

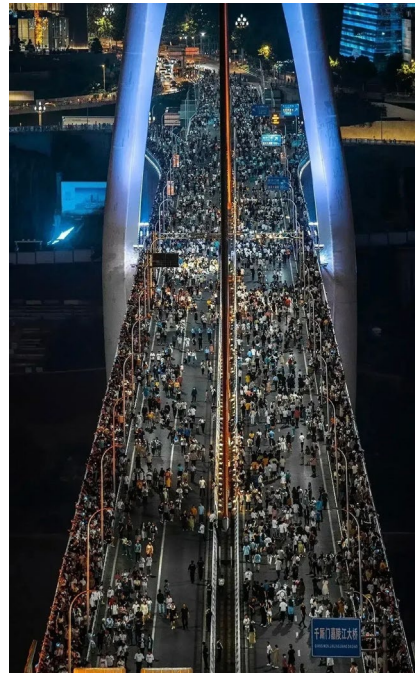
The Spring of Chinese Travel - A Glimpse into the Post-Pandemic World



Spring Festival in Shandong



Ching Ming in Zhejiang



Labor Day in Chongqing

Mia Mao
May 2021

Spring is the season of life, hope, blooms and new beginnings. In the case of Chinese citizens such as our colleague Mia Mao from our Shanghai office, it is also the season with the most public holidays. Mia is looking back at the recent peak travel season in China and shares her observations together with ten takeaways on what the rest of the world may (possibly) expect in a post-pandemic world!

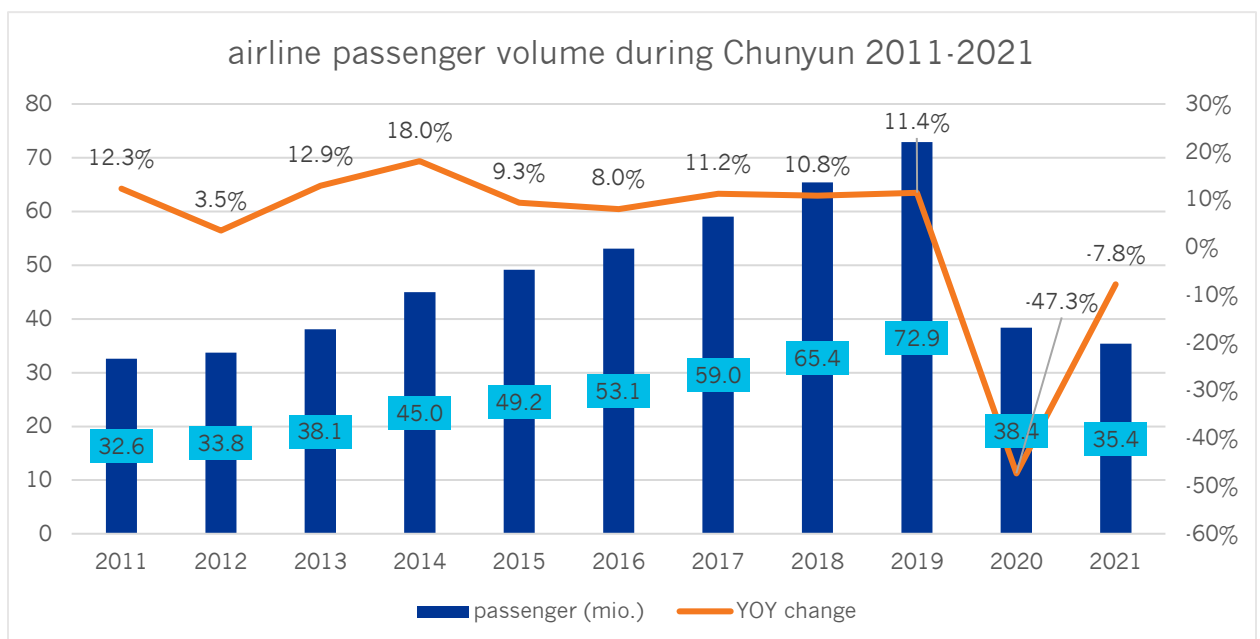
Disclaimer: the article often uses the term 'post-pandemic'. The author acknowledges the current situation can change fast and unexpectedly. 'Post-pandemic' therefore refers to the prevailing general sentiment and not to a medical or epidemiological assessment of the current situation.

