

**Chinese Outbound Travel  
and the Ling-Tuan-Fei Phenomenon:  
The New Zealand Case**

**The Ling-Tuan-Fei Tour to New Zealand:  
Poison, panacea or palliative?**

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## **ABBREVIATIONS**

AUTEC	Auckland University of Technology Ethics Committee
ADS	Approved Destination Status
CNTA	China National Tourism Administration
COLT	Chinese outbound leisure traveller
COTA	Chinese outbound travel agency
CTS	China Travel Service
CNTA	China National Tourism Administration
FIT	Free Independent Traveller (FIT)
GDP	Gross Domestic Product
GNI	Gross National Income
ITO	Inbound Tour Operator
LTF	Ling-tuan-fei (literally meaning ‘zero-charge tour’)
NZ	New Zealand
SARS	Severe Acute Respiratory Syndrome
TNZ	Tourism New Zealand
VFR	Visiting Friends and Relatives
WTO	World Trade Organization

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## **ATTESTATION OF AUTHORSHIP**

“I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the qualification for any other degree or diploma of a university or other institution of higher learning, except where due acknowledgment is made in the acknowledgement.”

Signature\_\_\_\_\_

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## ABSTRACT

The fast growth of China outbound travel has attracted many tourism entrepreneurs into the business, making it highly competitive. In response, a mode of tour operation nicknamed ‘ling-tuan-fei’ (literally ‘zero-charge’) has emerged. Ling-tuan-fei (LTF) tours are tour packages that demand either no charge or a very low charge that is obviously insufficient to cover the costs of the package, let alone profits. Instead, the host tour operators make their money by demanding commissions on the leisure travellers’ purchases from souvenir stores. Although this practice is viewed by some people as an exploitation of the travellers, such a practice has been going on for quite some time, demonstrating that it is favoured by some travellers. So, this leads to the question: Is the ‘LTF’ tour a panacea, a poison or a palliative?

It is the purpose of this research to answer this question by studying China’s outbound leisure travel market. In doing so, this research will look at the perspective in four parts. First, this research discusses how the LTF phenomenon came about. Second, it identifies, and then explores the problems of the LTF tour. Third, the research explores the rationale of why the LTF tour is so popular for outbound leisure travellers, and what the satisfaction level is for those who experience the LTF tour. Finally, this research studies the reactions of the New Zealand (NZ) tourism industry to LTF tours, as presented by Tourism New Zealand (TNZ).

The researcher uses both primary and secondary data to explore her questions. The secondary data consists of reports of complaint cases about LTF tours and the reaction of TNZ. The primary data comes from face-to-face interviews with outbound travel agencies (tour operators) in China, inbound travel agencies (tour operators) in NZ, tour leaders, and the Chinese leisure travellers who have experienced the LTF tour. A qualitative research method was employed because this method enables the researcher to first explore the attributes of the LTF phenomenon and then to understand both why Chinese leisure travellers may prefer to buy these package tours and their subsequent satisfaction levels.

The research shows the LTF mode of operation is not sustainable because not all the parties involved can derive benefits from this mode of operation. While the Chinese outbound travel agencies (COTAs) and the Chinese outbound leisure travellers

(COLTs) still like the LTF mode of operation, treating it as either a panacea or at the least as chocolate candy in a panacea wrapping, TNZ could only tolerate the LTF mode and attempt to make improvements incrementally knowing well that eradicating the LTF mode right away would at the same time drastically reduce the number of Chinese leisure travellers. For TNZ, the LTF mode is a cancer-inducing poison because a quick cure could also mean a quick kill. However, the most adversely affected group are the inbound tour operators (ITOs). Their position in bargaining for better payment from the COTAs has been weakening; thus, the ITOs have to rely increasingly on commissions from the COLTs' shopping to augment their income. Therefore, for the ITOs, the LTF mode has degraded from a panacea they once enjoyed, to a mere palliative, which can only serve to mitigate the pain of having no business at all. TNZ and the ITOs want to change, but the party holding the deciding vote—the COLTs—do not want to change. Therefore, it is expected that the LTF model will continue until there is a change in the external factors, such as a change in the Chinese tourism policy, a drastic reduction in Chinese import tax, or a change in the mind-set of the COLTs for a better tour experience. Unless there are such changes, the LTF model can be expected to go on for quite some time.

# CHAPTER 1 INTRODUCTION

## 1.1 INTRODUCTION-CHARACTERISTICS OF CHINA'S OUTBOUND MARKET

The characteristics of China's outbound travel are completely different from those of other outbound travel markets. One reason is because the Chinese government only allows Chinese people to travel for leisure to 'approved destinations' through authorized travel agencies. The agencies who sell outbound tour packages to the Chinese outbound leisure travellers (COLTs) are referred to as 'Chinese outbound travel agencies' (COTAs) in this thesis. The package tours only go to destinations that have a bilateral agreement of 'Approved Destination Status' (ADS) with China. The ADS system is the main approach adopted by the Chinese government to manage and monitor the outbound leisure tours (World Tourism Organization, 2003; Arlt, 2006).

Under the ADS system, COLTs have to join a tour group in order to travel overseas (World Tourism Organization, 2003; Arlt 2006). Therefore, because there are no other choices, ADS tours have become the main model of outbound travel for the COLTs. Because the package tour model has become more dominant in China's outbound travel industry, foresighted entrepreneurs have seen business opportunities, and a number of tour operators, namely Chinese outbound travel agencies (COTAs) run by Chinese people, have been established (Jia, 2004). The Chinese tourism industry has now become extremely price competitive, resulting in the provision of very low-cost tours. These tours include ling-tuan-fei tours ('zero charge' tours), or even 'minus' tours, where inbound operators in many destinations have to purchase tour groups from China.

Such package tours are attractive to the COLTs not only because of their low cost, but also the majority of Chinese have many concerns when travelling overseas, such as language barriers, safety issues, and, in particular, the unfamiliar environment (Zhao, 2006), and all these factors drive COLTs to join package tours rather than travelling on their own. They need for a Chinese-speaking guide and their reliance on package tours, as well as their propensity to shop, implies that overseas travel for Chinese is at an immature stage. These factors have also encouraged a very entrepreneurial approach of providing extremely low-cost package tours (Jia, He, & Cui, 2006).

As a result, the distribution channel and operating model in China's tourism industry are completely different from other countries such as the United States and Europe. The ling-tuan-fei (LTF) model is unique to the Chinese tourism industry. It essentially uses the commissions made from the COLTs' expenditure on shopping to pay the driver, tour leader (a guide from China to take care of the tour group and monitor the service in the host destination), tour guide and all the ground costs in the host destination, as well as generating business profits. The LTF phenomenon was first identified in the literature in 2003 after the Severe Acute Respiratory Syndrome (SARS) epidemic (Gu & Zhao, 2008). However, it is believed that the LTF model emerged in the late 1990s, when the Chinese government first officially approved Chinese outbound leisure travel to certain short-haul destinations such as Hong Kong and Macau (Chen, Guo, & Mak, 2011). The LTF operating model is the main approach adopted by the COTAs. LTF tours are widely known internationally and even exist in domestic tourism.

The LTF operating model is often considered to be 'poison' because it has limited benefits for the host destination—and LTF tours to New Zealand (NZ) are no exception. This may be because of three reasons. First, COLTs travelling on LTF tours spend the minimum amount needed to join the tour. Their purchase of the package tour may only cover the cost of airfares and visa application fees, with nothing left over for the host destination. Secondly, if the tour is set up primarily for shopping, then Chinese LTF travellers do not see, or spend money at many attractions and/or activities at the host destination. This focus implies that returning travellers will not be able to promote NZ well by word of mouth, because they have not seen all the country has to offer, and personal recommendations of a destination have become very important nowadays. Thirdly, a focus on shopping may reduce the customers' satisfaction levels with the destination because they have not been able to experience its other attractions.

#### The expansion of China outbound tourism

China outbound travel for the purpose of leisure was almost non-existent until 1979 (Laws & Pan, 2002). This was due to the closed-door policy adopted by the Chinese government from 1949 to 1978 (Lim & Wang, 2008). At that time, the Chinese government did not encourage tourism at all, except for government officials and diplomats (Ap, Lew, Yu, & Zhang, 2003). There are several reasons why China adopted this closed-door policy. Firstly, China was not accepted by the Western powers, which

were led by the United States of America (USA). China had become a communist country after liberation in 1949, and the USA was officially against the new regime of the Communist Party. As a result, China was subjected to a trade embargo and so, in 1949, China adopted its closed-door policy. Secondly, China was busy with the internal political struggles of the Cultural Revolution from 1966–1976, when Mao Zedong removed capitalism. During that time, nearly all economic activities stopped and the railways, the key player of the transport system, were seriously disrupted (Sofield & Li, 1998).

In 1978, the Chinese government decided for economic reasons to open up its borders. This move was initiated and encouraged by the Chinese Leader Deng Xiao-ping, who led the country towards a market economy (Zhang & Heung, 2001). Tourism was considered as one of the initial economic activities that could accumulate foreign exchange (Pine et al., 2000). From then, the Chinese government has allowed Chinese citizens to travel overseas, mostly for business purposes.

In 1983, the Chinese government opened its borders up further, allowing Chinese citizens to visit their friends and relatives (VFR) in Hong Kong and Macau. However; they had to travel in a tour group—the government would not let them travel as individuals. As the numbers of Chinese citizens travelling to Hong Kong and Macau grew, many Chinese people wanted to visit their friends and relatives in other regions. As a result, Chinese leisure travel was further liberalized in 1988 when the State Council introduced a policy that allowed Chinese to visit their friends and relatives in Thailand (Li & Xie, 2009). Soon after, Chinese citizens were permitted to travel to Singapore, Malaysia, and later the Philippines was added to the destination list in 1992 (Lim & Wang, 2008). Since then, China outbound travel has grown rapidly. In the late 1990s, Chinese outbound tourism was extended to Western countries, with Australia and NZ being the first two Western countries to be granted ADS status (Kriz & Keating, 2008). Thus, the prosperity of Chinese outbound tourism in different periods has always been dictated by the government policy prevailing at the time: when the government had a closed-door policy, overseas travel was restricted, but now the government's open-door policy allows overseas travel, albeit in a somewhat controlled manner.

China's outbound tourism gained momentum only after the ADS system was launched in the mid-1990s. "The ADS system is based on a bilateral tourism agreement whereby

a government allows Chinese travellers to travel to its territory” (World Tourism Organization, 2003, p. 34). It is a programme that was developed by the Chinese government to monitor and control its outbound tourism in order to restrict the number of Chinese travellers spending hard currency abroad and to reduce the risks of Chinese travellers migrating, both legally and illegally (as over-stayers).

According to Arlt (2006) the ADS system has enabled the mainland Chinese citizen to use his or her personal passport to obtain ADS visas to the countries approved for visitation. However, the ADS visa is highly restricted by the itinerary, which has to be fixed from the beginning of the trip. Travellers with an ADS visa have to enter and leave the country with a tour group. They are obliged to travel with their tour group, and are not allowed to extend their stay or to change to other types of visa status.

The ADS system also allows Chinese to travel for leisure or to visit family and friends at ADS destinations; this travel is at their own expense and must be with at least five other travellers (World Tourism Organization, 2003). A traveller not using group travel is known as a ‘free independent traveller’ or ‘FIT’. Because the bilateral agreements under the ADS system only apply to Chinese holiday travellers visiting a destination in a group (Tourism New Zealand, 2011b) it can be more difficult for the ‘free independent traveller’ to get a visa of host destinations. However, there are travel agencies in China who will assist them to obtain the ADS visas from the relevant embassy or consulate. For non-ADS countries, Chinese travellers are only allowed to travel for business, education or to visit friends and relatives (Tian, 2008); this implies that Chinese travellers are not allowed to travel for leisure to non-ADS countries.

The ADS system does not mean that every Chinese who wants to can obtain an ADS visa for leisure travel because its availability depends on the agreement made between China and the host destination country. For example, Australia has been open to all Chinese travellers since 2006 whereas NZ has not yet entirely opened its borders to all Chinese travellers.

Chinese travel agencies/tour operators who want to operate ADS tours need to be certified by the China National Tourism Administration (CNTA), and travel agencies and tour operators working with the ADS tours in the host destination also need to be certified (World Tourism Organization, 2003). As a result, ADS travellers have to travel under group package tours through Chinese outbound travel agencies and tour operators.

These package tours include everything in the tour itinerary; for example, transport, accommodation and meals are prearranged and are all included in the one package-tour price (Lo & Lam, 2004). The group package tour is one of the main models of outbound travel in many Asian countries, including Taiwan, Japan and Korea, as well as China (Wang, Hsieh, & Chen, 2002). Middleton (1994, p. 292) defined a package tour as a “standardized, quality-controlled, repeatable offer comprising two or more elements of transport, accommodation, food, destination attractions, and other facilities and services”, while Lumsdon defined it as:

The pre-arranged combination of not fewer than two of the following when sold or offered for sale at an inclusive price, and when the service covers a period of more than 24 hours, includes overnight accommodation, other tourist services not ancillary to transport or accommodation and accounting for a significant proportion of the package.

Lumsdon (1997, p. 189)

All these tourism products are comprehensively packaged and sold to consumers at a single inclusive price (Middleton, 1994). Because the Chinese government has adopted the ADS system to control and monitor its outbound tourism and because the ADS system insists on package tours for its outbound travel, the Chinese holiday market for outbound travel is largely restricted to package tourism. These travellers who travel with a group are called ‘tour group travellers.’

With the rapid development of China’s economy and the subsequent increase in income, the lifestyles of Chinese citizens have changed dramatically. Travel has become a part of Chinese lifestyle, particularly overseas travel. Therefore, a number of Chinese entrepreneurs have taken the opportunity to set up their own tourism businesses. This has led to China’s outbound travel market becoming increasingly competitive, which is one of the factors behind the appearance of the LTF phenomenon. Although some Chinese travellers have complained about the LTF structure, this model has been operating for some time, indicating that these package tours are favoured by a quite number of Chinese travellers. These differing opinions have led to the question and focus of this research: Is the LTF tour a poison, panacea or palliative?

Gu and Zhao (2008) stated LTF is an approach that was first developed by a Taiwanese tour operator from the middle to the end of the 1990s as a response to the price pressures of a competitive tourism market. The LTF phenomenon gradually began to

influence China's travel agencies/tour operators, and extended into mainland China's tourism market after the SARS epidemic in 2003.

Ling-tuan-fei literally means 'zero-charge tour' ('Ling' means zero; 'tuan fei', tour charge.) An LTF model is one where the Chinese travel agencies/tour operators in the host destination do not charge or even charge a deficit amount of money from the outbound travel agencies/tour operators in China (Jia, He, & Cui, 2006). This means that the COTAs only pay a little or even no money to the NZ ITOs for hosting the package tour, and the remaining cost of the tour will be redeemed and the profit generated through commissions from the Chinese travellers' shopping. This situation is further complicated by the 'big brother' approach of some ITOs who, in an attempt to gain a greater market share, have even begun to pay the COTAs for the right to operate the host package tour (Gan & Guo, 2010; Jia, 2004; Su & Chen, 2009). Under this cost structure, the total cost of the tour, as well as profit, has to be covered from commissions on the travellers' purchases.

The low-cost of the LTF package tours is not, however, solely the result of the purchasing structures of the operators in the host destinations. The LTF structure is also a strategy employed by the COLTs to attract potential travellers to purchase their tour. However, if the operator has to sell their package tours at a price that barely covers the airfare and the visa application fees, then the outbound operator also has to recover any extra costs and their profit from commissions based on the Chinese travellers' shopping purchases.

### Emerging problems

With China's rapid economic growth, the number of its citizens being able to afford better standards of living is constantly increasing. In the past, many Chinese could only afford the costs of food and shelter, but now more and more Chinese can also afford to travel, and they are enjoying travelling as a way to revitalize themselves during the holidays. Between 1949 and 1978, the Chinese government severely restricted all travel; today, however, there is virtually no restriction on domestic travel. Yet, although Chinese citizens have more freedom today, travelling outside China's borders remains difficult. For example, there are still requirements to supply a financial statement and/or certifying letter from one's company when applying for an individual visa, requirements intended to ensure that the traveller will return to China. As a result, there are a number

of Chinese travellers who may not meet the requirements or who do not like the complex procedures involved in applying for an individual visa. Therefore, the package tour has become the main option for the majority of Chinese travellers who wish to travel abroad. However, there appear to be problems arising from the outbound package tour. Here are some complaints reported by the media in Hong Kong recently.

The first event took place on 21 May 2010. The famous former national table tennis champion Youming Chen joined a package tour at RMB1980 per person (approximately NZ\$400). Starting from his home town, Hunan, the package was a four-day tour, covering Hong Kong and Macau. Unfortunately, Chen did not finish the journey. He had a heated discussion with the tour guide because he had refused to stay in a jewellery shop as part of his package programme in Hong Kong and, in the course of the argument; Chen suffered a heart attack and died. This calamity was widely reported and has led to a negative impact on the tourism industry in Hong Kong (Huang, 2010).

Another event happened on 5 February 2011 (during the Chinese New Year holidays, a 'high' season). A family joined a package tour for Hong Kong and Macau from the Anhui province at the price of RMB1700–2000 per person (approximately NZ\$340–400) for a 5-days/4-nights tour ([www.sxgov.cn](http://www.sxgov.cn), 2011). For an inexpensive tour package like this, shopping forms an essential part of the itinerary. This led to a very serious conflict between the Anhui family and the tour guide, namely Rurong Lin. The gentleman from Anhui alleged that the tour guide assaulted him. The case was brought to the court in Hong Kong and was eventually settled by a 'binding-over' order imposed on both parties.

These two events have aroused much public interest, and the media has focused its attention on the 'price' of the tour package (Wu, 2011) because both cases exemplify the phenomenon of the LTF mode of operation that is typical in the China tourism industry. The LTF operating model has now become a sensitive and widely disputed issue involving the Chinese travel agencies/tour operators and the Chinese travellers. A lot of complaints from Chinese travellers have emerged through media exposure in Mainland China and Hong Kong, with travellers complaining they are forced to go shopping by the local tour guide.

Moreover, although both these cases involved tours to Hong Kong and Macau, the LTF phenomenon that has emerged in China's outbound market also applies to other destination markets, such as Thailand, Malaysia and Singapore. This has caused much dissatisfaction to the COLTs, while also causing turmoil in the Chinese tourism market. Stakeholders in the China tourism market, including the Chinese government, media and general Chinese public, as well as stakeholders in the host destination countries, are now paying much more attention to the LTF phenomenon.

The seriousness of the LTF problem, however, does vary between the host destinations. Chinese travellers appear to enjoy their tours to NZ, for example, and complaints from this sector of the market have not been common. (More details on the LTF phenomenon in the NZ context are presented in Chapter Five.)

## **1.2 THEORETICAL BACKGROUND**

Previous research studies about COLTs are limited. Qu (2006) studied the structure of distribution channels and the performance of Chinese outbound travel agencies with respect to the NZ and China market. Zhao (2006) studied how cultural background can be a factor that influences travellers' image of a destination and their travel decisions. A better understanding of the different market segments enables better marketing strategies and future product development. Tian (2008) studied the requirements and expectation of the Chinese tourism market of an urban host destination. Wang and Davidson (2009) studied satisfaction through the experiences of Chinese leisure tourists, and in a later study, Wang and Davidson (2010) studied Australia's strengths and weaknesses in the Chinese package holiday market by examining the perceptions and satisfaction of COLTs.

The LTF phenomenon has received more attention in recent years, although literature that explores the LTF phenomenon has existed since 2004 (Jia, 2004; Li, 2004). More recent studies of the LTF tour (for example, Jia et al., 2006; Gu and Zhao, 2008; Zhang, 2009; and Huang, 2010), analyse the impact of the zero-cost all-inclusive tour on China's outbound tourism market, including problems created by this structure, as well as discuss the factors behind the development of the LTF tour and the countermeasures to it.

Although there is some literature already available on the LTF phenomenon, the tourism industry and tourism marketers need to understand the range of motives and satisfaction levels of certain types of travellers. Such knowledge will help the tour operators to provide a level of service that matches the market and travellers' requirements. Previous studies have demonstrated a basic understanding of the factors behind the LTF tour structure, as well as the relationship between the LTF package-tour and China outbound travel (Jia et al., 2006; Huang, 2010); however, no study has specifically looked at the LTF phenomenon in the tourism market between China and NZ. For example, questions asking why there is an LTF phenomenon, how the Chinese tour operators have distributed their tourism products, and how the LTF operating model is working at this stage, would all be pertinent in the China–NZ context. Furthermore, to date no study has specifically looked at the level of satisfaction of COLTs on LTF tours to NZ.

### **1.3 RESEARCH AIM AND OBJECTIVES**

The aim of the research is to investigate China's outbound leisure travel market and, specifically, to find out whether the LTF model to the NZ market is sustainable by looking at all the external and internal factors: the external factors being the systems and rules under which the China's outbound travel market has to operate, and the internal factors being the reactions of all the parties involved. For the internal factors, the researcher must consider all the parties involved in Chinese tourism to NZ and whether they can derive benefits from the LTF model, i.e. why and to whom the LTF tour is a poison, panacea or palliative? Thus, the research considers the perspectives of both the Chinese tourism practitioners and COLTs. The researcher has asked why the LTF tour is so popular, how TNZ considers the Chinese market, and what the level of satisfaction is in experiencing such package tour.

After analysing the research findings, the researcher will attempt to predict how the LTF system will develop in the future. Chapter Six asks the question: What will be the future mode of operation for outbound travel from China to NZ?

It would be pre-emptive for this thesis to provide concrete recommendations for the parties concerned. Nonetheless, Chapter Seven offers some suggestions as to how operators could improve their competitive edge, and so cope with any predicted development of the China's outbound tourism market.

The specific objectives of this research thesis can be summarized as:

1. to identify the problems of the LTF tour with respect to the NZ Chinese inbound tourism industry
2. to find out why the COLTs prefer to buy such tour packages
3. to explore the satisfaction levels of the COLTs having experienced the LTF package tour,
4. to explore how the LTF tour mode of operation is affecting all the parties concerned by assigning to each party a drug as a metaphor equivalent depending on the benefits and costs brought about by the LTF mode of operation to the party, and
5. to predict the fate of the LTF mode of operation in NZ in the years to come

The research promotes a better understanding of the China's outbound travel market and the Chinese inbound market of LTF tours within NZ. The findings of the research will be valuable for TNZ because they will give an in-depth understanding of the special characteristics of Chinese tourism market, particularly the unique characteristics of the Chinese market in NZ, and this greater understanding will enable TNZ to develop relevant and correct management protocols for the Chinese tourism market. Furthermore, the findings of the research will also be valuable for tourism marketers because a better understanding of the special nature of Chinese tourism market will assist them to expand the market share of Chinese travellers. Finally, the research will also provide valuable hints for the COLTs who might be considering purchasing a package tour.

#### **1.4 METHODOLOGY OF THE RESEARCH**

Based on the research aim and objectives, a qualitative research approach is more relevant than a quantitative one. This is because the qualitative approach allows the researcher to explore in depth how the LTF tour model is operated by those Chinese travel agencies, as well as how satisfied the COLTs are with LTF tour packages. When considering possible methodologies, the grounded theory approach was seen to be the most suitable method for the aims and objectives of the research because this methodology is designed for studying a social phenomenon and for generating a theory relating to a particular situation (Strauss & Corbin, 1994). The aim of the grounded theory approach is to develop explanatory theory on the subject of social patterns.

Crooks (2001) suggests “grounded theory gives us a picture of what their prime concerns are, and how they deal with these concerns” (p. 25). A grounded theory approach matches the aim of the research, namely to reveal the relationships between the travel agencies/tour operators and LTF tourists, and to gain a better understanding of the Chinese tourism industry, both on the outbound and inbound side, and Chinese tourists. A grounded theory approach will help the researcher to understand the concepts of the LTF phenomenon and why Chinese outbound leisure tourists join LTF tours. A main characteristic of the grounded theory approach is not to have any perceived concepts or theory at the outset; instead, the researcher develops concepts or theory in the course of data collection. Thus, this approach will be particularly useful for gathering the views of the tourists and is therefore adopted for that part of data collection. For collecting data from the tourism industry, however, the process is mainly straight forward fact-finding.

The researcher looks at previous studies regarding LTF tours to generate secondary data. For primary data, the researcher has carried out face-to-face interviews to obtain direct feedback from both sides of the tourism industry, the outbound and inbound travel agencies/tour operators, and from the COLTs. Based on the interview results, the thesis concludes whether LTF tour is a poison, a panacea or a palliative. Thus, the research will provide the Chinese tourism marketers and other tourism competitors with in-depth knowledge of the LTF package tour phenomenon and this, in turn, will enable them to develop strategies that are specifically relevant to the Chinese tourism market.

Grounded theory is used as a guiding framework to help explain and understand the research findings. In this thesis, the first task of grounded theory is to find out why most COLTs prefer to buy an LTF tour package. In-depth face-to-face interviews were undertaken with the industry practitioners, namely the travel agencies/tour operators in China and the Chinese inbound travel agencies/tour operators in NZ as well as tour leaders (a guide from China), drivers and sales assistants from a Chinese souvenir store, and with the COLTs to NZ. The collected data was managed and analysed by the researcher to develop a theoretical framework of the LTF phenomenon. The data has provided valuable evidence and closes the identified research gaps. The researcher continuously analysed the data throughout the interview stage, identifying emerging themes and categories, and developing new questions for deeper interviews. By using this reflective and inductive process, by the time the interviews were completed,

sufficient information had been collected to enable categories to emerge. Theoretical sampling in grounded theory refines concepts, with the emerging analysis guiding further data collection. This is a flexible process, with the researcher selecting the next step based on the situation and each case until new data adds nothing new to the theory; once this happens, data collection and coding cease.

## **1.5 OVERVIEW OF THE THESIS**

The thesis consists of seven chapters. Chapter 1 gives historical background information about and describes the current nature of China's outbound tourism market. The research aim and objectives have been introduced, and how grounded theory research methodology applies to the research aim discussed.

Chapter 2 reviews the existing literature about how the concept of tourism systems relate to both tourism supply and demand. How tourism supply concepts apply to the concept of the Chinese tour operating model and the structure of its distribution channels is discussed. This leads on to a discussion of the characteristics of package tours. Tourism demand concepts are discussed in the contexts of travellers' motivations and customer satisfaction. This is followed by a discussion on what affects tourism demand and why motivation is so important. Towards the end of Chapter Two, the discussion focuses on the concept of LTF tour.

Chapter 3 begins by determining the research design, and follows with an explanation of the importance of using secondary resources in this thesis. A justification is given for employing a grounded theory approach, and then the research methodology and methods of this thesis are given. Chapter Three concludes with a discussion of the strengths and limitations of this research.

Chapter 4 outlines the research context, both in terms of tourism supply and tourism demand. First, the economic and political context of the industry side of China's outbound tourism is discussed. This is followed by a discussion of the development of China's economy, and the liberalization of Chinese leisure outbound tourism. In particular, the discussion looks at the Chinese government's ADS policy and how it encourages China's outbound leisure travel; the constraints and benefits of the policy are also discussed. Secondly, the demand side is described, looking at Chinese travellers' behaviour and characteristics of COLTs. Thirdly, the thesis focuses on the China–NZ

tourism market, providing the reasons why Chinese travellers visit NZ and giving information about the travel styles of those travellers. Fourthly, NZ tourism products are evaluated by looking at what kind of attractions and activities NZ can provide and what Chinese travel agencies/tour operators offers to Chinese travellers. Lastly, the chapter looks at satisfaction levels of Chinese travellers to the NZ in previous years.

Chapter 5 presents the primary research findings. Information about LTF tours was gathered through face-to-face interviews with both tour operators and travellers, and so the data analysis is divided into two parts: the industry part and the COLTs' part. First, the researcher discovers and analyses the LTF phenomenon from the industry practitioners' perspective. The researcher explains several features of this operating model, including: What defines an LTF tour and how are these tours distributed and operated, particularly in relation to NZ tourism market? Why is there an LTF phenomenon? What tours do NZ Chinese tour operators offer to those outbound leisure travellers from China? Chapter 5 also presents the data collected from the COLTs. It describes how and why they chose the LTF model, and gives information about their levels of satisfaction, or otherwise, derived from their LTF package tour. Specifically, satisfaction levels are presented regarding shopping, the price of the package tour, and the optional attractions and activities offered by the operator.

The third party involved in Chinese LTF tourism is the host destination—in this study, NZ. It is not practical to carry out any form of survey to gather the views of NZ as a country. On the assumption that a democratic government should always act in the interest of the people, the views of the NZ tourism industry should therefore be well represented by the expressed views or, more importantly, the actions of the NZ government. TNZ's views are also covered in Chapter Five, as are the economic statistics relating to Chinese tourism to NZ.

Chapter 6, the key findings of this thesis are analysed. Based on this analysis, the thesis attempts to predict the future mode of operation for outbound travel from China to NZ. The future fate of the LTF mode of operation will depend on whether ALL the parties involved can continue to derive some benefits from the LTF system. In other words, the benefits for the parties must exceed the costs (both financial and non-financial). In the extreme case, if the benefits to a particular party totally outweigh the costs then, metaphorically, the LTF model is a panacea to that party. On the other hand, if the costs

totally outweigh the benefits then, using the same metaphor, the LTF model is a poison. Chapter Six compares the benefits and costs brought about by LTF tours to each party—the operators, the traveller, and the host country (NZ)—and suggest a drug metaphor for each party. In other words, is the LTF phenomenon a panacea, a poison, or a palliative?

Chapter 7 presents the research implications arising from the research. It provides several recommendations for best practice in the future development of the Chinese tourism industry, in particular for Chinese travellers coming to NZ. The outcomes of the research could be adopted by TNZ and the tourism industry, either as actions or as improvements to policy. The outcomes could also be regarded as an analysis of the Chinese tourism market, and so could be used by Chinese travellers as a valuable reference in their decision making.

## **CHAPTER 2 LITERATURE REVIEW**

### **2.1 INTRODUCTION**

The purpose of this chapter is to review the literature relevant to the research aims and objectives of the thesis. The review starts with an overview of package tours and a look at how these are distributed. The reviewer then moves on to look at what affects travellers' demand, with relevant factors including economic position, political stability and government policy. Tourism demand is reviewed within the context of Vanhove's (2005) analysis which, in turn, is based on Middleton's (2001) 'nine headings' factors. Next, the review looks at findings on the relationship between tourists and tourism products. Finally, these findings are discussed within the context of Chinese tourists and tourism products.

### **2.2 TOURISM PRODUCT**

Tourism products are intangible products comprised of many interrelated components including activities, events, accommodation, food and beverage purchases, excursions, participation in recreational activities, and entertainment and (Pizam & Reichel, 1978). Tourism product includes many individual components that combine together into the total tourism product that is finally sold to consumers. For example, transportation, accommodation and everything that the consumer purchases while travelling at a destination, including food and beverage, souvenirs, and amusement and entertainment, are all components of the total product. These products may be purchased by consumers individually through direct contact with a supplier or in an all-inclusive package through an intermediary such as a travel agent (Collier, 2003). Sinclair and Stabler (1997, p. 134) have a similar point of view, defining tourism products as "composite products involving transport, accommodation, catering, natural resources, entertainment, and other facilities and services, such as shops and banks, travel agents, and tour operators."

Tourism product is not only related or involved in the destination areas, but also involves the experiences and expectations that impact on the tourists' overall experience (Ryan, 1991) The tourism product involves, too, the socio-cultural experience of that destination (Ryan, 1991). Tourists travel to a new place not only to seek the sites and attractions of that destination but also to see and experience the different culture and

customs of the people who live there; for example, to hear the language the people speak, and see the ways they dress (Tian, 2008). Therefore, a tourist's travel experience comes from more than just the purchased product.

Moreover, tourists come into contact with many people during their trip because the tourism product is service based; it involves people in many of its components. For example, the tourist may come in contact with travel agents, accommodation providers, waiters and waitresses in restaurants, tour guides and local residents. Therefore, the more people who are involved during the tourist's trip, the greater risk of something going wrong and the greater the chances that the tourists' experiences will not meet their expectation.

Tourists are normally not attracted to tourism destinations; rather, they are attracted to what the tourism product at that destination can offer. For that reason, developing unique, desirable and satisfying tourism products is essential if the industry wants to attract and fulfil tourists' needs, and hence retain the tourists. Conversely, a poor experience at a particular destination may result in tourists no longer being attracted to that destination. Therefore, when the industry is developing new products, it needs to look at products that will enhance tourists' experiences and satisfaction levels. The following statement argues:

Product development is a prerequisite for satisfying tourists' changing demands and insuring the long-term profitability of the industry. Ideally, tourism products meeting marketplace demands, are produced cost-efficiently, and are based on the wise use of the cultural and natural resources of the destination.

Smith (1994, p. 582)

Furthermore, because different groups of people have different needs and wants, careful design of the travel package is vitally important. The following states:

Currently, both well designed travel packages and budget-based travel packages exist in the tourism market. They are designed to satisfy different consumer groups.

Tian (2008, p. 23)

The literature emphasizes the importance of product development because it is the tourism product that influences tourists' satisfaction. It is crucial, therefore, to develop the right product for the right market if the tourists' satisfaction levels are to be met.

### **2.2.1 What is involved in a tourism product?**

The components of a tourism product refer to attractions and amenities at the tourists' destination. These activities and amenities create demand from the tourists for a wide range of services and products. Tian (2008) reviewed Jansen-Verbeke's (1994) studies and found out the components of tourism products can be divided into two major elements: primary elements relate to attractions at the destination such as sites and events, and secondary elements relate to amenities at the destination such as accommodation, restaurants, retail services, catering, and financial services.

Tian analysed these two major elements to provide an insight into the wide range of services and products required to meet tourists' needs. Tian stated that the primary elements of a destination need to be able to attract tourists and visitors, and the secondary elements are those amenities either used by the traveller to get to a destination or as a service when they have arrived there. These divisions may overlap, however. For example, tourists might be attracted to a particular destination because it has fine hotels and a range of shops, and these hotels and shops will also be providing a service to the tourists once they arrive. Indeed, for a few tourists, shopping might be the main reason for visiting a particular destination.

### **2.2.2 Package tourism**

Package tours are considered "the ultimate, mass marketed product" of the travel and tourism industry (Yamamoto & Gill, 1999, p. 134). Package tours, package holidays, and package travel are those all-inclusive tours where the traveller purchases a package of travel services including accommodation and transportation (Hanefors & Mossberg, 1999). Middleton (1994, p. 292) defined the package tour as a "standardized, quality-controlled, repeatable offer comprising two or more elements of transport, accommodation, food, destination attractions, and other facilities and services." Package tours are comprehensive packages that are sold to consumers at an inclusive price (Middleton, 1994). The following statement defined a package tour as:

The pre-arranged combination of not fewer than two of the following when sold or offered for sale at an inclusive price, and when the service covers a period of more than 24 hours, includes overnight accommodation, other tourist services

not ancillary to transport or accommodation and accounting for a significant proportion of the package.

