



## China Tourism: Reaching Australia's Potential

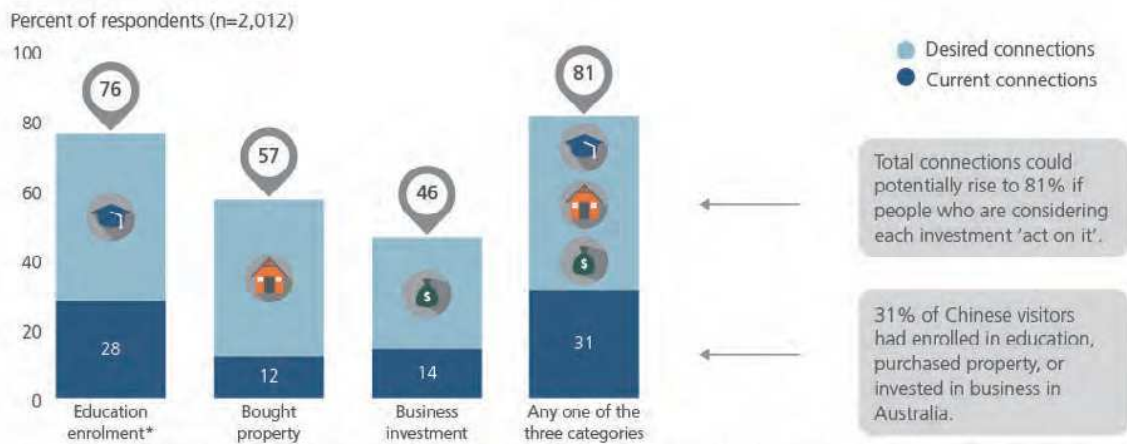
A recent report by L.E.K Consulting, based on market surveys with Chinese visitors and students, and interviews with senior executives from across the tourism, trade and related sectors, shows there is a lot more work to do if Australia is to capture the full value from the Chinese tourism boom. David Bishop and Emily Davis of L.E.K. Consulting highlight the findings.

Over the last decade, China tourism and other forms of visitation to Australia have grown extremely fast (from 330m to 1.6bn) and this trend is expected to continue. Naturally, as travel to Australia has developed, various economic connections have formed between Chinese households and Australia, including education, property ownership, and consumption of Australian consumer products. Chinese relationships with Australia generally start with a tourist visit. Australian tourism is highly aspirational for Chinese residents, and for the most part delivers at or above expectations.

A successful visit to Australia creates a desire for broader connection and economic participation in the Australian lifestyle. At the level of the Chinese individual, there are demonstrable linkages between Australian tourism experiences and participation in Australian education, business, property, consumer goods and migration.

At present, 31% of Chinese visitors have a broader connection to Australia (Figure I). Survey responses indicate that this increases to over 80% if respondents act on the future desires (for broader economic participation) they expressed.

Figure I: Broader connections of Chinese visitors to Australia (June 2017)



\* If the respondent themselves, or their children have enrolled in tertiary education in Australia; \*\* This includes both respondents who have enrolled in education, purchased a property and/or invested in a business in Australia and respondents who claimed they 'probably would' or 'definitely would' participate/invest in each category in the future.

Source: L.E.K. Chinese Residents survey

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Figure 2: Chinese tourism is at the centre of a broader economic system



The total economic system (Figure 2) includes education, export consumption, property investment and further tourism itself. The functioning of this system and the connections within it provides business opportunities for savvy entrepreneurs in both countries, and a great deal of beneficial economic activity in both markets.

**Tourism**

There were approximately 1 million Chinese visitors (excluding education visitors) to Australia in 2016 ranking China as Australia’s second-largest inbound visitor market. Strong Chinese visitation growth is expected to continue with TRA projecting a 13% CAGR in visitors out to 2026 (Figure 3), excluding education visitors. An increasing proportion of Chinese visitors are leisure visitors, while a significant share are still pursuing education or business. Survey results suggest that 7% of leisure visitors later return for other purposes, which highlights the importance of leisure visits as a driver of future engagement.



Figure 3: Chinese inbound visitors\* to Australia (2005 to forecast for 2025)



\* Excludes education visitors; China excludes SARs and Taiwan. Source: TRA International Visitor Survey; TRA Tourism Forecasts 2017

There are a range of priorities for development if Australia is to retain and build the value of its Chinese tourism franchise. An overarching theme in consultations with industry experts is the importance of educating workers who deal with Chinese visitors, so they better understand Chinese culture and customs and can handle interactions appropriately. This will ensure a higher level of service across the whole tourism industry. Other priorities include responding to Chinese technology / payments behaviour, providing high-quality, genuine Australia experiences for the growing proportion of FIT travellers, increasing and improving capacity and infrastructure to meet growing demand and rising expectations and smoothing seasonal demand.

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# Industry Insight

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## Education

Australia has more than 560,000 international students on student visas. China is the largest source market, with roughly 165,000 Chinese nationals studying in Australia, representing 29% of international students in the country and growing at ~6% CAGR from 2010-17. The impact of Chinese education extends far beyond the direct economic benefits that come from the tuition and living expenses incurred while studying (Figure 4).

