Travel patterns focus on the East Coast and visit three destinations over eight nights.
- The current Chinese inbound leisure market is in their 20's or 40-60, primarily from Tier 1 Chinese cities and has experienced Australia prior to arriving in Adelaide.
- South Australia's lower holiday market share is largely the result of not getting a share of the large East Coast package market. South Australia struggles to be included in the most common Australian itineraries which are three-stop, high-volume, low-price East Coast destinations. As such, trips to SA tend to include four or more stops in Australia.
- Even in the more developed inbound markets in the eastern states, Chinese visitors overwhelmingly confine their overnight stays to capital cities with day trips to nearby regions.
- First time Chinese travellers have low awareness of South Australian tourism regions, but this increases substantially for repeat visitors, especially for Kangaroo Island.
- South Australia lacks distinctive landmarks to compete with the likes of the Opera House and Harbour Bridge. Rather than create an icon, SA should leverage its close regional assets.

*Summary of*

# STRATEGIC INSIGHTS

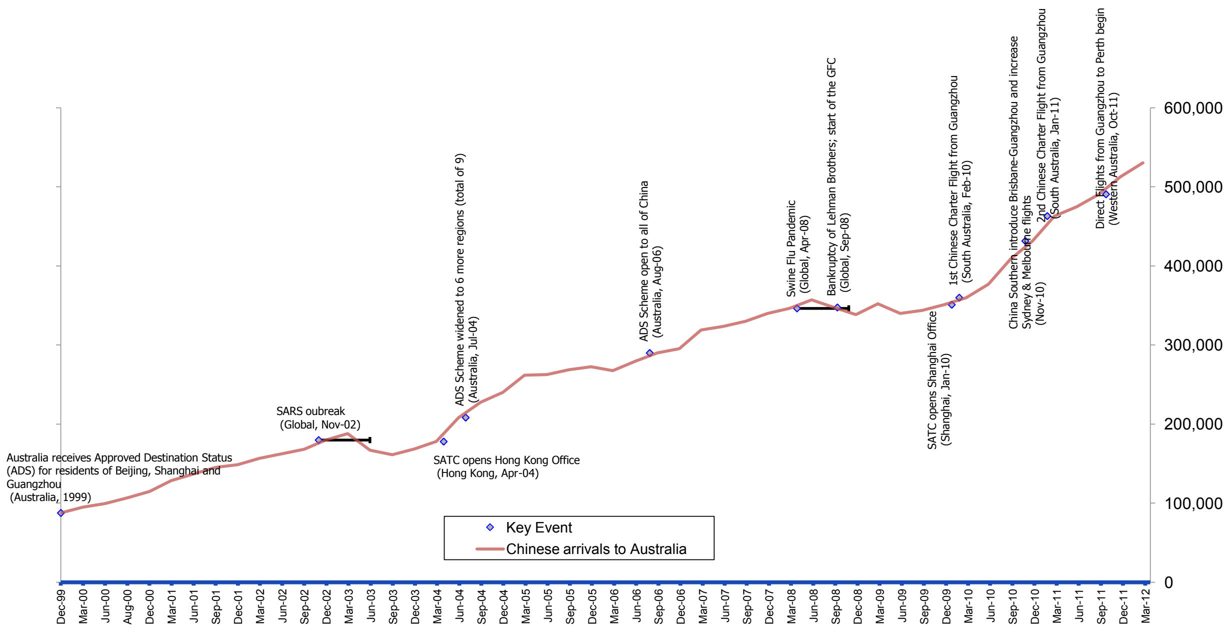
## SOUTH AUSTRALIAN TARGET MARKET:

Couples aged between 35 and 54 in the affluent middle class with a household income of greater than RMB120,000 in core cities who have prior experience of Australia, travelling independently or in quality customised small group tours.

## SOUTH AUSTRALIAN CONSUMER POSITIONING:

- Wine
- Naturalness
- Food

Key Events in the China Tourism Market



*The Six Strategic*
# FOCUS AREAS

1. Communicate to the Most Profitable
   CONSUMER FOR SA
2. Make it Easy to
   RESEARCH AND BOOK SA
3. Make it Easy to
   GET TO SA
4. Deliver Quality
   SA EXPERIENCES
5. Deliver Quality
   SA INFRASTRUCTURE
6. Leverage Partnership
   OPPORTUNITIES

*Communicate to the Most Profitable*

# CONSUMER for SA

## STRATEGIC FOCUS AREAS

Grow awareness, consideration and intention for SA from travellers in our Chinese target market through:

- Leveraging traditional media exposure and advocacy
- Increasing SA content on key digital communications platforms

## GROWING AWARENESS, CONSIDERATION AND INTENTION

Consumer awareness of South Australia is a prerequisite to grow an increasing share of this market. The average Chinese consumer is only familiar with a few key Australian icons, such as the Opera House, Sydney Harbour Bridge, Sydney, Gold Coast, Great Barrier Reef and kangaroos/koalas.

SA needs to be 'known' for something in China, and build its image among targeted consumers. The 'Jiang Ai' TV drama series represents a significant short term opportunity for 2013, and should be leveraged to the fullest extent possible to build on the existing strength of South Australia as a wine destination. The other positioning pillars, Naturalness and Food, should be integrated into this where possible.