(Lumsdon, 1997, p. 189-190)

Package tours became important after the expansion of the mass international tourism market in the 1950s (Shaw & Williams, 1994). Indeed, during the boom period from the 1960s and 1980s, package tours were the most prevalent form of tourism offered in the international travel scene.

#### *2.2.2.1 The benefits of package tours*

Package tours have a number of benefits: they enable tourists to visit a large number of scenic spots in a short period of time; the tourist need not have either the time nor skill required to arrange the tour personally; the tours are usually cost-effective because organizers of tours can negotiate better rates from service providers; and tourists can be assured of a quality of service when purchasing a tour through a catalogue (Hanefors & Mossberg, 1999). Middleton and Clarke (2001) expanded on these advantages identifying five main reasons why tourists can benefit from travelling on package tours: 1) the tourists can take advantage of prices that they usually unable to achieve by themselves; 2) package tours are convenient because the tourists need not arrange tours personally; 3) tourists can be assured of the product's quality because it is promised by the tour organizers; 4) the operators are legally obliged to delivery on their promises with compensation for default; and 5) package tours overcome the inherent inefficiencies in the supply and demand for leisure travel and tourism, especially for international travel.

#### *2.2.2.2 The disadvantages of package tours*

However, package tours may not always benefit travellers. The most significant disadvantage of the package tour is that its structure constrains the package traveller's flexibility. Hanefors and Mossberg (1999) stated that the package tour, package holiday and package travel all have limited flexibility.

#### **2.2.3 How tourism products are distributed**

Laws (2002, p. 6) described the distribution channel as "the formal business structures through which consumers obtain products or services from producers." Because the distribution channel determines how the product or service moves to reach the consumer, it plays an important role in the tourism industry. Indeed, Buhalis (2001, p.7)

emphasized that distribution channels were “becoming one of the most critical factors for competitiveness of tourism organizations and destinations”, and the distribution channel has been increasingly recognized as an important resource of competitive advantage which influences an entire tourism enterprises’ marketing mix. The distribution channel system is the critical linkage between demand and supply, consumer and producer in the marketing mix (i.e. product, price, placement and promotion) (Go & Williams, 1993). A tourism distribution channel is to get sufficient information to the right people at the right time and in the right place, with information being ‘sufficient’ when it enables consumers to make a decision on their purchase. The distribution channel also provides a mechanism to consumers through which they can make and pay for the necessary purchase (Go & Williams, 1993).

The tourism industry is a seasonal one. Unlike others, tourism products are intangible and perishable (Qu, 2006). Customers cannot verify the quality of the products in their grasp before making the purchase decision. For example, travellers cannot tell the quality of package tours without actually experiencing them. Furthermore, tourism products are in a great demand by certain people only for a certain period of time, with the demand quickly diminishing after that period and the products becoming worthless. Thus, there is urgency in selling the products (Pang, Ren, & Xu, 2004); it is critical to set up an effective link between the suppliers and the consumers to ensure that the products can be distributed on time. Grabowski and Knowles, (1999) stated that an effective distribution channel is the key instrument that can bring success to the development and marketing of any form of tourism, particularly in time of increased competition.

The term ‘distribution channel’ has different definitions according to different authors based on different theoretical studies. Bucklin (1966, in Middleton, 1994, p. 202) defined distribution channel as “a set of institutions which perform all the activities (functions) utilized to move a product and its title from production to consumption.” This definition was originally intended for physical products but was adapted and extended by Middleton (1994) to cover service products of the tourism industry. He suggested that “a distribution channel is any organized and serviced system, created or utilized to provide convenient points of sale and/or access to consumers, away from the location of production and consumption, and paid for out of marketing budgets”. This definition does comprise service, but it misses out the promotional and marketing

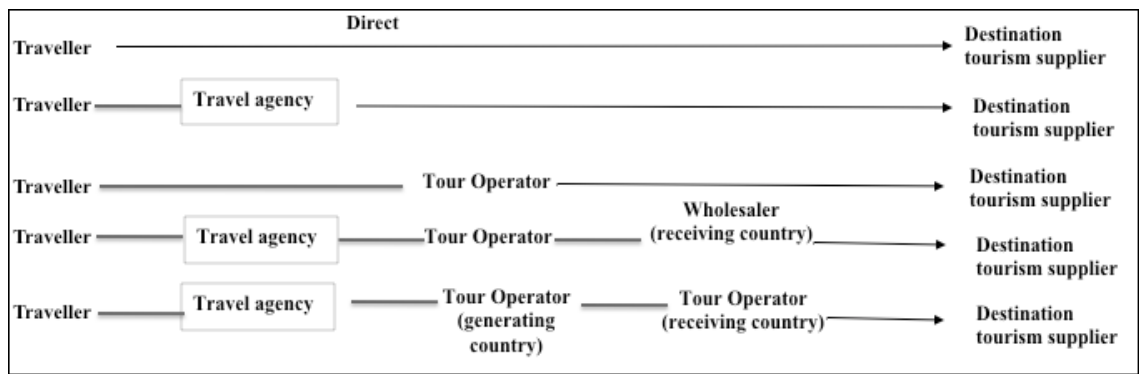
research activities as well as the information provision functions that are so critically important in a tourism distribution channel. The definition put forth by the World Tourism Organization (1975, in Buhalis & Laws, 2001) has highlighted the information provision functions. It suggests that “a distribution channel can be described as a given combination of intermediaries who co-operate in the sale of a product. It follows that a distribution system can be and in most instances is composed of more than one distribution channel, each of which operates parallel to and in competition with other channels”.

From the above discussion, it can be summarized that a tourism distribution channel not only relates to the physical products or the services provided, but also refers to the combination of intermediaries co-operating in the sales of products or services.

In the tourism industry, distribution channels create a link between the suppliers and consumers of tourism services (Bachri & Garner, 1994; Buhalis & Laws, 2001), and provide information and a mechanism that allow consumers to make or pay for the reservations (Buhalis & Laws, 2001). The distribution channel can also be considered as the bridge between supplies and demands (Pearce, Schott, & Tan, 2004). In addition, a distribution channel in the tourism industry can be seen as a direct and an indirect distribution channel that “a hospitality and travel organization uses to make customers aware of, to reserve and to deliver its services” (Marrison, 1989, p. 247). A direct distribution channel is one where producers directly contact or communicate with customers without using any middleman (Middleton & Clarke, 2001; Lumsdon, 1997). An indirect distribution channel is one where the products or services are delivered to consumers through one or more specialized intermediaries (Middleton & Clarke, 2001). These specialized intermediaries service clients with information to assist in closing sales on behalf of any principals (Laws, 2001). Indirect distribution channels sometimes involve a number of intermediaries, and so this type of distribution channel is more complex than the direct distribution channel. However, indirect distribution channels have become increasingly important because they can link tourists to suppliers from multiple markets tourism suppliers from multiple market origins (Go & Williams, 1993). Therefore, travel agents play an important role in distributing travel and tourism products to the consumers. Other intermediaries, like tour packagers and tour wholesalers, are also involved in co-ordinating and promoting package tours. The most important value of the wholesalers to the tourism producers is that they tend to purchase

services in bulk, thus allowing the producers to anticipate sales volume in advance (Go & Williams, 1993). Indirect distribution channels are widely used by many companies as they provide a more effective and efficient way for a business to distribute its products or services. Figure 1 shows how distribution channels can be modelled according to Lumsdon (1997).

Figure 1: Channels of distribution



Source: Adapted from Lumsdon, 1997, p. 187.

Tourism suppliers have to choose which distribution channel to use to sell their products and services. This leads to the question about how tourism suppliers distribute their products or services. Seaton and Bennett (1996) suggested large tour operators can sell their products or services either through intermediaries or direct to its consumers. For example, a large tour company can sell its products through travel agents, or directly to the traveller. However, if the producer or service provider itself is a travel agent, it can directly sell its products or services to the consumers. Middleton (1994) argued that different products may require different distribution channels at different times. Buhalis (2000) has similar views, arguing that operators may use different distribution channels for different market segments. For example, says Buhalis, it is better for large tour operators to service their local customers using direct distribution channels and to service non-local customers using retail travel agents, i.e. indirect distribution channels. Decisions about which distribution channels to use will also depend on the financial capability of the company. Middleton, (1994) stated that normally, large tour companies are more likely to take advantage of their own scale and to use a direct distribution channel to sell their products, whereas small tourism companies may have to rely on indirect distribution channels to cut down their distribution cost.

## **2.3 TOURISM DEMAND**

Different theoretical studies offer different perspectives for the term “demand”. Economist Dickman (1999) considered demand as the schedule of the amount of any product or service that people are willing and able to purchase at each specific price in a set of possible prices during a specified period of time. Cooper, Fletcher, Gilbert and Wanhill (1993) also stated demand in economic terms, with a demand schedule referring to the quantities of a product that a person wishes to buy at different prices at different times. This implies that tourism demand is elastic. In other words, the higher the price of the products, the lower the demand, or, conversely, the lower the price, the greater the demand. Psychologists, however, view demand from the perspective of motivation and behaviour—they would argue that the demand for tourism is linked to personality and environment. Geographers offer a different perspective again, defining tourist demand as “the total number of persons who travel, or wish to travel, to use tourist facilities and services at places away from their places of work and residence” (Mathieson & Wall, 1982, p. 36). This definition says that demand not only involves those who actually participate in travel and utilize tourist facilities and services at a place of destination, but also those who wish to travel.

### **2.3.1 Factors that affect tourism demand**

Tourism demand can be affected or influenced by many factors. Swarbrooke and Horner (1999) stated that important key factors that can influence tourism demand include the economic position of the region or country, the degree of urbanization, and the overall quality of life. For example, a growth in per capita gross domestic product (GDP) will result in higher purchasing power and hence an increase in demand for tourism products, and a growth in population may also result in tourism demand—but the economic position of a person still needs to be considered because economic position is the determinant that will generate tourism demand. Hall and Page (2000) mentioned economic stability as one of the factors that will affect tourism demand. Personal safety, security, and political stability will also affect travellers’ desire to travel while, conversely, Elliott (1997) stated that instability, such as unrest or violence, would cause tourism demand to dramatically decrease. Furthermore, tourism demand can be affected by the government policy; for example, introducing more public holidays will affect tourism demand (Chon, Zhang, Lew, & Ap, 2003).

### **2.3.2 Determinants of tourism demand**

Determinants of tourism demand are different from travellers' motivations and buyer behaviour. The determinants of tourism demand are those factors at work in any society that drive and set limits to the volume of a population's demand for holiday and travel (Burkart & Medlik, 1981). It explains why people from different countries have different propensity in tourism demand—in some countries, the population has a high propensity for tourism demand whereas in other countries, the population shows low propensity.

Vanhove (2005) reviewed some of the studies on tourism demand based on Middleton's 'nine headings' summation of the determinants of tourism demand. The nine headings are: 1) economic factors, 2) comparative prices, 3) demographic factors, 4) geographic factors, 5) socio-cultural attitudes to tourism, 6) mobility, 7) government/regulatory, 8) media communications, and 9) information and communication technology.

Vanhove's analysis of the determinants of tourism demand based on the 'economic factors' (heading 1) revealed that income, time and price are important factors in tourism demand, with income being the most important of the three. Income can be measured by GDP, personal income or disposable income, and disposable income is the most adequate independent variable. Improvements in technology have stimulated income, and hence the purchasing power of potential travellers, and made travel more accessible. Vanhove noted that the relationship between tourism demand and income is income-elastic, which means that a change in income will result in a relative change in tourism demand. For example, when income increases by 1%, then tourism demand will increase by more than 1%.

Vanhove found that free time is the second important determinant of tourism demand. Free time is an important determinant factor in developing countries, and even in many developed countries such as Japan and the USA, because not everybody has 30 days of paid leave each year. Vanhove gave the example of the introduction of a second week of paid leave to the National Holiday in China in the late 1990s, which created a travel boom in the first week of October. Nonetheless, even though free time is important, tourism demand cannot be created without disposable income and Vanhove realized that there is a dichotomy between the money rich/time poor and the time rich/money poor.

The third important economic determinant is price. Vanhove (2005) found the relationship between tourism demand and price to be price-elastic. This means that when the price of a tourist product in a destination increases, then the demand for that product in the generating country will decrease—a relationship which Vanhove describes as “classic price-elasticity”. Tourism demand can also be affected by the price of competitive and complementary products, the inflation rate in both generating and receiving countries, and the relative exchange rate between the generating and receiving countries.

Other determinants that influence tourism demand include population, perceived attractiveness of the destination, climate, government interventions, the role of media communications, the carrying capacity of the destination, and crime in the destinations—although all of these are relatively less important when compared with the determinants of income, time and price.

### **2.3.3 Traveller motivation**

Stakeholders in the tourism industry need to know why (or why not) people wish to travel; why they buy particular products; and why (or why not) they are satisfied with their travel experience. All these questions can be discovered and analysed through understanding one’s motivations. Burkart and Medlik (1981, p. 23) describe motivation as “the internal factors at work within individuals, expressed as the needs, want and desire that influence tourism choices.” Geoldner and Ritchie (2006) stated tourists travel for reasons which include spirituality, social status, escape, and cultural enrichment. Of course, different people have different travel purposes—for example, travellers may travel for purposes like holiday and business—but behind these purposes lie various psychological stimuli that are the true reasons for travel.

Mcintosh and Goeldner (1986, in Cooper et al, 1993) derived four categories of motivation to analyse travel purpose:

*Physical motivators.* These relate to those who travel to refresh their body and mind, and for health purposes, sport or pleasure.

*Cultural motivators.* These relate to the travellers who want to see and know more about other cultures; for example, to learn about local lifestyle.

*Interpersonal motivators:* These relate to those people who want to meet new people, visit friends or relatives, look for new and different experiences, or escape from their usual environment.

*Status and prestige motivators:* These are the motivators for people who travel for self-improvement, and for those who seek recognition and attention from others in order to boost the personal ego.

Because travellers are motivated to travel for a wide variety of different reasons, it is crucial that tourism planners, developers, and promoters should be able to identify why people choose to travel when necessity does not compel them to do so. Consumers will search for and buy products and services that provide certain benefits or that can satisfy their needs. If the products or services offered are not seen as beneficial or fulfilling their needs, then consumers may turn to competitors' products or services—leading to a loss of potential business. Therefore, if the stakeholders in the industry are to achieve business success, it is important that they understand consumers' different motivations and the benefits they are seeking from travel. Goeldaner and Ritchie (2006) stated that when customers' expectations are met or exceeded by a tourism operation, then this success would generate repeat business and positive word-of-mouth advertising; this, in turn, means the operator can maintain or even increase the current level of charging for the existing tourism service.

### **2.3.4 Travellers as consumers**

#### *2.3.4.1 Consumer behaviour*

Tian (2008) stated marketing managers should not only be aware of 'why' and 'how' consumers make their holiday choices, they also need to understand 'how' internal psychological processes work to influence individuals' choosing between different holiday destinations and particular types of tourism products. This is known as aspects of buyer behaviour in marketing (Middleton & Clarke, 2001).

Consumer behaviour studies concern themselves with consumers' needs and wants, such as what products or services they like or do not like. Swarbrooke and Horner (1999) stated that the study of consumer behaviour is about what products consumers want to buy, why they want to buy those products, and how they make their purchasing decision. The decision of a consumer to purchase or use a product or

service is called the customer decision process. Blackwell, Engel and Miniard (1995, in Swarbrooke & Horner, 1999, p. 6) have defined consumer behaviour as “activities directly involved in obtaining, consuming, and disposing of products and services including the decision processes that precedes and follows these actions.” As a result, it is important to all tourism business to understand how consumers behave. For example, a tour operator may need to understand the way customers obtain information on package tour, the way they decide on which destination they want to go to for a holiday, what kind of activities they want to partake in at the destination, and what kind of products they want to buy at the destination.

The tour operator also needs to know how the customers find satisfaction from the tour. Weller & Yu (2001) analysed the behaviour of mainland Chinese and found that mainland Chinese prefer to travel by package tours because of their convenience and reasonable price. Thus, an understanding of consumer behaviour will enable a better understanding of the consumers themselves which, in turn, will help the operators to build positive images that can win the trust and confidence of the consumers. And it is not just the image, but also the actual service that is critical. Likewise, if the tour operator wants to be able to successfully provide the traveller with appropriate and quality services, then the operator needs an in-depth understanding of all the psychological factors influencing his potential customers. Quality services and positive images are the key to keeping repeat customers and attracting new ones—and hence the key to an operator’s business success.

#### *2.3.4.2 Customer satisfaction*

Customer satisfaction is the key element of services marketing (Uysal, 1994). However, satisfaction is difficult to measure and track, therefore it is important to obtain feedback from customers in order to know how to increase consumer satisfaction and to increase the probability of business success—products or services not satisfying customers’ needs cannot be sold for long. Customer satisfaction is the most valuable asset that a business can have for business development. What does customer satisfaction mean? Laws (1997) defines it as the outcome when one’s customers have their service requirement met. Customer satisfaction is the positive feeling or reaction that customers have when their needs and wants are met. However, it involves a person’s own perception, so what satisfies one person may not satisfy another. Customer satisfaction is largely dependent on expectation (Middleton & Clarke, 2001). Customers’ expectations can be different

from person to person and time to time. Therefore, to meet customers' expectations, tourism practitioners must be aware of or be conversant with what their customers expect prior to the tour experience (Uysal, 1994) and make every effort to provide them the excellent customer service they expect.

In tourism, customer satisfaction is based on how good each service is, because the experience of each service contributes to the customer's overall satisfaction with their total experience. Laws (1997) mentioned that marketing theory argues that a "customer's experiences with any purchase give rise to outcomes for them varying from satisfaction to dissatisfaction" (p. 50). However, what does customer service mean? Harris (2010, p. 2) defined customer service as "anything we do for the customer that enhances the customer experience", and Slaster (2005, p. 159) referred it as "the manner in which service outputs are delivered to the customer." Good customer service can create customer loyalty and increase business profitability (Paulins, 2005; Wiles, 2007). Customer service delivery directly impacts on customer satisfaction, which, in turn, is very much affected by customer expectation. If the service received meets their expectation, then the customer is satisfied, and if the service received exceeds their expectation, then they are extremely satisfied.

Building up relationships and adding value to the customer's experience is the main element in achieving customer satisfaction. It is necessary to design products or services to meet the expectations of the customers. The business may be able to retain the customer for life if his service expectation is always met or exceeded. Conversely, if the customer does not receive the service they expect, they will be dissatisfied. Dissatisfaction is defined as "a state of cognitive or affective discomfort" (Laws, 2002). Festinger (1957, in Laws, 2002) stated consumers allocate their resources, spending money and time, and build up anticipation of satisfaction. If the customer judges that the service they experience falls short of their expectation, then they will experience cognitive dissonance. Dissatisfaction signifies a potential loss of business because next time the consumers may choose other alternative providers in the hope of experiencing better outcomes. Furthermore, disappointed consumers will relate their poor experience to their friends, relatives and colleagues, and this will cause further loss of potential business to that company.

## **2.4 THE RELATIONSHIP BETWEEN SUPPLY AND DEMAND**

A tourist is the consumer who experiences the tourists' products at the destination. Cooper et al., (1993) describe the tourist as an actor in Leiper's (1989) tourism system in the generating region: the tourist generates a market for tourism, and in a sense, provides the 'push' to stimulate the market which, in turn, motivates them to travel. The destination, on the other hand, is the 'pull' factor that entices tourists to visit—after all, tourism at a particular destination is an experience that tourists enjoy, anticipate and remember.

The 'push and pull' theory is frequently used in discussions about what motivates consumers to travel (Crompton, 1979). Push factors are considered to be the socio-psychological constructs of the tourist (Uysal & Hagan, 1994), or the psychological factors that 'push' the individual (Crompton, 1979)—in other words, the factors that *make* you want to travel. Pull factors, on the other hand, are external factors that relate to the attractiveness of a destination—the factors that affect *where* you want to travel. Witt and Wright (1992) pointed out that tourists are 'pulled' to a certain resort only after they have been 'pushed' into wanting to travel. Thus, the relationship between motivation and destination relates to both why tourists want to travel and which destination is preferred by tourists (Gunn & Var, 2002).

This construct means that a tourism system consists of both the tourists from a generating region (demand) and the attractiveness of the destination region (supply) (Leiper, 1989). In other words, both the tourists and the tourism attraction make up the system. The transit route region represents the transportation, which is the linkage that enables tourists to not only reach the destination, but also the intermediate places which tourists may visit.

## **2.5 CHINESE PRODUCTS AND TOURIST DEMAND**

The Chinese government's unique ADS system differentiates the China's outbound leisure market from that of Western countries (World Tourism Organization, 2003; Arlt, 2006). The Chinese tourism industry has its own way to distribute and operate tourism products, thus NZ, as an ADS destination, must take the ADS system into account when working with the Chinese market. Furthermore, what Chinese tourists demand may also differ from what tourists from Western markets demand. This will be reviewed in the following sections.

### **2.5.1 Chinese package tours**

The Chinese outbound market started in 1983 when the Chinese government allowed Chinese citizens from Guangdong province to visit their relatives in Hong Kong and Macau (Arlt, 2006). The package tour model for Chinese leisure travellers was developed in the 1990s when the government gave ADS to Southeast Asian countries, including Thailand, Singapore and Malaysia (World Tourism Organization, 2003; Arlt, 2006). The ADS system requires COLTs to take group travel when travelling overseas (Roth, 1998). However, COLTs also like the package-tour structure because most Chinese lack overseas travel experience and they have concerns about language difficulties and safety issues (Zhao, 2006; Tian, 2008). Dwyer and Prideaux (2007, p. 52) stated “a package tour typically includes airfares, accommodation, guides, sightseeing, tour escorts and transfers. In some case, meals, sightseeing and entrances to attractions in destination country are also included.” This definition fits the Chinese approach exactly—all the products mentioned in the definition are included in a typical Chinese package tour. The package tour market is normally controlled by a group of tour operators who have the capability to negotiate with suppliers for lower prices at the destination (Wang & Davidson, 2010). The prices of these package tours may not necessarily include all possible charges (Lo & Lam, 2004).

#### *2.5.1.1 Benefits of the package tour*

The package tour approach has economic benefits for Chinese travellers: the low-cost tour package structure that is widespread in the Chinese tourism industry makes it possible for those Chinese citizens who cannot afford a high-end package tour to still travel. The likelihood of travellers choosing a package tour is determined by the perceived travel risk and financial constraint (Wang et al., 2002). The package tour has another advantage: the travellers need not spend time organizing their tour by themselves, nor having to concern themselves with visa applications entailing complex procedures for most Chinese. Package tours provide convenience and value to those travellers, and at the same time, reduce hassles and surprises (Lo & Lam, 2004). Another reason why package tours are popular is because the majority of COLTs have poor English skills and they are fearful that they will have language problems in the unfamiliar environment of an overseas destination (Zhao, 2006). As a result, package tours can increase the inexperienced traveller’s sense of security and safety in an unfamiliar environment (Horner & Swarbrooke, 2007). Security here refers to an individual’s personal safety as well as the security of their possessions, their confidence

to partake in activities, their financial confidence, and a reduction in their anxiety levels about language barriers and the holiday's organization (Chen, 2002). Chinese travellers favour package tours because most lack overseas travel experience, and this is particularly so for travellers from underdeveloped regions in China.

#### *2.5.1.2 Disadvantages of the package tour*

Although the Chinese package tour model brings with it many benefits, it also has disadvantages. In particular, travellers on a package tour have very limited freedom and flexibility to change the tour itinerary since everything is pre-organized and prepaid (Zhao, 2006). This means that the package tourists may not be able to modify the attractions and activities on the tour itinerary because everything has to follow the pre-arranged programme. Furthermore, package tourists may be 'coerced' into shopping in specialist souvenir shops where they end up paying higher prices for items than if they had been allowed to purchase the same items elsewhere (Dwyer & Prideaux, 2007).

Another disadvantage of the Chinese leisure package tour is that the model may restrict business practices. The CIE report (in Dwyer & Prideaux, 2007) has three categories of practices that restrict business competitiveness: 1) uncompetitive shopping arrangements, which refers to excessive or secret commissions, below-cost packages, exclusive dealings and exertion of influence, 2) false or misleading representations, such as misrepresentation of travel components or the quality of accommodation, and charging for free services, and 3) low service quality, such as low-quality packages and employees with low skill levels.

#### **2.5.2 The Chinese distribution channel**

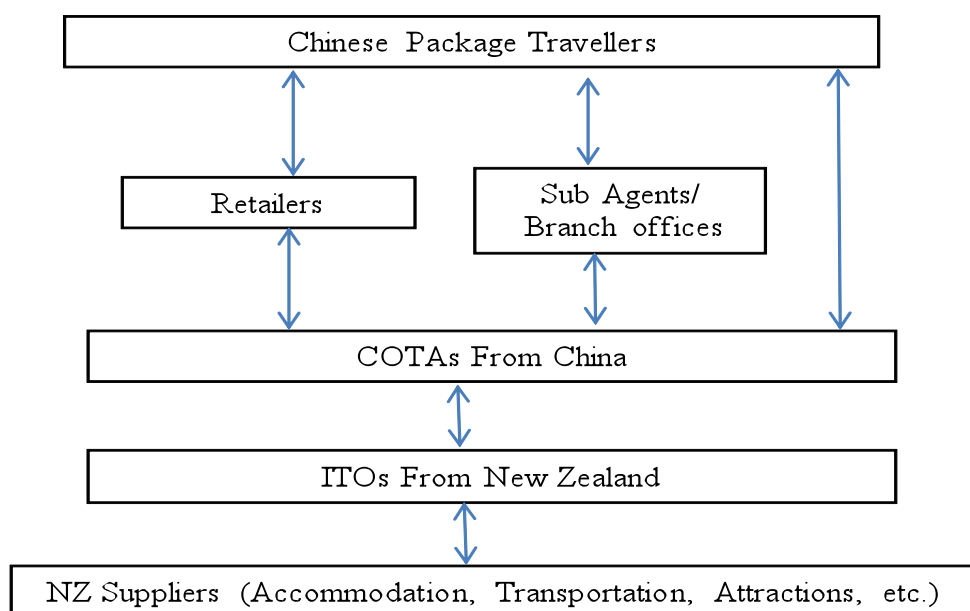
There is limited literature on distribution channels within the Chinese tourism market. One exception is Qu's (2006) thesis, which explored the Chinese distribution channels between China and NZ. In particular, Qu's study looked at:

- *The linkages between tourism demand and supply* and how Chinese tourists access NZ's tourism products. The linkages demonstrated that intermediaries play an important role in delivering tourism product from suppliers to tourists. In other words, Chinese tourists use intermediaries to access the NZ tourism products.

- *The structure of distribution channels between China and NZ.* Qu found that the outbound tourism industry in China is dominated by a few outbound travel agencies and large-scale travel companies who act as both wholesalers and retailers for both domestic and international tours. These Chinese outbound travel companies tend to sell NZ's tourism products directly to the consumers, although they also sell through intermediaries such as retailers and their sub-agents/branch offices in order to maximize their market exposure. These Chinese retailers rely on the outbound agencies for information and tour arrangements at the destinations. Qu also reiterated that the ADS Scheme for the COLTs requires outbound companies to use NZ inbound tour operators. The structure of the distribution channels is summarized in Figure 2.

Although Qu's study has explored the linkages and structures of the distribution channels of the China–NZ tourism, the study does not present a complete understanding of the Chinese tourism market. For example, Qu's study does not present the commissions that are provided by the Chinese souvenir store to the ITOs in Chinese market, which is necessary to understand for both, the tourism industry, presented by TNZ, and the Chinese tourists. In order to comprehensively understand the Chinese tourism market, it is essential to also recognize the operating mode.

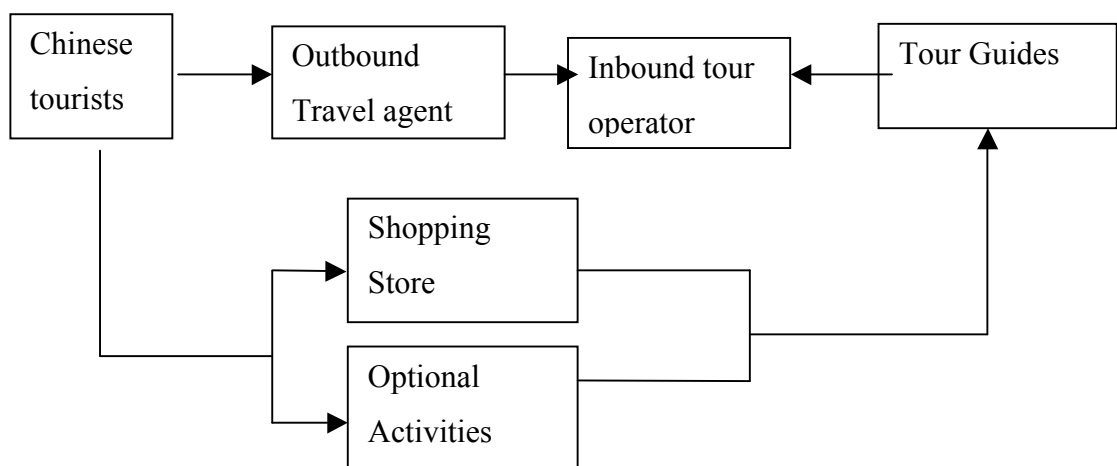
Figure 2: The structure of the distribution channel of Chinese leisure tourists to New Zealand



Source: Adapted from Qu, 2006.

According to Jia (2004), the Chinese tourism industry has a unique operating model, the so-called LTF model. The LTF operating model is based on zero profit, which means that inbound operators do not charge China's outbound operators for their package tours. This model mainly involves Chinese tourists, outbound operators, inbound operators, tour guides and the Chinese souvenir shops in the host destinations. The concept of the operating model is portrayed in Figure 3, which shows how China's outbound tour operators need not pay any money to the inbound operators for accommodation, transport and meals. Instead, in Jia's LTF operating model, the tour guides have to pay a certain amount of money to receive the right to operate the package tours. In other word, the inbound tour operators sell package tours to the tour guides in order to cover the costs.

Figure 3: The zero-profit LTF operating model



Source: Adapted from Jia, 2004

### 2.5.3 Chinese outbound tourists

“A Chinese outbound tourist is defined as a resident of mainland China and travels temporarily outside mainland China for any purpose” (King, Turner, & Zhou, 1998). Chinese travellers are very different from Western travellers because they have a very different cultural background. This means their preference and motivations are also different. Petersen (2009) stated one should certainly not expect that Chinese travellers are motivated by the same factors as Western travellers or even travellers from some other Asia countries.

### *2.5.3.1 What Chinese outbound tourists prefer*

For most Chinese outbound tourists travel is about seeing as much as possible at a good bargain price. Chinese travellers tend to be price sensitive but they also look for product quality; thus, they prefer to travel to multiple destinations so that they can see and experience as much as possible (Arlt, 2006; Petersen, 2009). Furthermore, Chinese are very conscious of status, which is attained through the views of one's surrounding group. Wealth is the most important determinant of status in Chinese society, and purchasing luxury items is very common in China as way of showing wealth and hence status (Arlt, 2006). Chinese typically spend large amounts of money on shopping when travelling overseas; indeed, shopping expenses make up the majority of the expenses while travelling (Petersen, 2009). This is partially because of the gift-giving culture in China. Chinese purchase gifts not only for their family and friends, but also for their colleagues and their business partners, who are important to them. So shopping is a popular activity to Chinese outbound tourists, especially for souvenirs to give as gifts back home to family, friends and others who are important to them (Laws & Pan, 2002). The wearing of popular foreign brands from abroad and giving these as gifts is also seen as a status symbol in Chinese culture (Guo, Kim, & Timothy, 2007).

According to the World Tourism Organization, there are several reasons why Chinese outbound tourists are big spenders:

- Most Chinese outbound tourists are willing to spend a lot when they are travelling overseas for the first time.
- Chinese people have a traditional concept of “economize at home, but take enough money en route”.
- Incentive travelling is on the rise implying that the travellers have a higher spending ability.
- Chinese love shopping. They admire famous brands, and products with local characteristics, such as crocodile skin in Thailand, gold or silverware in Hong Kong, woollen products in Australia, and garments and handbags of famous brands in Europe.
- Chinese outbound tourists are mainly from middle to high income groups, such as professionals, private enterprise owners and representatives from the media, sports and entertainment industries.

(World Tourism Organization, 2003).

### *2.5.3.2 What motivates Chinese to travel*

Tourism marketers must understand what motivates consumers because these motivation factors lead to travel decisions and consumption behaviour (Fodness, 1994). For example, if a tourism marketer knows what motivates Chinese tourists, then perhaps the marketer can create images that will attract the tourists to their destinations and products. Motivation is the driving force behind and that explains tourists behaviour, and could refer to perceptions, cultural conditioning, and learning (Fodness, 1994); motivation also can be understood as a dynamic process of internal psychological factors such as needs, wants and goals that create an unbalanced equilibrium in the individual's minds and body (Crompton & McKay, 1997).

To determine what motivates people to participate in tourism and what needs they are striving to fulfil, two questions need to be asked: Which needs and whose needs are to be satisfied? "Needs are seen as the force which arouses motivated behaviour, and it is assumed that in order to understand human motivation it is necessary to discover what needs people have and how they can be fulfilled" (Johnson & Thomas, 1992, p. 34). The World Tourism Organization stated that the Chinese people's need of travelling very much depends on their per capita income level.

Generally speaking, when the per capita monthly income reaches US\$300–400, people will have the desire to travel in their own countries. When it reaches US\$800–1,000, they will wish to go to the neighbouring countries. When it is more than US\$3,000, they would have the desire of travelling to far away places ... In 2000, the per capita disposable income in Beijing was US\$1,253, which means that Beijing residents are financially capable of travelling to neighbouring countries.

World Tourism Organization (2003, p. 60)

Zhang stated that many factors, both economic and non-economic, determine whether people actually travel. He also stated that:

The Chinese nation has an age-old tradition of tourism, which is an inseparable part of Chinese traditional culture. The Chinese tourism tradition emphasizes enlarging one's knowledge, raising one understands of the world and society, enhancing self-cultivation, making friends and conducting cultural exchanges. An old Chinese saying goes: "He, who travels far, knows much."

(Zhang, 1997, p. 569).

Guo's (2004) study also showed that the long-haul Chinese travellers usually respond positively to 'pull' factors. The study found that the top motivators for Chinese travellers are safety, cleanliness, famous scenery, knowledge and experience of a different culture, wildlife, unspoiled nature and historical heritage. These traditional concepts still hold true today: broadening one's knowledge and ego-enhancement are the main forces that motivate modern Chinese to travel worldwide.