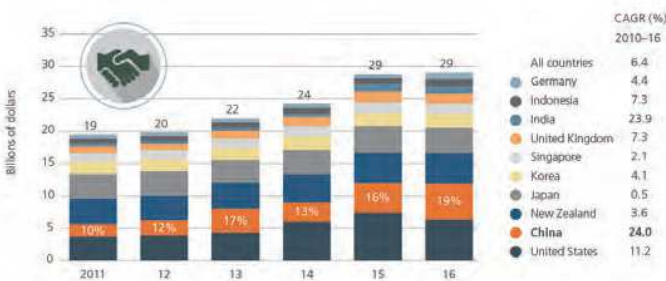
It is estimated that the total economic value to Australia of a Chinese student is around \$59k per year, with the largest proportion of this being for tuition fees and living expenses. This suggests an approximate economic contribution by Chinese Students of \$5-6 billion p.a.

While Australia generally does well in offering a quality experience for international students, there is more that can be done to help students form lasting links with Australia and get the most out of their time in the country. Additionally, there needs to be a clear pathway to employment for Chinese students beyond their study period in Australia. More than half (58%) of students are not seeking professional employment in Australia upon graduation

## Export Consumption

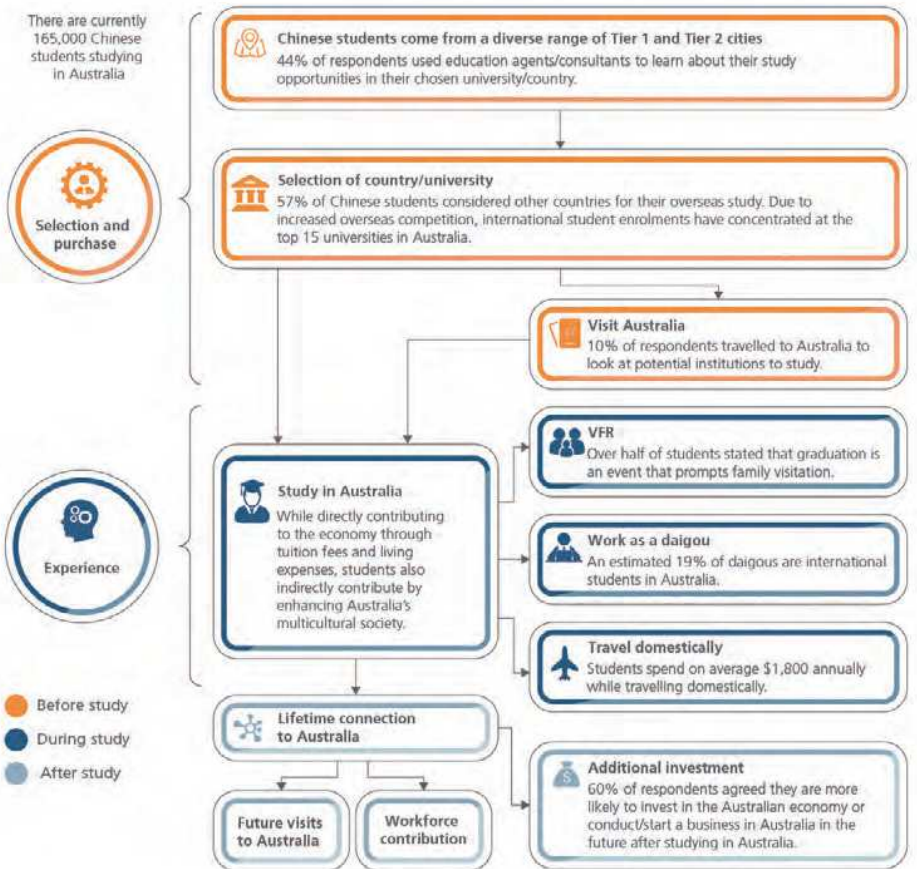
China is Australia's second-largest market for consumer exports (Figure 5); Australian exports of consumer products to China have experienced strong growth of 24% annually over the last five years.

Figure 5: Australia's largest consumer\* export partners (2010-16)



\* "Consumer" products were categorised by L.E.K.  
Source: ABS 5368: "International Trade in Goods and Services, Australia" May 2017

Figure 4: The inbound student market



Visits to Australia provide a significant opportunity to drive consumption of Australian goods and services in China. In essence, tourism functions as free advertising as visitors buy and experience local products 'in situ'. After visiting, 86% of surveyed visitors said their purchasing of Australian products increased. Many Australian products need stronger distribution channels in China to maximise their reach. Typically, this will mean partnering with a Chinese company in the beginning and leveraging its knowledge of the Chinese market.

## Investment

Australian property is in high demand among foreign investors. Credit Suisse estimates that foreign investors purchase 25% of the new housing supply in NSW and 16% in Victoria. Of foreign buyers in NSW, Chinese buyers (including those from Hong Kong, Macau and Taiwan) account for 77% of purchases. Credit Suisse estimates that the taxes from foreign buyers generate \$4.9 billion and \$3.1 billion each year in NSW and Victoria respectively.

This article is adapted from "The China Tourism Economy: Reaching Australia's Potential", published by L.E.K. in partnership with the Australia China Business Council, the Victorian Government and Trade Victoria. The full report can be found at <https://www.lek.com/insights/china-tourism-economy-reaching-australias-potential>