

**REPORT OF WORKSHOP ON ROUTE AND PRODUCT DEVELOPMENT
IN CENTRAL AND EASTERN EUROPEAN COUNTRIES**

(Warsaw, Poland, 27 January 2016)

**Central and Eastern European Countries' Tourism Coordination Centre
Q1 2016**

COTRI No. CEE02



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Introduction

Background

Established in 2014, the China – Central and Eastern European (CEE) countries' Tourism Coordination Centre (TCC) takes major responsibilities in coordinating tourism development between 16 CEE countries and China. Aiming at catching the wave of the fast growing China outbound tourism, TCC proactively engages 16 CEE countries to promote the CEE region as one single destination to China consumers against increasing competition.

TCC recognises that China outbound tourism is growing at an unprecedented pace both in terms of the number of border crossings and travellers' expenditure. China, with double-digit growth in expenditure every year since 2004, continues to lead global outbound travel, benefitting various destinations in Asia, North America and Europe. Figures that demonstrate the growth of the China outbound tourism market are presented in Appendix A. For some V4 Group countries, the increase rate (YoY 2014/15) of total Chinese tourist arrivals has reached record-high, such as 25% in Poland, 36% in Czech, 40% in Hungary while Slovakia almost doubled its previous year's Chinese arrival numbers in 2015 (Appendix B).

As of February 2016, there are four direct flights between CEE region and China:

Routes	Airlines	Frequency per week
Warsaw – Beijing	LOT	3
Budapest – Beijing	Air China	4
Prague – Beijing	Hainan Airlines	3
Prague – Chengdu	Sichuan Airlines	2

Despite anticipating the growth rate to be 11% in terms of total arrival number to CEE countries by 2019, TCC considers that the absolute number of arrivals to the CEE region is much lower than to Western European destinations. In addition, the China outbound market is also characterised with a short stay, with tourist nights staying less than two nights in any CEE country.

After an eventful 2015, TCC organised three regional workshops for the Balkan region, V4 Group region and Baltic region in January and February 2016 with objectives to facilitate regional routes and products development. Focusing on findings of the V4 Group region, this report is part of a larger report that provides recommendations to the tourism route and product development in CEE countries.

V4 Group Countries Workshop Objective

The overall objective was capacity building to improve the understanding of Chinese outbound travel market and thus to identify opportunities for suppliers in the V4 group region. The workshop also aimed to facilitate participants from V4 group region to develop suitable routes and products on a regional level.

Learning from the earlier Balkan workshop that participants had very limited experience and knowledge about the China outbound market, the V4 workshop was also provided to participants to address their specific questions and issues and to share experience.

Workshop Programme

Date: 27.01. 16	Location: Ministry of Sport and Tourism
10:15 – 10:30am	Registration
10:30 – 10:35am	Opening <i>(Mr. Rafał Wilczkowsk, Head of Promotion and International Affairs, Ministry of Sport and Tourism)</i>
10:35 – 11:00am	Presentation TCC activities 2016 <i>(Ms. Zsuzsa Vincze, TCC)</i>
11:00 – 11:20am	Presentation about the activities of Poland in the Chinese tourism market <i>(Barbara Tutak, Polish Tourist Organization)</i>
11:20 – 12:30pm	Facilitated Route and Product Development Workshop part 1 <i>(Prof. Dr. Wolfgang Arlt, Director and Founder of COTRI)</i>
12:30 – 12:45pm	Coffee break
12:45 – 14:15pm	Facilitated Route and Product Development Workshop part 2 <i>(Prof. Dr. Wolfgang Arlt)</i>
14:15 – 14:30pm	Summary <i>(Mr. Mihály Aranyossy)</i>

Workshop Participation and Organisation

34 participants from organisations including hospitality, travel agency, tourist attraction and university attended the workshop. With majority of them coming from Poland, there were also participants from Czech and Slovakia. The role of participants in their respective organisations ranged from decision makers, line managers to operational staff. The workshop was funded by TCC, and was hosted by Ministry of Sport and Tourism Poland and facilitated by COTRI China Outbound Tourism Research Institute.

Key Findings (V4 Group Region Workshop)

More Experienced with China Market

During discussions, participants demonstrated better knowledge and more experience in terms of the China outbound market compared to operators in the previous Balkan workshop. It is important to recognise the uneven development of the supply side when TCC coordinates at the CEE regional level. Suitable support and consultation needed to be tailored thus regional tourism boards can identify specific needs while keeping an overarching tourism promotion and operationalization strategy in mind.

To be more specific, further than obtaining market entry knowledge, participants also discussed at the workshop of how to solve operational issues such as language barriers at B2B and B2C levels, interaction and query from FIT (fully individual travellers) when they are already in Europe, Chinese signage and audio aids, etc. Some participants also brought up their own experience with Chinese group tourists and further suggested continuing on the path of growing the traditional group market.