#### **2.5.4 The concept of the 'Ling-tuan-fei' (LTF) tour**

The term 'LTF tour' has been defined in a number of different ways by different authors. Jia (2004) defined the LTF tour as an interaction expressed in a special approach between the generating destination and host destination. Jia, He and Cui (2006) defined the LTF tour as a model whereby host inbound operators do not charge the outbound operators from China for the accommodations, transportations and meals; instead these costs, and also profits, are covered through the travellers' expenditure on shopping and optional activities and/or attractions in the host destination. Other authors have similar views: they have defined the LTF tour as a tourism product sold at the cost price to Chinese travellers, with all the fees and profit being covered through travellers' expenditure in the host destination (Gan & Guo, 2010; Gu & Zhao, 2008).

The concept of the LTF tour is "basically a pricing scheme between the local tour operators at the outbound destination and the outbound operators in China" (Yan & Zhang, 2009). In this pricing scheme, the host tour operators do not charge their Chinese partners, the outbound tour operators from China, to receive the Chinese outbound package tourists, and this means the outbound tour operators in China can offer potential Chinese outbound travellers tours at extremely low prices. To maintain its operation and profit level, the host tour operator is therefore completely dependent on collecting commissions from outbound travellers' expenditure (Zhang et al., 2009).

This pricing scheme is widely adopted in the Chinese tourism industry (Heung, Yan, & Zhang, 2009). The main characteristics of LTF tours are best identified by the two dimensions that impress tourists, namely 'push' and 'pull' factors (Zhang, Yan & Li, 2009). These push/pull factors can be grouped into intrinsic and extrinsic dimensions from the perspective of host operators (Heung et al., 2009), and these groupings have been sporadically mentioned in some literature (Huang, 2006; Jia, 2006; Jia, He, & Cui, 2006) as factors behind the initial desire to travel. Johnson and Thomas (1992) also say

the question ‘Why do people travel?’ can be answered by looking at the push and pull factors. Certainly, the cheaper prices offered by outbound operators in China is a push factor that makes people want to travel or a factor that attracts potential Chinese outbound travellers to purchase a low-cost package tour, where the purchase price perhaps covers only the costs of the airfare and visa application fees. However, the other crucial element of such tours are the ‘pull’ factors that drive COLTs to consume a variety of shopping and entertainment items, without which host inbound operators would easily fall into bankruptcy (Zhang et al., 2009). So, to summarize, the very affordable all-inclusive prices of the LTF tours generate a strong ‘push’ factor that allows a number of COLTs to go for an overseas trip, while the travellers are also ‘pulled’ by the destination’s attractions and activities.

Some authors have accused LTF tours of having a negative impact on the tourism industry. Zhang, Yan and Li (2009) go so far as to state that zero-commission tours have had a negative impact on all parts of the China outbound tourism market, and that the model has jeopardized the Chinese tourism system and the healthy development of Chinese tourism (Zhang, 2006). This phenomenon is affecting nearly all the major destinations, including Western Europe and Australia. The host inbound operators cannot charge the outbound tour operator in China enough to cover the full costs of their local operation, so they run a very high risk of going bankrupt if the expected commissions from the tourists’ shopping and entertainment are not realized (Zhang et al., 2009). Li (2006) has stated some local operators may even have to pay a large amount of money to their Chinese partners to have the rights to receive the tourists.

Other authors, though, perceive the impacts of the LTF tour differently. Jia (2004) stated that “LTF” is an interactive special expression between generating destination and host destination; although LTF is not an inevitable product, it is a phenomenon that would perhaps appear when Chinese tourism development reach in a certain stage.” Jia et al. (2006) analysed the relationship of interaction between the LTF model and China’s outbound tourism development and concluded “Zero Inclusive-fee is a phenomenon characteristic of specific development stages of China’s outbound tourism, and a special representation of the interactions between tourism destinations and tourism generating areas” (Jia et al., 2006, p. 73). Zhang and Heung (2001) have used the ‘ripple effect’ to describe Chinese outbound tourism in relation to the general

development pattern, which seems to apply perfectly to geographic expansion of the zero-charge, or LTF, tour.

There is no lack of literature on how LTF tours operate and the down side of such a mode of operation, as highlighted by quite a number of complaints which have aroused much media attention. On the other hand, there is no specific study in the literature on the level of customer satisfaction from the tourists who have experienced LTF tours. The international visitor survey figures of TNZ indicate the satisfaction level of international travellers in general but do not make specific reference to LTF tours (TNZ, 2010b). Therefore, the purpose of this study is to explore the level of customer satisfaction through the feedback of tourists who have participated in LTF tours. Without knowing the general opinion of these tourists, the continual existence of this mode of operation cannot be explained. The study of visitor satisfaction will provide a useful reference for those who want to improve the Chinese outbound market, and may also offer a useful reference for Chinese visitors who are considering choosing a package tour.

#### **2.5.5 Why the LTF phenomenon exists**

The LTF phenomenon has been associated with China outbound tourism for quite a long time. China outbound tourism began in 1983 when Guangdong residents were allowed to join tour groups to visit their friends and relatives in Hong Kong and Macau areas (Cui, He, & Jia., 2006; Ou & Sang, 2008). By the end of 2005, there were 100 countries opened up to China. At the same time, the number of China outbound tourists had increased three-hundred fold from about 100,000 tourists in the beginning to nearly 30 million tourists in 2004; this number had further increased to 48 million in 2009 (CNTA, 2010). Likewise, the number of outbound travel agencies has expanded, from the initial 9 to 1970 in 2008 (CNTA, 2009). The LTF mode of operation has emerged with the prosperous development of China's outbound tourism, and has now become the main approach of the tourism industry in China.

The essential tenet of the LTF mode of operation is to reduce the face price of the tour so as to attract tourists to buy the product or service. It is an opaque price strategy where the profit gained from the tourists is not through the package price but, for example, from the commissions generated from tourists' shopping at appointed shops and/or from tourists' participating in the optional activities. Gu and Zhao (2008) stated that LTF is

the aftermath of unhealthy rivalry in the tourism industry; it is the inevitable outcome of a marketable economic environment where supply is greater than demand.

The main reason that shapes the LTF phenomenon is the ‘price war’ between the tourism enterprises in China; the other reason is that the information provided by the travel agents does not match the tourism products (Gu & Zhao, 2008b).

The history of the growth and influence of the LTF model in the Chinese tourism industry began in 2003, after the Severe Acute Respiratory Syndrome (SARS) epidemic; however, once European countries were opened up to the Chinese tourism market in 2004, the LTF phenomenon has grown significantly and its influence has become widespread (Gu & Zhao, 2008). The growth of the LTF model cannot be separated from the unhealthy rivalry between tourism enterprises in China, as many small and medium-sized tourism enterprises have emerged since the fast development of China’s economy and the change in the Chinese government’s tourism policy. Jia (2006) stated that the annual percentage increase in the number of tourism enterprises has exceeded that of the tourists, resulting in an imbalance between tourism supply and demand. In order to gain a market share, many tourism companies have become involved in an unhealthy price war. Furthermore, many authors have pointed out that the excessive numbers of tourism enterprises has shaped a situation where there are “not enough customers to satisfy everyone”. Ultimately, this overabundance of suppliers has resulted in the vicious price competition seen within China’s tourism industry (Cheng, 2004; Pang et al., 2004; Tan, 2004). Table 1 demonstrates how the number of Chinese travel agencies has increased from 2003 to 2009.

Table 1: Changes in the number of travel agencies/tour operators from 2003 to 2009

Number of travel agencies	Year						
	2003	2004	2005	2006	2007	2008	2009
Domestic	11,997	13,467	14,689	16,303	17,146	18,140	missing
International	13,64	1,460	1,556	1,654	1,797	1,970	missing
<b>Total</b>	<b>13,361</b>	<b>14,927</b>	<b>16,245</b>	<b>17,957</b>	<b>18,943</b>	<b>20,110</b>	<b>20,399</b>

*Source:* China National Tourism Administration, 2010.

Li (2004) also believes that the overabundance of tourism enterprises in China is one of the reasons for the vicious price competition; however, he says that this is not the only reason. Li observed that the Chinese tourism market is still in an early stage of

development, and surmised that because the medium- and high-end markets have yet to take shape, the travel agencies have to compete for the low-end market. With supply grossly exceeding demand, keen price competition is the result. Thus, the tourism industry in China is in a period of low-profit margins because, in the face of furious competition between rival companies, price reduction is seen as the only way to survive.

The tourism market is competing on price because there are insufficient new tourism products for enterprises to be able to compete on a differentiated or characteristic product based on the tourists' demand. As well as the price competition, a second negative outcome of this intense competition is that travel agents do not always provide tourists with all the information they need to make an informed choice about their tour package (Chen & Su, 2009; Gu & Zhao, 2008b). For example, tourists may not have complete information about the price and quality of the scenic places the tour is visiting, the location of hotels or shopping times. Travel agents promote how good their tour is, but ignore or keep from the potential customer information about the other products that they intend to sell to their clients alongside the package tour. Under these circumstances, the tourism market cannot be operated effectively and interrelated market failure will result.

## **2.6 SUMMARY**

The literature review has highlighted that a number of researchers have attempted to understand the LTF phenomenon over the past few years. The chapter has outlined studies on the concepts of the LTF phenomenon, and studies of the reasons that have shaped these tours. In particular, the chapter has examined literature relating to China's outbound tourism market and the package tours that are controlled by the Chinese government's ADS system. Furthermore, this chapter has outlined studies on tourism distribution channels in general, and specifically on the Chinese distribution structures pertaining to the LTF tours between China and NZ.

This literature review provides the secondary data for examining whether the LTF tour is a poison, panacea or palliative for the respective parties concerned. At the same time, the findings of the literature review highlight the research gap and explain why the researcher has chosen her particular research objectives. In order to achieve the research aim, a qualitative methodology is most appropriate that allows the researcher to find out detailed information through in-depth interviews. Therefore, a grounded theory as an

approach was employed, which would allow the researcher to develop a new theory as she analysed the findings from the interviews rather than being reliant on existing theory. However, after reviewing the existing relevant literature, it became clear that it would not be feasible to include all the related theories and areas highlighted from the literature. Therefore, the Chinese package tour, distribution channel structure, operating model, and the motivators of Chinese have been selected as the major factors to be studied. Moreover, these factors will be examined from both the industry and tourists' perspective in an attempt to answer the key research question: Is the LTF tour a poison, panacea or palliative?

## CHAPTER 3 METHODOLOGY

### 3.1 INTRODUCTION

The literature review of Chapter Two highlighted that, to date, there has only been a small number of research studies of the LTF tour operating model; moreover, no specific study on the level of customer satisfaction from tourists who have experienced the LTF tour was found in the literature. As the current research needed to find both the attributes of the operating model of LTF tour and the rational of the tourists in choosing the specific package tour, then it was essential that an appropriate research methodology be used. Interviews were conducted with a variety of respondents in order to gather sufficient evidence to be able to answer the key research question: Is the LTF tour a poison, panacea or palliative?

Methodology is a way to think about one's research studies, and the research methods are the technique for collecting information, which can be conducted qualitatively or quantitatively, depending on the purpose of the researcher (Zikmund, 2000). Decrop (1999) stated that it is always important to adopt an appropriate research methodology in order to carry out a wide-ranging examination of all relevant areas. A qualitative research method was employed for this research, as this was considered to be the most relevant approach for the particular context and research aims of this study. Cresswell (1998, p. 15) stated that qualitative research is "an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem". The researcher can use this approach to analyse words, report detailed views of participants, and carry out the study in its natural setting. Decrop (1999) suggested in-depth semi-structured interviews utilized as the key method can be effective in attaining a rich portrait of a phenomenon. A semi-structured interview is something in between a structured and unstructured interview. It will pose specified questions but will also allow more probing to seek clarification and elaboration; thus in-depth semi-structured interview combines comparability of important questions with flexibility (Finn, Walton, & Elliott-White, 2000). By contrast with a structured survey interview, in-depth interviewing is more than just asking questions and listening to people; rather, it "entails the sharing of social experiences" (Decrop, 1999, p. 345).

In this chapter, the research methodology is identified, and the differences between qualitative and quantitative research methods are explored. The tourists and the LTF

operating model tour are examined through primary data collection, and the data collection methodology that was employed is discussed. At the same time, the purpose and the importance of using secondary data in this research is presented. Finally, the limitations of the research are given.

### **3.2 RESEARCH DESIGN**

The current study examines the phenomenon of the LTF tour, in particular the many issues relating to the distribution systems and operating mode of LTF, and the rationale of tourists in choosing this package tour. Therefore, it is appropriate that data are collected from both secondary and primary sources. Secondary resources are an integral part of research process. Analysis of secondary resources helps the researcher address the main issues of the research topic and find any gaps in existing research; the researcher can then attempt to address the gaps when collecting the primary data. The literature review provided relevant secondary data on the concept of the LTF tour and the distribution channel and operating mode of the China outbound travel market, while interviews with tourists who have experienced these ‘zero-charge tours’ and a survey of China outbound operators will provide primary data on tourists’ viewpoints of LTF tours and the nature and the operational aspects of the LTF tour, respectively.

Boyd (2001) suggested that the key to effective research is robust research design. A research design is the plan and structure of the exploration used to obtain evidence to respond to the research questions (McMillan & Schumacher, 2001). The purpose of this study is to explore why there is an LTF phenomenon in the Chinese tourism industry, and how the tourism entrepreneurs distributed and operated their tourism products. The research also explores the rationale of why these tourists purchase such package tour, and how satisfied tourists who have joined LTF tours are.

Therefore, a qualitative approach is required in this thesis, because a qualitative approach allows the researcher to find out what lies behind the given answers. Strauss and Corbin (1990) stated that qualitative methods are useful for revealing and understanding what lies behind any phenomenon where little is currently known. Given the paucity of information collected from the literature review, a qualitative approach was therefore deemed to be most appropriate for the current study. Qualitative approaches are employed to collect data in relation to activities, events, occurrences and behaviours and to look for an understanding of actions, problems and processes in their

social context (Phillimore & Goodson, 2004). This can be achieved by asking the participants open-ended questions like “How has this tour satisfied your requirements?” To answer, respondents would logically have to reflect, tacitly or explicitly, on their objectives initially set in taking the tour and the way these objectives are being achieved or otherwise, before they are able to tell how satisfied or dissatisfied they are with the tour. By using the qualitative approach, the researcher will be able to learn from the participants the factors contributing to their satisfaction with the tour.

### **3.2.1 Secondary resources**

It is useful to collect secondary resources before collecting primary resources. This is because secondary resources can be used to discover what work has already been done and what are some of the key issues in the area of one’s research study (Finn et al., 2000). A study of secondary sources also gives the researcher guidance for collecting primary resources. Finally, secondary resources can be useful to compare with the primary data. Thus, a study of secondary sources is an essential and important part of any research design—and this current study is no exception.

For this thesis, the secondary resources were collected from published tourism journals, both in English and Chinese, tourism books and tourism websites, both in China and NZ. The majority of Chinese journals had articles on the concept of the LTF tour, while a few journals dealt with complaints about package tours to Hong Kong. However, limited information could be found from the secondary resources about the operating model of LTF tours, and the researcher found no specific studies on the level of customers’ satisfaction with LTF tours.

### **3.2.2 Primary resources**

Stiller (2000) stated that research often starts with questions that seek to investigate and understand processes of transition, change and the evolution of social constructions. The current research could start with the question “How has this tour satisfied your requirements?” The question is extensive, open, and unpretentious, and the responses from the tourists who have joined an LTF package tour will give the study direction for the search as to what satisfies tourists. This question can help the researcher identify the phenomenon under exploration and assist her to learn from the participants. Furthermore, it also provides latitude for the researcher to investigate the LTF phenomenon more deeply and so facilitate the development of new concept about this

mode of tourism operation. Choosing the appropriate theory—and hence question—is fundamentally important to a piece of research because, as Finn, Elliott-White and Walton (2000, p. 12) stated, “theory is used as a guiding framework to help explain and understand the research findings, and indicate the types of conditions under which the research has taken place.”

Grounded theory is a qualitative research method that was developed for the aim of studying a social phenomenon, and to generate a theory in relation to particular situation (Strauss & Corbin, 1994). Grounded theory has been identified as “theory that was derived from data, systematically gathered and analysed through the research process, in this relationship, data collection, analysis, and eventual theory stand in close relationship to one another” (Strauss & Corbin, 1990, p. 12). The goal of grounded theory is to identify some major issues, themes or categories of a phenomenon, or to explain inter-relationships (Becker, 1993). The grounded theory methodology is used to derive explanations of common social patterns; therefore, it provides a suitable framework for explaining or revealing the relationship between the tourism industry and tourists. It has become the most widely used framework for analysing qualitative data (Bryman & Bell, 2007), including data derived during tourism research (for example: Riley, 1995; Connell and Lowe, 1997; Zhao, 2006). Therefore, using grounded theory to study the LTF phenomenon, and the level of satisfaction of tourists on LTF tours would be an appropriate way to expand the use of this methodology.

### **3.3 THE DIFFERENCE BETWEEN QUALITATIVE AND QUANTITATIVE METHOD**

Veal (2005, p. 125) stated that “qualitative is used to describe research methods and techniques that use and generate qualitative, rather than quantitative, information.” Generally speaking, this approach can generate a great deal of rich information from just a few people, rather than limited information from a great many people. Findings are based on the participants’ beliefs and, particularly in leisure or tourism research, using a respondent’s own words is the best way to describe and analyse their beliefs (Veal, 1992). Qualitative research does not involve statistics and numbers; its nature is subjective (Bedward, 1999). Qualitative methods are distinct from quantitative ones, and they do not generate quantitative findings. Such methods are “selected for collecting data in relation to activities, events, occurrences and behaviours and to seek an understanding of actions, problems and processes in their social context” (Phillimore

and Goodson, 2004, p. 3). Hall et al. (2002, p. 55) stated “Qualitative research is an unstructured, exploratory research methodology based on small samples intended to provide insight and understanding of the problems”, whereas quantitative research is structured to generate a large number of responses that are suitable for analysis statistically.

### **3.4 DATA COLLECTION**

Qualitative data can be collected using three different approaches. The researcher might use observations—looking, listening and recording descriptive properties of the studied phenomena and participants’ actions—or they can use interviews to solicit participants’ understandings and accounts of the studied phenomena, or they can rely on texts, which are words and images recorded without researcher intervention (Bryman & Bell, 2007; Pizam, 1994). Whichever approach or approaches are chosen will depend on the nature and purpose of the research, as well as the time and resources available (Finn et al., 2000). In this research study, grounded theory methodology was adopted because it consists of flexible strategies for focusing and editing qualitative data collection and analysis. Denzin and Lincoln (2011) noted that data collection and analysis are combined purposely, and initial data analysis is used to shape continuing data collection. This process can provide opportunities for the researcher to increase the ‘density’ and ‘saturation’ of recurring categories; it can also help to provide follow-up procedures when unanticipated results are recorded. Conducting the data collection and analysis at the same time is a deliberate method designed to enhance some insights and clarify the parameters of the emerging theory (Creswell, 1998).

Primary data for this research was collected through interviews. First, members of the tourism industry were interviewed in order to determine supply side realities, and the degree to which industry people understand their customers. Subsequently, tourists were interviewed to obtain insights in the factors that motivated them, their experiences, and their level of satisfaction with the tour package they were experiencing.

#### **3.4.1 The participants**

The detailed research objectives of this study required participation from both those involved in the industry and from outbound leisure travellers in China and NZ. To ensure the information obtained from respondents was valid and reliable, it was

necessary to establish criteria for selecting the respondents. The criteria for selection of a tour operator were:

- 1) they must be authorized outbound tour operators
- 2) their business must be involved in LTF tours to NZ, and
- 3) they must be managers or operators of the company.

This last criterion was used to ensure that the participants selected had a sound understanding of the industry so that the most relevant information could be obtained from the interviews. The researcher was able to use her personal connections to find tour operators who fitted the selection criteria for interview.

In order to obtain the most effective and efficient information, the criteria for selecting the tourists were:

- 1) the tourists must have experienced an LTF tour to NZ, and
- 2) they must be Chinese.

Travel agencies/tour operators were first interviewed to obtain some general knowledge about China's outbound travel market and the inbound market to NZ and then to gain some relevant information on the emergence of LTF tours. At the same time, the interviews gave the researcher key information about the LTF operating model and how the LTF tour works. All the interviewees have a great deal of experience in this particular area. They know and understand China's outbound travel market and the NZ inbound market, they are knowledgeable about the characteristics of LTF tours, and they are also familiar with the COLTs' attitudes and perceptions on their spending.

The interviews of the COLTs were organized with the help of some tour leaders in China and NZ. Before the actual interview, the researcher explained the relevant information on the Consent Form and Information Sheet to the interviewee over the telephone. All the interviews were conducted in the mother language of the participants, i.e. *putonghua* (Mandarin). Notes were also taken in Chinese so that they could be shown to the interviewee if requested. The notes were later translated into English for further processing.

Based on the researcher's personal understanding of the COLTs, the researcher believes that some of the travellers did not express their true opinions even though they had agreed to be interviewed by the researcher. This may be because of the conservative

culture in China and/or because of its sensitive political environment—Mainland Chinese people usually do not like or are scared to talk too much in case they get themselves into trouble. Therefore, the researcher had to ask for some help from some tour leaders in China and NZ; the tour leaders were able to provide the interviewer with access to potential interviewees through their connections with their previous clients. Some souvenirs were given out to the respondents in order to increase the chance of an interview. This is part of Chinese culture, as people want to thank those who willingly help them by giving their helpers gifts or doing things for them in return. The willingness of respondents to be interviewed was a result of both the tour leaders' help and the giving of souvenirs. The trust of the respondents was gained when the researcher explained that the interview was only for her own study required to complete her Master's thesis. The interviews took approximately 30 to 40 minutes, due to the time limitations of the respondents.

#### **3.4.2 The interviews**

Primary data can be collected in many different ways, with the method chosen depending on the purpose of the research. For example, if the research is examining *what* people do, then a quantitative research method would be the best approach to use. However, if the research is trying to find out the reasons *why* people behave as they do, then a qualitative research method would be the best approach. Since the aims of this research was to study how LTF tours are run by tour operators in China and to investigate the reasons behind or attributes of the customer satisfaction of those tourists who have joined an LTF tour, then a qualitative research method was deemed to be the best approach. There are three different methods for collecting qualitative data: observation, interviews and texts (Bryman & Bell, 2007). Because this study's aims were to explore LTF tours from the perspectives of both tour operators and tourists, the interview was seen as the most appropriate way for collecting the qualitative data. This is because the qualitative interview can provide rich and detailed answers to the researcher's questions, and the researcher can also ask new questions that follow on from the interviewee's replies.

However, qualitative interviewing can vary a great deal depending on the approach taken by the interviewer. The interview has been divided into different types and in different ways (Hughes & Hitchcock, 1989; Patton, 1987). For this study, the researcher adopted the semi-structured interview approach. When conducting a semi-structured

interview, the researcher starts with an interview guide containing a list of questions on specific topics, but this approach also allows the researcher to pick up on things said by the respondents even if they are not in the original guide. The semi-structured approach ensures coverage of all the relevant issues, by having flexibility to respond to respondents' replies and to follow up emerging issues. A semi-structured interview has a primary focus, but multiple subunits are studied to "help understand the primary case more fully" (Yin, 1994, p. 41). Jordan and Gibson (2004) stated that interviewing participants is an appropriate method for gathering qualitative data because the in-depth interview can be used to understand the experience of other people. Gubrium and Holstein, (2003) suggests collecting data through interviews also enables the researcher to adopt an inductive approach and to identify patterns in the data that might lead to grounded theory development. This is a technique that allows ideas and critical issues to drive the research process; the interviewer can pursue further any issues that have arisen out of the collected data.

The times and places for the interviews with both the tour operators and the travellers were arranged via telephone. Twenty COLTs and five outbound tour operators who met the criteria were interviewed. The outbound tour operators included directors, general managers and an operation manager. The indicative questions, the Consent Form and the Information Sheets (see the Appendices) were given out through emails or handed over to the interviewees before the interview. All the appointments with the COTAs and the COLTs were made over the telephone a week before the interview, and the appointments were reconfirmed one day before the scheduled interview time. The interview typically took between 30 and 40 minutes.

There is no fixed number for sampling when using grounded theory methodology. Creswell (1998) suggests interviewing between 20 and 30 participants would be a reasonable sample. However, Denzin and Lincoln (2011), and Speziale and Carpenter (2003) suggests that it is unrealistic to specify the numbers of participants because the researcher cannot know that how many participants will be required to achieve saturation of the revealed concepts and ensure that all of the concepts essential to the study are coded. Additionally, the researcher cannot accurately anticipate the number of participants, given that the initial data collected may suggest a change in the study focus. Therefore, the ideal number of participants will vary according to the research situation and the research findings; it also varies between researchers. Furthermore, the process

of data collection is controlled by the merging theory (Glaser & Strauss, 1999) that allows the researcher to collect additional data and add it to the original sample to further increase the diversity of the research.

To collect general information about the Chinese tourism market, and in particular information about the requirements and expectations of COLTs to NZ, the researcher interviewed three tour leaders, two managers and two drivers. These interviewees were chosen to give the perspective of those involved in the industry. The interviews were conducted either face to face or over the telephone in the way of a casual conversation. The seven industry interviews were followed by six interviews with COLTs who had met the criteria established for this research. The tour leaders assisted the researcher to select the travellers to be interviewed. The data collected from this first round of interviews was used to create the general patterns and themes of the research. New questions and areas emerged from the analysis of the original data, and these questions were investigated in the second round of interviews. During the second phase of the data collection, three more general managers and operators of outbound travel companies and six more Chinese outbound tourists were selected to interview. It was hoped that the data collected from the second round of interviews would confirm the patterns and themes identified through the initial interviews. However, while many of the themes identified by the initial data were confirmed, there were still some gaps where the outbound tourists' perspective had not been well explained. Therefore, additional interviews were arranged: eight more Chinese outbound tourists were interviewed using specific questions designed to fill the gaps.

To summarize the data collection process: the first round of interviews was conducted with eight participants who work in the tourism industry and six COLTs; the second round with an additional six industry participants and six COLTs; and in the third round, interviews were conducted with a further eight COLTs. In all, 34 participants were interviewed: 14 who work in the industry (tour leaders, outbound tour managers, general managers and drivers) and 20 Chinese outbound travellers.

### **3.4.3 Interview location and time frame**

All the COTAs interviewed were operating in Beijing. The location was chosen because the researcher has connections with operators there through former colleagues and she also knows some COTAs, directors and managers through her social networks, meaning

she could easily get interview access to industry practitioners working in Beijing. Furthermore, Beijing is one of the major markets for operating LTF package tours to many destinations, including NZ. The interviews with the ITOs in the host destination (NZ) took place in Auckland. Again, there are personal reasons why the researcher chose to interview participants from this particular city: the researcher used to work in the industry as a tour guide and so could most easily get interview access to operation staff based in Auckland.

The original plan was to interview the COLTs in Beijing. Since the researcher was travelling to Beijing to interview COTAs, it would have been convenient (and time-saving) if she had been able to interview the COLTs there as well. Furthermore, through her previous work, the researcher already had connections with certain people who have experienced an LTF tour, as well as former colleagues who could assist in providing interview opportunities. However, the busy work schedules and business travel demands of many of the potential interviewees meant that it was often difficult to organize an interview time suitable to both parties. Therefore, some interviews still had to be conducted in Auckland, through the tour leaders' help.

A researcher has to consider two main factors when choosing the best place for conducting interviews: first, the place needs to be quiet so that the researcher can fully concentrate on taking notes, and secondly, the place has to be convenient for the participants. This second factor is important because a convenient location will maximise the potential number of participants that can be interviewed. The researcher decided to interview the COLTs in private dining rooms of restaurants. Restaurants were chosen because the researcher wanted the interview setting to be relaxed, like a social gathering, and private dining rooms were chosen so that the researcher and interviewee would not be disturbed by other people in the restaurant. In the end, the actual interviews took place in a range of different places that had quiet environments, from a hotel lobby to coffee shops. The interviews were conducted over a three-month time frame and in three separate periods of fieldwork: the first of the COTAs were interviewed in November 2010 in Beijing, some tourists were interviewed in December 2010 in Beijing and the rest of the tourists' interviews were conducted in January and February 2011 in Auckland, and the ITOs were interviewed in May and June 2011 in Auckland.

### **3.5 DATA ANALYSIS**

The research process cannot be completed without data analysis; it is an integral part of the overall research process. Strauss and Corbin (1994) state: “analysis is the interplay between researchers and data.” It is the process by which researchers pick up and identify data, code relevant concepts, and then group the data into higher-level categories or themes. The process involves “the reduction of the qualitative data in terms of selecting, focusing, simplifying and transforming the data from the interview transcriptions, field notes” (Harvey, 2004, p. 87). In this current research, all the transcriptions and field notes of the interviews were thoroughly reviewed, and the data relevant to the research questions and underlying goal of this study was identified and selected for further analysis. The selected data was then organized in a way that could reveal patterns.

Because the participants being interviewed were Chinese, the interview questions were translated into Chinese before the actual interview. Field notes were scribed in Chinese during the interviews. Audio tapes and recordings were not used due to cultural sensitivity—as mentioned earlier, most Chinese are scared to say something which they fear might get them into trouble.

The first step of the data analysis was to translate all the data into English. An English translation was done not only because the final thesis has to be completed in English, but also because the researcher was able to get a more in-depth understanding of the initial concepts of the participants through the translation. The second step was to identify and code the initial concepts by using the participants’ own words and summarizing what they were referring to in the questions. The third step was to group similarly coded data into segments by using a cut and paste approach, and then to compare these concepts to find out the commonalities and differences. The fourth and final step was to group these similarities into higher level of categories or themes so the relationships could be explored between the themes.

### **3.6 LIMITATIONS**

Despite the best efforts of the researcher, this study does have certain limitations, which need to be mentioned. First of all, the research could have been improved if interview data had been collected from key personnel at TNZ as well as from interviews with those working in the industry and the COLTs. However, the ideal method was

constrained by time considerations, the availability of the COLTs in NZ, and privacy issues of the NZ tour operators. Therefore, the method had to be adjusted so that all the data, from both industry players and tourists, were initially collected in China. In the end, though, the researcher did have the opportunity to collect part of the data via interviews with COLTs and the ITOs in NZ, these interviews of the tourists being obtained through the help of the tour leaders from China, and the interviews of the ITOs being obtained through the researcher personal connection.

Secondly, as with all interviews, the validity of the findings relies heavily on the willingness of the respondents to give accurate information. The directors, general managers and the operational manager of the outbound tour operators may hesitate to completely share their views because they could be concerned that sensitive business information may leak out to others, particularly to their competitors and also to the Chinese inbound travel agencies/tour operators in NZ and other industry members such as the drivers, sales staff at souvenir stores, and tour leaders. Likewise, the COLTs may be embarrassed to give their honest opinions and, moreover, the 'truth' will be different for each participant because everybody has their own unique personality. Finally, lapses of memory could result in some information being lost.

Thirdly, the interviews conducted to explore the perspectives of COLTs involved participants from only four tour groups. Ideally, participants from a larger number of groups should have been interviewed, because then the data collected would have covered a wider range of experiences and so would be more valid. However, this was not possible due to the difficulties of getting access to travellers to interview. As a result, the research data collected was confined to a limited range of experiences.

### **3.7 ETHICAL ISSUES**

Many authors have discussed how qualitative research design can address the importance of ethical considerations (Creswell, 1994). As the research involved face-to-face interviews with participants, ethics approval from the Auckland University of Technology Ethics Committee (AUTECH) was required before the research could proceed. A set of indicative questions and other material pertinent to the research study were all submitted to AUTECH, and approval was given for the research in September 2010.

According to the rules of the AUTECH, the researcher must fulfil the following procedures. First, a participant information sheet has to be given out to each and every interviewee. This sheet gives the participants clear information about their rights and the benefits of their participating in the research. The sheet also outlines the purpose and outcomes of the research, and reassures them that the names of the participants will not be identified in the final report and that the information being collected will be used solely for the researcher's study purpose. For this study, the participant information sheets were translated into Chinese and given out before the interview started.

Secondly, the AUTECH rules require that participants sign a consent form. Like the information sheet, for this study the consent form was also translated into Chinese. The consent form is required to be signed by both the interviewer and the interviewee. The researcher must ensure that all the interviewees fully understand and are comfortable with the interview process. In particular, the interviewer must ensure that the interviewee understands that the interview is entirely voluntary and that the interviewee can withdraw at any time without being disadvantaged in any way. The interviewer must also ensure that participants are given the opportunity to ask any questions that they may have at any time in the interview.

To ensure these ethical considerations were respected, the interviews for this research were conducted in a relaxed manner and in the mother language of the interviewees. In particular, the interviewees were made aware that their participation was completely voluntary and they could withdraw at any time and without consequence.

### **3.8 SUMMARY**

This chapter has outlined and described the research methodology that was utilized in this thesis. The best practice methodology for this type of research is based on qualitative data analysis. In-depth interviews were demonstrated to be the most effective way to identify the characteristics of the phenomenon being studied. The units of analysis were the China outbound tour operators, the NZ inbound operators and the COLTs who have experienced an LTF package tour. Background data for this research was collected from secondary sources such as websites, news, newspaper, journals and books. The ethical aspects associated with the research have been addressed and discussed in this chapter. The next chapter will provide basic background information about China's outbound travel industry and the ADS system as it relates to LTF package tours. Chapter 5 will explore the main findings derived from the primary data collected for this research.

## **CHAPTER 4: RESEARCH CONTEXT**

### **4.1 INTRODUCTION**

This chapter will present an overview of economic and political conditions in China because these are the main forces that have shaped and are still shaping China's outbound tourism industry. China's economic development and improved living standards have enabled Chinese people to travel, both locally and internationally. The relaxing of relevant regulations by the Chinese government has also made it possible for the average Chinese citizen to travel overseas. The unique ADS system has been adopted as a strategy to allow the development of China outbound tourism. This chapter will discuss what ADS is, why it came into being, and how it impacts on China outbound tourism and tourists.

This chapter also gives a brief introduction to the current situation regarding Chinese tourists visiting NZ. The number of Chinese tourists visiting NZ has increased dramatically since NZ was first granted ADS. Since then, leisure has become the dominant reason for tourists travelling out of China to NZ (Ministry of Economic Development, 2010) and Chinese leisure travel is expected to continue to dominate in the next five years (Ministry of Tourism, 2010).

This chapter also describes the preferences of Chinese outbound tourists travelling overseas, including the most popular destinations and the attractions and activities that most appeal to Chinese tourists. This chapter reviews the current information on China's outbound tourism market. The findings of this chapter will link to the research aims of the current study.