Spring was on the edge around the Spring Festival – but the situation looked much brighter a few weeks later

The seven-day public holiday of Spring Festival, also known as the Chinese New Year, is usually when those working away from their hometowns return and spend time with family, while the rising middle class may choose to go on vacations either domestically or abroad. International travel, of course, remained restricted by the 14-day quarantine and the limited visa issuance. Also, to effectively prevent the outbreaks in northern China from further spreading, the Chinese government called for a “stay-put” Chinese New Year by requiring Covid-19 tests for those that would travel from metropolitan to rural areas, and by subsidising those that stayed. Many willingly responded to this appeal, which resulted in a delayed recovery in airline and train transport volume during Chunyun (“春运”, the Chinese term of the travel rush during Chinese New Year), as indicated by the statistics below:

Takeaway 1: Travel demand is very elastic post-pandemic, highly responsive and sensitive to travel advisory and Covid-19 cases.

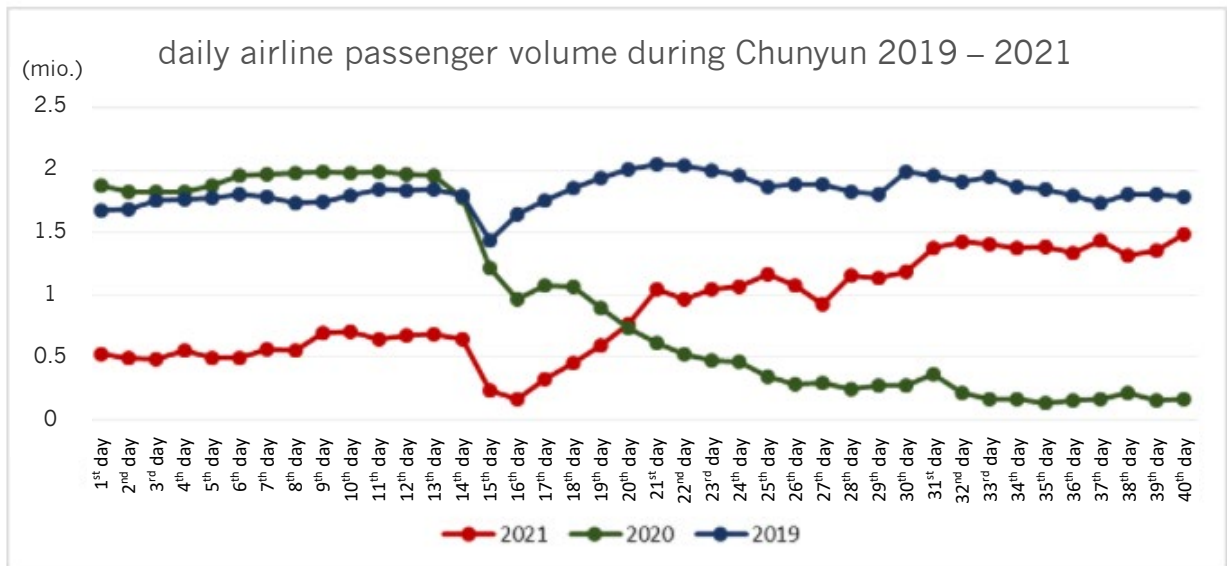
- Over the broad 40-day Chunyun period between 28 January and 8 March 2021, the total air traffic in mainland China was about 35.4 million passengers. As shown in the chart below, this is a record low since 2013.



Source: Civil Aviation Administration of China

- Following the initial outbreak of Covid-19 at the beginning of 2020, the airline passenger volume in the first 15 days of Chunyun before the lunar new year was generally in line with the 2019 level. However, due to the increasing severity of the pandemic and government restrictions in place, as well as the Chinese tradition of returning home by the lunar new year and stay with family for the rest of the holiday, the volume dropped significantly on the day of the lunar new year, leaving the remaining 25 days with a 78% year-over-year decrease.

- In comparison, the passenger volume remained low for the first 20 days of Chunyun 2021, totaling 10.7 million, which was around 32% of 2019 and 2020 levels. However, the easing travel restrictions, thanks to the painful but successful control of outbreaks in north China in January, led to a rapid pick-up starting day 21, reaching 24.7 million passengers for the second half of Chunyun, reaching about 66% of 2019 performance and over four times the 2020 level.



Source: Civil Aviation Administration of China

Comparing the opposite directions that the 2020 and 2021 Chunyun numbers went in, travel demand post-Covid in China is highly responsive and sensitive to the severity of the pandemic and the preventive measures taken by the government accordingly.

