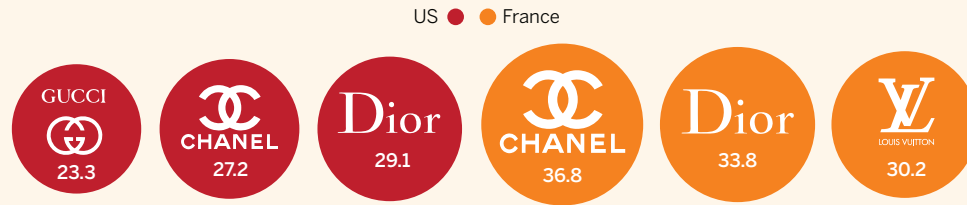
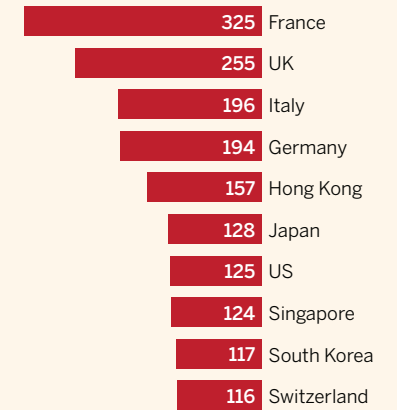


Most popular designer fashion brands bought in US vs France (%)



Top 10 destinations to visit in the next 12 months



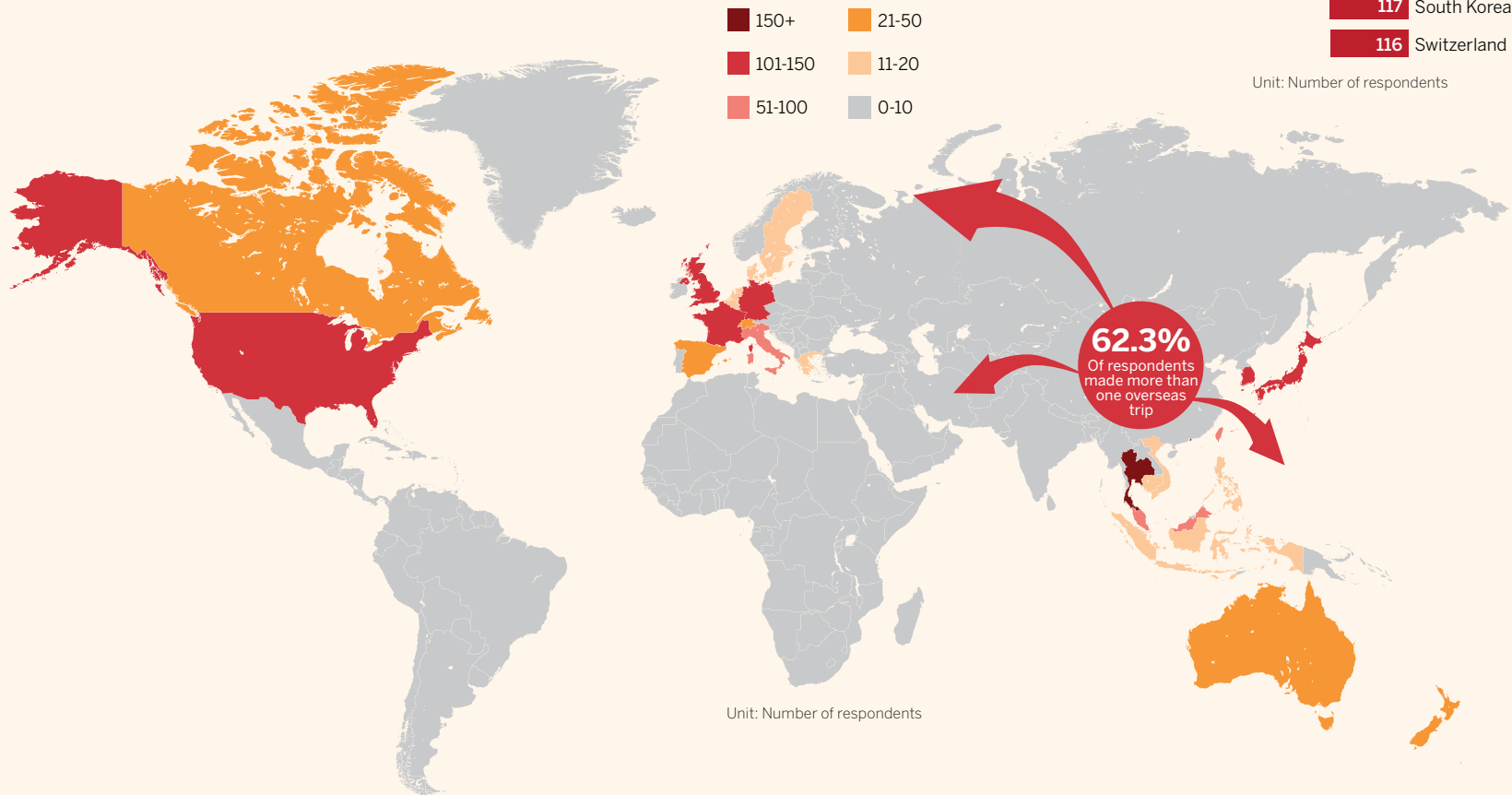
Unit: Number of respondents

China's middle class affinity with overseas travel is set to burgeon in 2013, with the wealthiest 26% of outbound tourists spending an average of Rmb43,770 (\$7,032) on each trip - for a total spend of \$160bn, according to a new FT China Confidential survey of 1,227 middle income consumers in ten first- and second-tier cities across the country.