### **4.2 THE HISTORICAL BACKGROUND FOR CHINA'S TOURISM**

#### **4.2.1 China's closed-door policy**

According to Foot (1995) China almost completely closed its borders to the rest of the world from 1949 until 1978. Its closed-door policy was both a result and symptom of the economic cold war between China and Western powers at that time. After China became independent in 1949, the Western powers, which were led by the United States of America (USA), were officially against the Communist Party, and a hostile relationship developed between the Western powers and the new regime. Two key

events led to the USA imposing a total economic embargo on China. First, the leader of the Communist Party, Mao Zedong, signed a military-alliance treaty with Joseph Stalin in Moscow. From 1950 until July 1953, Chinese forces intervened in the Korea War, supporting the Communists there against the UN forces; as a consequence of this alliance, the USA imposed a trade embargo on China to show its displeasure with the communist regime.

China adopted its closed-door policy in response to the trade embargo. Although China still had a good relationship with the former Soviet Union and some other Third World countries, international tourism nearly came to a halt at that time. As a result, Chinese outbound tourism was also limited and almost completely restricted to government officials and diplomats (Pine, Zhang, & Zhang, 2000). The “travel service” (similar to travel agencies or tour operators) was set up only for people who were visiting overseas Chinese nationals and other foreigners with special permission to visit China. Essentially, tourism was serving diplomatic activities rather than economic goals (Ap et al., 2003). At that time, leisure travel was non-existent even inside China, because Maoism considered leisure travel to be wasteful behaviour and indicative of a bourgeois lifestyle (Arlt, 2006). Thus, domestic tourism hardly existed because it went against communist doctrine, and the outbound travel was extremely limited, serving only the needs of diplomats and government officials.

China’s Cultural Revolution was another reason behind the country’s closed-door policy. The Revolution, from 1966 to 1976, was an attempt by Mao Zedong, China’s first leader after it became independent, to remove capitalism (Sofield & Li, 1998). The Cultural Revolution movement spread into nearly all sectors of Chinese society, including the party leadership, and the effects of the Cultural Revolution were felt until the Gang of Four was arrested in 1976. Nearly all economic activities stopped during the Cultural Revolution, and the railway systems, the most important transport network in the country, were seriously disrupted. Countless heritage monuments were destroyed on a massive scale by the Red Guards (Sofield & Li, 1998). Therefore, during this period China was busy with its own internal political struggles and had to close its doors (Pine et al., 2000). The Cultural Revolution seriously affected the tourism industry, both domestically and internationally, and as a result, the tourism industry was almost entirely suspended (Ap et al., 2003). Outbound travel was limited to business

trips or business-related trips funded by the government or government-owned companies.

#### 4.2.2 China's open-door policy

China's economy has undergone remarkable change since its reform and the government's return to an open-door policy in 1978 (World Tourism Organization, 2003). From 2005 to 2009, the average annual GDP growth rate was 20%. In 2009, GDP reached 34,000 billion Yuan, or more than US\$5,000 billion. At the same time, the standard of living has also improved enormously: per capita GDP grew from 14,185 Yuan in 2005 to 25,575 Yuan in 2009, an increase of 80.3% over just five years (National Bureau of Statistics of China, 2010b). As a result of this remarkable economic growth, Chinese people have become increasingly wealthy and powerful. Table 2 demonstrates the remarkable growth in the Chinese economy between 2005 and 2009.

Table 2: Economic development in China from 2005 to 2009

Year	Gross Domestic Product (GDP) (100 million Yuan)	Per Capita GDP (Yuan)
2005	184,937.40	14,185
2006	216,314.40	16,500
2007	265,810.30	20,169
2008	314,045.40	23,708
2009	340,506.90	25,575

*Source:* National Bureau of Statistics of China, 2010b.

In 1978, China decided to open up its door for economic reconstruction. Tourism was considered one of the initial economic activities that could meet this goal, its main function being to generate foreign exchange earnings (Pine et al., 2000). The tourism sector was initiated and encouraged by the Chinese leader Deng Xiao-Ping, who saw tourism first and foremost as a means for accumulating foreign exchange (Arlt, 2006). After opening up its doors, China's economy rapidly increased with an average annual growth rate of real GDP of 9.42% between 1978 and 2000 (Lim & Wang, 2008). The living standards of Chinese citizens have also improved rapidly, with an average growth rate of per capita Gross National Income (GNI) of 7.15% over the period 1978–2000 (Lim & Wang, 2008). However, the outbound tourism market for leisure travel has only emerged in recent years after a more liberalized policy was introduced in 1990s.

Table 3: Numbers of Chinese outbound tourists from 1993 to 2009

<b>Year</b>	<b>Number of Outbound Tourists</b>	<b>Growth Rates (%)</b>
1993	3,740,000	27.7
1994	3,733,600	-0.17
1995	4,520,500	21.08
1996	5,060,700	11.95
1997	5,323,900	5.2
1998	8,425,600	58.26
1999	9,231,600	9.57
2000	10,468,600	13.4
2001	12,133,100	15.9
2002	16,602,300	39.83
2003	20,220,000	21.8
2004	28,852,900	42.9
2005	31,000,000	7.5
2006	34,520,000	11.35
2007	40,954,000	18.64
2008	45,844,400	11.94
2009	47,656,300	4

*Sources:* Guo, Kim, & Timothy, 2007b; National Bureau of Statistics of China, 2010a.

Therefore, it can be summarized that the two indispensable factors that have stimulated China's outbound tourism market are the rapid growth of China's economy and the more-relaxed government policy; these two factors have enabled Chinese people to fulfil their desire to travel (Ou & Sang, 2008; Weiler & Yu, 2001). This effect of China's economic growth can be seen in the sharp increase in the number of outbound tourists from 1993 (3.74 million) to 2009 (47.656 million), as illustrated in Table 3. This implies that the country's successful economic development has given Chinese citizens spare money to spend. Hence, economic growth and increased personal incomes can be seen as two of the factors responsible for the turning point in China's outbound tourism industry.

In addition, the standard of living of Chinese people has also improved enormously since the early 1990s (World Tourism Organization, 2006). From 1991 to 2009, the annual per capita disposable income for urban households increased from 1,701 (Yuan) to 17,175 (Yuan)—a ten-fold increase (see Table 4). This implies that Chinese citizens

have more disposable income to spend. The household consumptions of urban residents per capita rose from 1,840 (Yuan) in 1991 to 150,525 (Yuan) in 2009 (National Bureau of Statistics of China, 2010c). Therefore, the degree of satisfaction with the quality of life has increased significantly for urban residents, travel has become part of their lifestyle, and Chinese citizens now consider the cost of travel as their part of home expenditure budget (World Tourism Organization, 2006b).

The remarkable growths of the economy and the significant improvement in disposable income of urban Chinese families have given impetus to the development of China's outbound tourism market. According to the World Tourism Organization (2003), China is one of the fastest-growing outbound markets in the world and is expected to become the fourth largest tourist-generating country by 2020.

Table 4: Annual per capita disposable income of urban families from 1991 to 2009

Year	Disposable Income of Urban Families	
	Amount (CNY)	+/- (%)
1991	1,701	12.61
1992	2,027	19.17
1993	2,577	27.18
1994	3,496	35.65
1995	4,283	22.5
1996	4,839	12.98
1997	5,160	6.64
1998	5,425	5.13
1999	5,854	7.91
2000	6,280	7.28
2001	6,860	9.23
2002	7,703	12.3
2003	8,472	9.98
2004	9,422	11.21
2005	10,493	11.37
2006	11,760	12.07
2007	13,786	17.23
2008	15,781	14.47
2009	17,175	8.83

Source: National Bureau of Statistics of China, 2010d.

### **4.2.3 China's outbound tourism market after the open-door policy**

There are several studies with a common consensus that China's outbound tourism market has gone through three stages of development: the first stage was travel to Hong Kong and Macau; the second stage, travel to the border countries and intra-Asia countries, and the third stage, travel to countries outside of Asia (Heung & Zhang, 2002).

#### *4.2.3.1 Travel to Hong Kong and Macau*

The first stage in the development of China's outbound tourism market started in 1983 when the Chinese government allowed a limited number of its citizens to visit their friends and relatives in Hong Kong and Macau. However, there were still restrictions on this travel: the journeys were at the expense of their friends or relatives, and the travellers had to travel in a tour group organized by a designated travel agency authorized by the CNTA. This is when Guangdong Provincial Travel Corporation began to organize tours for the residents of Guangdong; later the Corporation extended its tours for Chinese citizens from other provincial areas (Heung & Zhang, 2002; Lim & Wang, 2008).

#### *4.2.3.2 Travel within Asian countries*

The second stage in the development of China's outbound travel market began in November 1987 when the CNTA and the Ministry of Foreign Trade and Economic Cooperation gave permission for Chinese citizens to travel to bordering countries (World Tourism Organization, 2003). Dandong in Liaoning Province was the first place to allow its citizens to take a one-day tour to the border city of Sinuiju in North Korea. By June 1998, seven more regions—Heilongjiang, Inner Mongolia, Liaoning, Jilin, Xinjiang, Yunnan and Guangxi—had been given approval to allow their citizens to travel to their border areas; the destinations included Russia, Kazakhstan, Kyrgyzstan, Myanmar and Vietnam (World Tourism Organization, 2003). In 1990, the Chinese government signed a bilateral tourism agreement of ADS with Singapore, Malaysia and Thailand; this agreement allowed Chinese citizens to travel for leisure purposes through China Travel Service (CTS). Prior to that agreement, Chinese citizens had only been allowed to travel abroad for business purposes or on official visits, with government approval needed for every single visit (Graff & Hu, 2008).

#### *4.2.3.3 Travel beyond Asian countries*

The third stage in the development of China's outbound tourism market began in 1999 when a bilateral tourism agreement was signed with Australia and NZ (World Tourism Organization, 2003). Australia and NZ became the first two Western countries to open up to Chinese citizens, and this agreement gave Chinese citizens an opportunity to experience Western culture first hand (Arlt, 2006). Since then, the speed at which approvals have been granted has accelerated. In 2001, China began to speed up the approval of destinations after China became an official member of World Trade Organization (WTO). Many countries have already been granted ADS by the Chinese government (Li & Xie, 2009). By March 2010, there were 142 destinations and districts approved for Chinese citizens to visit (World Travel Online, 2011). However, only 126 countries have been listed (see Appendix M).

#### **4.2.4 Approved Destination Status (ADS)**

##### *4.2.4.1 What is ADS?*

The ADS system is based on a bilateral tourism agreement between the Chinese government and an overseas destination country. The agreement allows Chinese tour operators to organize tours to the ADS countries, while the ADS countries allow Chinese citizens to travel in tour groups to its territory with the ADS visa (World Tourism Organization, 2003). Only countries with ADS can be listed as a group travel destination for Chinese citizens and are allowed to promote their destinations in China (World Tourism Organization, 2003). The ADS system is a unique policy which was developed and adopted by the Chinese government to control and monitor its outbound tourism market. Graff and Hu, (2008) stated the purpose of the ADS system is to have a control mechanism on the organizing parties of local travel agencies and international tour operators in order to guarantee safe and reliable tourism services for Chinese travellers.

##### *4.2.4.2 Why an ADS system?*

China is a developing country and so its outbound tourism market differs from the outbound tourism markets in developed countries. The ADS system was developed by the Chinese government to limit the number of Chinese travellers spending hard currency abroad. For the receiving countries, the ADS system increased the numbers of

inbound tourists from China and it also reduces the risk of illegal immigration into the host country (Arlt, 2006).

#### *4.2.4.3 The influence of the ADS system on the tourism industry in China*

With the emergence of the ADS system, the numbers of both outbound tourists and travel agencies servicing China's outbound market has increased. By the end of 2007, there were 18,943 travel agencies in China; nearly 10% of these (1,797) were international travel agencies, with the remaining (17,146) serving the domestic market (CNTA, 2007). In 2008, the number of travel agencies increased by 1,167, of which 173 were for international travel services and 994 were for domestic travel services (CNTA, 2008). By 2008, there were more than 700 travel agencies licensed to handle outbound travel (Graff & Hu, 2008). At the other end of the market, 24 tour operators are authorized to operate Chinese ADS tour groups in NZ (newzealand.com, 2011).

There were 40,954,000 Chinese outbound tourists in 2007, of which 9,874,200 employed the service of travel agencies (CNTA, 2007). In 2008, the number of Chinese outbound tourists increased by 11.9% to 45,844,400 (CNTA, 2008). At the same time, China provided just over 112,000 Chinese visitors to NZ, of which 75,000 were holiday travellers (Ministry of Economic Development, 2009). The number of Chinese arrivals to NZ has been increasing rapidly since the granting of ADS to the country.

#### *4.2.4.4 Limitations of the ADS system*

The ADS system imposes several limitations on travel agencies. First, the ADS agreement regulates the organization of tour groups. Both the outbound travel agencies in China (the tour operators) and the tour operators in the host destinations must be certified, which means that the tour operators in both countries have to co-operate with the authorities in each country. Secondly, only ADS countries are allowed to receive tourism groups from China and promote themselves in China as a tourist destination (Graff & Hu, 2008). By contrast, non-ADS countries are open only to business and official travel groups and are not allowed promoting themselves for tourism in China. In addition, authorized travel agencies in China are required to pay an additional deposit of RMB1million (around NZ\$200,000) to the Tourism Quality Inspection Department of CNTA, which deals with complaints from travellers, as well as working with travel agencies to minimize the occurrence of overstaying and illegal immigration (World Tourism Organization, 2003).

The ADS system also imposes several limitations on tourists. Firstly, ADS travellers have to travel in groups with at least five people, and the group has to be led by a certified tour leader (Arlt, 2006). Secondly, travellers' passports have to be collected by the tour leader; a regulation aimed to help minimize the chance of illegal immigration and ensure that all group members will return to China. Thirdly, the travellers have to enter and leave the destinations with the tour group. In other words, they are obliged to travel with a tour group and are not allowed to extend their stay or to change their visa status. Moreover, the regulations make the travel agency liable if a tourist from one of their groups overstays. Fourthly, the ADS agreement with each destination can limit approval of ADS visas only to Chinese citizens from particular regions. The extent of this limitation depends on China's ADS agreement with each host destination. For example, Australia has been fully opened to all Chinese people whereas NZ only allows Chinese citizen from the more developed regions of Beijing, Shanghai, Guangzhou, Tianjin, Hebei, Shandong, Jiangsu, Zhejiang and Chongqing (World Travel Online, 2011). And finally, financial guarantees have to be collected by COTAs, which mean the COLTs have to pay a bond in order to travel abroad as part of an ADS group. The bond varies from RMB50,000–100,000 (NZ\$9,000–18,000) depending on the applicant's risk profile; the bond is returned to the applicants once they return to China (Grenke, 2006).

#### *4.2.4.5 Benefits of the ADS system*

The ADS system has benefits for both ADS destinations and China. The benefit for China is that the government can easily control the development of the outbound tourism market and, by limiting the number of Chinese citizens travelling abroad, avoid a hard currency drain from its state coffers; hence, the government can maintain a positive travel account (World Tourism Organization, 2003). For the receiving countries, the ADS system increases the number of inbound tourists and it also has structures that reduce the risk of travellers attempting legal and especially illegal immigration into the host country (Arlt, 2006). Second, because the system processes ADS visas initially within China, the workload of the embassies or consulates of the host countries is reduced. For example, since the Chinese travel agencies do the first round of assessment of applicants for the ADS visa, the final procedure only takes 48 hours, whereas it takes 15 working days to get a non-ADS tourist visa to Australia (World Tourism Organization, 2003). And this is another benefit of the ADS system: for COLTs, it is much more convenient to have the outbound tour operator help them to apply for their

visa to an ADS country than if they have to go through the application process themselves (Tian, 2008). Finally, the ADS system enables a number of Chinese to travel abroad for leisure.

#### **4.2.5 Characteristics of Chinese outbound travel**

China outbound travel can be divided into two main types: business or official travel, and private travel. Business or official trips (i.e. trips taken by people in government ministries, institutions or the state-owned companies) are paid for by the government or the state-owned company. These travellers are required by the government to use an official passport which is valid for not more than five years (the Central People's Government of People's Republic of China, 2005). However, business or official travel declined sharply from 1997 to 2006, probably because restrictions on outbound leisure travel, especially in groups, were eased. Meanwhile, private or leisure trips increased from 45% to 81% of all trips over that period (Uren, 2009). This signifies that private or leisure trips now make up the dominant share of the outbound tourism market.

As mentioned earlier, their increasing disposable income and improved living standards means that travel for leisure is now part of Chinese people's lifestyle, and this is especially so during the public holidays when they have sufficient time for travel abroad. Chinese citizens use a private passport for leisure travel, which is valid for 10 years (the Central People's Government of People's Republic of China, 2005).

China's outbound travel market has been open for nearly 30 years, since Chinese citizens of Guangdong Province were allowed to visit Hong Kong in 1983. Thailand was the first overseas destination opened to the Chinese outbound market, in 1988. Initially, China outbound travel was mainly for official or business purposes, with private travel only gradually becoming the main purpose for Chinese citizens after the ADS system had been introduced in 1995. Since then, the purpose of travel for Chinese citizens has changed enormously. In 1988, there were 5,235 million business travellers, accounting for 62.14% of total outbound travel, with 3,190 million private travellers accounted for the remaining 37.86% (World Tourism Organization, 2003). However, in 2009, Chinese outbound travellers who were travelling for private purposes had increased to 42.21 million, accounting for 88.57% of all outbound travel, whereas business travel had only slightly increased, to 5.447 million or 11.43% of all travel (China National Tourism Administration, 2009). This movement also reflects Chinese

travellers travelling to NZ. As mentioned previously, NZ was granted ADS in 1999. In 1998, there were 6,168 Chinese business travellers to NZ and 5,710 private travellers. However, 11 years later, in 2009, the number of Chinese business travellers visiting NZ had increased nearly 1.7 times, to 10,124, while the numbers travelling for leisure had increased 12.6 times, to 65,287 (Ministry of Economic Development, 2010e).

#### **4.2.6 The travel style of Chinese leisure outbound travellers**

##### *4.2.6.1 Travelling in groups with a package tour*

One common characteristic of COLTs has to be their travelling in groups with everything pre-organized by the travel agencies/tour operators in China. This is the policy adopted by the Chinese government for the COLTs. There are several reasons why Chinese citizens choose group travel.

The first reason why group travel with a package tour is the overwhelming choice of Chinese citizens who wish to travel for leisure is because the Chinese government requires COLTs to travel in groups of at least five participants (World Tourism Organization, 2006a). The only way that a Chinese citizen can travel privately without being in a group is if they are visiting relatives and friends.

The second reason is that cost is the most important factor when choosing travel options, especially for first-time travellers (Becken, 2003). Generally, group travel is more economical than individual travel in China, both for international and domestic travel (Graff & Hu, 2008).

The third reason is that Chinese people see group travel as being more comfortable and convenient than travelling independently (Graff & Hu, 2008). For example, Chinese group travellers do not need to make their own bookings with hotels, or arrange their own transport and airfares. They also feel more secure in a group when they travel abroad, probably because of the language barriers of speaking English or other foreign languages, as well as their personal lack of overseas travelling experience. Philips and Webster (1983) stated group travel and package tours provide a sense of security. According to Reisner and Turner (2002), Asians prefer to avoid uncertainty, and the problems of language barriers can be solved by joining a group when travelling abroad. Furthermore, travelling in groups is perceived to have the benefits of convenience, cheaper prices and the ability to 'see more' and 'do more' (Mak & Sheldon, 1987).

The last reason why group travel is so popular is related to Chinese culture. Chinese people normally travel with friends and relatives, and it would be unusual to find a Chinese person travelling alone. According to the World Tourism Organization (2006), only 6% of Chinese travelled without companions; the rest travelled with a family member (38%), with their entire family (20%), with friends (20%), or with their work unit (e.g. a study tour or incentive tour) (15%). Collectivism in China identifies the importance of kinship ties and close personal relationships in Chinese culture; individuals are considered as a part of a network of social relations. In Chinese culture, they believe that people can give each other reciprocal care and support when they travel together. Unlike Western cultures, Asians tend to be more holistic, and pay more attention to social relationships and connectedness (Arlt, 2006).

#### *4.2.6.2 Package tours with multiple destinations*

Chinese prefer package tours that visit multiple countries when they travel abroad because these are considered to give ‘value for money’ (Petersen, 2009). According to the NZ Ministry of Tourism (2009), multiple-destination package tours made up around 71% of the overall Chinese market in 2008. A package tour to multiple destinations is more popular than a package tour to a single destination in China (Tian, 2008). Chinese tourists seek a package tour that offers the perceived best travel experience at the least possible cost. In other words, Chinese tourists prefer to join discounted tours (Tisdell & Wen, 2001). This preference for low-cost tours will influence the Chinese traveller when they are selecting travel destinations (Vanhove, 2005). To cater to this market demand, most Chinese tour companies combine NZ and Australia as one package tour. In 2008, more than 70% of all holiday visitors to NZ visited another country as part of the same trip (Tourism New Zealand, 2011d). Dr Adam Wu, chief operating officer of the China Business Network, summarized Chinese travellers’ travel styles in a speech he gave at the Caribbean Hotel and Tourism Investment Conference in Montego Bay, Jamaica, when he said: “Chinese tend to travel in groups and like to sightsee and visit multiple destinations” (Astronaut Travel, 2011).

#### *4.2.6.3 The travel season*

Because China is located in the Northern Hemisphere but Australia and NZ are in the Southern Hemisphere, the seasons differ between China and its host destinations. China has its two ‘golden weeks’ holidays which are treated as the high season travel period; these are the Chinese Spring Festival in January or February, which depends on the

Chinese lunar calendar and the National Day on the 1st of October. The most popular periods for Chinese people to travel internationally are during these two public holidays. Australia and NZ are both long-haul travel destinations, and so Chinese citizens prefer to travel to these two countries during the Chinese Spring Festival (Li, 2006). According to the Ministry of Tourism (2009), the most popular times for Chinese visitors to travel to NZ are in November and April, with more than 60% of all Chinese visitors arriving during those two months. The May Day holiday used to be a golden week; however, since the Chinese government changed its policy, May Day on the 1st of May has been reduced to a 1-day holiday only. Therefore, there are only two ‘golden weeks’ currently in China.

#### *4.2.6.4 Travelling through travel agencies/tour operators*

There are several reasons why COLTs travel through the travel agencies/tour operators in China. First of all, travelling through travel agencies/tour operators is the only way for the COLTs to go overseas because of the regulations imposed by the ADS system adopted by the Chinese government.

Travelling through travel agents, however, is also very convenient. First, Chinese outbound travel is still limited by the ADS system, and so some Chinese citizens may find it difficult to obtain visas without the assistance of travel agents. Also, because the ADS system’s regulations require group travel, it would probably cost a lot of time to apply for an individual visa and the application is likely to be unsuccessful anyway. Secondly, by using travel agents Chinese tourists can get a better price for their trip—a benefit of the competition between the many LTF tour operators in China’s outbound travel market. Not surprisingly, many Chinese citizens take advantage of this situation so that they can travel internationally at a cheaper price than if they had tried to organize their own trip without the help of an agent. Some Chinese citizens are easily lured by the low LTF tour price (Ou & Sang, 2008); maybe this signifies a level of immaturity from the tourist who focuses on consumption. Thirdly, a tour organized by a travel agent can help bridge potential cultural and language difficulties for the traveller because there will be a tour leader who will assist and take care of the tourists for their entire journey, as well as a local tour guide who will also take care of tour groups once they have arrived at the host destination. So using travel agents can solve a lot of problems and enable the Chinese tourist to enjoy and get benefits from their overseas travel. The LTF tour also has its pitfalls—yet Chinese tourists only see its benefits and

surface price. They have not realized that, at the end of the day, the wool still comes from the sheep's back—or, in other words, that they will have to go to specific shops appointed by the travel agents, who gain profit from the tourists' shopping spends.

#### *4.2.6.5 Chinese prefer shopping abroad*

Shopping might not be the main purpose for certain Chinese when they travel abroad, but it is certainly a popular activity for most Chinese tourists (Oh, Cheng, Lehto, & O'Leary, 2004). Chinese tourists like to shop for gifts that they can bring home to their friends and relatives (Laws & Pan, 2002). The relative importance of shopping to Chinese tourists, however, depends on their travel destinations. For example, Australia and NZ might not be seen as shopping destinations for Chinese tourists, although shopping can still be a popular activity during the tour. Petersen's (2009) study shows that shopping is not the main activity desired by Chinese outbound tourists; rather, shopping is seen as a side activity, which is necessary and somewhat desired. Weiler and Yu's (2001) study also shows shopping is not the main reason for Chinese outbound tourists' travelling abroad, but in 1999 the level of participation by Chinese tourists shopping in Australia was 97%, and the average expenditure (excluding the package tour price) was AU\$3,951 per person, which was much higher than that of other international visitors (AU\$2,152). Chinese typically spend large amounts of money on shopping when they travel abroad; more than half of the Chinese outbound tourists stated that shopping expenses make up the majority of their expense when travelling (Petersen, 2009).

There are several reasons why Chinese want to shop when they travel abroad. First, Chinese consumers are price conscious; the price of luxury goods can be at least 20 to 30% higher in the mainland of China because of high import tariffs and consumption taxes (Arlt, 2006). Secondly, in Chinese culture, gift giving is important for returning travellers. When they travel, Chinese tourists tend to bring back something as a gift that is representative of the countries that they have visited. Thirdly, Chinese often prefer to buy something that is difficult to find or even unavailable in China, particularly 'brand' products; most Chinese tourists want to buy these sorts of products when they travel abroad. And last, but certainly not least, there are still many Chinese people who are travelling abroad for the first time, so their spending power is much greater than that of people who often go overseas. Their desire to spend conspicuously might be because they want to show their status; in Chinese culture, this is called 'mianzi' (face).

According to Mattila and Patterson (2004), Asian people really care about their ‘face’—they care about what other people say about them. They are likely to regain face in the eyes of their relatives and friends on most occasions, but the corollary of this is that Asian people have lower tolerance to uncertain or ambiguous situations (Mattila & Patterson, 2004). This is exactly true of Chinese people. Yu and Weiler’s (2001) study shows that Chinese buy gifts for their friends, relatives and colleagues because they care about their ‘face’, and the buying and giving of gifts is a way to show their face or status.

### **4.3 CHINESE OUTBOUND TRAVELLER TO NEW ZEALAND**

#### **4.3.1 When Chinese started to travel to New Zealand**

NZ was opened to Chinese outbound tourists in 1999 when the Chinese government granted the country ADS. At that time, the ADS system only allowed Chinese citizens from Beijing, Shanghai and Guangzhou to travel to NZ (World Tourism Organization, 2003). Since then, more Chinese have begun to travel to NZ, and this is mostly because NZ is “attached” to their trip to Australia. In 1999–2000, NZ attracted the highest growth rate the highest growth rate of all ADS countries, with the number of Chinese outbound tourists coming to NZ increasing by 45.3% (World Tourism Organization, 2003). China has now become NZ’s fourth largest source of international visitors (Ministry of Economic Development, 2010a). From 1999 to the end of 2010, Chinese visitors have increased from just over 20,000 to more than 120,000. In 2008, the number of arrivals from China surpassed the number from the Japan and Korea markets, and the 2010 Chinese visitor numbers show a 20% increase over the 2009 numbers (Tourism New Zealand, 2011f).

#### **4.3.2 The motivations and preferences of Chinese travellers**

Chinese outbound tourists have very different preferences and motivations from travellers from Western countries due to the very different cultural backgrounds of China and the Western world (Petersen, 2009). Tourists evaluate a destination’s attractiveness according to how importantly they value any perceived benefit of that destination and also by how they well they perceive the destination can deliver that benefit (Kim, Guo, & Agrusa, 2005). Chinese outbound tourists have different motivations for visiting different destinations. For example, Chinese outbound tourists are attracted to Singapore because they perceive it as a clean garden city, while they are

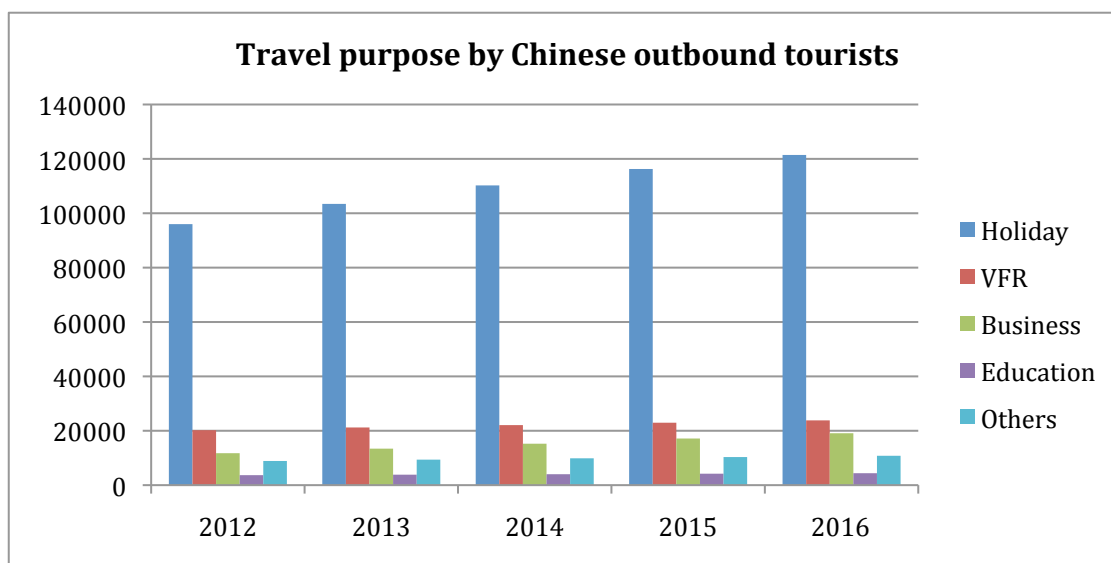
attracted to Malaysia by the casino, and to Thailand by its sex industry (Cai, Boger, & O’Leary, 1999).

So what attracts COLTs to NZ? Ryan and Mo’s (2002) study found four reasons why Chinese tourists visited NZ. These four reasons are now described in order of importance. First, Chinese travelled to NZ for “social investigative reasons”, a term Ryan and Mo used to describe how Chinese tourists came to NZ to visit their friends and relatives and to investigate the business environment and educational systems. Next, Chinese tourists came for “NZ-specific reasons,” i.e. Chinese tourists came because they saw NZ as a safe place with a clean and unpolluted environment. Third is what Ryan and Mo labelled the ‘generalized holiday reason,’ which means that Chinese tourists want to escape from their daily life, to have an adventure and to go somewhere new and relax. The fourth reason was to “visit a place not been before.” Overall, the study found that the most important reason for Chinese tourists visiting NZ was because they wanted to visit a place not previously visited and because their trip was part of a package tour that included Australia (Ryan & Mo, 2002).

#### **4.3.3 The purpose of travel for Chinese outbound travellers**

Chinese visitors mainly travel to NZ for holiday or business, with the holiday purpose becoming increasingly important. The proportion of holiday travellers increased from one-third to two-thirds of the overall total between 1999 and 2008, with 75,000 holiday travellers arriving in 2008. Meanwhile, business travellers made up approximately 11% of the total market, and travellers who were visiting friends and relatives make up another 13% (Ministry of Tourism, 2009). By 2016, the forecast total number of visitor arrivals will be 183,440, with Chinese holiday travellers forecast to be just over 120,000—a 38% increase compared with the number of holiday travellers in 2008 (Ministry of Economic Development, 2010b). Figure 4 gives the forecasts of travel purposes by Chinese travellers visiting NZ in the next five years, and shows that Chinese holiday travel is forecast to remain the main travel purpose. Therefore the ‘holidays’ market will be seem more dominant than other types of travel for Chinese visitors in the next five years.

Figure 4: Chinese visitors' arrivals by main purpose from 1999 to 2008



Source: Ministry of Economic Department, 2010.

Of course, some COLTs who come to NZ may not be only on holiday – they might also be looking into other factors such as business opportunities and education systems (Ryan & Mo, 2002). Another common factor is the connection between migration and tourism (Feng & Page, 2000): an increase in migration leads to an increase in travellers arriving to visit friends and relatives (Ministry of Economic Development, 2010b).

#### 4.3.4 The travel styles of Chinese travellers

Travel agencies in China tightly control most Chinese visitors who come to NZ; this control is a requirement of the ADS system adopted by the Chinese government (World Tourism Organization, 2003; Arlt, 2006). The NZ ‘100% Pure You’ campaign was very successful in China, increasing the number of Chinese who wish to visit NZ to experience its amazing and beautiful landscapes (Tourism New Zealand, 2010a). In 2008, Chinese group travel or package tours made up approximately 71% of the overall China–NZ market, and 89% of the holiday market. Fully independent travellers make up 21% and semi-independent travellers 9% of the overall arrivals from China, but they make up just 12% of the holiday market (Ministry of Tourism, 2009).

NZ and Australia are long-haul destinations and, because the two countries are relatively close to each other, Chinese travel agents normally combine these two destinations into one tour. Having two countries in the one package has the added benefit of meeting Chinese consumer demand for ‘value for money’. According to the World Tourism Organization (2003), travel to NZ and Australia is comparatively

expensive for Chinese so these two countries are often combined in one trip. The group package price is mainly dependent on the travel itinerary and the quality of the accommodation facilities. For example, a 13 days/10 nights (two nights on the airplane) Australia and NZ trip was sold by one travel agent for RMB20, 500 (approximately NZ\$4,100) (China International Travel Service, 2011), whereas a different travel agent sold a very similar 13 days/10 nights (two nights on the airplane) tour of Australia and NZ for RMB11, 900 (approximately NZ\$2,380) (Beijing Youth Travel Service, 2011) in the Chinese market. Both travel agents offered four-star accommodation, three meals per day and visa application fees, but the first travel agent also included entry fees for sightseeing. The second travel agent was able to give a lower ‘face’ cost of the package because they did not offer the entry fees for sightseeing and because they were also using a low-cost airline service, which meant that the tourists would have to pay the additional cost of any drinks and meals they needed during the flights.

Historically, the standard of the two itineraries could also have been different; for example, the second travel agent (Beijing Youth Travel Service) could have provided lower-priced tours by using low-quality accommodation and transport to minimize the costs – and, in fact, a lot of travel agents did do just that. However, since the ADS Code of Conduct was revised in July 2010, the NZ Chinese inbound travel agents have to follow the rules and provide quality services and products to Chinese tourists to ensure that Chinese tourists enjoy their experience in NZ; for example, accommodations must have a Qualmark rating of at least four stars (Qualmark is an organization that supervises the NZ tourism industry delivering the quality of service to tourists) and the transport operators used must also deliver a quality service (Tourism New Zealand, 2011e). Although, this new code is obviously beneficial for the tourists, it is also beneficial for some Chinese travel agents who can promote the ‘quality’ of their packages and so encourage more Chinese people to buy their low-price or LTF tours. Using the previous example of two travel agents offering pretty similar standard package tours of 13 days/10 nights of shopping and attractions in Australia and NZ at prices of RMB11,900 (NZ\$2,380) and RMB20,500 (NZ\$4,100), respectively, then most Chinese people would go for the cheaper tour.