Compared to western markets, Chinese are far more likely to be influenced by traditional travel information sources such as social media, films, TV and radio, and print media and as such SATC conducts regular media familiarisations to gain destination and product exposure through these mediums. Chinese also highly value information from friends and relatives in China, as well as social media. Above all, the influence of travel agents in the provision of itineraries should not be underestimated.

## TRADITIONAL MEDIA EXPOSURE AND ADVOCACY

The media landscape in China is huge and fragmented with over 3,000 television stations, 900 daily newspapers and periodicals and over 600 radio stations. Traditional media is important, and SATC generally targets the higher end magazines in primary cities as the key influences for mid to high end consumers. It must be noted that consumers in Southern China (Guangdong province) often watch and are influenced by Hong Kong TV and trends, and therefore have a different mentality to other parts of China.

### TV Exposure - 'Jiang Ai' TV Drama

During February 2012 a large Chinese television crew filmed at various locations in South Australia. This project was initiated by the SATC and supported by Tourism Australia and Wine Australia. A total of four episodes of the famous drama series were shot in the Barossa, Adelaide, Adelaide Hills and Fleurieu Peninsula. The resulting drama will be aired in China in early 2013, with an expected audience of well over 100 million people and considerable exposure for South Australia in large scale media and internet campaigns promoting the series. This project is the result of many months of preparation and is expected to considerably raise awareness of SA as an appealing tourism destination with Chinese consumers, and will be used as the key promotional platform for SA in 2013.

# *Communicate to the Most Profitable*
# CONSUMER for SA

## AFFINITY MARKETING WITH NON-TRADITIONAL PARTNERS

There is also potential to identify and develop new marketing partners outside of traditional travel agencies to directly target higher end consumers, such as automobile clubs, golf clubs and wine associations in addition to credit card and financial institutions.

## DIGITAL MARKETING

Digital Marketing is the key critical element in the successful promotion of South Australia as many other forms of advertising, such as on billboards and in print, are cost prohibitive. The number of Chinese who use social networking sites is enormous - about half of all internet users - and they are an important platform for Chinese consumers to access information on all types of topics. Therefore it is particularly important to gain advocacy for the state in social media and deliver content directly to consumers.

There are over 500 million Chinese internet users, a figure that is growing steadily in volume and influence. Users tend to be young and urban, with over 80 per cent penetration for those under the age of 45 years old and almost universal usage among SATC's target market. There are over 350 million mobile internet users in China, as the penetration rate of smart phones in major cities is around 60 per cent. Most sites are accessed through mobiles rather than computers and consequently over 80 per cent of the top internet sites in China have a mobile version.

Western platforms such as Youtube, Facebook, Twitter and TripAdvisor are banned in China. However there are local equivalents of such platforms such as Youku and Daodao, of which one of the most important is Sina Weibo, with 300 million users and the micro-blogging platform of choice for affluent, educated, connected consumers.

In addition to the SATC's Chinese website in traditional and simplified characters, SATC has created and continues to manage two micro blogs on different digital platforms.

SATC's Microblog Sites

| Site | Icon | URL |
|---|---|---|
| Sina Weibo | | http://weibo.com/southaustralia |
| Tencent Weibo | | http://t.qq.com/southaustralia |

Previous content has included an Adelaide city guide, competitions, suggested itineraries, surveys of web users on their knowledge of SA, images and competitions, and tries to engage consumers in ongoing communication about South Australia. This strategy of digital engagement shall continue to be a priority for the SATC to raise awareness of, consideration for and intention to visit South Australia.

*Make it Easy to*

# RESEARCH and BOOK SA

## STRATEGIC FOCUS AREAS

- Collaborate with Chinese travel agents to provide them the tools and the knowledge to promote and sell South Australia
- Work with Australian based Inbound Tour Operators (ITOs) to ensure the best of SA is available in the distribution system
- Initially support online research based sites, with a view to increased usage of transactional sites in the future

## TRADITIONAL DISTRIBUTION

### The state of the trade

The travel trade is particularly important in China, as Chinese leisure travellers must book through a licensed agent for ADS (Approved Destination Status) overseas leisure travel, and the agent generally facilitates the ADS visa to Australia. Government delegations, study tours and technical visits are not required to book through an ADS agent but still must book through a China National Tourism Administration (CNTA) agent. The travel agent generally facilitates the Australian visa application process and therefore establishing relationships with key travel agency partners is crucial.

The internet and travel agents are the most common sources of travel information for Chinese travellers with over 80 per cent using these two sources of information. As Australia is a complicated destination that requires multi-state itineraries, the vast majority of consumers still contact a travel agent to book travel as they do not know enough about the destination to put an itinerary together themselves. A travel agent is also a form of security.

However, retail travel agents themselves have limited knowledge where to go in Australia, as well as the distances between destinations and times required to visit them, so they are not adept at handling independent travel. Most travel agencies have a group sales mentality and don't know how to consult; instead they provide off-the-shelf products. Furthermore, package differentiation is generally on price rather than package inclusions, although some agents in Guangdong, Shanghai and Beijing have launched higher end programs that focus on inclusions.