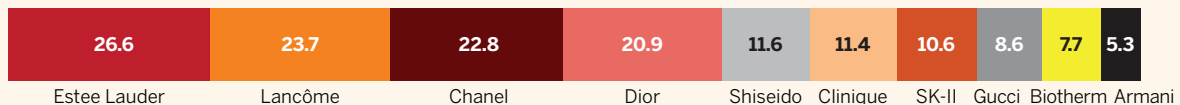
- The wealthiest 26% of overseas tourists - around 21m people - spent a total of \$112bn in 2012 on overseas trips, according to the survey. This year, the respondents said they intend to increase their spending by 34% - suggesting total potential spending by this cohort of tourists may rise to \$160bn in 2013.

- A staggering 48% of spending on overseas trips in 2012 went on shopping, according to the survey. If the same proportion continues this year, the wealthiest segment of Chinese tourists is set to spend around \$77bn this year in overseas consumer markets. ➡

Most popular destinations in the past 12 months



Top 10 purchased cosmetics and perfume brands by outbound Chinese tourists (%)



The boom in outbound travel

Chinese tourists are overtaking toys and shoes to become the nation's hottest exports. From corporate executives at the top of the income ladder to retired workers on meagre pensions, Chinese tourists have never been so eager to venture abroad.

Fuelled by rising incomes, currency appreciation, an increasing number of international flights, a relaxation of visa restrictions and a growing desire to explore the world, an unprecedented boom in outbound tourism is taking place.

According to a January 2013 China Confidential survey of 1,227 outbound travellers (those who had travelled abroad in the last year) and 39 travel agencies across the country, Chinese outbound tourism is set to accelerate both in terms of numbers and spending in the coming years, with Chinese tourists increasingly travelling further afield – and to Europe in particular.

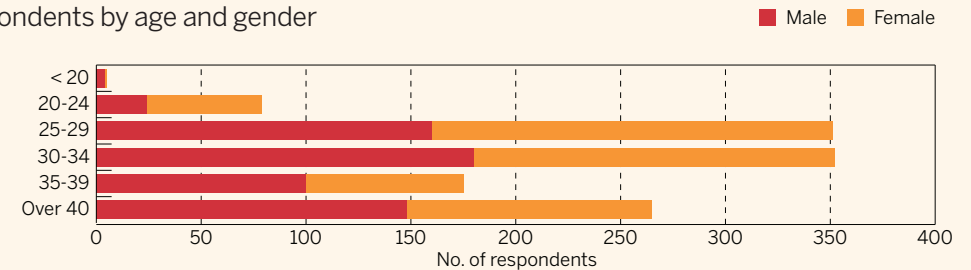
If the total number of outbound Chinese travellers continues to grow at last year's 17% to 82m, according to the China Tourism Academy, then some 200m Chinese could be travelling abroad annually by 2020.

KEY FINDINGS:

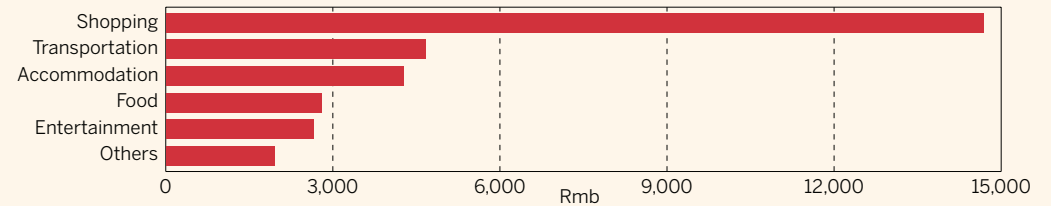
- **Middle-income and wealthy Chinese are making more overseas trips than ever before: 62.3% of our survey group have made more than one overseas trip and 25% have travelled abroad three times or more over the past 12 months.**
- **Spending is highly influenced by income level. We estimate that in 2012, the top quarter of Chinese outbound tourists have spent a total of \$112bn alone*.**
- **Europe is emerging as the preferred region for Chinese travellers. Four of the top five countries that Chinese tourists plan to visit this year are in Europe, while nine of their top ten dream holiday destinations are also in Europe. ▶**

*Based on the income data from China Tourism Academy's 2012 Outbound Tourism Report, 26% of tourists earn more than Rmb96,000 annually, or Rmb192,000 in household income assuming a family of two wage earners. CTA also estimated a total of 82m outbound tourists in 2012. Our survey shows the average spending on one single trip is Rmb32,628 for those who reported an annual household income above Rmb200,000.