### 4.3.5 Travellers' products

#### 4.3.5.1 Destinations visited by Chinese travellers in New Zealand

In the year ending June 2010, the top five destinations in NZ visited by Chinese tourists were Auckland and Rotorua (the two most popular), followed by Christchurch, Queenstown and Wellington (Ministry of Economic Development, 2010c).

Table 5: The number of Chinese visitors who stayed overnight, by key places

Key places travelled to overnight	Year ending ...						
	04-Jun	05-Jun	06-Jun	07-Jun	08-Jun	09-Jun	10-Jun
<b>Total</b>	<b>74,839</b>	<b>83,512</b>	<b>90,065</b>	<b>106,040</b>	<b>113,022</b>	<b>95,673</b>	<b>96,475</b>
Auckland	66,884	73,200	80,891	98,537	107,004	84,737	79,652
%	89%	88%	90%	93%	95%	89%	83%
Rotorua	36,450	47,602	58,458	79,196	84,490	63,626	61,149
%	49%	57%	65%	75%	75%	67%	63%
Christchurch	10,215	16,914	16,837	14,570	9,791	12,957	17,434
%	14%	20%	19%	14%	9%	14%	18%
Queenstown	6,848	9,637	11,409	10,836	8,909	13,508	13,314
%	9%	12%	13%	10%	8%	14%	14%
Wellington	7,185	9,689	7,810	6,285	7,665	5,372	7,903

Source: Ministry of Economic Development, 2010.

Table 5 gives the number of Chinese tourists visiting NZ's main destinations from June 2004 to June 2010. In the year ending June 2004, 74,839 Chinese tourists visited NZ; 66,884 (89%) of these visited Auckland, and 36,450 (49%) visited Rotorua. By the year ending June 2010, the number of Chinese tourists visiting NZ had increased 1.29 times to 96,465, with the number visiting Auckland being 79,652 (83%), and Rotorua, 61,149 (63%). Auckland is NZ's biggest city and the main gateway to the country; hence, most Chinese tour groups arrive in Auckland. Rotorua, however, is the 'must see' destination, with its indigenous Maori culture and one of the most famous destinations for hot springs. Therefore, these two destinations will still remain as the major destinations for Chinese tourists to visit.

#### 4.3.5.2 What Chinese travellers do in New Zealand

Ministry of Economic Department (2010) research data listed 64 tourism attractions and activities that visitors participate in while in NZ. Table 6 lists the 16 tourism attractions

and activities that Chinese visitors participated in during their NZ trip. The top five attractions and activities for Chinese tourists were dining, shopping, walking and trekking, volcanic/geothermal attractions, and other scenic/natural attractions, with dining (94%) and shopping (93%) being the most popular activities. Chow and Murphy's (2008) study suggests that dining is the most favourable pastime for Chinese tourists because China has a gourmet food culture. Simoons (1991, in Chow and Murphy, 2008, p. 75) stated "China has a food centred culture and food plays a central role in Chinese life." Moreover, in Chinese traditional medicine, food can be used as a health aid (Anderson, 1994). Therefore, it is not surprising that Chinese love to dine out, especially when they are travelling abroad. Shopping is another important activity for most Chinese, and it was the top spending area for most Chinese while travelling abroad. Gift giving is important in Chinese culture, and this cultural practice contributes to the high shopping spend (Chow & Murphy, 2008).

Table 6: Activities and attractions participated in by Chinese visitors to New Zealand

	<b>Total</b>	<b>Year ending June 2010</b>
1	Dining	94%
2	Shopping	93%
4	Volcanic/geothermal attractions	61%
5	Other scenic/natural attractions	58%
6	Sightseeing (Land)	54%
7	None/nothing	53%
8	Farms	45%
9	Gardens	39%
10	Visiting friends and relatives	37%
11	Heritage attractions	37%
12	Cultural attractions	33%
13	Entertainment	6%
14	Casinos	15%
15	Business	14%
16	Other attractions	20%

Source: Ministry of Economic Development, 2010d.

Table 6 also shows that 85% of Chinese tourists choose walking and trekking as an activity. Walking is a common pastime of Chinese people—it is considered to be good exercise which can help people to keep healthy. Volcanic and geothermal sites are

‘must see’ attractions for Chinese tourists, with 61% visiting these attractions. ‘Other’ scenic and natural attractions (58%) are also one of main reasons why Chinese visit NZ–Chinese like to travel to places with beautiful scenery.

#### **4.4 SUMMARY**

This chapter has described China’s outbound tourism industry. Important background information about the development of China’s economy and improvement in living standard has been presented because these two factors have influenced the development of tourism in China. Rising incomes and rapid economic development have resulted in an increase in the level of interest for travel abroad. The relaxation of regulations that restrict travel has resulted in an increase in the number of ADS destinations. Now COLTs are allowed to travel to 126 destinations across five continents and the numbers of Chinese outbound tourists have increased enormously. Chinese travel agencies are responsible for conducting and organizing outbound tour groups. These travel agencies are largely influenced by political power rather than market initiatives.

Research for this chapter has also resulted in a better understanding of the travel preferences and requirements of Chinese tourists. The history of China’s outbound tourism industry was reviewed and the types of travel available for Chinese outbound tourists discovered. Because China’s outbound tourism is still tightly controlled by the government, most Chinese outbound tourists travel under ADS visas and, therefore, in tour groups. The attractions and activities offered on these package tours have been evaluated. The next chapter will present the important findings from the primary data collected for the research.

## CHAPTER 5: FINDINGS

### 5.1 INTRODUCTION

In 1999, NZ launched the ‘100% Pure NZ’ campaign (Tourism New Zealand, 2011) to attract visitors worldwide, including visitors from China. Chinese travellers visit the Southern Hemisphere mainly because of Australia, which is the first tourism destination they consider. This is probably because Australia was the first Western country to be granted ADS from China. NZ as a tourism destination is ‘attached’ to Australian itineraries for the majority of Chinese travellers, particularly for those travellers who do not have much travel experience and who have not been to NZ before. NZ has become more popular as a tourism destination for Chinese travellers because NZ has been promoting its attractions to the Chinese tourism market. In addition, airline companies such as Air NZ have supported the NZ tourism industry by operating direct flights between NZ and China. Like other host destinations, the majority of the COLTs coming to NZ choose to join ‘low-cost tours’, as described in Chapter 4.

The main objective of this chapter is to present the study’s findings that address the following two questions: (a) Why does the LTF mode of operation prosper in the Chinese outbound leisure travel market? and (b) Will the LTF mode of operation be sustainable? The second question will be investigated based on the assumption that for any mode of operation to remain viable, every party involved must be able to derive some benefit from the operation. Therefore, the findings presented in this chapter will allow an in-depth analysis of the views of all the relevant parties involved in tourism between China and NZ, including the COTAs, ITOs, COLTs, and the NZ tourism industry.

The findings come from an analysis of five COTAs and three tour leaders (guides from China) in China; three ITOs, two drivers, and one retail assistant from a souvenir store in NZ; and 20 COLTs who have experienced an LTF tour to the trip to NZ are reported.

Data was collected by interviewing industry representatives and COLTs. Thus, data collection for this study consisted of two sets of interviews. First, the researcher will discover and analyse the key elements of the LTF phenomenon from the perspective of 14 interviewees from the Chinese tourism industry. In order to have a better

understanding of the China–NZ tourism market, the research will explore in depth the structure of the distribution channel and the LTF operating model. Each role in the operating model will be explained, and issues surrounding LTF package tours between China and NZ will be identified. For example, the research looks at how the inbound operators co-operate with the outbound travel agencies/tour operators in China. Secondly, the research present the data in respect to the findings of why COLTs prefer to purchase LTF tour packages as well as explore the satisfaction level the travellers experience with such package tours to NZ. The travellers were asked about their prior travelling experience in general, their prior knowledge about NZ as a travel destination, and why they chose NZ as their holiday destination. They were also asked about their reasons for purchasing an LTF tour and their satisfaction with their trip to NZ, based on their shopping experience, optional tour to attractions, and the cost of package tour price. The findings from all these questions are presented in this chapter.

The researcher also like to consider the perspectives of the NZ tourism industry, it is however not practical to collect information by direct interviews with such a large group of people. Instead, the views of the NZ tourism industry are best represented by the expressed views or actions of the NZ government. As TNZ is responsible for tourism in NZ, this chapter ends by presenting the views and actions of TNZ that are relevant to LTF.

## **5.2 THE PERSPECTIVE OF THE TOURISM INDUSTRY**

The LTF tour is a well-known phenomenon in the Chinese tourism industry. It has been identified since 2003 although it had been practised by the China’s outbound tourism market prior to 2003 with travel to South-East Asia (Gu & Zhao, 2008). Recently the LTF phenomenon has turned into a sensitive topic among some COLTs to Hong Kong due to recent media reports exposing the practice of tourists being ‘forcibly’ taken shopping (Wu, 2011). The LTF phenomenon generates many different points of view from different groups of people. For this research study, views have been sought from those involved in both the outbound and inbound sides of the Chinese tourism industry, with NZ being chosen as a case study that would allow an in-depth exploration of the LTF phenomenon. The research aim and objectives were to discover the key elements of the Chinese tourism industry and the COLTs in order to identify the problems of LTF tours, and, in particular, to understand the Chinese tourism market between China and NZ.

### 5.2.1 The profile of the 14 interviewees from the Chinese tourism industry

Fourteen people from the Chinese tourism industry were interviewed for this study. The interviewees were five outbound travel agencies/tour operators and three tour leaders from China, as well as three Chinese inbound operators, two drivers and a sales assistant from a souvenir store in NZ. All the interviewees had worked in the Chinese tourism industry for at least five years who had significant experience and knowledge of the unique features of the Chinese tourism market. The directors, general managers and operational managers were all university graduates and aged between 46 and 55 years old; the tour leaders and drivers were high school graduates and aged between 26 and 35 years old; the souvenir store's sale assistant was a 30-year-old university graduate. The demographic profiles of the interviewees are summarized in Figure 5.

Figure 5: The demographic profile of industry respondents (N = 14)

Item	Number	Age	Item	Number	Item	Number
<b>Gender</b>		<b>Education</b>		<b>Position of the interviewees</b>		
<b><u>Domiciled in China</u></b>						
Male	9	26-35 (7)			Directors of retail travel agencies	2
Female	5	36-45 (4)			General Managers of wholesale and retail	2
		46-55 (3)	High school	8	Operational Manager of whole sale agency	1
			uni graduate	6	Tour Leaders	3
<b><u>Domiciled in New Zealand</u></b>						
					Managers of Chinese inbound operator	2
					Operational Manager of inbound operator	1
					Drivers of inbound operators	2
					Sales of the souvenir store	1
<b><u>Total number</u></b>						<b>14</b>

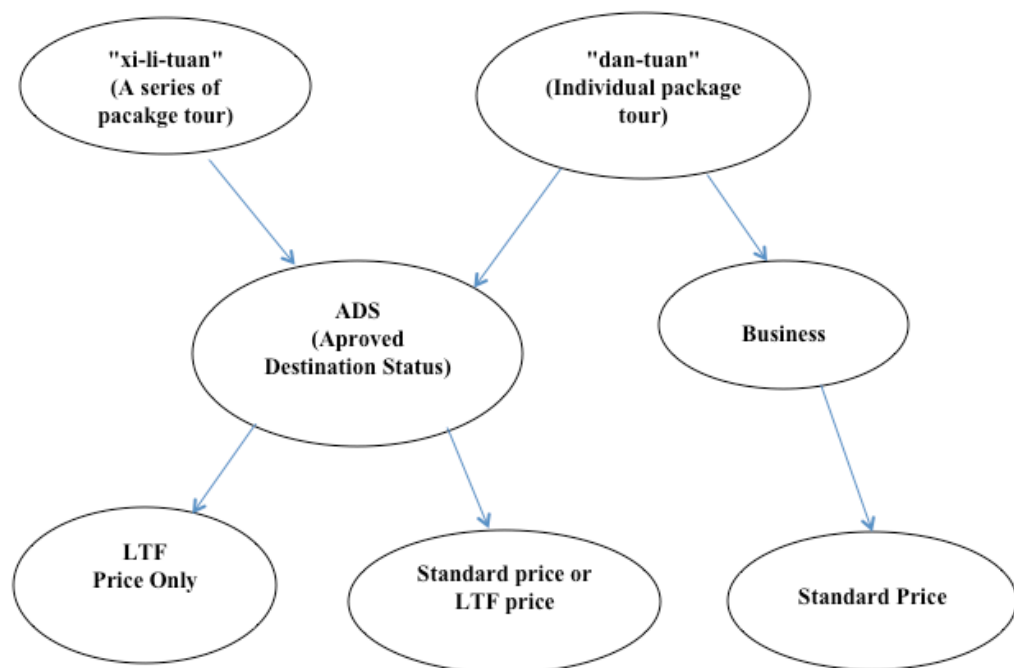
### 5.2.2 Characteristics of China's outbound travel

China's outbound travel industry has two key characteristics: first, it is at an immature stage in its development, and second, it has a unique operating system, the ADS system. The ADS system means the leisure travel in China is controlled and monitored by the Chinese government. COLTs have to travel with a tour group through outbound travel agencies/tour operators that have been authorized by the Chinese government. The only exceptions to this requirement are those who are travelling for business or who are visiting friends and relatives (VFR), and free independent travellers (FIT). However,

Chinese travellers may not find it easy to obtain VFR and FIT visas because the application process for such visas is complex. Therefore, the COTAs monopolize China's outbound tourism industry, and this has led to China's outbound travel agencies/tour operators becoming the main influencers on the nature of the tourism products sold to COLTs. Indeed, a number of Chinese business entrepreneur have even set up their tourism businesses relating to the outbound market. This has resulted in an intensively competitive market which, along with the demand from potential Chinese travellers for low-cost tours, means that operators have to cut their prices to maintain their market share. As a result, the LTF phenomenon has emerged and today it plays an important role in the Chinese tourism industry.

Results from the interviews indicate that China's outbound travel market is mainly focused on package tours. The LTF tour is one form of package tour. Figure 6 displays the different forms of Chinese package tours, and they are each discussed separately in the next few sections.

Figure 6: The different forms of Chinese package tours



#### *5.2.2.1 'Xi-lie-tuan' (A series of package tour)*

'Xi lie tuan' is a series package tour, which is one having a standardized route and regular departure time. These two characteristics mean that a series package tour can be more economical than a tour with a more variable itinerary.

#### *5.2.2.2 'Dan-tuan' (Individual package tour)*

'Dan tuan' is another form of package tour in China's outbound market but it differs from the series package tour because the route of the journey is changeable and the departure times vary. Thus, a 'dan tuan' package tour is normally more expensive than a series package tour (interviewed tour manager)

Figure 6 has shown that COLTs can only travel through ADS tour groups. These tours are normally offered at LTF prices by the outbound travel agencies/tour operators in China, which means that an LTF tour is usually a 'xi lie tuan' or series package tour because series package tours can provide the most economic price for the COLTs. However, it does not mean that travellers who travel on 'dan-tuan' (individual package tours) cannot travel to ADS countries—in other words, not all ADS tour are LTF tours.

### **5.2.3 Why LTF tours exist**

Based on the interviews of outbound travel agencies/tour operators in China, the LTF phenomenon is a result of several factors including government policy, the competitive Chinese tourism market, and the consumption attitude of Chinese travellers. The LTF phenomenon has also led certain travel agencies/tour operators to take the opportunity to gain profit out of the LTF tour. This will be discussed in the following sections.

#### *5.2.3.1 The government's ADS policy results in a 'price war'*

Outbound travel from China is managed and tightly controlled by the Chinese government. The majority of Chinese outbound travellers who are travelling for leisure, particularly those from underdeveloped areas in China such as the north-east, have little choice in how they travel: they have to join a package tour through authorized travel agencies, which means they are travelling under an ADS visa in tour groups. Therefore, because there is a 'captive market' for leisure travel, tourism entrepreneurs want to get a share of the business, and this makes the wholesale/retail travel industry in China keenly competitive. This is especially true of the outbound tourism industry. Many travel agents/wholesalers seek to create their competitive edge by offering cut-throat prices, which drive Chinese travellers to purchase LTF package tours, and this has led

to a very fierce ‘price war’ as other operators have to also lower their prices in order to maintain market share. Therefore, the Chinese government’s ADS policy plays an important role in China’s outbound travel market. As one of the general managers of the COTA in China told the researcher:

The ADS system imposed by the Government is dominating the China outbound travel market, where travelling in an ADS group is probably the only practical way to take leisure travel abroad.

#### *5.2.3.2 The low quality of practitioners*

China’s outbound tourism market is at an immature stage in its development. This is characterised by the relatively low professional qualification or even education level of the Chinese tourism practitioners in general. For entering the industry, they need not possess relevant professional qualifications or receive formal training. As a result, those Chinese tourism practitioners do not have a throughout understanding of the Chinese tourism product. In particular, those tourism practitioners have limited knowledge of what attributes the product should possess in order to satisfy the needs of the Chinese travellers. One of the general managers of outbound travel agency in China told the researcher:

Why the product for Australia and NZ market hasn’t changed much over the last 10 years? One of the main reasons is the practitioners don’t really understand the market, So they are incapable of developing new products; in reality, even a minority of tourism marketers may have developed a new product, but there is a lack of pioneers to promote. Therefore, it is very difficult to launch a new tourism product.

#### *5.2.3.3 The consumption attitude of Chinese*

The attitude of the COLTs towards consumption is heavily linked into their cultural mores. For most COLTs, the main selling point of a host destination is its beautiful scenery—and this is particularly so for travellers who do not have much travel knowledge or who haven’t had much travel experience. However, there are also several other aspects that COLTs consider when choosing their tour: first the length of the tour; secondly, the number of places covered in the itinerary; and thirdly, the cost of the package tour. All of these are quantifiable and easily comparable elements. However, the typical Chinese traveller does not know what quality of travel they should look for or, in other words, the quality of the package is not something they consider when they are purchasing a tour. To them, a memorable tour is a tour that involves a long stay in as

many destinations as possible for the cheapest tour charge. As one Beijing outbound general manager told the researcher:

The perception of travel for most Chinese tourists is the seeking for the cheapest package price as far as possible, including as many destinations as possible and the length of the tour as long as possible. We are still in the so-called 'sao mang' (wiping out illiteracy) stage that means people are still learning, at a slow pace, what they should be looking for as quality travelling. Meanwhile, they continue to choose tours based on costs and thus LTF tours continue to dominate the market.

Therefore, COLTs often chase after the most economical package tour rather than seeking out a high-end package tour. This may be because the low income level of many Chinese people makes high-end package tours an unrealistic choice. One general manager of a travel agency in China said:

The income level of Chinese is relatively low compared to the income level of other developed countries so the level of consumption cannot reach certain level therefore the economic package tour is what those travellers are looking for.

On the other hand, Chinese travellers are often willing to spend large amounts of money purchasing goods when travelling abroad. This perhaps relates to Chinese culture. Chinese are a cautious people, so it is likely that they will be cautious spending a lot of money on an intangible product such as a package tour. Conversely, a Chinese person might have no trouble spending a large amount of money on tangible products that they can see in their hand; hence their large spends in shops. Therefore, the market demand for the high-ended package tours is minimal. One director of the COTA in China told the researcher:

The Chinese can hardly trust purchasing a product which they cannot touch and feel but they don't mind paying a lot of money on a product they can touch and feel.

This indicated if COLTs continue to want to spend their money on tangible products rather than on intangible purchases such as quality package tours, then the LTF tour would continue for some time to come. In reality, this consumption attitude has not changed much because LTF tours are still popular with Chinese travellers.

#### *5.2.3.4 Other factors that sustain the LTF tour*

There are several approaches that operators can take when organizing the structure of their LTF tour. First of all, shopping is the main approach used by certain COLTs: they

establish souvenir stores in the host destination in order to maximize their business profitability. Secondly, some outbound travel agencies/tour operators focus not only on tourism products, but also consider other factors. For example, some might operate a package tour with the purpose of some of the travellers overstaying in the host destination—easy money can be made by charging a huge amount of money from those COLTs who intend to leave the tour once they have arrived in the host destination. A bond is required by COTAS in China in order to reduce the chance the traveller will overstay during the overseas trip, and this leads to the third factor that sustains LTF tours: certain COTAs operate LTF tours so that they can use the COLTs' bonds for their own high-risk investment. The details of each of these factors will be discussed in depth in the following sections.

#### Establishing souvenir stores in the host destination

One of the results of the cut-throat price competition between COTAs in China has been the establishment of Chinese-owned souvenir shops in the host countries. Some COLTs have established their own souvenir stores in the host destinations—for example, a jewellery store in Thailand, or souvenir stores in Australia and NZ—in order to maximize their market share, and this is one of the reasons why the LTF phenomenon has evolved. Travel agencies need to get more tourists into the destination and into their stores to recoup their investments, and so the tour group is only allowed to make their purchases at those stores owned by the travel agencies in China. One tour operator told the researcher:

Why there is such cheap market? Because of that some travel agencies have opened their own stores such as jewellery store or souvenir stores. This led the market price becomes quite economical.

#### Running tours for overstaying in the host destination

Certain COTAs in China are not merely selling tourism products; in reality, these outbound travel agencies/tour operators are running LTF tours that mainly focus on the illegal emigration trade. These COTAs are not anxious about whether they can make profit from the tour package; they only care about the money that they can charge from those COLTs who wish to leave the tour once it has arrived in the host destination and become overstayers. Because of the high charge imposed, even a few emigrants successfully delivered can generate a huge amount of profit. As one tour operator told the researcher:

LTF tour isn't the main purpose for these travel agencies to make money, but mainly focused on the illegal immigrants by overstaying that is easy money to make.

While this is an easy way to earn money, if too many travellers leave the tour, the operator runs the risk of a fine or even having their licence to run outbound package tours suspended. For example, a travel agent who 'loses' seven tourists in an overseas destination will have their license suspended for 6 months by the Chinese government.

#### Using the travellers' bonds for high-risk investment

There are certain outbound travel agencies/tour operators who operate LTF tours so that they can use the COLTs' bonds for their own high-risk investment. Offering low-cost tours is the main way these operators can attract potential COLTs, particularly travellers from the underdeveloped areas who normally do not have sufficient travel knowledge and travel experience to look beyond the face price of the tour. The ADS system requires all COLTs to pay a bond to the COTAs in China as a surety that they will return to China at the end of the tour. The bond is normally 50,000RMB per traveller (approximately NZ\$10,000) for a certain period of time (usually three months), paid to the COTAs. Unscrupulous outbound travel agencies/tour operators then use these bonds to make high-risk investments, such as investing in the highly volatile stock market. The insiders of the outbound tourism industry call this the 'capital operating model.' One manager of a tour operation from Beijing told the researcher:

This is very common in China's tourism industry. Travel agencies use LTF tour for their capital investment purpose by using those travellers' deposit of 50,000 RMB per person. So if there were 700 tourists travelling to the overseas destinations in a month, then the deposit money would amount to 35,000,000 RMB (about NZ\$7million) monthly. Because of the deposit is usually retained for three months depending on the contract, so they use the current deposit to cover the last period deposit.

To summarize, LTF package tours are utilized by different travel agencies for different purposes. The low-cost structure of the LTF tour is the main way operators attract COLTs to purchase their tour but the low-cost structure, itself, does not generate the profit. Instead, travel agencies/tour operators get their profit from these COLTs through their shopping, overstaying in the host destination (illegal immigrants) and because they can use the travellers' bonds to make high-risk investments.

#### **5.2.4 China's outbound tourism to New Zealand**

As mentioned before, the impact of the LTF phenomenon is felt across the entire Chinese outbound market—and the market between China and NZ is no exception. The researcher merged the findings from the interviews and came up with three main elements that explain why the LTF phenomenon exists in the NZ tourism market. The researcher also discovered how the LTF tour distribution channel and operation model is exercised between China and NZ, and the roles of the different parties involved in LTF tours. All these findings will be clearly detailed and discussed in the following sections.

##### *5.2.4.1 No choice for New Zealand market*

According to NZ Chinese inbound travel agencies/tour operators; there is not much choice in the standardized package tours operating in NZ. This is because LTF tours dominate China's outbound travel market. Indeed, LTF tours are dominant not only in the NZ market, but also in the markets of countries in South-East Asia and Europe, and in America—the LTF tour model of operation extends across nearly all of the Chinese outbound travel market, and almost every travel agency offers LTF tours. At this stage, the ADS system plays an important role in controlling both China's outbound travel market and the inbound markets in the host destinations. For this reason, if the NZ tourism market decided not to accept LTF tours, then the Chinese inbound tour operators would find it difficult to continue to run their businesses. Although some business is generated from business tours and local tours, these markets are very small and limited, therefore hosting LTF tours has become the main approach in the Chinese tourism market to NZ. In other words, NZ Chinese inbound tour operators have to follow the market trend otherwise there would be little business for them and they'd effectively be committing business suicide. The two NZ Chinese inbound tour operators shared a common view:

Because of the whole Chinese outbound market like that (doing LTF business) so there is not much choice for us, even the business tour and local tour there, the cake is too small to share with. This may be because of the policy of China outbound travel that allows the outbound travel agencies to dominate the market. So if we don't do LTF business then we may have little or no business to do at all.

#### *5.2.4.2 Cultural factors*

Price is the most important factor when Chinese travellers choose a tour package. This is equally the case for other products; for example, price influences purchase decisions of products, say, in the telecommunication industry. This may be because seeking out a ‘good’ price is normal in the Chinese culture—people compare prices and bargain when they intend to buy a product. Therefore, price will determine the decisions made by the potential Chinese traveller who has the possibility to travel. An exception to this would be if the money spent isn’t coming from their own pocket—for example, if the traveller is going on a business tour and/or an intensive tour that is being paid for by the company—or if the potential traveller wants to build up a better relationship with those business travellers (normally government officials or people from their own company) who can potentially co-operate with or offer business opportunities to the traveller’s own business. At the same time, Chinese are cautious when buying an intangible product and a package tour is an intangible product: it cannot be touched, felt and tasted prior to its purchase through a COTA or on the Internet. As one of the marketing managers from Shanghai told the researcher:

Chinese love to compare and bargain when they are buying products and they don’t like to buy something intangible because they don’t trust that. In their perception, things they bought are in their hand and are preferable to buying something intangible.

Furthermore, Chinese usually like to carry as much money as possible when they travel abroad because this gives them a sense of security. There is a Chinese saying ‘qiong jia fu lu’, which means “Be economic at home but bring enough money en route”. Instead of paying an expensive price for the tour package, most Chinese would prefer to save as much of their holiday money as possible for the actual trip, this money giving them a sense of security and/or the ability to make purchases during the trip. For example, if a Chinese traveller has a total budget of 40,000RMB (around NZ\$8,000) for their trip to Australia and NZ, and the cost of the package tour price is 30,000RMB (around NZ\$6,000), then they are left with only NZ\$2,000 that can be spent. Compare this with a scenario where the cost of the package tour to Australia and NZ is only NZ\$3,000 then the traveller would have more than twice the spending money of the first example. In reality, most Chinese travellers are doing exactly that sort of calculation when they are choosing their package to travel abroad.

A focus on having money to spend may be because Chinese people have few opportunities to travel abroad and also because of the Chinese culture of giving gifts to relatives, friends and even colleagues. Hence, the low cost of LTF tours would be attractive to a number of COLTs because it leaves them with more money for shopping. Shopping is a necessary activity when Chinese travellers travelling abroad; indeed, for some Chinese people shopping is the main, or even sole, purpose of their trip. For example, Hong Kong is a shopping paradise to mainland Chinese travellers. As one tour operator told the researcher:

Their (Chinese tourists) habit is like that, such as they can spend NZ\$5000 on NZ products, but they would not like to spend NZ\$5000 on the cost of package tours because they want to save the money for their shopping, which is a necessity for them.

#### *5.2.4.3 New Zealand is not a popular destination for Chinese travellers*

NZ is located in the Southern Hemisphere, and its long distance from China means the cost of the air tickets to get there is high. Furthermore, NZ is a small country with a brief history and Chinese travellers perceive it to have less cultural richness than other destinations. All of these factors mean that NZ is not a popular destination for Chinese travellers. While NZ's natural environment and beautiful scenery may be attractive for Chinese travellers, they alone are not enough to create a great demand from Chinese travellers to visit NZ. However, if the package tour offers Australia plus NZ, then this is seen as added value by the majority of Chinese travellers because they can visit two destinations rather just one which is a long way from China. As one of the inbound managers told the researcher:

Most of package tour that we operate is including both Australia and NZ, because most Chinese travellers intend to visit Australia and stop in NZ for few days. That means the package tours to Australia and NZ is what most Chinese leisure tourists chase for.

Therefore, a significant number of Chinese travellers come to NZ mainly because they are visiting Australia as the primary destination. Without Australia, these Chinese travellers may not have been interested in visiting just NZ. This would be particularly so for travellers from underdeveloped areas in China who usually do not have much travel knowledge and travel experience – although, in reality, most Chinese are inexperienced travellers. As a result, Australia has become the primary destination to visit for most Chinese travellers, while NZ is perhaps added as a benefit of the package

tour to entice potential Chinese travellers to purchase the tour. As one of the inbound marketing managers told the researcher:

Most Chinese travel to NZ because NZ is part of the trip to Australia; itself won't attract many Chinese to visit, especially for the people who have little or no travelling experience, and in reality, most of Chinese are not experienced travellers.

As mentioned before, for the majority of COLTs price is the most important factor when purchasing a package tour. NZ as a travel destination is a distant location to Chinese travellers so obviously the price for a package tour there would be expensive. Furthermore, NZ is perceived by COLTs to be short of tourism resources. One of the inbound operators told the researcher:

NZ is quite far away from China and doesn't have much attractions, the only attraction for Chinese perhaps is the natural environment because it is hard to find in China, but this won't be the priority for Chinese people visiting NZ, unless there are something that can be valuable for them, such as the economical price for the package tour.

As a result, most COLTs prefer a package tour that consists of both Australia and NZ because this is a more economical way to see both destinations. But the situation is more complex than that: if the tour was just to NZ as a single destination, or even if the tour included Australia, and the price became more expensive to travel there than to other tourism destinations, then the tours would become less attractive to Chinese travellers, and Australia and NZ markets would no longer be competitive in the wider world tourism market. For example, LTF tours also operate to destinations in European and America, so there are alternatives for the potential Chinese LTF traveller. NZ and Australia might not be the priority tourism destination for Chinese travellers to visit if the package tour price increased to a standard level (i.e. no longer low cost), with the standard price being normally around 30,000 RMB (about NZ\$6,000) for a 10 to 12 day tour. This price would be sufficient to cover travel to alternative destinations in other developed countries; for example, a package tour to the United States and Canada that only cost 13,000RMB (about NZ\$2,600) for 7 days is quite competitive to the Australia and NZ market. As the inbound marketing manager told the researcher:

Chinese normally prefer travel to somewhere more developed so if the Australia and NZ market has increased its price then it would lose these Chinese travellers let alone NZ as a single destination. For example, the package tour to the USA and Canada only costs 13,000RMB (NZ\$2,600) for 7 days.

In addition, Chinese people think of Australia as a large and developed Western country whereas they consider NZ as being somewhere between developing and developed. This implies NZ is less developed than other developed countries, but more developed than developing countries. Moreover, the image of NZ as a single destination does not have enough glamour to attract a large number of Chinese travellers to visit NZ as a single destination. As one director from Beijing told the researcher:

NZ is not as developed as Australia or other developed countries, so NZ itself would not attract many Chinese travellers because many Chinese travellers are least attracted by a farming country.

These factors mean that it would be difficult to sell NZ as a single destination and at standardized price to COLTs unless they perceive some additional benefit. Package tours that consist of more than one destination and that are priced as economically as possible would be more favoured by COLTs than a single-destination standard-price tour. This implies that COLTs, particularly travellers who do not have much travel knowledge and travel experience, consider the performance-to-price ratio before making decisions about which products to purchase.

To summarize the discussion of these three elements, NZ Chinese inbound operators say that Australia will continue to be favoured as a tourism destination to the COLTs whereas NZ is not attractive enough to COLTs to be considered for a single-destination tour, particularly by those travellers from underdeveloped areas or cities. Furthermore, Chinese people seek ‘value for money’ and so the consumption habit of COLTs is one of comparing and bargaining as well as considering the performance-to-price ratio of the product. Therefore, the package tour that consists of two destinations is favoured by COLTs rather than a package tour just with one single travel destination.

#### *5.2.4.4 The distribution channels of the China–New Zealand inbound market*

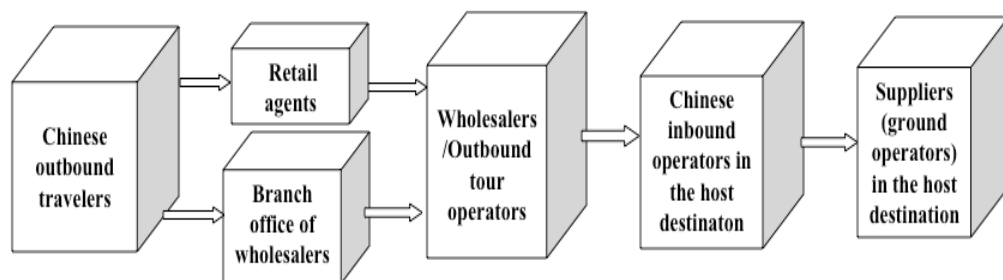
China is a developing country and one where the government controls many businesses. This ‘political economy’ is a legacy of the communist political-economic model of control from the past. As with other sectors of the economy, the Chinese government controls the country’s outbound tourism industry with rules and regulations. The major pattern of Chinese outbound leisure travel is package tours, an operating model determined by the regulations of the ADS system. As a result, the structure of the Chinese tourism distribution is different from the structure of the Western countries’

distribution channels because the Chinese government is still very careful with its outbound tourism market. This thesis research has investigated the tourism distribution channels to the NZ market. The channels have two basic structures: the traditional distribution channel and the unique distribution channel of the LTF tour. These will be discussed in the following sections.