For confident travellers with international travel experience, independent travel is becoming increasingly popular, often in private small groups of two to three families. These trips can be booked through any CNTA travel agent.

Booking lead times are quite late with around 50 per cent of travellers booking within one month of travel, except for the Chinese New Year period when tours sell out two months in advance.

The landscape is constantly evolving with rapid staff turnover and control of agencies transitioning to private ownership. Large retailers currently run wholesale divisions to manage the bookings of smaller agents.

### Tourism Australia and SATC's trade activities

Tourism Australia manages an agent training program known as the 'Aussie Specialist Program' (ASP), targeting agents who are approved to handle outbound business to Australia. As of mid-2012, there were 6,792 people who were registered ASP travel agents in China with over 2,323 being fully qualified.

In regards to organisations, there are 1,500 Chinese National Tourism Association (CNTA) agencies in China authorised to handle outbound travel and 56 of these are Premier Aussie Specialist Agencies (PASA), the top travel agencies for Australian product. They receive promotional and cooperative marketing opportunities, discounted trade show attendance, famils and training from Tourism Australia. These agencies are critical to South Australia, and, as at mid-2012, around 30 agencies had tours including SA with greatly improved staff product knowledge.

# *Make it Easy to*
# RESEARCH and BOOK SA

The SATC regularly conducts trade activities, including cooperative campaigns, sales incentives, sales calls, an annual roadshow to China, agent workshops and trade training sessions.

The SATC also conducts trade familiarisations both independently and in conjunction with Tourism Australia to educate agents in the creation of SA tour products, and then provide encouragement in the marketing and sale of these products. SATC conducts cooperative marketing campaigns with key trade partners and airlines to deliver tour packages to consumers.

This strategy of engagement by the SATC, in collaboration with Tourism Australia where possible, should be continued.

## INBOUND TOUR OPERATORS (ITOs) BASED IN AUSTRALIA

Australian Inbound Tour Operators (ITO) are responsible for coordinating the accommodation, tours, transport and meals which make up the itineraries that are promoted and sold by their partners in China. Almost all bookings of product come through an ITO so they are critically important for facilitation and should be engaged by SA Operators. ITOs must be accredited by ADS and agree to the 'China ADS Quality Standards Code of Ethics' to handle ADS leisure business from Chinese agents. There are currently 52 ADS approved ITOs in Australia, including three based in Adelaide. The SATC and SA operators need to work closely with the Chinese ITOs in Adelaide, Sydney and Melbourne in order to develop relationships and promote the growth of itineraries that include South Australia.

## ONLINE DISTRIBUTION

New distribution partners outside of traditional travel agencies also need to be identified and developed, especially online travel agencies. Although China is the overall largest internet market, the country has one of the lowest proportions of usage of online travel transactional sites, although this is rapidly changing.

Non-transactional research sites such as traveller guides and reviews attract far more traffic than transactional sites, highlighting the fact that the Internet is primarily used to research potential holiday destinations but not for booking long haul travel. Airline websites attract relatively little web traffic compared to the online travel agencies. Conversely travel aggregators for flights, accommodation and tours are very important and dominated by sites like Qunar.

Nine of the top ten online agencies are Chinese and are unfamiliar in the West, such as Lotour, lvmama, Mangocity, Zhuna, and Tuniu, and shoppers are loyal to these local companies. One company in particular, C-trip, has experienced exponential growth and has become the third largest outbound travel agent in China. At the moment the majority of the business handled by these sites is domestic trips and simple overseas trips, with the more complicated international trips, which include Australia, being left to the traditional travel trade. In the future we expect these sites to represent an increasingly important slice of the Chinese travel trade.

