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China's Tourism Market and Its Implications to Timesharing

Dr. Song Rui^[1], Secretary General

Tourism Research Center, Chinese Academy of Social Sciences

§ Chinese Travelers: a Significant Market

§ Facts Behind the Figures

Some characteristics of Chinese tourists

- It is a large market with very low average expenditure.
- The difference of income and expenditure levels among people is incredibly huge. Never take Chinese in general. A report by the Chinese Academy of Social Sciences (CASS) shows that China's worrisome income gap is showing no signs of narrowing, despite governmental efforts to bridge it.
- Most tourists are sightseers ,not holiday-makers.
- For the reasons of experience and price, many of them will travel in group organized by travel agencies, especially for the outbound travel. At the same time, independent travelers are increasing, especially the well-educated, well-paid youth in the large cities.
- Chinese do not make vacation plans long before their departures, they make such decisions almost temporarily.
- Most citizens travel during the three "golden weeks". There is a distinctive difference between peak season and off-season.
- Not everyone enjoys paid holidays. Even those who have paid holiday don't spend them for traveling, because of the time of other family members and other reasons.
- Chinese tend to visit different places, and do not have the habit to re-visit one place regularly.

- Chinese customers are risk evaders. They are reluctant to pay for a service which will be consumed for 20 or 30 years.

- In China, the group/collective consumption or organization consumption is very popular. In the past, institutes, universities, companies, SOEs in particular paid houses, education, and health care for their employees. Although it has been changed, organizations still are important buyers of many goods, including tourism products.

From Tourism to Timesharing

Timesharing was introduced into China in the late 1990s. Literally, it was translated as timesharing holiday-making in Chinese. Holiday-making was a new concept to Chinese then. Few people knew it clearly. At the same time, some sales companies made fraudulent promise to the customers that they were entitled to travel in almost 100 countries in the world with the timesharing exchange membership cards. Many problems occurred at the beginning, for example, the coercive sales, deceitful sales and cheating contracts. From its start in China, timesharing has been distorted and has witnessed many condemnations and accusations. Although China's general tourism market developed at a fast speed, timesharing has suffered a tough period. There are two main reasons. First, some companies took usage of the vacancy of legal regulations and nescience of buyers and cheated the customers. They built a very negative image for this industry. Second, the timesharing of China was not as considerable as many people expected.

§ Factors of Timesharing Industry in China

Positive

- Steady growth of the economy and family income. In the government report of 2007, the central government vowed to enable citizens all over the country to benefit from the growth and development.

- To increase the life quality is the main policy of the government.

- To encourage the consumption will be consistently emphasized.

- The middle class in the society is growing. In 2006 Mcthy Company issued a report named "The Value of China's Emerging Middle Class" and forecasted that among the urban households, the middle class, including the upper middle class and lower middle class will reach 79.6% in 2025. In the western countries, the main part of middle class is middle-aged. However, their Chinese counterpart is much younger.

- Now, although the upper middle class only takes a relatively small percentage, it is a great number due to the large population.
- The rich Chinese are open to adapt modern lifestyle.
- The government encourages the vacation and holiday tourism. In fact, 15 years ago, CNTA initiated incentive policies to foster the vacation travel market and build 12 resort areas in 1992 which failed due to the lack of demands and other reasons. Both the government and the industry now vigorously try to develop the vacation travel.
- China will deepen reform of the income distribution system to narrow the increasing gaps in income levels and expand consumer demand. The government will take a variety of measures to increase the incomes of both urban and rural residents, especially low- and middle-income persons.

Negative

- Business environment. In recent years, China has launched a campaign named "to build a society with fidelity" to eliminate the disingenuousness, especially in the field of business and consumption. To be honest, China is on its starting point to foster a reliable business environment. Companies should be very careful to choose their partners. They are in many cases, embroiled into complaint and accusation because of the illegal and immoral operations of their business partners. As a result, customers would be very reluctant to buy a vacation ownership product which should be consumed in the long future.
- Poor industry image. Due to the overspreading media reports on the immoral conducts of some companies at the beginning, especially 3.15 in 2003, timesharing industry suffers a poor image. I searched "timesharing" in Google on 10, March, 2007, there are 149 thousand pages, 80% of them are negative reports with words and expressions such as trap, confidence trick, cheat, lie, complaint, confidence crisis and so on.
- Concept confusion. Few people in China can give a clear definition of timesharing. Neither the customers, the sales companies, the government officials, nor the researchers know very clearly about this complicated concept. Is it a product or a sales method? Is it an investment product or a vacation product? Is it a right of usage or a right of ownership? And the misleading of the sales companies made the concept more confusing and complicated.
- Un-shaped Industry System. The development of timesharing entails the co-operations and well-regulated relationships among resort developers, exchange service companies, trust companies, insurance companies, banks, credit survey

organizations of finance, audit and law. In China, it takes time to shape the industry system.

- Vacuum (vacancy) of governance organizations and legal regulations. Being a new sector, timesharing hasn't yet been classified into governance field of any government department. Neither CNTA nor the Ministry of Construction would govern this industry on its own initiative without the command of the State Council.

§ Localization of Timesharing in China

For the sustainable development of timesharing in China, it is necessary to make strategies combining the experiences from abroad, USA for instance, with the special features of China's market.

- Re-construct the industry image is very crucial and urgent. As a leader, RCI China has made great efforts to lobby the government and educate the consumers. It needs time for the society to know what is the true concept of timesharing and how can they benefit from it.

- The industry association is always affiliated and accessorial to the governmental department. So it cannot function as the industry association in USA, the ARDA for instance.

- The local governments in China are more powerful and endowed with more rights and resources than their western counterparts. It is possible to lobby some local governments to issue local rules to regulate the timesharing.

- In China, timesharing must be integrated with tourism industry, but not real estate industry, in terms of both the development strategy and the governance regulation.

- In China, timesharing should be promoted as a vacation product, but not an investment product. As a vacation product, it should be developed as a package holiday, but not only an accommodation unit.

- The target market should be classified into two categories. One is the inbound tourists from neighbor countries, such as Russia, Japan and Korea. The other is the domestic tourists. It is not realistic to attract Chinese to go abroad for vacation now. The Chinese outbound travelers are mainly sightseers. And the domestic market can be further classified into two categories. One is the individual and family customers who are highly paid, well-educated and veteran tourists. The other is the organization, including the big SOE, institutes and other companies. They will buy timesharing product for their employees.

- The resort for timesharing in China should be mix-property, like in Mexico. It is more reasonable to combine the traditional hotel with the timesharing unit than to build timesharing unit in purpose.

- It is feasible to develop point system, cooperating with air lines, banks and other firms to provide diversified and flexible services.

- In order to decrease the price and the risk for the customers, the period of the timesharing in China should be shortened to 5, 10, or at best 15 years.

- Location of the timesharing resorts. Except for the locations round beach, scenery, the suburbs and towns surrounding large cities should be considered. There are three reasons. First, the vacation time of many customers are limited. Many people take vacations in suburbs in the weekends. Second, different from western countries, in China nowadays most holiday resorts and accommodations are located not far away from cities. Thirdly, Chinese like amusement activities and it is impossible for us to stay at a place far away from residents for nothing but relaxation and rest. So the suburbs and towns surrounding large cities, for instance the ancient towns near Shanghai and holiday resorts in the outskirts of Beijing are very popular. It is called 5+2 model.

- To reduce risks for the costumers. Costumers will trust the exchange companies who have their own holiday resorts, or who have the assurance of banks or insurance companies.

- Standard: standardized contract and information notification