### The traditional structure

The traditional distribution channel structure is that the COLT buys their tourism product directly from a wholesaler, from a wholesaler's branch office, or from a retail agent in other places, such as second- or third-tier cities. (The wholesalers and outbound tour operators are normally in developed areas.) The wholesalers then buy the services of inbound operators at the host destination such as Beijing, Shanghai, then, in turn, the inbound operators buy services from suppliers in the host destination. Figure 7 shows this traditional structure of the distribution channel in China's outbound market. The distribution channel of wholesalers who want to establish branch offices in other cities depends on both economic power and political influence. A local licence has to be requested by the local government, and the licence can be costly and complex as well. This means the wholesalers are generally large travel companies because only they have sufficient economic power to go through the licensing process; most privately owned travel agencies/tour operators are not willing or able to pay the high cost of obtaining a local license. Therefore, privately owned travel agencies/tour operators co-operate with retail agents in other cities to attract the COLTs. Furthermore, setting up a branch office in other cities is very much dependent on the market potential in those cities; in other words, there must be sufficient potential customers or travellers in those cities to justify setting up a branch office.

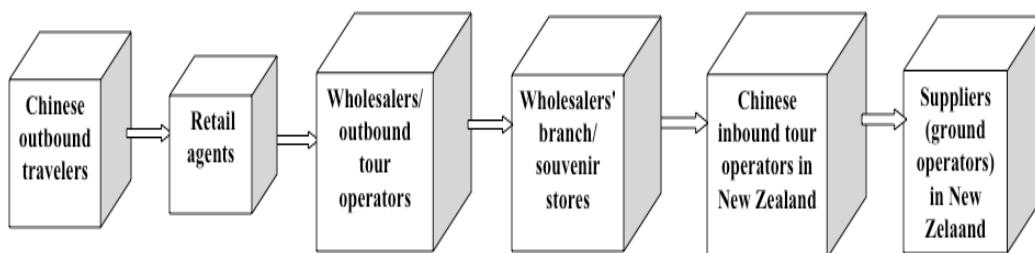
Figure 7: The traditional distribution channel of Chinese market to New Zealand



### The LTF distribution channel

The structure of the distribution channel of the China–NZ inbound market is entirely different from other markets in NZ. Its unique structure means certain COTAs from China have established souvenir stores in NZ, and also in Australia since the COTAs in China normally combine these two destinations in one package. The Chinese ITOs in the host destination invites the COLTs to these particular souvenir stores, as well as making reservations on behalf of the travellers for hotels restaurants, and optional side-trips to scenic spots. Therefore, the distribution channel is completely different from other tourism markets. This structure also implies the COLTs will be escorted all the way by one COTA, the exception being those Chinese travellers from underdeveloped places who need to go through the retail agents. Figure 8 shows the LTF structure of the Chinese outbound tourism distribution channel to the NZ market.

Figure 8: The LTF distribution channel to New Zealand



To summarize, this type of distribution channel is unusual because it is operated by outbound travel agencies/tour operators who have the economic power to establish their own souvenir store in the host destination and who distribute the tourism products to COLTs in a way designed to capture or even monopolize the market in order to maximize profit.

#### *5.2.4.5 The LTF tour operating model between China and New Zealand*

The LTF tour operating model is not unique to the NZ tourism market—the model has been employed by China’s outbound tourism industry for many years and is widely used by nearly the entire outbound market in China. This thesis research has found out that two different LTF models have been operating, at two different stages. The past LTF operating model was operated from the year 2002 to the year 2007; the present LTF operating model has been operating since 2008 till now. The main difference between the past and present models is that the purchaser of the inbound tour groups has changed. In the past operating model, the NZ ITOs played the leading role in the

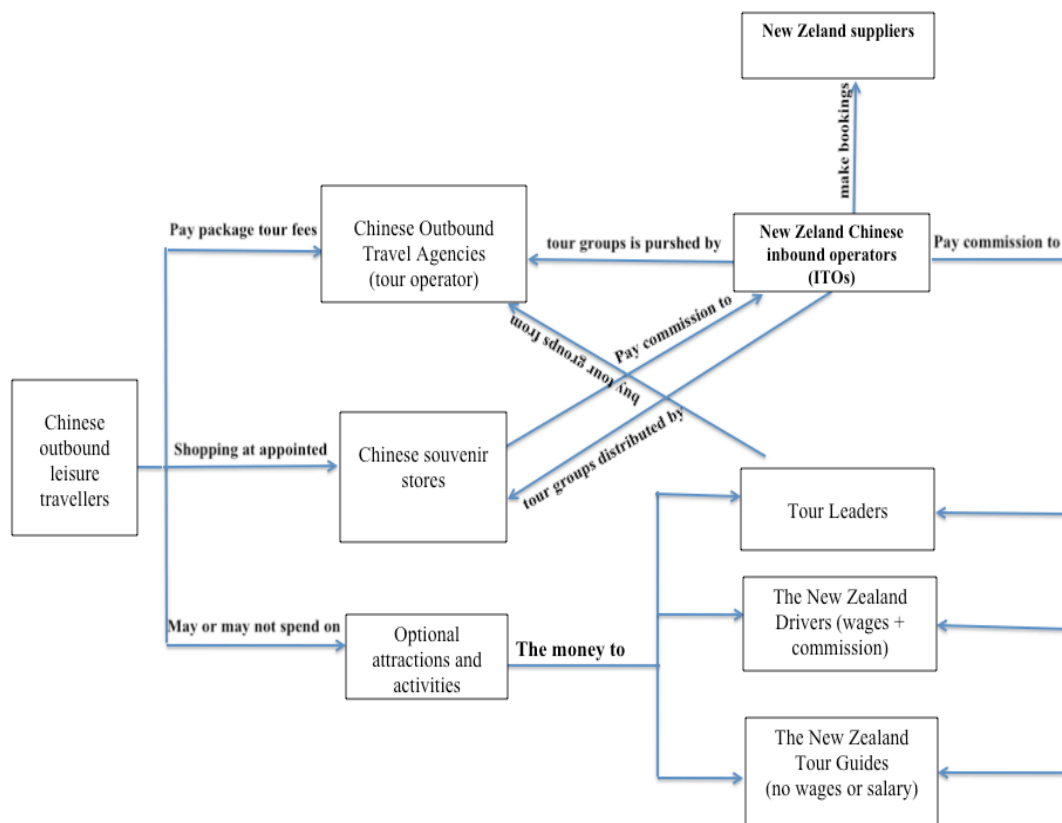
Chinese inbound market because it was these ITOs who purchased tour groups from the COTAs in China (see Figure 8). In the present LTF tour operating model, however, it is the NZ Chinese souvenir stores, not the inbound travel agencies/tour operators, who purchase tour groups from China (see Figure 9). The two operating model will be discussed in the following sections.

#### The past operating model for LTF tours

In the past LTF tour operating model, the NZ Chinese inbound tour operators received a small amount of money to cover part of the ground costs, such as accommodation and transportation. Over time, the amount the ITOs have received from COTAs in China has declined from NZ\$55 per person per night to nothing. In order to cover their part of the costs and to generate their profit, inbound tour operators co-ordinated with specific souvenir shops: the ITOs offered to take their tour groups to the appointed shops and, in return for the sales generated by the Chinese tourists, the souvenir shops gave a commission to the inbound operators, the percentage of the commission being determined by the number of tourists provided by the ITOs. The commission was then partly distributed to the tour guide, the tour leader, and the driver, with the remainder of the commission going to the inbound tour operators. As a result, the inbound operators were playing an important role in the past LTF operating model.

Furthermore, both the tour leader and local tour guide worked on commission. Sometimes the tour leader even had to pay a certain amount of money to the travel seller for the right to manage the tour group, although the local guide didn't have to pay any money to the inbound operators. In other word, the COTAs charged the tour leader—and this charging structure still continues even in the present operating model—whereas inbound operators did not charge the local tour guide for guiding tour groups in NZ, (even though ITOs do charge local tour guides in many Chinese markets in other countries). Figure 9 illustrates each role in the past LTF tour operating model, and each role will be discussed in the next few sections.

Figure 9: The past LTF tour operating model to New Zealand market



*The role of the Chinese outbound leisure travellers*

In the LTF operating system, COLTs pay a small amount of money for the package tour, this price covering only the minimal costs of, say, just the airfare and visa application to the travel destination. In addition to the package tour purchase, the COLTs are expected to purchase local products in the host destination; this is expected because they have purchased a very low-cost tour, which is normally called a ‘shopping tour’ by the industry practitioners. It is expected that the travellers may also spend some extra money on activities and attractions provided by either the tour leader or the local tour guide.

*The role of the COTAs in China*

The main role of COTAs in China is to attract potential COLTs so that the operator can organize tours. However, not every traveller has the opportunity to purchase an LTF package tour: COTAs in China judge whether the potential traveller has spending power before they allow the traveller to purchase a tour. The operator’s judgement is based on the traveller’s background information, including where the traveller comes from, their age, and their occupation.

The geographical location of outbound leisure travellers can be divided into developed and underdeveloped regions. Unquestionably, 'first-tier' cities, such as Beijing, Shanghai, and Guangzhou, are considered to be developed places, and this is taken into account when operators cost a tour. Travellers from first-tier cities are less likely to purchase large quantities of souvenirs in the host country because they are quite knowledgeable and experienced in travelling, whereas travellers from underdeveloped regions normally spend more because they lack travel knowledge and travel experience and generally have fewer opportunities to travel. So COTAs would charge more money for travellers from developed places because these travellers will potentially spend less. For example, travellers from Beijing may be charged at least 15,000RMB (around NZ\$3,000) whereas the travellers from Inner Mongolia (an underdeveloped region) may only be charged 11000RMB (around NZ\$2,200) for the same tour. One male general manager of a COTA told the researcher:

The price of the package tour very much depends on where the people come from. So normally we charged more for the people from developed cities and charged less for the people from underdeveloped cities, because of the spending power.

A traveller's age is another essential factor that China's outbound travel agencies/tour operators consider when selecting potential travellers for purchasing an LTF package tour. Travellers younger than 30 or older than 60 are considered to have less spending power than those in the middle age groups. This is because travellers younger than 30 may not have disposable income to spend, and travellers aged 60 years or above are less likely to spend freely because they were born and grew up before the 'reform' and open-door policy—people in this older generation generally have more conservative consumption patterns. Travellers who are judged by the operator to have less spending power will be charged approximately 3,000RMB (around NZ\$600) extra to purchase the tour. This practice of surcharging those judged to have less spending power even continues in the present time. As one general manager of a travel agency/tour operator told the researcher:

The traveller's age is also important to look at as well, because some people at certain age don't spend money on shopping normally. For example, the traveller's age below 30 or at 60 years old or above normally don't have spare money or don't want to spend. So for those travellers we will charge around 3,000RMB more in purchasing the package tour.

Furthermore, the traveller's occupation is necessary to look at as well when selecting the travellers in joining the LTF package tour. This means those travellers from the wealthy industry or company may have the priority in joining the LTF tour. For example, people working in the banking industry and/or the state-owned companies, which are normally quite wealthy. So the travellers from banking industry or state-owned company may have the propensity to shop in the host destination since they are normally willing to spend on purchasing souvenirs when travelling abroad for family, friends, colleagues and even for the very important person of their clients in order to build up good relationship; thus obtaining some business opportunity in the future. As one general manager told the researcher:

We also will look at those LTF travellers' occupation, because some work units are very rich and they love spending on shopping when travelling abroad such as the banking industry and state-owned companies that they bought things for their family, friends and even for their business partners as respect.

During this research, the lowest price found offered by an outbound travel wholesaler in China was 6,900RMB (around NZ\$1,400) per traveller for an 11-day package tour for 19 COLTs to Australia and NZ. The travellers in this group came from the banking industry in China, and spent a huge amount of money purchasing souvenirs in the host destinations: approximately A\$270,000 in Australia and NZ\$50,000 in NZ. The general manager of the outbound wholesaler in China told the researcher:

We will be really fastidious in selecting the LTF travellers because the package tour price is the cheapest ever with 6900RMB. However, this may not be the bad things at all. For example, one tour group with only 19 people from banking industry background spent \$270,000 in Australia and NZ\$50,000 in NZ for buying the souvenirs so we still can make a lot of money.

This example shows that operating an LTF tour at a very low price does not mean that the COTA will necessarily make a loss; however, it also shows that for an LTF operation to be successful, the operator must also get significant income coming in from other sources, such as from commission on souvenir purchases.

The above findings lead to another question: How do travel sellers reject potential travellers perceived not to have spending power? In other words: How do they prevent these travellers from joining an LTF tour? As one general manager told the researcher:

We are very careful in selecting the LTF travellers so once we found out they do not have spending power, we will find excuses to reject them by saying something like they could not get enough people for the tour group.

### *The role of the ITOs in NZ*

The NZ Chinese ITOs receive the tour groups from the COTAs in China. Tour groups are charged a small amount of money by the ITOs in NZ towards the ground costs of the tour. The amount charged used to be about NZ\$55 per person per night, but very fierce competition in the inbound market has driven down the charge to virtually nothing at the current time. The competition may be because some ITOs wish to be ‘number one’ in the market, but regardless of the reason, the end result is that the price charged to the tour groups from the COTA in China has been gradually reduced because of a ‘price war’ between the ITOs. As one NZ inbound marketing manager told the researcher:

We have to follow the market trend to reduce price to gain the market share, because others are doing that way so we do not have much choice if we want to operate such business. As a result, the costs and the profit have to be supplemented by the commission, provided by the souvenir stores. The commission is from those COLTs’ expenditure on shopping. The commission ranges between 50 to 65% of the total sales of souvenirs, and is distributed 10% to tour guide, 5% to tour leader, 5% to driver plus wages, and the remaining to the inbound tour operators.

With the fierce competition between the ITOs over the tour price, inbound operators are receiving less and less from the COTAs. To remain viable, the ITOs are now deducting for themselves a percentage of the commission provided by the souvenir stores to the tour guide, driver, and tour leader. For example, tour guides used to get 10% of the commissions, but now the operators are taking 7–8% of that 10%; likewise, the operators are deducting 3% from the original 5% commission given to the tour leader and driver. Furthermore, the percentage of the commission provided to tour guides is unfixed—it very much depends on the ITOs. For example, in order to encourage the tour guide to perform better, some ITOs still provide the 10% commission based on total sales of at least NZ\$10,000 or above. As a result, these ITOs have passed the pressure to minimize costs and maximize profit on to the tour guide.

### *The role of ‘quan pei’, the tour leader from China*

The tour leader, or ‘Quan pei’ in *putonghua*, is a person from the generating country (China) who looks after the tour group through its entire journey. The “quan pei” is

normally responsible for explaining relevant information about the host destination before the tour group leaves China; for example, what the travellers can and cannot do before entering immigration at the host destination. During the journey, the tour leader supports and gives guidance to the travellers within their group; for example, by acting as an interpreter for the travellers who have the language barriers. The “quan pei” is responsible in filling in the departure and arrival cards and they also monitor the quality of service provided by the ITOs and the local tour guide in the host destination.

The “quanpei” has to purchase the tour group from the COTAs in China, with the purchase price depending on the number of travellers in the group. The money for purchasing the tour group normally doesn't have to be paid in advance; rather, it is paid after the journey is completed and whole group has returned to China. The purchase price for the tour group is around 300–400RMB (around NZ\$50–80) per traveller, but again, the price is dependent on the travellers' background information. One “quanpei” told the researcher:

For leading a tour that I have to pay some money to the company for leading the tour group that price was from 300–400RMB which depends on where the people come from and the travellers' demographic background as well, and this money is paid once the group back to China.

Carrying tobacco to the host destination has become one of the main ways that tour leaders can earn part of the income needed to cover the payment of leading the package tour. The tour leader normally carries the tobacco through the tour group members. The tobacco will be sold directly to the local tour guides in the host destination, who may be purchasing it for their personal use or to sell on to other local people in the host destination. The price of the tobacco brought in by the tour leader could be 10–20% cheaper than the price in the local market, which is determined by the market demand. A tour leader will have two or three opportunities to carry in and sell the tobacco, depending on the tour's itinerary. For example, a tour leader of a package tour with an itinerary like China–Australia–NZ–Australia–China has three opportunities to trade in tobacco, whereas a tour leader on a tour with an itinerary of China–Australia–NZ–China can only trade twice. As one of the tour leader told the researcher:

I have to ask the travellers to help me for carrying some cigarette to cover the cost of package tour that I've paid to the company. The price for the cigarettes is normally cheaper than the local market (host destination) by around 10 to 20%.

Sometime I can carry three times and sometimes can carry two times of each package tour.

The “quan pei” also earns a significant proportion of their income from commission from the COLTs’ shopping because the majority of the COLTs are willing to purchase souvenirs in the host destination. At the same time, earning from the commission of the operational attractions and activities. In the past operating model of LTF tours, the commission was 5% of total sales to the tour leader based on the travellers’ shopping. As a result of this commission structure, tour leaders typically don’t promote and sell the optional tours or activities to their Chinese travellers because the leaders can easily make money from the travellers’ shopping.

#### *The role of souvenir store in the host destination*

The role of the Chinese souvenir store in NZ is to sell typical NZ local products such as those made from wool and dairy, as well as other health products. Chinese souvenir stores tend to target local people as well as Chinese domestic and international travellers; a few Chinese souvenir stores aim solely at Chinese tour groups. The Chinese souvenir stores co-operate with the Chinese inbound travel agencies/tour operators in a mutually beneficial arrangement: a store will offer a commission, based on the travellers’ shopping, to a NZ Chinese inbound travel agent/tour operator and in return, the tour groups are brought to their store. The products in the souvenir shops can be classified into A- type and B-type. An A-type souvenir product can earn better profit for the store than a B-type souvenir product, so obviously the commission based on the travellers’ shopping can also be different. For example, the commission on A-type products was 10% to tour guide whereas the commission on B-type product was only 5%. Table 7 lists the souvenirs normally sold to Chinese tour groups. As one retail assistant told the researcher:

We mainly target for the tour groups from China, but some other stores target both on the local people and Chinese tour groups. All souvenir stores divided their products into A & B types. We mainly promote and sell A type to the Chinese tour groups because of that can make more money.

Table 7: The products mainly sold to Chinese leisure travellers

<b>A Type</b>	<b>Wool products</b>	<b>Healthy products</b>	<b>Deer products</b>
	Alpaca Skin	Propolis	Deer Tail
	Alpaca Blanket	Royal Jelly	Deer Blood Capsule
	Wool Blanket	Colostrum	Deer Velvet
		Shark Oil	Deer Pizzle
		Squalene Capsules	Deer Sinew
		Sheep Placenta	
		Live Tonic	
<b>B Type</b>	Sheepskin	Fish Oil	
	Alpaca Cushion	Bee Pollen	
	Wool Scarf	Maunuka Honey	
	Woolen Sweater	Skin Care	
	Possum products		
	Maori jewelry		
	Leather Boots		

*The role of tour guide in the host destination*

The tour guide represents the ITOs in NZ. They provide customer services to the Chinese travellers such as picking up and returning them to the airport, assisting the tour group to check in and check out from hotels, and giving the travellers information about NZ's history and culture as well as other general information about the country. However, the tour guide's role also extends to being a sales person. The tour guide has to sell NZ souvenirs not only to make a profit for the company that they work for, i.e. for the ITOs in NZ, but also for themselves. Tour guides need to earn their own income from commissions based on the Chinese travellers' shopping because Chinese tour guides do not receive any basic pay from the ITOs in NZ.

*The role of the driver in the host destination*

The driver of the tour group has two roles: to drive the tour group around and to cooperate with the tour guide. This means the driver sometimes needs to make a detour to avoid certain souvenir stores that the tour guide does not want the tour group to shop in. The driver will support requests for a detour because the driver also gets 5%

commission of the travellers' shopping –but only from designated stores. Furthermore, drivers sometimes may assist the tour guide to encourage travellers in the tour groups to purchase souvenirs because most Chinese travellers trust their driver even more than the tour guide. As one driver told the researcher:

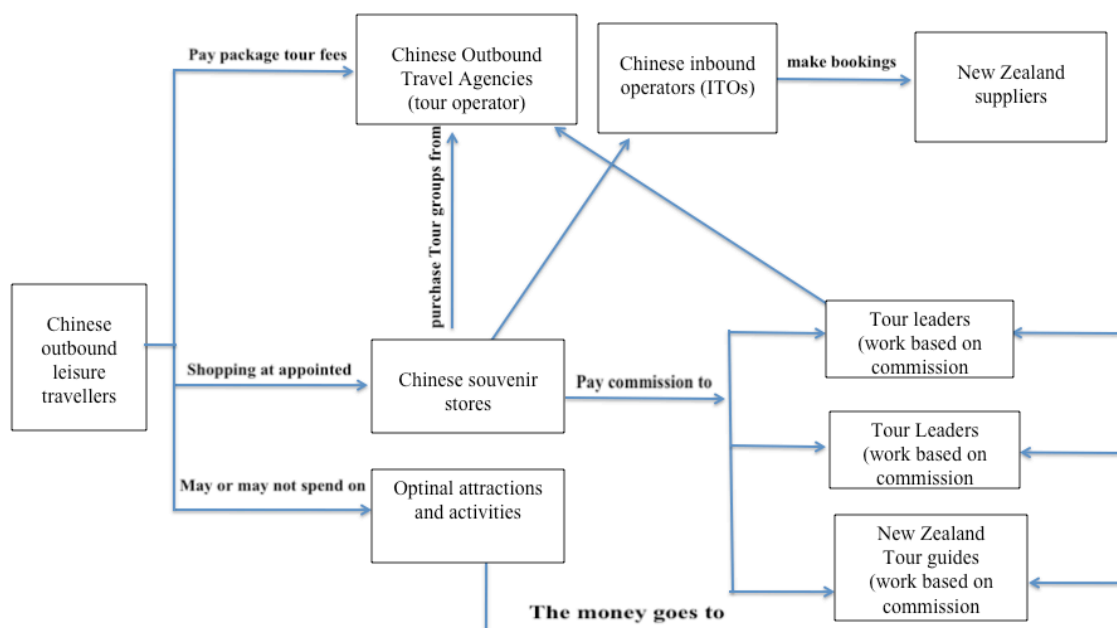
We are not just a driver but sometimes we also give a little help for the tour guide such as making a detour for keeping away from other souvenir shops, or sometimes when the travellers ask the drivers which products are worth to buy, the driver can help tour guide in selling souvenirs as well.

Besides receiving a commission from souvenir sales, drivers get paid a minimum daily wage.

#### The present LTF tour operating model

In the present LTF tour operating model, the NZ Chinese souvenir stores play the leading role in purchasing the tour group from the COTAs in China. This implies that the NZ ITOs are no longer purchasing tour groups. This is mainly a result of the price war that arose between the ITOs over purchasing the Chinese tour groups to the NZ Chinese inbound market. As a result, the tour guides have shifted from working for the ITOs to working for the Chinese souvenir stores, and it is now the Chinese souvenir stores that determine the percentage of the commission paid to the tour leaders and tour guides. The drivers in the present operating model receive only wages and are not paid any commission from the Chinese travellers' shopping. The roles of the COLTs and COTAs have not changed in the present operating model. Figure 10 portrays the present LTF tour operating model in the NZ Chinese inbound market. The main changes of the operating model will be discussed in the following sections.

Figure 10: The present LTF tour operating model in the New Zealand Chinese inbound market



The present LTF tour operating model to the NZ Chinese inbound tourism market has changed enormously from the past operating model. The most significant change is that the NZ Chinese souvenir stores play the leading role in the market, a role previously held by the Chinese ITOs. The NZ Chinese souvenir stores now directly purchase the tour groups from the COTAs in China. The ITOs now mainly focus on co-operating with the Chinese souvenir stores in processing ADS invitation letters to COLTs who wish to visit NZ. This is because the stores themselves are not allowed to apply for an ADS licence whereas the ITOs have the authorities to do so. At the same time, ITOs assist the souvenir stores in booking hotels and restaurants. They can even assist in the hiring of transport services, although this depends on the individual requirement of each Chinese souvenir store because some stores have their own transport. One operational staff of an ITO told the researcher:

Travel agencies (inbound operator) are now only doing the ground operations, like processing the ADS letters for the souvenir store and booking hotels, restaurants, sometime transportation that depends on the requirement of the souvenir store. So now we only earn the income of operation fees.

This shows that the souvenir stores, rather than the ITOs, decide what percentage commission will be paid to the tour guides and tour leaders. The commission from the travellers' shopping has been reduced to both tour guides and tour leaders. Under the

past LTF tour operating model, tour guides were paid 10% commission; this is now 4.5% or 5% –although this varies depending on the souvenir store. Likewise, tour leaders' commission has been reduced to 3% from the 5% of the past LTF tour operating model. As one female tour operating manager told the researcher:

My boyfriend, he works for a souvenir shop now and the commission is only 4.5% of total sales, which is nearly 6% less than before.

Another finding of this thesis is that the NZ Chinese souvenir stores who are purchasing the tour groups from the COTAs in China are mainly owned by Australian business investors. This implies that Australian businesses investors have established souvenir stores in both the Australian and NZ inbound markets. Opening stores in both destinations would be a strategy used to reduce business risk and maximize profit. As a result, these Chinese souvenir stores now dominate and control the NZ Chinese inbound market. As one retail assistant from a souvenir store told the researcher:

Only those souvenir stores are now buying the tour from China straightway and those souvenir stores are from Australia, because they have enough money in doing this.

In addition, as the number of souvenir stores in Auckland increased, particularly at Auckland International Airport, problems began to arise. For example, some tour groups found out that the souvenirs they had purchased in Auckland were much more expensive than the souvenirs sold at shops at the airport, with the result that the souvenir stores in Auckland had to fully refund those travellers who had purchased in their stores. Therefore, in the present LTF tour operating model, tour leaders and tour guides have to transfer their Chinese tour groups to Auckland International Airport at the last minute in order to avoid this happening. As a result, it is sometimes difficult to sell souvenirs to the COLTs. Therefore, in the present LTF tour operating model, earning commission based on the COLTs' shopping is no longer the main focus for the tour leaders and tour guides, and they look to selling the optional tours and activities as well.

The research found out that some package tours to NZ that is 'attached' to tours to Australia stay in NZ for about three nights: two nights in Auckland and one in Rotorua. Mostly, the attractions in the itinerary are free, the exceptions being entry to the Maori

Village and the Agrodome farm. The attractions listed within the package tour's itinerary are listed in Table 8.

Table 8: Attractions listed in the itinerary

<b>Auckland</b>		<b>Rotorua</b>	
Mt. Eden	Free	Whaka Maori Village	Pay
Mission Bay	Free	Lake Front	Free
Michael Joseph Savage Memorial	Free	Queens Garden	Free
Harbour Bridge	Free	Redwood forest	Free
America Cup Village	Free	Deer Product Factory (Shopping Store)	
Souvenir shop	Free	Agrodome Farm	Pay
Duty Free Shop (sometimes)	Free		

The attractions and activities in the itinerary of the package tour above obviously are inadequate. This may be because the low-cost package tour does not allow the souvenir store to add in more attractions or activities. Therefore, it is not surprising that the tour leader or the local tour guide will promote the optional attractions and activities to the travellers on their tour. Optional attractions and activities are those not included in the tour price—participation in these will cost the traveller extra money. Thus, the demand for these optional attractions and activities will depend on the interest of the travellers and their willingness to pay the extra charge. The optional attractions and activities are sold at different prices for different groups of people and in different currencies. The tour leaders (from China) and the local tour guides interviewed for this research combine the optional activities and attractions in one package and sell them for a single, total price per traveller. Table 9 shows the total price of two of the optional packages offered, at different prices and in different currencies.

Table 9: Examples of package tours of optional activities and attractions

The optional package tour charged by tour leader in China (AU\$100 per traveller)		The optional package tour charged by local guide in New Zealand (NZ\$85 per traveller)	
<u>Rotorua</u>	<u>Auckland</u>	<u>Rotorua</u>	<u>Auckland</u>
Farm Tours Pay	Muriwai Beach Free	Maori Performance Pay	None
Maori Performance Pay		Hamurana Spring Free	
Hamurana Spring Free		Polynesia Spa Pay	
Polynesia Spa Pay			

#### 5.2.4.6 The reasons why the LTF operating model has changed

There are two main reasons why the role of directly dealing with the COTAs in China has shifted from the ITOs to the Chinese souvenir consortia. First, Chinese LTF package tours to NZ are mostly ‘attached’ to tours to Australia. Operating costs in Australia are more expensive compared with costs in NZ; for example, a typical 6–7 day tour around Australia costs approximately AU\$1,000. Secondly, Chinese travellers have less purchasing power in Australia because they spend less time shopping at the souvenir shops there.

In comparison, a typical LTF package tour to NZ lasts only 2.5–3 days, with operating costs of less than NZ\$400. Furthermore, NZ itineraries allow much more time for shopping, and so Chinese inbound travellers spend much more than in NZ than they do, comparatively, in Australia.

As a result, the souvenir consortia in Australia are generating only a small marginal profit from the Chinese inbound leisure tourists in Australia. This has resulted in the business owners expanding their investment offshore, establishing souvenir stores in NZ in order to gain market share and maximize business profit. As one inbound marketing manager told the researcher:

This has happened because the ground cost in Australian market is more expensive due to the longer stay there and the travellers’ shopping performance is not that great so that is why Australian souvenir shops came to NZ and open their own store here.

#### *5.2.4.7 How much is the LTF tour price to the tourists?*

This study has found that China's outbound travel industry has a range of different prices for package tours to Australia and NZ: prices range from 6,900RMB (around NZ\$1,380) up to 30,000RMB (around NZ\$6,000) for 11-and 12-day tours. NZ is mostly 'attached' to an Australian tour because Australia is a more popular destination than NZ for the majority of the COLTs. This implies that Australia is the primary destination for the COLT; however, if the package tour includes NZ, then that would be considered 'value for money' by the COLTs, particularly by those visiting the Southern Hemisphere for the first time. Therefore, the COTAs normally combine these two destinations into one package, with a different range of prices. The package tour price to Australia and NZ can be classified into low-cost (LTF) package tours and tours for the high-end market. The details of each type of tour will be discussed in the following sections.

According to the interviewed COTAs in China, the COLTs from those underdeveloped areas love the low-cost package tour very much. The price of a package tour varies depending on the region it is being marketed to, and so the prices of package tours offered to travellers coming from the underdeveloped areas are normally cheaper than the prices offered to travellers from more developed areas. For example, travellers from North-East China and Inner Mongolia could normally buy a package tour for 11,000–13,000RMB (around NZ\$2,200–NZ\$2,600), while a traveller from Henan province would have to pay 15,000RMB (around NZ\$3,000). The price that the travel agent/tour operator offers the potential traveller will be determined by the agent/operator's assessment of the traveller's demographic background. The lowest price offered by one of the interviewed travel agents/tour operators was 6,900RMB (around NZ\$1,380) for an 11-day package tour to Australia and NZ; this extraordinarily low price was mainly based on the travellers' occupational background – the travellers on that tour were from the banking sector. As the general manager of a COTA in China told the researcher:

The low-cost tour is more popular in China's outbound market; from our research found out that the lower the price offered, the more travellers from the underdeveloped area will join the LTF tour such as north-east, Inner Mongolia and Henan province and etc. In Chinese saying "Ren sha qian duo" means those travellers have simple-minded and rich enough so they have the spending power.

The research has also found out the package tour price to Australia and NZ for the high-end market is 30,000RMB (around NZ\$6,000)–although this figure is actually the

industry wholesale price, which means the market price could be even more expensive. A high-end market package tour is completely different from a low-cost or LTF package tour: everything provided is of a much higher standard. For example, the hotels provided are 5-star ones, the itinerary has approximately 20 attractions more than an itinerary of a typical LTF package tour, and the transportation provided is of higher quality. Also, a high-end package tour is not a shopping tour, which means the tour group does not have to purchase any souvenirs in the appointed souvenir stores in the host destination unless, of course, the travellers want to go shopping. As one general manager told the researcher:

We do offered the luxury package tour to Australia and NZ market as well that everything offered in the package tour is so much better than the low-cost package tour include 5-star hotel, 20 attractions more than the LTF tour, but the price is much higher than the LTF price, at 30,000RMB of the wholesale price in the industry.

#### *5.2.4.8 The emerging situation of LTF tours to New Zealand*

Some travellers' attitudes have been changing after they experienced an LTF tour, particularly travellers from the better-off cities like Beijing and Shanghai. These travellers are now beginning to look at the quality of the tour: they want more reliable flight operators, better hotels, better tour arrangements and, more importantly, the choice of the destination. In the past, it was difficult to sell a package tour for NZ as a single destination, but now this has changed—probably because there are now direct flights between China and NZ. (The first direct flight began from Auckland to Shanghai in November 2006, and the second direct flight, from Auckland to Beijing, has been going since July 2008.) One COTA chose NZ as the single destination for a quality tour she provides. The general manager added to the researcher:

After the travellers experience LTF tours, some travellers' perceptions have changed, those travellers are normally from the developed cities like Beijing and Shanghai, and they started to look for quality package tour, but not all the Chinese are like that. So travelling to a single destination is still limited to those Chinese travellers from developed cities. Thanks to Air New Zealand, direct flights from NZ to China now provide a lot of convenience, and also give an impulsive force to the market making NZ a single destination.

Another operator argues that although some travellers' attitude and perceptions have been changing, the higher-end market is still limited: it is only for travellers from

developed areas, or wealthy travellers who can afford and are willing to pay for the normal or luxury package tour. One male director of a travel agency/tour operator stated:

China is so big with more than 1.3 billion of population, and a lot of people are still struggling to save money to buy an apartment for living and save money for their children's education and so on. So I think for those Chinese travellers, they wouldn't spend that much money for the luxury package tour. Also LTF tour is designed for the travellers who are in the middle and middle to low market. So even the attitude has changed somewhat, the effect is still very limited.

From the above discussion, it can be summarized that China's outbound tourism industry is changing: LTF tours were the preferred model for nearly all Chinese in the past, but in the present time there are a few COLTs who choose not to travel this way. This indicates the LTF tour model might not be working for certain groups of people but it is still working for most Chinese because of financial constraints. Jia et al, (2006) indicated that more people from the middle and middle-to-low classes would join LTF tours in the future. Wang et al, (2002) stated that financial constraint is one of the main factors that determine travellers' choosing a package tour.

### **5.3 THE PERSPECTIVE OF THE CHINESE TRAVELLER**

In order to find out why COLTs prefer to purchase LTF package tours, the research used face-to-face interviews with travellers to explore their general satisfaction level with these tours. The indicative questions, grouped under five themes (detailed in Appendices B and H), were put to the interviewed COLTs. The questions under Theme One are aimed to collect demographic information about the interviewed COLTs. The questions in Theme Two were used to find out the overall travel experience of the interviewed COLTs. The questions in Theme Three were designed to find out what motivates the travellers to travel to NZ. The questions in Theme Four were designed to find out what the travellers knew about LTF tours prior to their departure. The questions in Theme Five form the main part of the interview as they probe into how satisfied the interviewed COLTs are with the LTF tour package. The interview ends with a word of farewell.