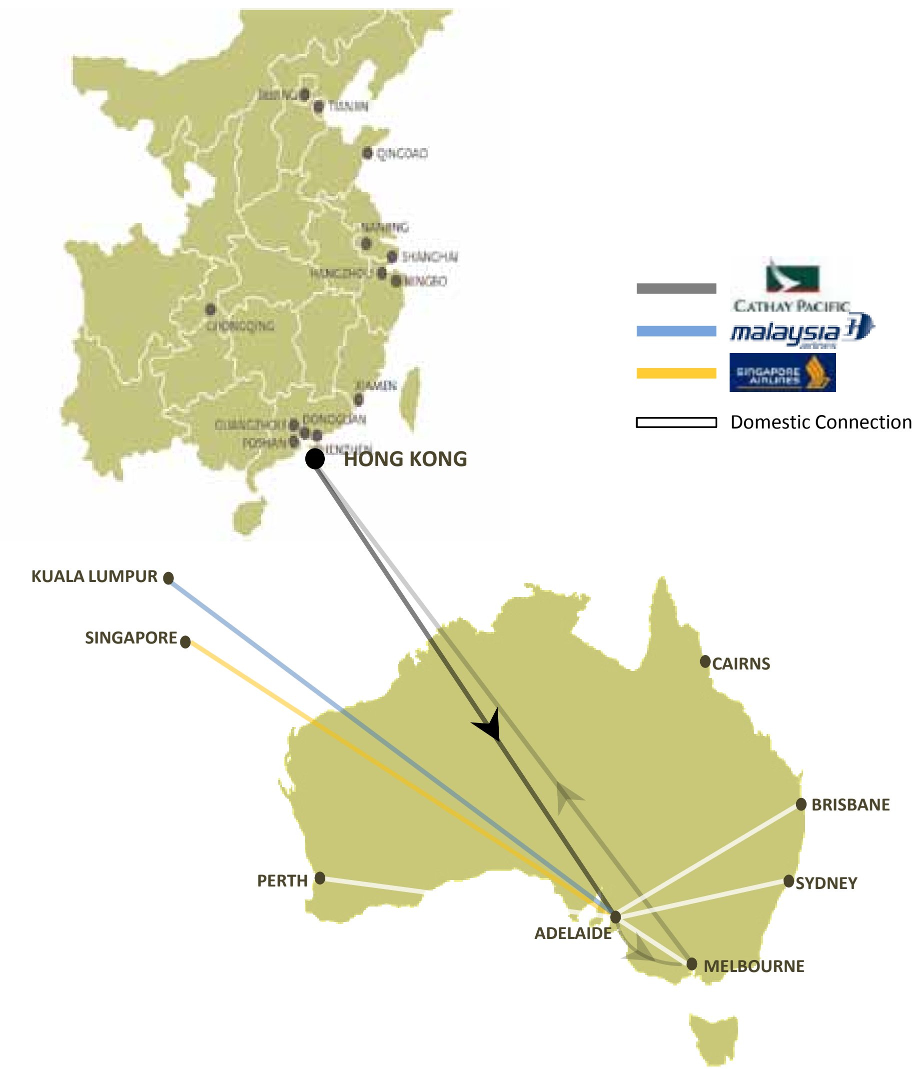
*Make it Easy to*

# GET to SA

## STRATEGIC FOCUS AREAS

- Establish direct, non-stop air access between Adelaide and mainland China, operated by a Chinese carrier
- Maintain and grow current indirect air services
- Support charter flights to continue to promote South Australia and prove demand

Current Air Access between China and Adelaide



# *Make it Easy to*
# GET to SA

The most direct air access to Adelaide from China is with Cathay Pacific which provides daily direct flights from Hong Kong, triangulated with Melbourne. Singapore Airlines and Malaysia Airlines also provide connectivity from China requiring additional travel sectors and may have potential to provide transport for a portion of the Chinese inbound market. Singapore Airlines also provides additional connectivity from China via their SilkAir subsidiary.

Chinese visitors can also reach Adelaide by flying from cities such as Guangzhou, Shanghai or Beijing to Australian ports (Sydney, Melbourne, Brisbane or Perth) with visitors then being required to travel on domestic flights to Adelaide. While this provides air access using the domestic network, the indirect nature and associated increase in tour cost and time required does not encourage visitation.

To achieve the opportunity of 35,000 to 57,000 Chinese visitors to SA by 2020, aviation access must increase incrementally over the next nine years. There are several factors that must be taken into account when translating direct seat capacity into the actual newly created inbound Chinese tourist arrivals. The most important of these are:

- The load factor of the plane
- The proportion that are not displaced from the current less direct forms of access
- The proportion of Chinese nationals aboard
- The proportion on open-jaw itineraries

Taking these considerations into account, between 1,000 and 2,400 direct return seats from China will be required by 2020, representing at least three, and up to nine, flights per week for an A330 aircraft (285 seats), as shown by the table below:

| Chinese Visitation to Australia | | | | |
|---|---|---|---|---|
| | 2012 | 2020 (trend only) | 2020 (potential) | Notes |
| Total direct seats required (weekly) | - | 1,000 | 2,400 | Required capacity expressed as weekly direct seats |
| Total direct seats required (annually) | - | 51,000 | 123,000 | |
| Total direct occupied seats | - | 36,000 | 86,000 | At 70% load factor |
| Direct occupied seats who are newly created demand | - | 17,000 | 41,000 | Newly created demand expected to be 47% of passengers*, with the balance being existing demand who would have accessed Adelaide via less direct domestic or via other Asian routes. |
| Total direct Chinese occupied seats | - | 11,000 | 27,000 | 66% of pax are Chinese, 33% other nationalities |
| Total direct Chinese passengers (60% on open-jaw itineraries) | - | 16,000 | 38,000 | Assuming 60% of itineraries are open-jaw. If Chinese visitors only arrive or depart using Adelaide airport, then 2 visitors are serviced by one return flight. |
| Current Chinese demand (indirect access) | 19,000 | 19,000 | 19,000 | March 2012 benchmark. This stream is initially cannibalised by direct flights, but is projected to recover to current levels by 2020. |
| **Total Chinese Visitation** | **19,000** | **35,000** | **57,000** | **Direct + Indirect visitation** |

***This figure is from Tourism Research Australia's research paper 'Factors Affecting the Inbound Tourism Sector', June 2011.***

*Make it Easy to*

# GET to SA

Discussions with potential Chinese carriers is a normal part of the work of the SATC and Adelaide Airport Limited (AAL) and should be continued with a view to the negotiation of direct flights to one Chinese city within one to three years, and a second Chinese city within four to six years. Additionally, identifying new or increasing existing indirect air access opportunities through code share and alliance partners will facilitate improved access to the state.