A Regional Approach

Accustomed to working together, participants acknowledged the importance and feasibility to work on the V4 group regional level. With current direct flights to three out of four V4 countries, participants considered all V4 group countries are in good positions for the China market, and it is important to leverage the geographical

proximity to Austria, Germany and other more 'classical' European destinations in terms of routes and products development.

The advantage of having direct flights among different V4 group countries is that it suits Chinese travellers' travel planning. Often being 'time-poor' and having the mind-set of making the most value of money, Chinese travellers mostly prefer travelling through a region without repeated visit to any city due to flight arrival and departure limit.

Positive Destination Image

Participants considered that V4 group countries, as well as the larger CEE region currently have a positive destination image for the China market. For example, not only the region is considered as safe without terrorism event, but also it possesses post-communism heritage that Chinese people can associate with their own country. Therefore the region fits well into the range of 'new' destinations with some mystery and stimulation that Chinese travellers are seeking for.

Products Development

Workshop participants considered it is appropriate to develop routes and products by leveraging existing products. They suggested taking full advantage of local history that are connected to what Chinese travellers can associate with themes, such as post-communist heritage (Red-Tourism), local foods (Zakopane / Krakow / Warszawa), hunting, etc.

COTRI's Insights of the V4 Group Region

V4 group countries had a head start in gaining Chinese tourists into this region if compared to other CEE countries. In terms of market-ready for the China market, V4 group countries have a number of advantages listed as below:

- abundant flight capacity
- Schengen visa entry applying to all 4 countries
- relatively more developed tourism industry
- existing products and services

- positive media exposure to Chinese (Poland President Andrzej Duda's visit to China and Chinese President Xi Jinping's visit to and Prague in March 2016)

On most Chinese travel websites and in travel agencies' catalogues, V4 groups countries are called as "Eastern European countries". This area is current attracting increasing interest from Chinese travellers, both younger and elderly ones. Key words of destination image of this region can be summarized as "mystery", "bourgeois" and "Bohemia. Picturing this region with a more relaxed life style, less explored by Chinese groups and cheaper travel costs, some media in China call the Eastern European countries as the 'backyard of Europe'.

Prague and Budapest particularly have gained good market exposure by Chinese popular culture from movies and songs, and somehow become pilgrim destination of Chinese "arty youth" (文艺青年) or hipster followers who claim they highly care life quality, seek freedom, romance and challenges, and despise mediocracy. For example, whenever now mentioning about Prague, Chinese associate it with feeding pigeons at the old town central square, thanks to a slightly blue but extremely romantic pop song called as "Prague Square" by Jolin Tsai (2004). Author Milan Kundera's works have a large number of Chinese followers; for instance, "The Unbearable Lightness of Life" is well known in China with topics of fantasy, life under the communist regime, lust and love. And these followers are exactly in the 'millennial' age group (18 – 35 years old) which has strong growth potential. Chopin, Franz Kafka and even the animation character "the mole" all give this region a distinctive destination image.

Itineraries, destination information and pictures of "Eastern Europe" that include V4 group countries are abundant on major Chinese travel websites such as Ctrip, Tuniu, Qyer and Qunar. Often they are also offered together with Austria and Germany with a length of 8 to 12 days and 1-2 nights in each city (Appendix C).

The increased flight capacity will further contribute to the growth from China market. Current three direct flights come from Beijing and one comes from Chengdu (starting on 25 February 2016). Once other first tier cities such as Shanghai and Guangzhou as well as other second tier cities join in new routes development, the V4 group region can expect a surge of Chinese travellers in near future.

The bottleneck for this region though, is similar to many destinations that can't fully cash on the fast growing Chinese market due to inadequate knowledge of source markets, language barriers at both B2B and B2C levels, employment capability and insufficient leverage of Chinese social media.

Recommendation and Moving Forward

The V4 group regional workshop brought together tourism and hospitality suppliers, national tourism organization and regional tourism coordination body to develop routes and products for the China market. In general, current offers of products and services remain attractive to potential Chinese travellers, so the key tasks would be to further provide practical trainings to suppliers, strengthen marketing communication and operationalize the chain of “available products – actual purchase – affirmative experience”.

Potential Chinese market segments for this region can be diversified:

- Independent travellers family / multi-generations
- “Arty youth” (文艺青年) or hipsters from first tier and second tier cities
- Package tours targeting relatively elderly travellers
- Chinese students and families already in Europe
- Independent travellers young people, small group 2-5 from both first tier and second tier cities

V4 group countries have now the position to promote in-depth trips to V4 group countries, and can connect with other CEE countries that share post-communist heritage. Appendix C demonstrates a number of sample itineraries that can represent what Chinese travellers can find on most popular Chinese websites and in travel agency's catalogues. Product development and adaptation from current offers should keep similar principles as recommendations for the Balkan region workshop such as avoiding long or 'comprehensive' routes, and theme products with clear focus. We include some examples that have been developed under such principles:

Example 1: “Royal treatment in Central Europe”: Czech, Austria, Slovakia and Hungary (Prague – Kalvary Vary – Pilsen – Budweis – Krumlov – Vienna – Bratislava – Heviz – Budapest).