However, despite people’s attempts to stay safely away from Covid, they are becoming increasingly accustomed to living the new normal life post-Covid, and they surely could not wait to travel.

After the seven-day “stay-put” Chinese New Year holiday earlier this year, the travel advisory was lifted, and many jumped on planes, trains and cars immediately. The upward curve of air passenger volume as shown in the chart above clearly demonstrated this recovery, and high-speed train traffic, though not as severely impacted, also saw a similar upswing after the holiday, especially for short-haul routes. Business travel resumed right after the holiday, while leisure travelers flooded to destinations near (if not within) their residing cities.

Takeaway 2: Top tier cities and leisure destinations recovered first – after regaining confidence there, travelers then turned to second-tier destinations as well.

Leisure travelers indeed developed very different patterns compared to pre-Covid times. Although hotels are in a better position now in terms of cancellation policies (they are now free to set up different cancellation policies at varying discounts like the old days) compared to the beginning of the pandemic when they experienced massive free cancellations due to the government’s mandate, travelers have become more cautious about non-refundable bookings especially for destinations further away. Shorter booking windows and changing guest demographics also urged hoteliers to step out of their comfort zones and think critically about the subtle changes in guest demand in a buyer’s market.



Atlantis Sanya

The city of Sanya, in the south of Hainan province, is the equivalent of Cannes or Miami for China. Before the pandemic, its hotel rooms for Chinese New Year would typically be sold out over a month in advance at an ADR that's more than five times the low season rates. This year, Sanya enjoyed a) the overflowing demand originally for Southeast Asia destinations after the imposition of international travel restrictions, b) the newly set up duty-free shopping, and c) flight prices that were much lower than pre-Covid levels. Nevertheless, hoteliers in Sanya were still not nearly as confident one week before the holiday as they would have been without Covid-19.

Atlantis Sanya, for example, was finally 90% booked for the seven-day holiday right before the Chinese New Year, but its sales manager expressed his concerns about last-minute cancellations as the travelers were about unexpected outbreaks and sudden Covid test requirements. In the end, Atlantis observed a booking window of around three days, and a less northern-China, more local Hainanese guest profile. Yet, with a performance like this, Atlantis Sanya became the most popular hotel during the Chinese New Year holiday on Ctrip, China's top OTA.

In contrast to the festivity in top-tier cities, traditional long-distance touristic destinations such as Kunming, Guilin, and Xishuangbanna were remarkably quieter than previous years, while places like Wuzhen which has very limited exposure and buzz in the recent years had reservations that were only 30% of the previous year volume on top of a 50% ADR reduction. B&Bs in mountains and villages were also victims of the many cancellations as a result of the volatile Covid-19 situation and the stay-put policy.

Takeaway 3: Hotel Managers: Brace for impact! For four- to five-star hotels in key leisure destinations, an increase of over 35% was recorded for Ching Ming vs. pre-pandemic levels, but with a very short booking window of only one to three days prior to arrival.



Four Seasons Guangzhou

Other destinations that performed well were mostly top-tier cities with existing tourism resources. As promoted by municipal governments, many stayed in the big cities which created a large additional demand for local attractions and staycations. For example, the top three cities of origin for Shanghai Disney Resort visitors during the Chinese New Year holiday last year were Beijing, Chengdu, and Xi'an, which were all over 1,000 km from Shanghai. However, this year most visitors came from within a two- to three-hour driving distance (or around 1.5 hour by high-speed train) from Shanghai. February 13, 2021 was the second day of the lunar new year, and it was also the day when Shanghai Disney Resort was sold out and swamped by 97,047 visitors who wanted to see the New Year special fireworks in the freezing winter air scheduled at 9:00 pm. On the same night, nesting on the 69th to 100th floor of the local landmark International Finance Centre, rooms at Four Seasons Guangzhou were more than 90% occupied.

What remained devastating however, was the outlook for MICE. Before the pandemic, companies in China would typically hold annual get-together events in hotels around Chinese New Year, which could easily generate over 500 CNY per person revenue per night. Many of these events were surely cancelled in the beginning of 2020 during the initial outbreak of Covid-19 across the country, but despite the hoteliers' hopes for an upturn in 2021, the aforementioned outbreak brought countless cancellations yet again. A five-star hotel in Shanghai reported a 74% cancellation rate for events booked in February 2021. Throughout the year, exhibitions and expositions were also slow to pick up – only the big ones survived and attracted a somewhat manageable number of attendees, while the rest were cancelled or deferred. Although personal events like weddings resumed in mid-2020, people would still try to reduce the scale of these events, making these events not nearly enough to sustain the past glory of hotel MICE.