#### **5.3.1 Theme One: The demographic profiles of the interviewed travellers**

The demographic profiles of the interviewed COLTs are detailed in Figure 11. The interviewees comprise eight females aged between 26 and 62, and 12 males aged between 33 and 62. Nearly all of the interviewed COLTs are university graduates—one

of the travellers has just high-school diploma as their highest educational attainment. Some of the travellers are retired and some are working. The occupation of those still working as a school teacher, bank staff, company management staff, company staff, engineers and a television choreographer. The travellers' monthly salary ranged between 3000RMB (NZ\$700) and 8000RMB (around NZ\$1,500).

Figure 11: Demographic profile of the interviewed leisure travellers (N = 20)

Item	Number	Age	Item	Number	Item	Number
Gender			Education		Monthly Salary	
Male	12	26-35	High school	1	3,000-4000RMB (\$600-800)	1
Female	8	36-45	uni graduate	17	4,001-5000RMB (\$801-\$1,000)	14
		46-55	Postgraduate	2	5,001-6,000RMB (1\$,001-\$1,200)	2
		56-65			6,001-7,000RMB (\$1201-\$1,400)	2
					7,001-8,000RMB (\$1,401-\$1,600)	1

### 5.3.2 Theme Two: The prior travel experience of the interviewed travellers

The research study found that the travel experience of the interviewed travellers can be divided into two categories: their domestic travel in China; their travel to overseas countries. These two categories will be discussed separately in the following sections:

#### 5.3.2.1 The domestic travel experience of the interviewed travellers

All of the 20 travellers interviewed for the research study have had at least 10 domestic travel experiences: 17 have travelled widely within China and the other three have travelled through some parts of China. The travellers with extensive domestic travel experience were all aged between 40 and 56 years old, and their monthly income levels ranged between 5,001RMB (NZ\$1,000) and 8,000RMB (NZ\$1,600). The travellers who have limit travelling experience in China were aged between 26 and 36 years old, and their monthly income levels ranged between 3,000RMB (NZ\$600) and 4,000RMB (NZ\$800). As one male traveller (a 52-year-old engineer from Beijing) told the researcher:

I've almost travelled entire China, except 'Xinjiang' and 'Xizang' (Tibet), and I am sure that I will visit those two places someday in the future when I get free time

Another female traveller (a 26-year-old school teacher from Beijing) told the researcher:

I don't have that much travel experience because I don't have that much time and money, I've only travelled ten times inside China and mostly in south China.

The research study identified two main aspects of the domestic travelling experience of the interviewed travellers, these are discussed next.

#### Where the interviewed travellers have travelled in China

Most of the interviewed travellers have travelled to southern China rather than northern China. This is mainly because the climate and natural environment in southern China is different from northern China, where most of the interviewed travellers come from. The interviewees also told the researcher that they prefer to travel somewhere with a rich history and culture because they want to learn and understand more about Chinese history and culture in different regions. The point of view shared by several of the interviewed travellers is illustrated in this comment:

Travelling to somewhere with nice and beautiful scenic spots are most popular to those people from north China such as Yunnan and Guangxi province, because that is hardly to see and find or to learn something different from our home region such as the history and custom.

#### The domestic travel style of those interviewed travellers

The research study found out that travelling with family members or with friends in groups is a very common way of travelling for Chinese people. This may be related to Chinese culture: unless they have a local connection in the travel destination, Chinese feel more comfortable travelling with family members or friends because they can take care and support each other. Several of the interviewed travellers told the researcher:

Travelling with someone like the family or friends in groups would make me feel better than travelling alone, because that would allow looking after each other.

#### *5.3.2.2 The international travel experience of the interviewed travellers*

Of the 20 COLTs interviewed for the research, only five were travelling abroad for the first time; however, these five travellers were all experienced in domestic travel in China. The five travellers were aged between 26 and 36 and had the monthly incomes ranging between 3,000RMB (NZ\$600) and 5,000RMB (NZ\$1,000). The remaining 15 interviewed travellers had travelled widely around the world, having visited at least 16

countries and up to more than 70 countries. These 15 travellers ranged in age from 46 to 65 years old, and had monthly incomes of between 5000RMB (NZ\$1,000) and 8,000RMB (NZ\$1,600). One male traveller, a 58-year-old engineer, told the researcher:

I've travelled to a lot of countries, at least more than 70 countries because of my job, which allowed me to travel that much.

Another male traveller, a 50-year-old manager, said:

I cannot remember that how many countries that I've travelled to but I am sure that I have travelled at least 16 countries.

A 26-year-old female school teacher told the researcher:

This is my first time travel abroad, and I even don't have that much travel experience in China.

The research study identified three aspects about the international travel experience of the interviewed travellers, and these are discussed next.

#### Where the interviewed travellers have travelled to abroad

The interviewed travellers had previously travelled to Hong Kong, Macau and South-east Asia countries such as Singapore, Malaysia and Thailand. This finding is not unexpected because these places and countries are normally combined in one package tour that was the first to be introduced by the travel agencies in China. Only a few interviewed travellers had travelled to European countries, and these trips were work-related.

The travellers frequently told the researcher:

We have travelled to Hong Kong, Macau and the South-east Asia countries were the only choice for Chinese travellers since the beginning of abroad travel.

Other travellers told the researcher:

We've travelled to some European countries because of our job need to travel there.

#### The international travel styles of the interviewed travellers

The interviewed travellers were mostly travelling in groups, either with their family members or friends—only a few were travelling alone in the tour group—and this is a

common practice for international travel. The principal reason for travelling with someone when going abroad is that having a travelling companion gives a Chinese person a sense of security because the travelling companions can care and support each other. At the same time, travelling in a package tour is more economical and convenient: travellers pay a low price and everything is pre-organized by the travel agencies, so travellers need not concern themselves with booking hotels, transportation and meals, or a tour guide. Both of these reasons—security and convenience—were commonly given by the interviewed travellers. For example:

Travelling overseas with family or friend is part of Chinese culture because we can then take care of each other; travelling with package tour is much cheaper and convenient dispensing with the need to look at maps and waiting for buses, everything is arranged by the travel agencies (tour operator).

The selection of destination is based on the length of the traveller's holiday, and its affordability as well. Time and costs both affect people's desire to participate in, and spend their money on, tourism-related activities. Overall, the interviewed travellers considered that the tour packages they had joined do give 'value for money', as everything has been arranged by the travel agency/tour operator. The only thing they would could 'complain' about is being hurried about by the tour escorts, to cover as many scenic spots as possible; the travellers feel 'nicely exhausted' after the tours.

### **5.3.3 Theme three: Travel to New Zealand**

#### *5.3.3.1 Prior knowledge about New Zealand*

The COLTs appeared to know little about the country prior to their trip. The majority (15) of the interviewed travellers had only general knowledge about NZ, although five knew a little bit more specific information about NZ before going on the tour. The research identified three aspects with regard to the prior knowledge of the interviewed travellers to NZ trip; each of these aspects is discussed next.

#### The basic information about NZ already known by the interviewed travellers

The research revealed the interviewees' general knowledge about NZ. They knew NZ is a small country with a beautiful natural environment, and that it is located in the Southern Hemisphere and close to Australia. They understood that this meant the seasons were opposite to those in the Northern Hemisphere, which is good for COLTs who perhaps want to escape from the cold weather during the wintertime in China.

Some of the interviewed travellers had known NZ is a very clean and quiet country. As one 50-year-old female traveller told the researcher:

I didn't know much about NZ before travelling, the things I knew are that NZ is a small Pacific Island country and close to Australia, clean and with a small population, doesn't have pollution and is beautiful country as well.

#### The specific information about NZ known by the interviewed travellers

A few of the interviewed travellers said that NZ is very famous for its dairy products and that the country is known for its farming and its nice and unpolluted environment. This knowledge about NZ's dairy exports and 'clean green' environment may be due to Chinese concerns about the quality of China's own milk powder. It has been alleged that milk powder produced in China has led to the health problems of 'big head baby' in some Chinese babies. Most Chinese people do not want to entrust the health of their baby to the milk powder produced in China, whereas they commonly believe that the quality of NZ's milk powder is very good due to the country's unpolluted environment.

In China, the NZ's dairy products are very famous to the Chinese and a lot of Chinese prefer and wish to buy NZ milk powder, because having learnt of so many 'big head baby' cases so Chinese don't trust the milk powder products produced in China.

Other specific information known about NZ related to the filming of the *Lord of the Rings* movie trilogy, while the famous Chinese poet Cheng Gu, who had lived in NZ, has given some of the interviewed travellers a deep impression of how beautiful NZ is. A 56-year-old male traveller from Beijing told the researcher:

I travelled to NZ because of two reasons: the first and also the main reason is the movie *Lord of the Rings*, which gave me the deep impression of how beautiful the country is; the second reason is the famous poet, Cheng Gu (Chinese poet), who once lived in NZ.

Other specific information about NZ that the travellers knew prior to their trip related to the country's indigenous culture, which was understood to be Maori culture mixed with European culture. Quite a few of the interviewed travellers talked about NZ's culture, saying that one of the reasons they wanted to travel was because they wanted to understand a different culture, to widen their knowledge, and so improve themselves.

### The information not known about NZ by the interviewed travellers

The research study also found that there was a lot of information about NZ not known by the interviewed travellers. Some of the interviewed travellers said that they had not known anything about NZ prior to their trip, although those who have relatives and friends in NZ had known a little more about NZ culture and the country's local specialty products. Possible attractions and activities were completely unknown to the interviewed travellers before they had set out on their tour. For example, they did not know that the Sky Tower is the highest building in Southern Hemisphere, that the kiwi is a symbol of NZ people, or that NZ produces wine:

We didn't know that much about NZ such as we didn't know that the 'Tian Kong Ta' (Sky Tower) is the highest building in 'Nan Ban Qiu' (Southern Hemisphere); we didn't know NZ's 'Guo Niao' (national bird) named Kiwi bird and we also didn't know that NZ produced 'Pu Tao Qiu' (wine).

#### *5.3.3.2 The reasons why the interviewed travellers travelled to NZ*

Why do people want to travel to a particular place? Goeldner and Ritchie (2006) indicated that travellers travel for numerous reasons, including spirituality, social status, escape and cultural enrichment. The COLTs have different motivations for travelling to different destinations (Cai et al., 1999). The current study identified two key reasons why the interviewed COLTs chose to visit NZ. First, they didn't choose NZ, *per se*; rather, Australia is the primary travel destination for those interviewed COLTs and NZ is only an 'attached' trip to Australia. As one of the interviewed travellers told the researcher:

I come to NZ because this is part of the trip to Australia so I dropped into NZ; also I heard NZ is famous for its natural environment.

Secondly, the trip to Australia and NZ is more economical than trips to other destinations, such as Canada. As the Beijing couple told the researcher:

We (husband and wife) intended to go to Canada, but because of the higher price at around 28,000RMB per person (around NZ\$5,100) and I expected the price for the Canada trip would be cheaper in the near future, so we decided to travel to Australia and NZ; also we've not been to Australia and NZ before.

In addition to the above reasons, the study also identified that the interviewed COLTs were motivated to travel to NZ by six different motivation factors:

- NZ's natural environment and beautiful scenery
- a desire to broaden their knowledge and experience a different culture
- NZ's cleanliness and tranquillity
- to escape from their busy lives and visit new places
- to visit friends and relatives (VFR)
- to purchase some local specialty products (souvenirs).

#### New Zealand's natural environment and beautiful scenery

Guo's (2004) study revealed that beautiful scenery at a destination is one of the main motivations for the COLTs to travel to that destination. The findings of the current research study are consistent with Guo's (2004) study: for most interviewed travellers, NZ's natural environment and beautiful scenery was a primary motivation to visit this country. Sixteen of the interviewed COLTs had gathered information about NZ through their friends and relatives, by word of mouth, and four of the interviewed travellers had learnt about NZ through movies and the internet. One of the travellers said a colleague who had travelled widely to more than 100 countries had highly recommended visiting NZ. The interviewed traveller (a male, aged 56 from Beijing) told the researcher:

One of my colleagues has the experience of travelling to more than 100 countries and he highly recommended me that NZ is amazing and inconceivable place that was worthwhile for you to visit.

Some other interviewed travellers have mentioned that China's environment is heavily polluted and dirty, whereas NZ's environment is unspoiled with beautiful natural scenery. This is another one of the main reasons that the interviewed travellers gave for visiting NZ. For example, the following statement was made by one of the interviewed outbound leisure travellers:

China is dirty in most places; people spit everywhere, and the environment is heavily polluted, so obviously the natural environment is spoiled, the colour of the sky is grey, no white cloud to see at all (Beijing), let alone fresh air. So NZ is the right place for travelling because that is well known for her unspoiled environment through media and Internet.

#### A desire to broaden knowledge and experience a different culture

Since ancient times, broadening knowledge has been one of the Chinese traditions that motivate people to travel. Today, Chinese people still maintain this tradition. They travel for self-improvement, for ego-enhancement, or to broaden their horizon and

perspective. There is a Chinese saying: “Travelling ten thousand miles is better than reading ten thousand books.” This tradition has been handed down from generation to generation, and this saying is still in the heart of the Chinese people. The research study has found that, for the interviewed travellers, broadening knowledge and experiencing a different culture in a completely new environment remains a main motivating factor for travel, including visiting NZ. As one interviewed couple told the researcher:

Besides, the beautiful sceneries and nice environment, have broaden our daughter’s knowledge and widening her perspective is another main motivation to visit NZ, as well as broadening our own knowledge and experiencing the people and the culture there.

Some of the interviewees felt that travelling to NZ would improve their knowledge and broaden their minds, and that this, in turn, would help them in their careers as school teachers:

As a [female] teacher, I need to have much knowledge as I can that the student of mine would benefit, and also travelling will assist in my career development. So my friend told me that NZ might be the right place to visit.

#### New Zealand’s cleanliness and tranquillity

NZ’s clean and unpolluted environment is why this country is one of the most popular travel destinations for travellers worldwide. According to the World Tourism Organization, (2003), Chinese travellers are deeply impressed by NZ’s unpolluted natural environment. They return to China and give positive word-of-mouth advertisements about the country to other Chinese, encourage them to travel to NZ. Tranquillity is favoured by some of the interviewed travellers, who wish to escape from their usual crowded environment as well as from their busy life. Some of the interviewed travellers identified cleanliness and tranquillity as important factors that determine their choice of travel destination, particularly for those who desire to experience a change from their busy city lifestyle in their home country. A common viewpoint held by the travellers can be seen in the following quote:

With a population of 1.3 billion, China is much crowded, appropriately described as “people mountain people sea” (meaning the crowd is so large that you cannot see the ends just like the mountains and seas) especially crowded in the scenic spots such as the Great Wall. Also, China is very dirty and heavily polluted in most places, no fresh air and blue sky.

### To escape from their busy life and visit new places

China's huge population and its competitive and fast lifestyle have led a majority of Chinese to feel that life in China is very stressful. It was not surprising, therefore, that some COLTs say they travel for relaxation. The World Tourism Organization (2003) indicated travel has become part of household expenditure for Chinese. In this thesis research, some of the interviewed travellers said that they felt under a lot of pressure in their busy lives, and they were concerned about their long-term health if this pressure continued. These interviewees realize that relaxing and having a holiday is necessary for their health, and they wanted to escape from the usual environment of their everyday lives to a holiday destination with a completely relaxing atmosphere -in other words, a place where the lifestyle is much simpler, slower and unhurried; and a place where they can completely relax. In addition, some of the interviewed travellers said they wanted to visit somewhere that they had not visited before. Therefore, NZ is chosen as a preferred travel destination because it can meet those interviewed travellers' requirements. As one interviewed travellers told the researcher:

Beijing has a population of over 20 million people so everything is competitive and the lifestyle here is fast, busy and under pressure, particularly the pressure comes from work, the social relationship between colleagues are very complex so I need a holiday to relax.

Another interviewed traveller stated:

One of the main purposes for travelling NZ is because of NZ is completely new to us and the seasonality is opposite to China that is good for us to escape from the cold weather here [China].

### To visit friends and relatives

Some Chinese travel to NZ to visit friends and relatives (VFR). According to the Ministry of Tourism (2009), approximately 14,500 Chinese VFR visitors came to NZ in 2008. The researcher's study found that the interviewed travellers were visiting NZ not only for the sightseeing, but also to visit friends and relatives. Indeed, for a few interviewed travellers, this was the most important reason for their trip. However, because of the time constraints of their friends and relatives—maybe their friends and relatives were busy with their work or studies—the interviewed travellers decided to come to NZ with a package tour from China. This might be the best solution for both the traveller and for their friends and relatives. As one interviewed traveller explained:

Our children are studying at high school in Auckland, we went there mainly for them, but they didn't have much time to spend with us because they were kind of busy with their studies so we joined a package tour through a travel agent, which may be the easiest way for them (children) and us (parents) as well.

The interviewed travellers also found out that joining a package tour from China had financial advantages. Several of the travellers made statements similar to this:

I went to NZ mainly because my previous colleague was there in NZ. As I haven't seen her for many years, so I joined a package tour for visiting NZ for the cheaper price and convenience.

#### To purchase some local specialty products (souvenirs)

The research study found out that for some of the interviewed travellers, shopping is an important reason why they visited NZ. Shopping is regarded as one of the most important activities for COLTs, particular for the first-time traveller (CNTA, 2007). The researcher identified that most of the interviewed COLTs were visiting NZ for the first time. One of the interviewed travellers told the researcher:

It was my first time to visit NZ so I definitely want to buy something there, particularly something which is local made; my family already asked me to buy some souvenirs for them before I left China so that was an assignment for me to accomplish; there are not many chances for me to visit NZ.

Furthermore, in Chinese culture purchasing gifts is an important aspect of travelling to a foreign country (CNTA, 2007). The COLTs shop for their family as a gesture of love, and for their friends and colleagues as a gesture of respect. Chinese normally prefer shopping overseas for something that is not, or not easily, found in China. Gift-giving in Chinese culture represents courtesy, respect, appreciation and friendship. It is a way to maintain personal relationships among Chinese (Carr & Wen, 2004). Some of the travellers interviewed for this research said they had already decided to purchase some local specialty souvenirs for their family, friends and colleagues, as well as for themselves, when in the host destination. As one of the interviewed travellers stated:

I always shop when I travel to a foreign country. I shop for my family, best friends and myself as well. Shopping for me is just a basic thing when you travel to somewhere. So I bought wool blankets for my family and my best friend, and some small things for my colleagues when I travelled to NZ.

In Chinese culture, 'mianzi' (face) is important for certain groups of people. They care about what other people say and how they look at about them (Mattila & Patterson,

2004). So peer pressure from other travellers in the tour groups can push them into shopping. Yu and Wiler (2001) indicated that Chinese buy gifts for their friends, relatives and colleagues because they care about their 'mianzi', and shopping for gifts is the way to save their face or status. In response to the researcher's query on why he buys things when travelling abroad, one tourist said:

Well ... I didn't intend to buy anything, but seeing that everybody made their purchase such as wool blanket and/or alpaca blanket so I bought some of them as well.

In particular, Chinese like to shop for luxury goods in foreign countries, because the higher import tariffs and consumption taxes in China can make these goods at least 20–30% more expensive (Arlt, 2006). This high price differential provides an incentive for outbound travellers to purchase branded goods when travelling abroad. One of the female interviewees told the researcher:

I love shopping, especially for the branded goods. I feel good and happy when I buy something I really like, particularly those goods sold at a higher price in China.

Some of the interviewed COLTs were determined to purchase certain local specialty products for their friends before leaving China.

One male traveller (age 55) told the researcher:

My friend asked me to buy some NZ milk powder for their little baby; you know, NZ milk powder is very famous in China so they asked me to help them to buy some milk powder in NZ last time.

The above quotes demonstrate that the interviewed travellers for this study very much like to shop. They like to spend a lot of money on souvenirs and branded products, particularly those that are locally made and rarely found in China. At the same time, the interviews have shown that shopping is part of the Chinese culture, especially when Chinese travel overseas. Giving gifts is a very common act in Chinese society. It has become a symbol of courtesy, respect, appreciation and friendship, as well as a way to maintain interpersonal relationships among Chinese (Carr & Wen, 2004).

## **5.4 THEME FOUR: THE LTF TOUR**

### **5.4.1 What the travellers understood about LTF tours prior to their own tour**

As mentioned earlier, the media in China has widely reported about the LTF phenomenon in the Hong Kong inbound market. The LTF phenomenon has attracted the attention of many Chinese people, and many Chinese people may understand the LTF phenomenon through the media exposure. However, quite a number of the COLTs (four males and four females from Chongqing, Henan) interviewed for this study did not understand much about LTF tours. Some of the interviewed travellers (eight male and four female travellers from Beijing) mentioned that they had heard about LTF tours, but that they were not sure exactly what LTF tours included.

As one of the female interviewees (age 42 from Henan province) stated:

I don't know what an LTF tour is. I joined the tour group at 12000 RMB (around NZ\$2,400) for a 12-days stay in Australia and NZ and I think the price is quite reasonable and affordable.

Another interviewed traveller (a 61-year-old male from Beijing) stated:

I have heard of LTF before on the media about Chinese traveller to Hong Kong, but I am not sure what exactly LTF tour is. I paid 18,000RMB (NZ\$3,500) for a 12-day stay in Australia and NZ. I don't think this is an LTF tour.

To summarize, the interviewed travellers from the Henan province (an underdeveloped area) did not know much about LTF tours prior to their trip, whereas the interviewed traveller from Beijing (a developed city) did know a little. Furthermore, as mentioned earlier when discussing the role of the travel agencies/tour operators in China in LTF tour operating model (see section 5.2.4.5), when selecting who will join their LTF tours, the COTAs look for leisure travellers who have spending power. They also use perceived spending power or spending desire when pricing their tours. The price of a package tour differs depending on whether the outbound leisure travellers are coming from developed or underdeveloped places, implying that the agencies perceive that travellers who come from the Henan province may have more spending power or spending desire than travellers who come from the Beijing. Furthermore, the agencies consider the potential traveller's age when pricing the tour: travellers older than 60 or younger than 30 may be charged an additional 3,000RMB (NZ\$600) because they are perceived as having less money to spend on shopping.

## **5.4.2 Why the interviewed travellers bought the LTF package**

This thesis research found three fundamental reasons behind why the interviewed travellers purchased an LTF package tour. These will be discussed in the following sections.

### *5.4.2.1 A limited travelling budget*

Financial constraints are a key influence on the decision making of those interviewed about purchasing package tours. Most of the interviewed travellers said that they did not want to spend a large amount of money on the package tour because, having a fixed budget, that would leave them less money to spend in the overseas destination. In other words, those interviewed COLTs are not rich enough to have sufficient disposable income to spend on travelling. According to the interviewed outbound travel agents/operators in China, middle-class COLTs prefer to join an LTF package tour. As one general manager of a travel agency told the researcher:

Normally people in the middle class love to buy LTF package tour. Their income level is around 50,000 to 80,000RMB (NZ\$10,000 to 16,000) a year.

This annual income is consistent with the findings of this thesis: the income level of the COLTs interviewed during the research was between approximately 50,000 and 80,000RMB (NZ\$10,000 to NZ\$16,000). Therefore, rather than a standard package tour, the interviewed travellers prefer to purchase the more economic (LTF) package tour as far as possible, because the savings made on the cost of a cheaper tour would give them spare money to spend on shopping at their travel destination. A viewpoint held by many of the interviewed travellers is exemplified in this quote:

We don't want to spend that much money on buying the package tour, because we want to save some money for shopping in the overseas countries.

### *5.4.2.2 Consumption attitudes*

The COLTs interviewed for the research said that price is the most important factor to them when determining whether to purchase a package tour. This implies that those COLTs are mostly 'price-seekers'. They choose to purchase an LTF tour because they feel that this sort of package will give them 'value for money', and that its low purchase price is cost-effective. As one female traveller (age 30) stated:

The price is most important for me to decide in buying the package tour, because I always bargain. Buying something cost-effective makes me feel better.

Furthermore, most of the interviewed travellers said that it was important that they were able to purchase some souvenirs, particularly when they were travelling to overseas destinations. This may be because of Chinese culture and traditions, where purchasing souvenirs from overseas enhances one's status. As one traveller explained:

Well, Chinese love to buy things overseas perhaps because of the traditions of Chinese people that we always want to buy something differently from others, so people will admire you and look at you differently.

Travellers also want to buy souvenirs to help them keep alive the memories of the wonderful experiences they had on their overseas holiday. As one traveller stated:

We do like to buy something for keeping the beautiful memory when we travel abroad as always so we can look back when we were getting old.

Therefore, it is traditional for Chinese travellers to take spending money with them when they travel overseas so that they can shop for gifts and for souvenirs to take home with them.

#### *5.4.2.3 Unfamiliarity with the market*

The interviews conducted for this research revealed that most of the travellers were not acquainted with the tourism market, particularly those travellers from underdeveloped areas. This implies that the interviewed COLTs from underdeveloped areas lack travel knowledge and travel experience, and so feel unable to make judgements about the quality of the tours on offer. For example, a traveller from Henan province stated:

I don't travel to overseas that much so I am not really familiar with the tourism market and I don't know those travel agencies (tour operators) and whether the package tour provided is good or not, so the one with the cheapest price is the best choice for me.

Another traveller said:

We don't know whether the expensive package tour is good or not because we don't travel that much and also the expensive tour is too expensive so the one with the cheapest price is much better and economical.

Even though some of the interviewed travellers come from the developed areas, most package tours on offer in the Chinese outbound market are similar and so the travellers felt they had little choice in what was on offer. In particular, the tours tend to be either low-cost and with very similar itineraries, or extremely expensive and so unaffordable

for those interviewed travellers. This viewpoint, given by a traveller from Beijing, was also held by several of the other travellers:

For us, we don't have that much choice for purchasing the package tour because the tour package in the market is so cheap or so expensive and the expensive one is too expensive for us.

To summarize these findings, financial constraints is one of the main reasons why the interviewed COLTs purchased an LTF package tour. Another reason was related to Chinese culture—the Chinese travellers were keen on gaining petty advantages while spending money. And thirdly, the Chinese outbound tourism market is split into either very expensive tours or low-cost tours, with very few mid-price tours being offered. This meant, the interviewed travellers could not afford one of the very expensive tours, they were left with little choice but to purchase an LTF package tour. Finally, the interviewed travellers, especially those from underdeveloped areas, sought out the economic LTF tour because they lacked travel knowledge and experience.

#### **5.4.3 How satisfied were the interviewed travellers with their package tour?**

The level of customer satisfaction can be discussed through several aspects of the overall research topic of the LTF tour phenomenon. The interviewed travellers were asked how satisfied they were with the shopping, the products, and the overall travel experience. Their satisfaction levels with each of these aspects will be discussed in the following sections.

##### *5.4.3.1 Their satisfaction with the shopping*

Shopping is part of Chinese culture; in particular, Chinese shop for their friends, relatives and even for their colleagues. Mostly prefer to shop abroad because of lower tax mark-ups overseas and because many products are difficult to find or even are unavailable in the interviewed travellers' home country. This research study identified shopping as one of the main activities preferred by the interviewed travellers during their trip to NZ. Indeed, quite a few of the interviewed travellers had decided that they wanted to purchase some local products in NZ even before they had left China (as discussed in the last sub-section of section 5.3.3.2).

The thesis research found that most of the interviewed travellers want to purchase some local specialty products or other luxury products when they travel overseas. These purchases may be for their own use or/and to give as gifts to family, friends and

colleagues. All of the interviewed COLTs had purchased local specialty products in NZ. The souvenirs purchased by the interviewed travellers ranged from small to large souvenirs. For example, some interviewed travellers had bought honey and other health products, which are small in size, while others had bought wool blankets, an alpaca blanket and alpaca skin, which are more bulky. One of the interviewed travellers stated:

I bought manuka honey for my best friend, a piece of wool blanket for my family and key rings for my colleagues.

Another interviewed traveller stated:

I bought alpaca skin and a wool blanket for my family.

All these souvenirs are popular with the interviewed travellers. When asked whether they were coerced by the local tour guide to make the purchases, some of the interviewed travellers responded that they had made up their mind to shop before they had left China. They wished to use the opportunity to purchase some specialty products that are either not available or very expensive in China. One interviewed traveller stated:

I had already made my decision for purchasing some souvenirs before I left China. They are all good quality products.

Some of the interviewed travellers said they were convinced by the sales representatives of the souvenirs shops to make purchases because the products were ‘good buys’, being locally made and not available in China. In particular, the sales staff strongly recommends health products as being worthy to buy, especially dairy products such as colostrum which is good for both elderly people and children for the replenishment of calcium and improvement of immunity, saying that NZ has an unspoiled environment and is known as “the last pure land in the world”. Thus, some of the interviewed travellers believe that NZ products are reliable and worthy of purchasing, especially since they are hardly likely to revisit NZ. As one of the interviewed travellers told the researcher:

I didn’t think that I would buy that much stuff, but the sales [assistant] of the souvenir shop was very enthusiastic and professional when introducing the local-made products so I did buy lots of healthy products such as colostrum because I don’t know when I will revisit there (NZ).

Another traveller told the researcher:

The sales told us that the NZ made health products such as ‘Feng huang jiang’ (royal jelly), ‘Feng Jiao’ (propolis) and the ‘mai nu ka’ (manuka) honey is very expensive back in China. So we purchase some of those products.

One of the interviewed travellers had purchased several wool blankets. This was mainly because the travellers has used and felt NZ-made wool blankets when staying overnight in a hotel during their trip around NZ. The travellers thought NZ wool products were good quality and worth having. As this male interviewed traveller from Beijing stated:

The wool blanket is extremely good that I can say ‘Bao’ (thin), ‘Qing’ (Light), ‘Ruan’ (soft) and ‘nuan’ (warm).

A few of the interviewed travellers had purchased certain souvenirs because of peer pressure from their tour group members. The pressure felt by the travellers may because, in Chinese culture like to compare themselves against other people. Furthermore, the concept of ‘face’ is most important for a majority of Chinese people. As one interviewed travellers stated:

I didn’t think that I will [buy] the blanket, but everyone’s buying something so I should buy something as well.

Other travellers bought luxury products rather than the souvenirs because in China a heavy tariff is imposed on the luxury goods. As one of the interviewed travellers told the researcher:

I bought a Louis Vuitton handbag at Auckland Duty Free Shop, because it is cheaper than in China because of the tax.

In addition, the interviewed COLTs indicated their willingness to purchase the specialty products. Although shopping is one of the main activities in the tour itinerary, however, none of the interviewed COLTs feel being coerced by their tour guide to make purchases. As one interviewed traveller told the researcher:

The tour guide is the best ever during the trip to Australia and NZ, Wang (tour guide) has provided circumspect service.

And a second traveller said:

Yang is a very simple and honest person, he has got a lot of knowledge and has his sense of humour, and very enthusiastic and helpful as well.

Although most of the interviewed COLTs loved shopping during their trip to NZ and had purchased some NZ specialty products, not all of those interviewed felt a desire to purchase NZ goods. However, peer pressure from friends in the tour group had made some of them purchase souvenirs during the trip to NZ, even though they had not wanted to. One of the interviewed travellers told the researcher:

I didn't want to buy the alpaca blanket, but all the friends of mine in the group made their purchase so I just followed them

Two of the interviewed travellers indicated that they believed the souvenirs might be marked up to provide commission for the tour guides. They did not express this suspicion openly, but gave the signal to the researcher that they knew that the price paid included a commission. When asked about the price they had paid for their purchases, one of the interviewed travellers told the researcher:

I don't know. Maybe we have paid the price of 'learning'. We really don't know their fair price in the local market.

From the above quotes, it was found that a majority of the interviewed COLTs are willing to shop and spend money. They prefer to spend money on souvenirs and branded products, particularly locally made products or products that are rarely found or unavailable in China. The interviewed travellers also expressed that shopping is part of the Chinese culture, especially shopping when travelling overseas. Giving gifts is seen as a way to keep and/or build up personal relationships; for example, gifts are given to family to show love, and to friends and colleagues as a sign of respect; However, as the saying goes, "No dish suits all tastes", and a few of the interviewed travellers were not satisfied with the shopping and the prices of the products that they had purchased in the appointed souvenir shops—these travellers wondered whether the prices might have been marked up to cover a commission to the tour guide.

Shopping is invariably an essential item in the itinerary of an LTF tour package. Shopping may not be important for most of the interviewed travellers, but it was very important for some. They had promised to buy milk powder for their friends back home, and were disappointed when they realized that they would not have the chance to go to a supermarket to make the purchase. As one interviewed traveller from Beijing stated:

I was not happy for not being able to buy the milk powder for my friends because I couldn't get the chance to go to the supermarket.

On the other hand, it is important to learn that none of the interviewed COLTs felt coerced by the tour guide to make purchases. Although not all of the interviewed travellers were explicit in expressing their views on the price they pay for the purchases, it is obvious that some interviewed travellers believe that prices are marked up to provide commission to the tour guides.

#### *5.4.3.2 Satisfaction with the optional attractions and activities*

As mentioned earlier, the optional attractions and activities sold to the interviewed travellers are arranged in a package (see Table 9) by either the tour leader in China or the tour guide in NZ. The research has explored two main elements on the satisfaction with the optional package tour: the additional cost of the package, and the quality of the attractions and activities. The thesis research found out that eight of the interviewed travellers were willing to pay for the optional tour, seven followed the other tour group members, and five were not willing to pay for the optional tour. As for the quality of the optional attractions and activities, the thesis research found that 15 of the interviewed travellers said they were ‘very satisfied’ with the optional attractions and activities package and five were ‘satisfied’. These findings are discussed in more depth in the following sections.

#### Satisfaction with the concept and cost of the optional attractions and activities

The thesis research found that eight of the interviewed travellers wanted to participate in some additional attractions and activities not included in the itinerary. Although the travellers knew they would be charged extra for the optional attractions and activities, they were willing to pay the additional cost. They realized that it was unlikely that they would be returning to NZ again soon, and so they were eager to see and do as much as possible during their trip. As one interviewed traveller told the researcher:

I don't [know] when I'm going to visit NZ again next time, so better enjoy things as much as possible even I need to pay for this [optional package].

The thesis research also found that seven of the interviewed travellers had no definite views of their own about whether they should join the optional attractions and activities tour. This may imply that these travellers were just following the lead shown by the majority tour group. As one of the interviewed travellers told the researcher:

I have no idea about optional tour, so if most people go then I will go [on the optional tour].

Another seven of the interviewed travellers expressed similar views: they showed no particular interest in joining the optional tour, and they were following the decision of the majority. Because these travellers were willing and able to follow the others in the group, it can be assumed that the additional cost for the optional package tour was no object to those travellers.