Featuring attractions of magnificent castles, fairy tale town in the Renaissance time, Bohemian towns, spa and thermal lake, Budweis, Pilsen and river cruise, this product has elements of culture and architecture for sightseeing and wellness and health tourism. It is suitable to target young, affluent and semi-organised travelers.

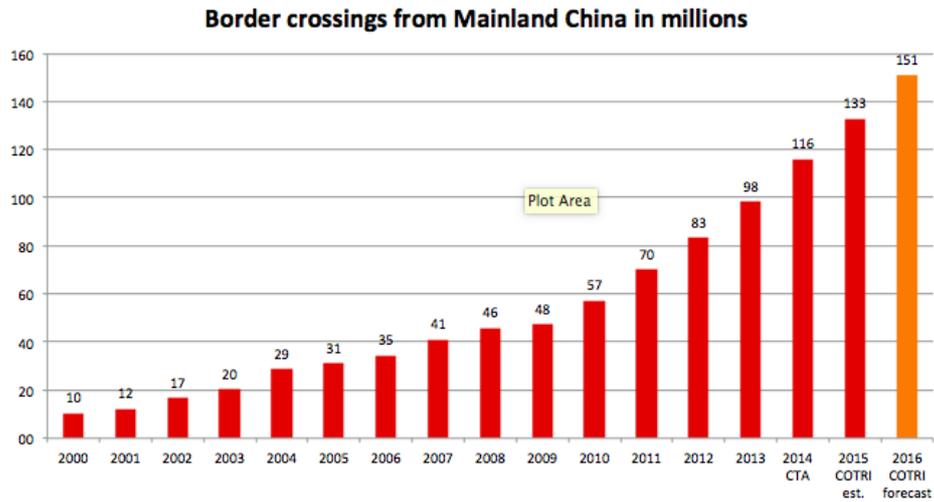
Example 2: “The different European cuisine, tradition and history”: Poland, Slovakia and Hungary (Warsaw – Cracow – Wieliczka – Oświęcim – Vysoké Tarty – Bratislava – Heviz – Eger Region – Budapest)

Featuring attractions of house of Mrs. Curie, concert of Chopin’s music, Wieliczka Salt Mine, Auschwitz Concentration Camp, electronic boat on Lake Balaton, spa, Goulash meal with village horsemanship show, Eger Bikaver, Noble wine at Hungarian traditional dance show banquet. Elements in this route have been revealed by the product’s name and it is suitable to target middle to elderly aged groups.

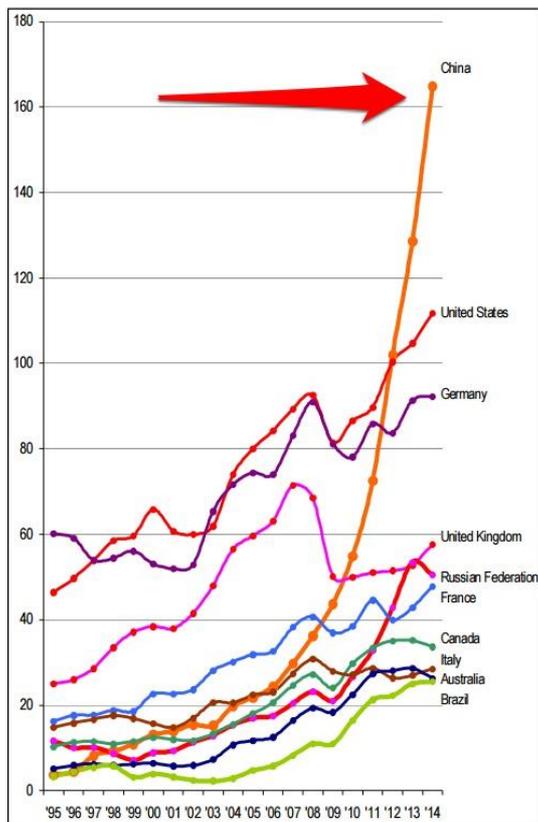
In addition to routes and products development, the tourism and hospitality industry and tourism promotion boards in V4 group countries need to lay down trails aiming at growing the China market with long-term perspectives. On-going workshops, training and hiring of Chinese speaking staff, and further investment into Chinese social media should all be brought up onto the development agenda.