## CHARTER FLIGHTS

Charter flights from mainland China during Chinese New Year have been operating to Australia for many years, specifically between Guangzhou and Adelaide in February 2010 and January 2011. Successful operation of charter flights achieves a number of benefits:

- Charters prove demand for regular passenger services by demonstrating the strength of a market for airlines considering regular direct flights.
- Charters build awareness for a destination among travel agents and consumers.
- Marketing activities around a charter have a tangible product for sale, which allows marketing to move from awareness-building to conversion generating.
- The arrival of a significant number of Chinese visitors mobilises product development. Industry operators have to be ready and available on the ground for actual Chinese consumers.
- Charters engage Adelaide outbound agents which are a critical component of the business case for direct flights.
- Charters engage airlines and their operational teams with the international airport.

Continued charter flight operations should be pursued to provide continuity until scheduled services are achieved.

## ACTIONS TO FACILITATE SCHEDULED CHINESE AIR SERVICES

To achieve this vision of up to 2,400 seats per week between Adelaide and mainland China by 2020, the following preparatory work must be conducted:

- Continue to pursue charter flights.
- Continue to build relations with Chinese airlines at a number of levels, including Australian regional offices, the China head office and through political channels.
- Develop marketing initiatives and cooperative opportunities with airlines to demonstrate our willingness and ability to drive demand and influence sales.
- Ensure that regulatory barriers in Australia do not limit growth.
- Secure financial resources over several years to ensure these actions are deliverable.

# *Deliver Quality*
# SA EXPERIENCES

## STRATEGIC FOCUS AREAS

- Work with commercial partners to develop significant new South Australian visitor experiences
- Assist in the development of products and experiences that leverage the state's competitive advantage for the market
- Fulfil product and experience demand for visitors to South Australia to better compete against our competitor destinations interstate and overseas

SA requires some adjustment of available experiences to successfully capture the Chinese target market. There are relatively few experiences, and a lack of clustering, in the South Australian holiday offering for the Chinese market, making it difficult for Chinese to consume these products within their current short trip itineraries. There is a considerable potential for new tours and attractions to be created, particularly around the identified themes of Wine, Naturalness and Food. As the market matures the potential for these experiences will also increase. SATC will prioritise projects for development based on the research and findings presented in this document.

## EXPERIENCE DEVELOPMENT

The SATC Experience Development Group assists with improving the quality of South Australia's experience offering, which is critical to promote the state as a new and vibrant destination and to expand the core offering of things to see and do, both for current and future visitor markets. The team works with industry to increase the number of tours and attractions that leverage the state's competitive advantages for the China market across the state, creating compelling motivations to visit South Australia.

Product for the Chinese market must focus directly on the identified Chinese target market and address at least one (if not all) facets of the SA consumer positioning. While each South Australian region can deliver Wine, Naturalness and Food experiences, these tours and attractions should be primarily located in Adelaide, the Barossa, the Adelaide Hills, the Fleurieu Peninsula or Kangaroo Island to match known Chinese trip patterns, which are currently primarily day trips from Adelaide. Having overnight product in regions will increase in importance as the market matures.

The SATC will work with operators to tailor experiences to be culturally relevant, while addressing the practical concerns of the Chinese traveller. This is commonly referred to as being 'China Ready'.

Examples of operators currently leveraging these three themes to the Chinese market include:

- **Jacob's Creek Visitor Centre (Barossa):** Strong wine and food offering, integrated with interpretative vineyard tours.

- **Chinese Central Market Tours (Adelaide):** Tour of Adelaide Central Market, followed by a private cooking demonstration, food and wine tasting and a commission-based sales opportunities in the Market Kitchen. The lead theme is food, but naturalness is provided through the connection between the food and its origin.

# *Deliver Quality*
# SA INFRASTRUCTURE

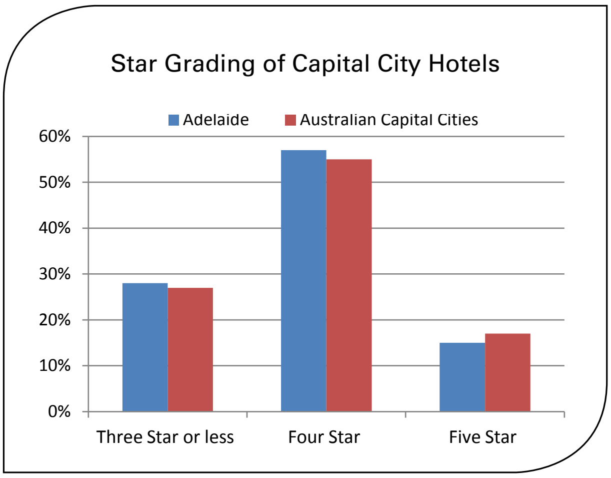
## STRATEGIC FOCUS AREAS

- Support accommodation providers to better cater to Chinese guests through the development of Chinese specific services with a particular focus on 4 star hotels.
- Ensure South Australia has appropriate Chinese language signage in high profile tourism areas.