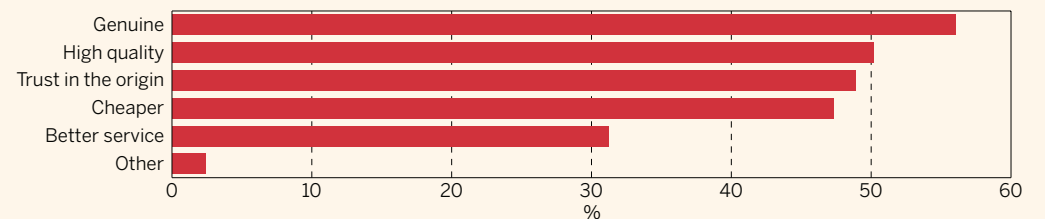
Respondents by age and gender



Outbound travel spending breakdown



Reasons for buying goods overseas



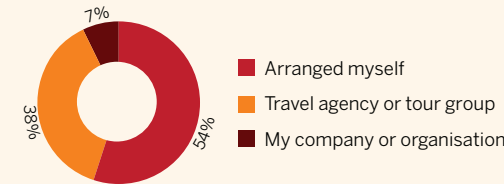
Total travel spending

Our survey reveals that Chinese tourists have become increasingly spendthrift on trips abroad, with shopping a central focus of their expenditures. According to our survey, Chinese outbound tourists spent an average of Rmb28,908 on their most recent overseas trip, with Chinese visitors to Europe and the US spending around 50% more than visitors to Asia.

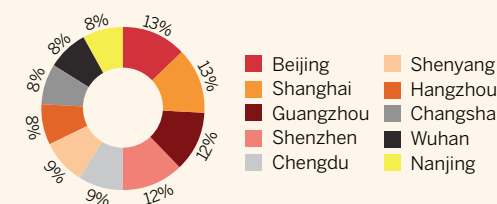
KEY FINDINGS:

- Our survey group plans to spend an average of 33% more on their next foreign trip than on their previous one.
- Survey respondents spent an average of Rmb13,702 on shopping during their most recent overseas trip, accounting for almost half (47%) of their total spending on the trip.
- The emerging segment of DIY travellers – those who make their own arrangements, without the help of a travel agency or tour group – comprise 54% of travellers and tend to be the biggest spenders.

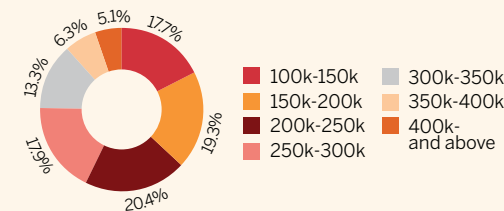
Who arranged your travel?



Sample group by city



Outbound tourists' annual household income breakdown (Rmb)



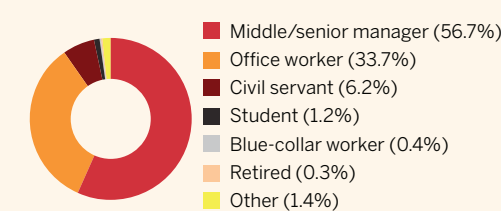
Luxury brand preferences

Chinese tourists have a reputation for being extremely brand-conscious in their purchasing decisions – a view reinforced by our survey findings. Leading Western brands with strong recognition among middle- and higher-income mainland consumers are most frequently purchased by outbound tourists and appear best-positioned to continue to profit from the Chinese outbound tourism boom. French-owned luxury brands are extremely popular among survey respondents; however, mid-range brands are more popular than premium brands in the jewellery and watch category, with Asian brands bucking the European domination shown in other sectors.

KEY FINDINGS:

- Luxury featured strongly in outbound traveller spending habits, with over half saying the reason for buying goods overseas was that they were not fake.
- 79% of our survey group said they bought make-up and cosmetics while overseas, while 78% reported buying designer clothes, shoes and accessories.
- More than half of respondents reported buying handbags and jewellery/watches while travelling abroad.
- French luxury fashion brands dominate purchases among Chinese outbound tourists, led by Chanel, Dior (CDI:PAR), PPR's (PP:PAR) Gucci and LVMH's (MC:PAR) Louis Vuitton.
- With Chinese travel to Europe set to grow significantly in coming years, these brands look well-placed to continue to benefit from outbound consumption. ●

Outbound tourists' occupations



Who are our respondents? In Jan 2013, we surveyed 1,227 respondents in first- and second-tier cities in China, with the following sampling criteria:

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

- Equal ratio between male (50.2%) and female (49.8%) respondents.
- At least 150 respondents for each of the four first-tier cities (Beijing, Shanghai, Guangzhou and Shenzhen) and at least 100 respondents from each of the other cities.
- Minimum annual household income was set at Rmb100,000, with at least 20% above Rmb300,000.

- At least 20% of respondents are over 40 years old.
- Max. 50% of respondents who have been to HK in the past 12 months.

In-depth interviews with travel agents We have also interviewed 39 travel agencies across China, with their managers who oversee the outbound business. The travel agencies located in: Beijing, Shanghai, Chongqing, Chengdu, Hangzhou, Taiyuan, Zhaoqing and Dongguan.



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