Appendix

Appendix A: The Growth of the China Outbound Tourism Market (Number of Boarder Crossing and Expenditure)

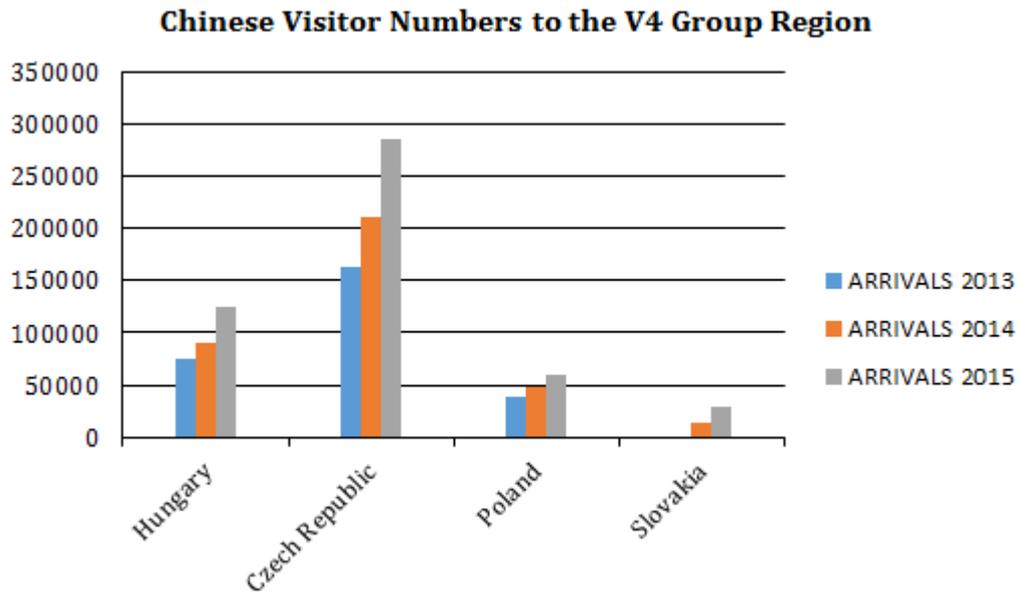


World and regions: Outbound Tourism
International Tourism Expenditure (US\$ billion)



Source: World Tourism Organization (UNWTO)©

Appendix B: Chinese Visitor Numbers to V4 Group Countries



Data Sources:

- Czech Statistical Office
- Hungarian Central Statistical Office
- Central Statistical Office of Poland, Ministry of Sport and Tourism of the Republic of Poland
- Statistical Office of the Slovak Republic

* Arrival data to Slovakia is not available for year 2013.

Appendix C: Sample Itineraries of V4 Group Countries on Major Chinese Websites

Sample 1: Provided by Qunar. Com

Day 1 Beijing-Warsaw (city sightseeing)
Day 2 Warsaw - Cracow (Jagiellonian University, Kraków Cloth Hall, Wieliczka Salt Mine)
Day 3 Cracow - Wrocław (Rynek-Cathedral Island)
Day 4 Wrocław -Prague
Prague Castle-Little Quarter
Day 5 Prague –Pilsen – Crumlaw (city sightseeing, Crumlaw Castle, etc.)
Day 6 Crumlaw - Holasovice Historical Village – Bratislava (city sightseeing)
Day 7 Bratislava - Lake Balaton - Budapest (Dinner at Danube River Cruise)
Day 8 Budapest (city sightseeing)
Day 9 Budapest- Warsaw-Beijing
Day 10 Beijing

Sample 2: Provided by CITS China International Travel Service

Day 1 Guangzhou/Shanghai-Frankfurt
Day 2 Frankfurt- Nuremberg (city sightseeing)
Day 3 Nuremberg – Munich – Fussen (city sightseeing, BMW Museum)
Day 4 Fussen - Neuschwanstein Castle- Salzburg (Mirabell Palace, Mozartplatz, Mozart Residence)
Day 5 Salzburg- Crumlaw (city sightseeing)
Day 6 Crumlaw - Vienna (city sightseeing)
Day 7 Vienna-Budapest (city sightseeing)
Day 8 Budapest – Bratislava – Prague (Bratislava Castle, Slowakisches National Theater, Old City Hall)
Day 9 Prague-Shanghai

Sample 3: Provided by Ctrip.com

Day 1 Beijing –Warsaw (city sightseeing)
Day 2 Warsaw (city sightseeing)- Cracow Warsaw
Day 3 Cracow- Bratislava
Visit Cracow Old Town
Day 4 Bratislava-Budapest (city sightseeing)
Day 5 Budapest-Vienna (city sightseeing)
Day 6 Vienna- Budweis (city sightseeing)
Day 7 Budweis- Crumlaw (Castle) -Prague
Day 8 Prague (city sightseeing)
Day 9 Prague –Warsaw – Beijing
Day 10 Beijing

Appendix D: SWOT Analysis of the V4 Group Countries