Takeaway 4:
Staycations are in vogue – key OTA's record over 50% increase vs 2019 in searches and bookings for local offers



National Exhibition and Convention Center, Shanghai

Ching Ming, the true advent of spring

Counting one full year since the significant drop of existing Covid-19 cases in Mainland China (from about 58,000 cases in mid-February 2020 to about 2,000 in early April the same year), Ching Ming Festival 2021, which fell between 3 to 5 April this year, seemed to celebrate the true beginning of the long-awaited and unstoppable rebound of demand in the tourism and hospitality sector following the suppressed recovery during Chinese New Year.

Culturally inherited as Tomb-Sweeping Day and now an established public holiday in China, Ching Ming entails a long weekend of family gatherings and excursions nowadays. It is also one of the 24 solar terms marking the pleasant weather and temperature changes across most regions of the country. Moreover, in contrast to the travel advisory and “stay-put” policy around the Chinese New Year, people were free to travel almost anywhere for Ching Ming. Those that stayed for Chinese New Year had a chance and a reason to go home, and more people took this opportunity to enjoy the spring air without masks on. All these factors combined made this three-day long weekend an adrenaline shot for the hospitality industry in China.

Takeaway 5: MICE, both international and domestic, continue to suffer from the delayed pick-up in many of its components (conferences, exhibitions, banquets, etc.). On a brighter note, business travel is recovering fast.

According to the Chinese Ministry of Culture and Tourism, 102 million people traveled domestically from 3 to 5 April, up to 94.5% of 2019 levels. The Ministry of Transport calculated that 4.33 million passengers traveled by air, which was more than 2.5 times the 2020 amount and merely 10.7% lower than 2019 levels. It seems like the numbers and metrics were catching up with pre-Covid levels following the momentum of the second half of Chunyun, but what really differentiated Ching Ming from the Spring Festival was the expanded scope of Chinese travelers in terms of types of lodging and destinations.

Staycations and short-distance trips of course continued to show strength especially for weekends and shorter breaks like Ching Ming in April and the Dragon Boat Festival in June, particularly for families with school kids whose schools may not allow them to travel outside of their residing cities. City and suburban resorts were still good options for these weekend getaways, but B&Bs and glamping also gained more attention among staycation enthusiasts. Cold, gloomy winter calls for a therapeutic spa at a luxury hotel, but why not enjoy an instagrammable picnic on the grass by the water in the afternoon, and a cozy bonfire by the tent under the stars in the evening? Chinese lodging providers are not far behind in terms of creating unique hospitality experiences, and the ever-stronger social media made their guests free advocates for their products.

Takeaway 6: with no restrictions, travel during Ching Ming (3 to 5 April) almost reached 2019 levels (94.5%) with 102 million people traveling domestically.



Performer at the Tang dynasty theme park in Xi'an



Tibetan influencer at the Sanxingdui Museum

Social media (and mass media) has also brought new destinations to the attention of the general public. Unlike during Chinese New Year, for Ching Ming, what could have stopped people from going on mid- to long-distance trips was the length of the public holiday rather than external, hard rules. Trapped within the country by international travel restrictions mostly enforced by the 14-day quarantine, people started to seek new destinations that they had not explored before. This could then be easily influenced by social and mass media. Back in November 2019, videos of a beautiful young lady dressed as a traditional roly-poly playing acrobatics in a Tang dynasty theme park in Xi'an went viral on TicTok, and subsequently brought hundreds of people from across the country to visit her in the park every night. The pandemic did not have any negative impact on the power of media. In mid-March 2021, archaeologists discovered a mysterious gold mask in Sanxingdui, Sichuan. The news was all over social media, and the Sanxingdui Museum soon became a black horse in the list of top attractions for Ching Ming. On 4 April, the second day of the three-day long weekend, Sanxingdui Museum accommodated close to 20,000 visitors, a record high for the museum. In addition to the media coverage, the proximity of about a 1.5-hour drive to Sanxingdui from Chengdu (the economic hub of southwest China and at the same time, a leisure destination known for spicy hotpot and pandas) also enabled people to hop on a car and satisfy their whimsical travel needs.