## INFRASTRUCTURE DEVELOPMENT

It is critical for South Australia to provide the appropriate quality and quantity of hotel accommodation to the identified Chinese target market. Research commissioned by the SATC in Beijing and Guangzhou shows a clear preference for four star accommodation, with lesser interest in both three and five star options. Although Bed and Breakfast options were identified as appealing, it should be noted that this sector is only appropriate for extremely confident independent Chinese travellers. Due to the complexity and small scale of these options, travel agents are unlikely to utilise them in an itinerary.

As highlighted earlier in this report, 94 per cent of Chinese leisure visitors to South Australia stay exclusively in Adelaide and as such, we should first ensure appropriate accommodation is available in our capital city before working on regional options. Fortunately, the Adelaide hotel accommodation mix is dominated by four star options, in line with the national average, as shown below.




We can see that the hard accommodation infrastructure in Adelaide broadly matches Chinese market requirements. However, Chinese travellers have some distinctive requirements for service that need to be addressed in the hotel sector, primarily:

- The provision of Chinese food, especially breakfast options (e.g. congee).
- Chinese language support across hotel signage and menus.
- The availability of Mandarin speaking staff.
- The availability of Chinese preferred payment options, especially Union Pay.
- The availability of Chinese TV content and/or channels.

As such, our objectives in the infrastructure sphere are to deliver on these service-orientated challenges through the following actions:

- Work with existing hotel operators to ensure they are preparing for Chinese visitors with appropriate product and services.
- Work with new hotel developers to ensure they build appropriate infrastructure to align with the China market.
- Meet with industry representatives to communicate the China Strategy for accommodation and tourism infrastructure.
- Align responsibility for signage and other China ready initiatives to the most appropriate industry body.

*Leverage Partnership*

# OPPORTUNITIES

## STRATEGIC FOCUS AREAS

Ensure maximum possible leverage of SATC's activities with:

- Tourism Australia
- Consumer brands that are well known in China
- South Australian tourism operators
- Relevant government agencies, including, but not limited to, DMITRE, DPC, Education Adelaide and the Adelaide Convention Bureau

Leveraging partnerships are an important element of this strategy, and partners range from commercial to government, based both in Australia and China. The challenge is to find the right balance in terms of these partnerships, ensuring that there is an outcome for tourism. There are endless opportunities to partner with companies and government departments engaging with China, therefore the South Australian tourism industry must be strategic and prioritise these partnerships to enable resources to be allocated effectively.

## TOURISM AUSTRALIA

Tourism Australia launched their 2020 China Strategy in 2011, and as the lead agency for promoting tourism to Australia, it is crucial that SATC works closely to leverage their activity and ensure South Australia is fairly represented as a highly appealing destination for the Chinese visitor.

Tourism Australia's 2020 China Strategy contains five pillars, which are:

- Know the customer
- Geographic strategy, incorporating Aussie Specialist trade training initiatives
- Quality Australian experiences
- Aviation development
- Partnership

This strategy includes South Australian specific responses and actions to all of these pillars. Some of the key activities that SATC will partner with Tourism Australia on include:

- Host media famils from China
- Join Tourism Australia on trade training missions, and involvement in the Greater China Mission.
- Regular updates to Tourism Australia staff on SA's key experiences and target Tourism Australia staff for familiarisations
- Consider cooperative marketing opportunities presented by Tourism Australia, and invite Tourism Australia to partner with SATC on key initiatives such as the Jiang Ai project in 2013.

*Leverage Partnership*
# OPPORTUNITIES

## CONSUMER BRANDS THAT ARE WELL KNOWN IN CHINA

One of the most significant opportunities available to South Australia is to take advantage of the consumer awareness already achieved by wine brands such as Penfolds and Jacob's Creek. Wine consumption is growing rapidly in China, along with the level of sophistication and the desire to learn more about wine. Recent research conducted by Seppeltsfield Winery confirms that there is great interest in learning more about wine tasting and winemaking when visiting a wine region. The research also revealed that Australia is the most desirable wine-producing country for Chinese consumers to visit.

Jacob's Creek has already developed product specifically for the Chinese market, training Mandarin speaking guides to deliver a wine tasting program. They have also experienced a noticeable increase in Chinese visitors to their Visitor Centre in the Barossa. Penfolds are also seeing increased Chinese visitation to their Magill Estate Cellar Door.

With the growing interest in wine in China, and the benefit of having global brands based in South Australia, SATC is faced with a huge opportunity to leverage this. Closer relationships with established wine brands should be pursued, while being open to collaborations with any emerging consumer brands outside of the wine industry.

## SOUTH AUSTRALIAN TOURISM OPERATORS

As well as working directly with individual operators as outlined in Experiences and Infrastructure sections of this strategy, there are three main interfaces between the SATC and the South Australian tourism industry:

1. South Australia Tourism Industry Council (SATIC)
   SATIC have recently offered a number of Chinese cultural awareness workshops to industry and the SATC welcomes ongoing Chinese educational initiatives by SATIC that meet the needs identified in this strategy.

