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Are U.S. hotels ready for 'revenge travel' from China?

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After three years of strict quarantine policies and related controls, China is set to relax all international travel restrictions. In 2019, China was the fifth largest source of international travelers to the United States, contributing nearly 3 million travelers, according to the International Trade Association's "China—Country Commercial Guide" for 2021.

With the anticipated return of the Chinese travelers, are your hotels ready? Below, we will review the policy change and the current situation in China, the historical contribution from Chinese travelers and the strategies to prepare for their return from a market segmentation perspective.

New Rules

On Dec. 26, China announced the lowering of COVID-19 from a class "A" infectious disease to class "B," and to optimize international travel by eliminating all quarantine requirements for people traveling to China as well as all circuit breaker mechanisms for international flights beginning Jan. 8. Circuit breaker mechanisms are for an airline carrying five or more passengers who test positive for COVID-19 on a single inbound flight, if the number of the confirmed passengers reaches 4 percent or above of the total number of passengers flying on the said single inbound flight, the airline's operation on that specific route shall be suspended for one operation; if the number of the confirmed passengers reaches 8 percent or above of the total number of passengers flying on the said single inbound flight, the airline's operation on that specific route shall be suspended for two operations.

Although the policy change did not specify outbound travel, the announcement did mention optimizing outbound international business travel, international studies, family visits as well as family reunions by better facilitating the visa process. Per China National Immigration Agency, more than 3,200 immigration desks across the country were just reopened to assist with the increased demand in visa/passport renewal and application requests.

Before the pandemic, Chinese outbound traveling to the U.S. peaked in 2017 at a record 3.17 million visitors, then retreated to 2.83 million visitors in 2019, according to the U.S. Department of Commerce's National Travel and Tourism Office's 2021 report. In 2019, Chinese travelers contributed \$33.5 billion in visitor receipts with the highest per visitor spending recorded at \$11,849. Pre-pandemic trends also showed that the channels were shifting away from "group tours and travel" towards pre-packaged FITs. There was also a trend that Chinese travelers were moving away from typical gateway cities (such as Boston, Detroit, Houston, Los Angeles, Miami, New York, Hawaii, San Diego and San Francisco) and opting for less well-known cities.

Four Strategies

As China struggles through the pandemic impact from the drastic policy change with increased COVID-19 cases and mortality rates, a complete return of the Chinese travelers back to 2019 levels would not be evident until second half of 2023. This allowance would give U.S. hotels sufficient time to prepare. Below is a list of strategies to get your hotels organized:

1. Leisure travelers. The largest contributing segment of Chinese outbound demand into the U.S. is from individual travelers. To capture this segment, hotels should:

- Ensure all international promotions are updated and live.
- Discuss with online travel agency market managers and evaluate the timing and options for all international promotions.
- Review the hotel's search engine optimization strategies that relate to Asian markets.
- Reallocate location-based marketing funds towards Asia source markets when needed.
- Closely monitor and take advantage of all brand-level promotions into Asian markets for all your branded hotels.
- Understand the source channels that feed the Chinese local OTA platforms and make sure all contents are up to date.
- Track all major Chinese holidays and forecast demand accordingly.

2. Group tours. Chinese outbound organized group tours accounted for 16.6 percent of overall demand from China before the pandemic. Hotels in major gateway cities should re-engage group tour operators and update agreements. Although a lower-rated segment, group tours fill the hotel during lower demand period (Q1 2024 in New York) as well as provide contractual flexibility compared to airline contracts.

3. Cross-border business travel. Cross-border business travel will pace ahead of leisure travel with the return of the Chinese to the U.S. Corporate groups led by business coalitions rushed back to Europe and Japan since December last year to regain the lost business during COVID-19 era. From Zhejiang Province alone, more than 1,000 groups (over 10,000 business owners) have traveled to Europe in December. The hotel should examine local accounts with strong Chinese ties and proactively build relationships to capture potential increase in production from cross-border demand. The hotel should examine 2023 and 2024's convention calendar and anticipate increased attendance from international attendees. The hotels should closely monitor out of city-wide block pickups. Additionally, the hotels can deploy geo-targeted ads around the city-wides where Chinese demand demographics are known.

4. Airline crews. China inbound and outbound international flights were under strict "Five Ones" restrictions (each country can only send one flight from one airline via one route once per week. On top of this, the policy meant that no flight should be filled to more than 75 percent capacity) and circuit breaker mechanisms during the pandemic. The overall passenger volume was down 90 percent from 2019 to 2020 per the US Department of Transportation. With this relaxation in policy, we anticipate an influx of demand from airline crews. The hotels should immediately meet with international crew account representatives and monitor requests for proposals in the market.

In addition to the strategies above, the hotels can focus on below marketing actions to gain additional exposure to the Chinese travelers.

- Increasing efforts onto TikTok China (DouYin), Little Red Book (XiaoHongShu) and WeChat articles.
- Updating payment methods to allow for Alipay and WeChat pay.
- Engaging top Chinese travel bloggers or vloggers to promote hotels, brands or destinations.

The U.S. tourism market will greatly benefit from the reopening of the Chinese markets. The hotels will need to step ahead of the curve and prepare for their return.

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