The Labor Day that everyone anticipated

At the time this article was written, the May 1st Labor Day has just taken place. It was a longer holiday of five days, and it was around the best time of the year. There were no domestic cases of Covid-19, and the vaccination coverage was steadily increasing across the country. Industry experts estimated up to 200 million travelers for Labor Day, and parks and highways were already lining up days before the holiday... This Labor Day holiday was like a fairytale to the battered hospitality industry.

Takeaway 7: Social and mass media are strong catalysts to create upcoming trendy/hit destinations.

According to a report released in mid-April by Ctrip, the number of airline bookings for Labor Day has exceeded 2019 amounts by 23%, and the average price for an economy class ticket is 1,021 CNY, also exceeding 2019 prices. Economy class on some flights from Beijing to Sanya on 30 April and 1 May were all sold out two weeks in advance, leaving only the 10,000+ CNY business class seats listed.



Fly-at-will poster by China Eastern Airlines

Some travelers complained about plane tickets returning to pre-Covid levels, while others tried to wrap their heads around all the different products from airlines and OTAs. Early 2020, China Eastern Airlines started the “fly at will” deals where a traveler could make an upfront purchase of a few thousand CNY and get to fly anywhere domestically at any time within the pre-determined timeframe (weekends only, mornings and evenings only, etc.). This was a creative and successful attempt to achieve pre-sale and collect cash flow to get through the toughest times for the airline industry. Many airlines followed, and consumers happily bought the idea. It is probably fair to say that these “fly at will” products helped to boost and maintain the country’s confidence for travel, and that they also helped airline companies to survive 2020 to some extent.

Before Ching Ming 2021, Ly.com, another OTA in China, initiated the “mystery box” deal, where a consumer would buy the mystery air ticket for under 100 CNY. Similar to the mystery hotel booking model from websites like Hotwire, and also referencing the concept of mystery boxes in the toys industry in Asian cultures and especially popular in China in the recent years, the consumer would find out where and when the flight is for after the purchase. Other OTAs like Ctrip, Qunar and Fliggy of course soon followed up with their own versions, but with different requirements. Some even required consumers to ask their friends and family to sign up and help before they can make the purchase. Despite the creativity that seemingly flowed in this concept, this “mystery box” however is mostly regarded as marketing and customer acquisition attempts rather than another cure or booster for the Chinese travel industry.

Takeaway 8: Airline bookings have the potential to surpass 2019 levels (+23%) at increased ticket prices

Still, the better the airlines recover, the further travelers can reach. Second tier cities that were left out during Chinese New Year have already seen increased volume during Ching Ming. Unlike the previous holidays, cross-province trips were expected to further grow as indicated by OTA search figures. Over 70% of travelers prefer to travel to another province, and as of mid-April, the number of people booking cross-province trip packages for Labor Day would be almost six times the total for April. With the longer break and better external factors, long-distance travel should soon pick up

Takeaway 9: Airlines and OTAs stir the marketplace with creative (air) products that ultimately benefit their own businesses.

With more travelers on the road, hotel performance certainly would not fail hoteliers. Ctrip reported 43% more hotel bookings compared to Labor Day 2019. Over half of the bookings were for four- to five-star hotels, as travelers increasingly see hotels with designed activities and themed experiences as destinations rather than just a place to sleep. This is proven by the top ten popular hotels on Ctrip for Labor Day – besides family-oriented resorts in Sanya and the Yangtze River Delta, two family resorts under the Chimelong Group (an integrated, highly family-oriented resort group based in Guangdong) and two luxury boutique beach hotels, one in the south in Guangdong and another in the north in Hebei, made the list. During the longer public holidays, family getaways are seemingly the top driver for hotels.



Fairyland Resort Hotel, Yangjiang, Guangdong



Senbo Resort Hangzhou, Hangzhou, Zhejiang

Nonetheless, when quoting all the impressive, exciting recovery numbers, we should definitely take into account the fact that international travel was big in China before Covid-19. 155 million Chinese citizens traveled internationally in 2019, generating almost 100 billion CNY consumption abroad. Considering the “dual circulation” strategy stressed by the Chinese government, there will be continued actions to further boost domestic travel. However, the Chinese people want to travel, interact, experience, and share, and they would love to go back to the pre-Covid life when they had the option to travel abroad. No matter how responsive and compliant they are to travel restrictions set by the government to keep them safe and healthy, many of them would probably hop on a plane anytime for a long-due vacation on the other side of the world – once it becomes safe to travel again.

Takeaway 10: Pent-up demand led to 43% more bookings for 2021 vs 2019 Labor Day holidays with high-end four- to five-star hotels benefiting the most.

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