2. Australian Tourism Export Council (ATEC)
   SATC in conjunction with ATEC launched the China Fitness Program providing SA businesses with the keys to unlock some of the barriers to effectively engaging with the Chinese market. This comprehensive learning and development program objectively analyses businesses in order to prepare, engage and effectively navigate the opportunities presented by China as well as other important Asian markets in two different streams. This program was developed in collaboration with Pacific Asia Travel Association (PATA) and Fastrak Asian Solutions. The SATC is the first State Tourism Office to roll-out this program to industry. The first workshop held in February 2012, was attended by 41 SA operators with the second portion delivered in October 2012.

3. China Tourism Industry Working Group
   In December 2011, the Sealink Travel Group instigated the first meeting of the China Tourism Industry Working Group which has a keen interest in growing Chinese visitation to South Australia. The group's terms of reference include improving airline access, attracting cooperative marketing partnerships, attracting tourism investment and coordinating their activities with that of the SATC and Tourism Australia. The composition of the Committee includes various industry representatives, the Department of Premier and Cabinet, the Australian Hotels Association, the Hong Kong Business Association and the SATC.

The China Tourism Industry Working Group has been consulted on this China Strategy, and remains a key link between SATC and South Australia's tourism industry.

*Leverage Partnership*
# OPPORTUNITIES

## SOUTH AUSTRALIAN GOVERNMENT AND ASSOCIATED ORGANISATIONS

There are several government agencies actively promoting the industry sector they represent in China. Although there is a great desire across the government to achieve synergies in promoting South Australia offshore, it should be noted that the target customer is often different across sectors. While the South Australian Tourism Commission is fully supportive of consistent messages and imagery being used, particularly where there is an opportunity to profile the destination.

The key agencies and organisations that SATC liaises with include:

1. Department Manufacturing, Innovation, Trade, Resources and Energy (DMITRE): The SATC currently have a formal relationship with DMITRE, who operate the SA government office in China and thereby facilitate the employment of SATC staff and our banking requirements. It is anticipated that the government will maintain this office in China for the foreseeable future. Of all the international markets where SATC is active, China offers the largest opportunity to leverage government and business relationships for tourism. Chinese government travel is significant, with officials mostly travelling in groups and likely to combine official business with tourism activities. In the past SATC has had interaction with DMITRE (then known as DTED) in suggesting appropriate itineraries for inbound delegations and the SATC welcomes the continuation of this relationship.

   The SATC has also contributed to the State Government South Australia-China Engagement Strategy, coordinated by DMITRE in conjunction with DPC and the Australia China Business Council. This strategy highlights tourism as one of the eight sector based opportunities for South Australia

2. Department of Premier and Cabinet (DPC)
   SATC has close links with DPC, sitting on their International Office of Coordination Steering Group. DPC is also responsible for the Premier's visits to China and consults SATC on opportunities for meetings. DPC also coordinates cross-government submissions to federal government initiatives, such as the recent submission to the *Australia in the Asia Century* white paper. By maintaining close relationships with the DPC, SATC can stay abreast of other government initiatives in China, but also provide feedback on specific tourism messages and strategies.

3. Education Adelaide
   Adelaide has experienced remarkable growth as a destination for international students from China over the past ten years, with six-fold growth in the last decade to at least 5,000 students annually. As students have by far the longest trip duration in South Australia, they contribute very large overall expenditure, although much of this spend is outside of traditional tourism areas. Nonetheless, the opportunity to profile South Australia as a tourist destination to the students and their families is enormous, with the potential as yet untapped.

   South Australia has attempted to capitalise on this opportunity, particularly around graduation. However, anecdotal feedback from agents suggests that when the family plans their visit, they spend limited time in Adelaide and the majority of the visit is spent on the east coast of Australia.

   SATC has, and will continue to, consider opportunities for collaboration with Education Adelaide on in-market activities such as roadshows profiling Adelaide and South Australia as both an education and tourism destination

4. Adelaide Convention Bureau
   China is an important potential target for the Adelaide Convention Bureau as it looks to Asia as a core region for business events and incentives. SATC and Adelaide Convention Bureau have shared plans across all international regions where both parties are active, and business events activities for China are being developed, but likely to include famils for targeted convention and incentive agents. SATC and Adelaide Convention Bureau will continue to work closely on these initiatives.

## OTHER

All members of the distribution system working in or with China are crucial and have been referenced throughout this strategy. These include international airlines, China based agents and Inbound Tour Operators based in Australia. As well, there are media partners who offer powerful reach to the consumer that are also key partners for South Australia.

# *Required Capabilities* and RESOURCES

To ensure the success of this strategy, it is imperative that adequate resources are made available and deployed to effectively capitalise on the target market potential through to 2020. Resource commitments will include public investment, such as from the South Australian Tourism Commission and other government sources, as well as private sector expenditure. A mix of direct investment and human resource capability will be required.

## Marketing and Distribution

The South Australian Tourism Commission has substantially increased funding to the Chinese market over the past several years, and as at early 2013 this includes two dedicated staff in the Shanghai office and support for the mainland China market being provided by the Hong Kong office. The Adelaide head office has also increased the human resources allocated to the Chinese market. China is now the third most highly resourced inbound market, second only to the high volume markets of New Zealand and the UK.

Due to the substantial potential, this heavy investment in the China market is true for most Australian State Tourism Organisations (STOs). As this market grows, it is anticipated that the SATC will adjust staffing and funding accordingly.

## Aviation Access

As outlined in this strategy, direct aviation access is essential to achieving the upper bounds of the Chinese opportunity. South Australia requires between 1,000 and 2,400 direct weekly seats from mainland China by 2020, or a total of between three and nine weekly direct services operating from at least two Chinese hub cities.

Attracting these services is likely to require a significant support package in the initial years of operation. Direct air services have an impact across a range of industries and therefore any package would need to be secured through a whole-of-government approach.

## Infrastructure and Experiences

Development of appropriate China-ready product in South Australia is also essential. The SATC runs the Tourism Development Fund (TDF) and the New Product Support Program (NPSP), both of which have a role in the development of the tailored products for the Chinese market as outlined in this strategy. As China is an identified priority for the SATC, funding applications for projects addressing this market will be looked on favourably, with grants allocated on a merit basis as outlined in the TDF and NPSP criteria. These funds are not substantial, and provide only a minority stake in successful application, with the balance of finance to be provided by the applicant.

## Partnerships

Maintaining and developing strong partnerships is also important, and a large number of organisations have been identified as important to the success of this strategy. These relationships will primarily involve the commitment of staff resources, although cooperative marketing will require financial resources from both parties.

Partnerships are also essential to the development of the human resource capabilities of South Australian operators to address the China market. There are several opportunities to deliver China market training to the South Australian tourism industry via organisations such as SATIC and ATEC, with the support of the SATC. This also requires relevant operators to prioritise the China-related training of their management and staff, both in financial terms and in allocating sufficient staff time to enable this to occur.

*Chinese Tourism in South Australia*

# FORWARD to 2020

China is a strong opportunity for South Australia, and will only increase in importance through to 2020 and beyond. In the year to September 2012, there were 18,000 Chinese visitors to South Australia, who spent $110 million in the state. With a suitably optimised tourism offering in South Australia, as outlined in this strategy, this Chinese market has the potential to grow to between 35,000 and 57,000 visitors, spending between $370 and $450 million by 2020.

As highlighted, the current Chinese visitors to South Australia are split between several purposes of visit, with the holiday purpose representing the lowest market share and thus the highest opportunity for growth. The overall Chinese holiday market for Australia is currently concentrated on East Coast package tours, incorporating three destinations over eight nights, although projections show that as this market matures the instance of independent travel and regional dispersal will increase. South Australia must be prepared.

The Chinese target market for SA is couples aged between 35 and 54 with a household income of greater than RMB 120,000 in the affluent middle class in core cities who have prior experience of Australia, travelling independently or in quality customized small group tours. South Australia offers them distinctive experiences centred on our identified strengths of Wine, 'Naturalness' and Food.

To achieve this vision, South Australia must make substantial improvements in the six strategic focus areas identified in this strategy.

The opportunities available in China are evident, and this plan clearly articulates the areas which the South Australian Tourism Commission and the tourism industry needs to focus on to reap the rewards from one of the world's fastest growing economies.

| The Six Strategic Focus Areas | |
|---|---|
| Communicate to the Most Profitable Consumer for SA | Grow awareness, consideration and intention for SA from travellers in our Chinese target market through:<br>• Leveraging traditional media exposure and advocacy<br>• Increase SA content on key digital communications platforms |
| Make it Easy to Research and Book SA | • Collaborate with Chinese travel agents, including online travel agents, to provide them the tools and the knowledge to promote and sell South Australia.<br>• Work with Australian based Inbound Tour Operators (ITOs) to ensure the best of SA is available in the distribution system |
| Make it Easy to Get to SA | • Establish direct, non-stop air access between Adelaide and mainland China, operated by a Chinese carrier<br>• Maintain and grow current indirect air services.<br>• Support charter flights to continue to promote South Australia and prove demand. |
| Deliver Quality SA Experiences | • Work with commercial partners to develop significant new South Australian visitor experiences.<br>• Assist in the development of products and experiences that leverage the state's competitive advantage of Wine, Naturalness and Food.<br>• Fulfil product and experience demand for visitors to South Australia to better compete against our competitor destinations interstate and overseas. |
| Deliver Quality SA Infrastructure | • Support accommodation providers to better cater to Chinese guests through the development of Chinese specific services with a particular focus on four star hotels.<br>• Ensure South Australia has appropriate Chinese language signage in high profile tourism areas. |
| Leverage Partnership Opportunities | Ensure maximum possible leverage of SATC's activities with:<br>• Tourism Australia<br>• Consumer brands that are well known in China<br>• South Australian tourism operators<br>• Relevant government agencies, including, but not limited to, DMITRE, DPC, Education Adelaide and the Adelaide Convention Bureau. |

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