The thesis research did find, however, that five of the interviewed travellers were not willing to pay for the optional tour. These travellers considered that the optional activities and attractions should be included in the itinerary because package tour fees had already been charged by the tour operators in China. Nevertheless, they had joined the optional tour, because of the unhappiness of the tour guide. As one of the interviewed traveller told the researcher:

I think they [the tour guides] shouldn't charge any more for those optional attractions and activities because I already pay for the package tour so everything should be included in the package but the tour guide did not look happy so I joined the optional tour, and some other group members agreed with my opinion.

#### Satisfaction with the quality of the optional activities and attractions package tour

The thesis research found that most of interviewed travellers were 'very satisfied' with the optional tour that had been sold to them by the tour leader in China and that only a few were merely 'satisfied' with the optional tour that had been sold to them by local tour guide in NZ. In other words, the degree of satisfaction with the optional attractions and activities differed between the interviewed travellers. This finding will be discussed in greater depth in the next few paragraphs.

The eight interviewed travellers who had wanted additional attractions and activities were, overall, satisfied with the package sold by the tour leader in China; this package is displayed in Table 9. The most popular attraction was Hamurana Spring, next to the Redwood Forest in Rotorua; the travellers said its natural and beautiful scenery made them feel back to nature, they enjoyed being able to breathe the oxygen in the fresh air, and that such a place would be hard to find anywhere in the world. As one of the interviewed traveller told the researcher:

The most worthy of the attraction is the 'Leng quan' (Hamurana Spring) where is so beautiful and hardly to find, not only in China, but other countries, it is very clean and fresh and much enjoyment in the wonderland place.

The seven travellers who had not originally intended to buy an additional tour but who had followed along with the others in the tour group did, nevertheless, enjoy the optional tour. Four of the seven travellers had purchased the optional tour from the tour leader in China, and the remaining three had purchased it from the local tour guide in NZ. All seven were quite satisfied with the optional tour and expressed similar points of view about the optional tour. In particular, they had especially enjoyed the Maori performance, as shown in this quote:

I had a very good time with the tour, especially, the 'Mao Li Wu' (Maori performance) which are much better than the Aboriginal performance in Australia, because the Australian one does not sing at all so it is boring, but 'Mao Li Wu' is more glamorous.

Others said that they also had found the optional farm tour quite interesting, and had particularly enjoyed the hands-on experience with a variety of farm animals such as alpaca, sheep, deer and much more. As one of the interviewed travellers told the researcher:

I had a very good time with the farm tour, especially with feeding animals that makes me so close to the animals and also the farm scenery is nice as well.

The five interviewed travellers who had not been willing to pay for the optional activities tour may have found the experience unsatisfactory because they were not happy at having to pay the additional charge. As one of the five interviewed travellers told the researcher:

Well, if we don't buy the optional activities and attractions, then the tour guide told us that we will depart from the hotel at 11 clock, something like that, so we don't have choice, we have to join the options, otherwise we have to stay in the hotel until 11 o'clock for doing nothing so we don't have a mood to enjoy it.

#### *5.4.3.3 Satisfaction with the package tour price*

As detailed earlier, the price of a package tour differs depending where the travellers are coming from; for example, the package tour price for the interviewed traveller from Chongqing was the cheapest, at 11,000RMB (approximately NZ\$2,200) including the return airfare from Beijing to Chongqing, whereas the price paid for the same tour by the interviewed traveller from Beijing was the most expensive, at 18,000RMB (approximately (NZ\$3,600). This difference in price does not imply that travellers from

Beijing are wealthier than travellers from Chongqing, rather those travellers from Chongqing have more spending power than travellers from the Beijing region.

The research found that the satisfaction expressed by the interviewed travellers with the package tour price was influenced by the price they had paid for their tour. Some of the interviewed travellers were disappointed when they found out that they had paid more for the package tour than other members in the tour group. As one of the interviewed travellers from the Henan province told the researcher:

Why the price I paid for the package tour is more expensive than some other group members? I'm not really happy with that.

And another told the researcher:

I thought I paid the cheaper price, but there is a much cheaper one; next time I'm going to make sure that I will pay the 'right' price.

Some of the interviewed travellers were neither satisfied nor unsatisfied with the package tour price; they felt the price they had paid for the tour was quite reasonable. As one of the interviewed travellers from north-east China told the researcher:

I thought the price which I paid for the package tour price is okay, because I don't really know about the market.

Others expressed similar points of view. This may be because the interviewed travellers are from different regions so their perception and knowledge about the price of package tours differ.

Some of the interviewed travellers were quite satisfied with the price that they had paid for the package tour. A traveller from Chongqing region told the researcher:

I'm quite satisfied with the tour price, because that is very cheap for the 12-days tour to such a long distance, destination, and the quality of the tour package is pretty good.

Others though that the price they had paid was good value. A traveller from Chongqing told the researcher:

The cost for the package tour is quite good. This price wouldn't be enough if I travel by myself.

Table 10 displays the package tour price paid by the interviewed travellers and the travellers' level of satisfaction level with the price.

Table 10: Levels of satisfaction with the price of the package tour

Price	The Region of the Interviewed traveller come from	Number of interviewed travellers	Satisfaction Level
11000RMB (2200NZD)	Chongqing	4	Satisfied
12000-13000RMB (2400-2600NZD)	Noth East	4	Adequate
15000RMB (3000NZD)	Henan	4	Not satisfied
18000RMB (3600NZD)	Beijing	8	Adequate

From the above findings, it can be summarized that the interviewed travellers were charged different prices for their tours by the COTAs in China. This may imply that some of the interviewed travellers had purchased their package tour from retail travel agent whereas others had purchased their tour directly from wholesale travel agencies/tour operators, but the researcher also found that the price paid for the package tour by the interviewed travellers pretty much depends on where they came from (see Table 10). Consequently, just as the package tour price varied, so did the level of satisfaction expressed by the interviewed travellers about the price they had paid for their tour.

#### *5.4.3.4 Satisfaction with their overall travel experience in New Zealand*

Most of the interviewed travellers were satisfied with the overall travel experience on their trip to NZ. In response to the question “Are you satisfied with the service provided by the NZ Chinese travel agencies/tour operator?”, four of the 20 interviewed travellers expressed ‘adequate’ satisfaction, 12 said they were ‘satisfied’, and the remaining four said they were ‘very satisfied’ overall with their trip to NZ. The interviewed travellers’ responses will be discussed in the following sections.

The four interviewed travellers who expressed only ‘adequate’ satisfaction with their overall travel experience on their trip to NZ all held similar points of view. For example, a traveller from Henan province told the researcher:

The overall travel experience of NZ trip is fine, nothing much special; it was just relax with the beautiful environment.

A traveller from Beijing said:

Overall, my trip to NZ is quite okay, its natural environment and beautiful view noted, the accommodation standard cannot compare with China's, but quite roomy and clean.

The twelve interviewed travellers who were satisfied with their overall travel experience on their trip to NZ gave reasons relating to services provided by the tour operators, such as the manner of the tour guides, and the hotels and tour itinerary. All these meant the tourists had a good travel experience. As one of the interviewed travellers from Henan province told the researcher:

I had a good time with the trip to Australia and NZ. I have learned the different cultures and experienced the wonderful farm country. Although, the hotel standard is not as good as China's but very clean, the food is fine, and the tour itinerary is fine too.

Another interviewed traveller from Chongqing told the researcher:

I had a very good trip this time to Australia and NZ, everything is organized well. For example, the hotel room is nice, roomy and clean as well, and the scenic scenery is unbelievable, the farm tour and Maori culture is interesting.

Other interviewed travellers said they had enjoyed their trip to NZ. They explained that the tour itinerary had provided them with a deep impression of how beautiful the country is, while being able to use the Chinese Union Card (bank card) and having no language barriers at Chinese souvenir stores meant that the shopping was convenient. Overall, these interviewed travellers considered the whole package tour provided value for money.

Four out of the 20 interviewed travellers were 'very satisfied' overall with their trip to NZ. These four said that their trip to NZ had given them valuable travel experiences from a rich and colourful tour itinerary, that their tour guide was helpful, and that the quality of the accommodation at the four-star hotels in NZ was better than the accommodation in Australia. As one of the interviewed travellers from Beijing told the researcher:

The overall experience to NZ trip is the best ever. NZ is beautiful indeed. I can say that I really enjoy it, the scenic spots, the tour guide and accommodation as well.

Another traveller from Chongqing told the researcher:

Overall travel experience is very satisfied; the most enjoyable scenic spot is the Hamurana Spring (which is part of the optional tour) and the ‘oxygen club’ of the Redwood Forest.

## **5.5 VIEWS OF THE TOURISM INDUSTRY ABOUT LTF TOURS, AS REPRESENTED BY TNZ**

The views of the Chinese tourists and the inbound tour operators on LTF tours were obtained through face-to-face interviews, as reported in the foregoing paragraphs. These two groups of players in the China–NZ tourism market made up the first two parts of the research. The third part of the research was to explore the views of the New Zealand tourism industry about the LTF phenomenon. On the assumption that a democratic government acts in the best interest of its people, the industry’s views can best be represented by the expressed views and, more importantly, the actions of the government. TNZ, under the Ministry of Economic Development, is the organization responsible for promoting tourism in NZ. The TNZ’s views will be discussed in the following paragraph.

In 2007, a code of conduct for Chinese ADS ITOs was launched by TNZ. The code prescribes a set of procedures and standards that the ITOs must comply with. It was developed to ensure that Chinese visitors receive a good quality tour experience in NZ, and thus improve NZ’s competitive position in China’s outbound tour market and encourage sustainable growth of Chinese inbound tours to NZ. The code would not have been introduced for no reason. Even back at the turn of the century, the China ADS system was already plagued by the LTF tour arrangements, and this problem was widespread. With the tour fees set at unreasonably low levels, the ITOs have to supplement their income by pressurizing or even coercing the Chinese visitors to make purchases at designated souvenir shops where the ITOs can obtain a share of the benefits through commission or even through direct operation of the shops. This was covered in the Introduction chapter.

The latest version of the Code of Conduct took effect on 1 July 2010. It requires, inter alia, the ITOs:

- to be fit and proper persons having a history of compliance with the code
- to use only NZ ground component suppliers and transport providers which comply with the requirements of the code
- to conduct and administer the ADS tours direct without reassignment to others
- to meet the reasonable expectation of the Chinese visitors
- to keep a duly signed statement of the tour fee agreed to be paid by the COTA for the proposed ADS tour
- to keep a detailed itinerary of the proposed ADS tour
- to use a unique tour ID number for each ADS tour which is to be displayed prominently on the vehicles used by the ADS tour to facilitate compliance checking
- to use only Qualmark-endorsed vehicles
- to use hotels holding a Qualmark rating of three stars or higher
- to require retail shopping outlets visited by the ADS tour as part of the organized shopping to be Qualmark endorsed
- to limit the time spent in organized shopping to no more than 1.5 hours a day on average
- NOT to take Chinese visitors to shop in outlets selling faked or misdescribed goods
- to take the ADS tour group to a minimum number of tour inclusions at minimum charges, all as specified in the code
- NOT to allow the tour leader, tour guide and/or the NZ ground component suppliers to impose or obtain charges from the Chinese visitors, and
- to use only ADS accredited tour guides.

(Tourism New Zealand, 2010 c)

To ensure that the code is complied with, TNZ conducts routine review visits to the ITOs. Any ITO found to have breached the code will have their ADS approval suspended or even revoked.

According to the *Visitor Experience Monitor*, a visitor satisfaction research vehicle conducted by TNZ, levels of satisfaction of Chinese visitors have increased from 8.2 in 2007/08 to 8.7 out of 10 in the 2009/10 financial year (Tourism New Zealand, 2010 b). Though improved somewhat, such a level is still considered not good enough by TNZ.

The visitors who were less satisfied, those who gave gradings of eight out of ten or less, mainly complained about their shopping experience, saying it was too expensive, not 'genuine', or taking up too much of their time. Moreover, TNZ observes that the operation of the majority of ADS tours is heavily influenced by souvenir consortia active in the ADS market in Australia and NZ. The Chinese visitors' experience is compromised as a result of the NZ-based ITOs operating on low tour fees, an increased risk of dishonest representation concerning the products sold in the souvenir shops, and the tour guides being wrongly focused on the commission generated from the shopping rather than providing insightful commentary on NZ. In essence, this is just another form LTF tour, together with associated problems.

To combat these problems, TNZ proposed to make two key changes, amongst others, in the review of the current code. The changes would require that:

- organized shopping can only take place after free shopping (in a shopping area containing a range of competing retail shopping/factory outlets, representing diverse shopping opportunities) for a time period not exceeding the free shopping, and
- the tour fee payable by the COTA to the ITO is greater than the costs of the NZ ground components supplied to the ITO.

(Tourism New Zealand, 2011g)

The industry has been consulted about these proposals. The main issues raised are: streamlining of the code in order to increase transparency from the point of view of both ITOs and tour guides; taking into account current ADS market conditions, what can realistically be done to maintain and improve minimum quality standards applicable to ADS tours; and what can be done beyond the scope of the code to drive further quality and value from the Chinese holiday visitor market.

(Tourism New Zealand, 2012a)

Responding to the feedback of the industry, TNZ has streamlined some of the procedures in the new version of the code which is to take effect from 1 September 2012. The more prominent changes are: requiring the tour guides instead of the ITOs to display the ADS sign, allowing ITOs to use non-ADS approved guides for mono-NZ

tours during the Chinese New Year period, and waiving breach of code action for complaints resolved to the satisfaction of the complainant. On the other hand, to improve transparency, a demerit points system will be introduced to administer breaches of tour guide obligations. However, the earlier wish of the TNZ, mentioned above, to introduce requirements on free market shopping and payment of COTAs to ITOs will not be effected in the new version, probably due to no consensus. After all, this is the purpose of consultation.

(Tourism New Zealand, 2012b)

Furthermore, TNZ is looking to establish a Premier Kiwi Programme in partnership with Tourism Australia to promote and sell tour group packages through trusted travel sellers in China; these packages will be high quality and will not include any organized shopping activities.

(Tourism New Zealand 2011g)

From the preceding paragraphs, it can be seen that TNZ has put in a great deal of effort to ensure Chinese ADS visitors have a good experience while touring NZ. TNZ is doing this to improve NZ's competitive position in the China outbound tour market and to encourage sustainable growth of Chinese inbound tours to NZ. LTF tours are characterized by a low tour fee and associated mediocre to poor service. In the eyes of TNZ, if LTF tours are allowed to persist in NZ in their current operating model, then this will jeopardize NZ's ability to sustainably grow the inbound-tour market from China. If the two key changes mentioned above are eventually incorporated into the code and if the Premier Kiwi Programme is put in place, then this will help to put an end to the current operating model for LTF tours and put the derailed ADS tours back on the right track.

## **5.6 SUMMARY**

The objective of this chapter was to find the answer to whether the LTF phenomenon is a poison, a panacea or a palliative. The findings of this chapter are built on the data obtained from secondary resources and from in-depth interviews with both workers in the tourism industry and Chinese travellers. The researcher interviewed 14 tourism industry members, including COTAs and ITOs, and 20 COLTs based in Beijing and Auckland. The perspectives of the stakeholders, from both sides of the tour, gave the

researcher a deeper understanding of the tourism industry operating between and within China and NZ. The researcher has found out how LTF tours are operated by the Chinese tour operators, why some of COLTs joined an LTF package tour and also about their level of satisfaction with their NZ tour experience.

This chapter set out to answer the question: “Is the LTF tour a poison, panacea or a palliative?” The discussion above has answered this question by demonstrating the point of view from both the industry’s and the COLTs’ sides. The important finding of this chapter is that none of the interviewed COLTs consider that they were forced into shopping. However, a few of the interviewed travellers consider that they felt pressured by the tour guide to participate in, and hence pay for, the optional attractions and activities tour package; moreover, one of the travellers considered that the price charged for the optional tour did not give value for money. The research findings indicate that the LTF tour is the nature of China’s outbound travel, and that this operating model has been shaped by the government’s restrictive ADS policy, the intense competition within the Chinese tourism industry, and the COLTs’ consumption attitudes. In the next chapter, the researcher will analyse the findings presented in this chapter. This will include a discussion on the external environment under which the parties operate- the external factors, and the views of the parties concerned towards the LTF arrangement- the internal factors; and then gives a view on whether the LTF mode of operation will be sustainable in NZ.

# CHAPTER 6 ANALYSIS OF THE FINDINGS

## 6.1 INTRODUCTION

The roles of all the parties connected with LTF tours to NZ have been detailed in Chapter 5. Through face-to-face interviews, the views of people working within the Chinese tourism industry side as well as the views of COLTs were gathered. The views of the NZ tourism industry about LTF tours, as reflected by the actions of TNZ, were also looked at. In this chapter, the findings are analysed to see if the LTF operating model will be sustainable. The analysis is divided into two main parts: the first part analyses the external factors, such as the ADS system and associated Chinese tourism policy, and the second focuses on the internal factors of the industry, as reflected by the views of all the parties concerned.

## 6.2 THE EXTERNAL FACTORS

The analysis of the external factors will attempt to determine whether or not the LTF operating model is sustainable. For this, the researcher has to review all the external factors contributing to the LTF phenomenon. They include:

- the ADS system which requires Chinese citizens to travel to other countries in a tour group
- the highly competitive business environment for the COLTs
- the difficulty in forming strong partnerships between COTAs and agencies in the host countries to encourage the provision of good service at a competitive price, instead of the current system which has resulted in cut-throat prices
- the Chinese government's imposition of heavy taxes on imported goods, particularly on luxury goods
- the tolerant attitude of the Chinese government in allowing its citizens to bring back products from overseas tax-free for their own use, and
- the tolerance of governments of the hosting countries in allowing the travel agencies/tour operators to collect commission on the purchases made by outbound leisure travellers from China and the lack of proper monitoring systems that would ensure accurate amounts of tax are paid.

All these factors are essential for the LTF mode of operation. If COLTs were not required to join an ADS tour in order to travel overseas, they could travel on their own.

If the travel agencies did not have to compete with one another for outbound travel business or if they could compete on the quality of their product/service, then they wouldn't have to offer cut-throat prices to attract the tourists. If foreign travel companies were allowed to offer outbound tours from China, then the current operators might improve their competitive edge by providing end-to-end quality service instead of resorting to price-cutting. If the Chinese government stopped taxing imported luxury products or started to impose a tax on products bought back from the overseas tours, then there would no longer be the incentive for the COLTs to make such purchases when overseas. Finally, if the governments of the hosting countries disallowed the collection of commission on the travellers' purchases or if they had proper monitoring systems to ensure that accurate income tax is paid from the commissions earned, then the inbound travel agencies/tour operators and the souvenirs stores would not be able to supplement the cost of receiving the travellers. Should any of these above factors change in the ways suggested, then the environment favouring the LTF mode of operation would be upset – but, at the moment, there is no sign that these factors will be changed. In other words, the LTF mode of operation is expected to continue.

## **6.3 THE INTERNAL FACTORS**

### **6.3.1 Is the LTF tour a panacea or a poison?**

This section will focus on the benefits and disadvantages brought about by the LTF tours to the four parties concerned with this phenomenon. It is believed that for the LTF mode of operation to continue in NZ, every party must derive some benefit from the operation. To vividly describe the feelings of the parties towards the LTF mode of operation, the analysis uses a drug metaphor: Is the LTF tour a panacea, a poison—or something in between? In this metaphor, a panacea describes the situation where benefits grossly outweigh disadvantages and a poison where disadvantages grossly outweigh benefits. In between these extremes, there are, of course, situations where the benefits can just offset the disadvantages, and in these situations the LTF tour can best be described as a palliative, a 'drug' capable of mitigating but not removing a pain. However, as the benefits only marginally exceed the disadvantages, the equilibrium can easily be tipped so that the disadvantages then outweigh the benefits. The feelings and reactions of the four parties are presented in the following four sections: section 6.3.2 will discuss the views of the COTAs; section 6.3.3, the views of the NZ ITOs; section

6.3.4, the views of the COLTs; section 6.3.5, and the views of the NZ tourism industry, as represented by TNZ on LTF tours

### **6.3.2 For the Chinese outbound travel agencies (COTAs)**

As revealed by the research findings, there are three major players involved in the LTF operation, namely the COTAs, the ITOs, and the souvenir shops. Only authorized travel agencies in China are allowed to organize and sell ADS tours to the COLT. These authorized agencies are usually referred to as the COTAs. Leisure tourists have to approach these COTAs either directly or through retail agents to join an ADS tour. ITOs from NZ also have to approach the COTAs for customers. As revealed in the research findings, these COTAs hold a superior bargaining position when negotiating deals with the leisure tourists and ITOs. As the COTAs are responsible for ensuring that the Chinese leisure tourists will return to China, there is a good reason for them to demand a bond from the leisure tourists in addition to the tour fee. Logically, the COTAs should also charge the tourists enough money so that they can pay the ITOs the full cost of the ground operations in NZ. However, because of the superior bargaining position of the COTAs, they can pay just a small sum to the ITOs—indeed, some COTAs even demand a payment from the ITOs for the ‘right’ to host a tour—and this enables the COTAs to sell their tours at a very low ‘face’ price. This is the LTF phenomenon. The ITOs cannot cover their ground operation costs from payments from the COTAs and have to depend on the commission on the Chinese tourists’ purchases to make up the deficit and to provide the profits to keep the businesses going. For the COTAs, the LTF tour is a *panacea*.

### **6.3.3 For the inbound tour operators (ITOs)**

When the LTF mode of operation emerged about a decade ago, it was quite similar to regular tour packages. The process starts with the COTAs selling their tours to the travellers in China and collecting a tour fee from them. The tour agencies then assigned the travellers to the ITOs, paying the ITOs an agreed fee for arranging the NZ leg of the tour. This part is exactly the same as the regular tour packages—but then the LTF element comes in. To supplement their income, the ITOs arranged organized shopping for the travellers and collected commission from the retail shops. Initially, the fees paid by the COTAs to the ITOs were marginally adequate to cover their ground costs in NZ but, when combined with the commission coming from the retail shops, the ITOs were able to reap handsome profits from the operation. This was the golden period for the

ITOs. For them, the LTF was a *panacea*. Unfortunately, good times don't last for ever. The ITOs soon found that the panacea did not, in fact, come from the gods: it was a man-made panacea and like other man-made drugs, it lost effect as time went by. When the competition for travellers became fierce, the COTAs began to offer cut-throat tour fees for the travellers and, in turn, trimmed the fee paid to the ITOs. The ITOs had to rely more and more on the commission from the souvenir shops until, eventually, the souvenir shops became the dominating player. *The situation got so bad that the ITOs could no longer continue to deal with the COTAs for the LTF tour, because they couldn't economically survive. Instead, the souvenir consortia take over.*

Now, the ITOs no longer deal with the COTAs; instead, the souvenir consortia operating retail shops in Australia and NZ deal with the COTAs and pay the ITOs to organize the ground tour services for the NZ leg of the tour. The ITOs are trapped: they have to react to the market, but have no say in the type of tour being offered. As the souvenir consortia and COTAs are operating the tours under an LTF operating model, the ITOs cannot insist on organizing regular tours because that would simply mean they would have no business. For the ITOs, LTF tour has become a *palliative*. The model can only mitigate the pain that would otherwise come about as a result of no business. Moreover, the palliative is not palatable. With the minimum fees paid by the souvenir consortia, the ITOs can only afford to provide a mediocre service for the traveller; there is no chance for them to exhibit their professionalism, and there is no job satisfaction in organizing a LTF tour. The profit, if any, is at a subsistence level—it is only just better than no business at all.

#### **6.3.4 For the Chinese outbound leisure travellers (COLTs)**

For the Chinese travellers on an LTF tour, there are three stages in their journey: joining the tour, participating in the tour in NZ and, lastly, returning to China. Let us track the feelings of the COLTs towards each of these three stages.

COLTs are attracted to join LTF tours because of their very low price compared with other regular tours. The travellers are assured by the travel seller that the LTF tour, which costs only a fraction of the price of a regular tour, is a real bargain. When the traveller first joins an LTF tour, they can only see its benefits. It must be a *panacea*. When they arrive at NZ, the travellers are accommodated in medium-class hotels and the food is the Chinese food that they are used to. The commentaries provided by the

tour guides may not be very insightful or stimulating, but this is their first time in NZ—possibly the first time outside Asia for some of the tourists—and so without knowledge about the usual level of service they should expect in NZ, they would consider the experience so far quite acceptable. The LTF tour is still a panacea—although a slight doubt is being raised. As regards organized shopping, this thesis research reveals that the interviewed travellers’ experience was, on the whole, satisfactory. At least they did not feel coerced by the tour leaders (from China) or the tour guides (from NZ) to make purchases during the organized shopping sessions.

However, there were still a few grumbles about not being allowed time for free shopping (for example, for milk powder in a supermarket) and there were suspicions that they had ‘paid a learning fee’ when making purchases. The researcher considers such remarks to be mild. The overall shopping experience should not be a ‘disappointment,’ as described by TNZ when interpreting the Visitor Experience Monitor visitor satisfaction research results. However, over time, as more-and-more Chinese experience travel to NZ, they will eventually learn that there is a handsome margin in the price they pay. These Chinese outbound leisure tourists will be hit by further disappointment when they learn that they have missed out on potentially so many good experiences by wasting most of their time in organized shopping. The total experience of the Chinese tourist on an LTF tour may not be as bad as poison, but neither can it be a panacea. At best, it is *chocolate candy disguised as a panacea*: it tastes good at first, but it will not do any good to their health, and the good feeling cannot last for long.

### **6.3.5 For the tourism industry of New Zealand, as represented by TNZ**

As discussed above, TNZ has been combating the ills of the LTF structure for quite some time and yet, as TNZ admits, LTF operations still persist. Why? Is it that TNZ has not been trying hard enough to fight against the LTF mode of operation, as some critics may say? The researcher, however, holds a different view. As mentioned earlier, the LTF problem is widespread. It has already become part of the China ADS structure. As the majority of the COTAs are selling LTF tours, there is no point in taking high-handed actions, such as passing a law, to immediately eradicate LTF practices in NZ -- this would be tantamount to killing off the China–NZ tourism market. The immediate result of such a drastic attempt to eradicate LTF practices at this point in time would be a dramatic reduction in the number of Chinese visitors to NZ. Metaphorically, the LTF

mode of operation can be seen as a cancer cell within an otherwise healthy body. The cure is to remove the cancer cell, but the bad cell cannot be removed without hurting the other cells, which are healthy and necessary for the effective functioning of the body. So, we need a milder approach. After all, the objective is to cure the disease, not to kill the body. Inevitably, setting up a code of conduct agreed to by the industry will take a long time to take effect, and will possibly only mildly restrain LTF practices in NZ, but as long as the growth of China inbound tours to NZ can be maintained, there is no point in taking more drastic action. For the NZ tourism industry, the LTF practice is a poison. It is not toxic enough to make a quick kill, but once it enters the body, long and patient efforts will be needed to get rid of it. For the tourism industry of New Zealand, the LTF phenomenon is a cancer-causing poison.

#### **6.4 WILL THE LTF PRACTICE TO BE CONTINUED?**

It has been postulated that for the LTF practice to continue, all four parties involved in the China–NZ tourism market, namely the COTAs, the ITOs, the Chinese leisure tourists and the NZ tourism industry, should be able to derive some benefit from it. The following paragraphs will look at the four parties, one by one, to see if they can derive some benefit from the LTF practice.

For the COTAs, the LTF tour has been a *panacea* and is expected to remain a *panacea* in the foreseeable future. Under the ADS, COTAs are the authorized agents to organize and sell ADS tours. They are in a superior bargaining position when making deals with the leisure tourists and the ITOs and souvenir consortia. They are the major beneficiary of the LTF practice. In fact, they are the root cause of the LTF mode of operation. They are the main barrier against any attempt to change the current LTF practice.

For the ITOs, the LTF tour was a *panacea* in the early days, when their total income from the COTAs and the souvenir shops grossly exceeded their expenses and provided them with a handsome profit. But soon the ITOs' income from the COTAs was trimmed to near zero or even sub-zero, meaning that they had to pay the travel sellers instead, and the ITOs were forced to rely mainly on the commission from the tourists' shopping to cover their costs and to provide the profit to keep their business going. At that stage, the ITOs had no choice but to dump the *defunct panacea* and let the souvenir consortia deal directly with the COTAs. With minimum payments from the consortia, the LTF tour has now become a *palliative* for the ITOs: it is better than no business, but for the

ITOs, this is not a satisfactory situation. However, reverting back to the ‘good old days’ when LTF tours first emerged is quite out of the question. For the ITOs, their best hope is that the LTF mode will eventually fade away when the Chinese tourists no longer prefer LTF tours – but, as can be seen in the next paragraph, such a day will be a long time coming. Powerless and trapped in a reactive position, the ITOs can do very little to change the situation.

For the COLTs, the LTF tour is *chocolate candy disguised as panacea*. When they first purchase their LTF tour, the travellers believe that this low-cost tour will give them better value for money than the regular tours. Many of them may well know at the outset that there will be organized shopping, but the money, which would have otherwise been paid out for a regular tour, is still in their own pocket and they are free to choose whether to make purchases. The travellers are confident that they can achieve better overall economy by joining a LTF tour. Many of them should well know that the LTF tour may not be as enjoyable as a regular tour, but as they expect that they can pay less overall by joining a LTF tour, they would not be bothered too much by the mediocre service. Bearing in mind that China is so big, it is not expected that all Chinese leisure tourists will change their mind-set overnight. It will take quite some time before the majority of the Chinese tourists demand for better service. So, from the perspective of the Chinese leisure tourists, there will be demand for LTF tours for quite some time.

For the tourism industry of NZ, the LTF tour is a *cancer-causing poison*. The NZ experience of the Chinese LTF tourist is somewhat affected by the mediocre service provided by the ITOs, which is a result of the inadequate funding of ITOs in the LTF operating structure. This mediocre service threatens the sustainable growth of Chinese tourist numbers to NZ. Therefore, TNZ has been trying hard to suppress the LTF practice by introducing a code of conduct for the ITOs that requires them to provide a minimum level of service and to restrain organized shopping activities. However, the code’s effectiveness in minimizing the harm done by LTF tours has not been obvious.

The fact that the souvenir consortia have taken up the role of dealing directly with the COTAs demonstrates that the LTF mode of operation has not subsided to any degree. Therefore, TNZ has proposed in the current code review to promote freer shopping and to require that the money paid by the travel sellers to the ITOs should exceed the ground

component costs. The latter proposal on funding, if faithfully implemented, will deliver a blow to the LTF practice. However, would the travel sellers be willing to pay the ITOs accordingly? Where does the money come from? As long as the travel sellers continue to compete on prices, the LTF practice will go on. Since overseas travel involves two countries, any action affecting the interests of either country must be considered very carefully and should only be taken after an agreement has been reached by both countries. If there is no agreement, then the efforts will very likely become futile. On the other hand, the Premier Kiwi Programme being pursued by TNZ, in partnership with Tourism Australia, to promote and sell tour group packages through trusted travel sellers in China is going in the right direction. If successful, Chinese leisure tourists will be given another choice of how they can travel.

## 6.5 SUMMARY

One man's panacea can be another man's poison. Table 11 shows what the LTF phenomenon means for different parties by using the drug metaphor.

Table 11: The LTF phenomenon: matching the drug metaphor to the different parties involved in the China–New Zealand tourism industry

For ...	The LTF phenomenon is a ...
COTAs	Panacea
ITOs	Panacea => defunct panacea => palliative
Chinese travellers	Chocolate candy disguised as a panacea

To sum up, of the four parties involved in the China–NZ tourism market, both the COTAs and the Chinese leisure tourists want to see the LTF practice continue. The other two parties, however, do not favour the practice: the ITOs are struggling to survive under the LTF mode of operation, and TNZ is concerned that the LTF practice will affect the experience of the Chinese tourists and thus harm the growth of Chinese traveller numbers to NZ. However, it is noted that the number of Chinese travellers to NZ is still increasing for the time being; therefore, the issue is not imminent for TNZ. As for the ITOs, they are the ones who most want to see a change from this, for them, unsatisfactory situation, but they cannot do much to make a change.

The analysis of the question whether the LTF mode of operation is sustainable in the China–NZ market is based on the belief that every party must derive some benefit from the operation if the practice is to continue. As the preceding paragraph has summarized, only two of the four parties gain substantial benefits at the present time. Therefore, the current LTF mode of operation should not be sustainable. However, since one of the two parties who wish to retain the status quo—the tourists—hold the deciding vote, it is unlikely that any major change will take place soon unless there is a change in the external factors to force a change. First, if the restrictions imposed by the ADS system are relaxed so that the Chinese leisure tourists need not go to the ADS approved travel agencies to take a tour overseas, then the COTAs will lose their superior bargaining position in dealing with the ITOs; this would have the effect of weakening the COTAs' power which currently forces the LTF practice. Secondly, if there is a reduction in the import tax in China, the price of the foreign goods in China will come down and the tourists will have a better knowledge of the price of the goods they encounter when touring overseas. However, just like tourists' demanding better service, neither of these changes is expected to materialize in the near future. Thus, the LTF practice is expected to go on for quite some time.

# **CHAPTER 7 CONCLUSION**

## **7.1 INTRODUCTION**

The literature review has revealed gaps in the literature's coverage of Chinese package tours and of the Chinese tourism market and destinations. It shows more study needs to be undertaken to fully understand China's outbound tourism industry with its unique operating mode of ADS package tours, and tourists' level of satisfaction with these LTF tours. This thesis researched the LTF phenomenon in several ways. It asked: Why does the LTF tour structure exist and why do tour operators offer these low-cost package tours? Why do COLTs prefer to purchase LTF tours? Are the interviewed travellers satisfied with the package tour price, the shopping activities, and the optional activities and attractions? The answers to these questions were presented in Chapter Five. The aim of this study is to explore the dynamics of the phenomenon in Chinese tourism industry, with the particular focus on investigating whether the LTF tour would be a sustainable mode of operation.

This chapter then closes the study of whether the LTF phenomenon is a poison, a panacea or a palliative. This chapter reviews and discusses the main findings of why LTF tours exist and what the operating mode is in the China–NZ tourism market. It also reviews and discusses the interviewed COLTs' level of satisfaction with their LTF tours. Finally, the researcher makes several recommendations for both operators in the industry and for the COLTs. This thesis thus provides a more holistic picture, one that presents not only the perspective of operators in the Chinese tourism industry side, but also that of the travellers.

## **7.2 PROPOSITIONS OF THE RESEARCH STUDY**

The problems of LTF tours in China's outbound leisure tourism industry were identified in Chapter 1. Chapter 2 was a literature review of issues from both the demand (the travellers) and supply (the operators) sides of the LTF phenomenon. In particular, section 2.2.3 highlighted literature about distribution channels and how a channel can impact on the success of a tourism business; specifically, the researcher reviewed literature relating to the distribution channel in the China–NZ inbound tourism market. One of the most important parts of this study is the LTF operating mode, which was summarized in Figure 3. Section 2.5 described the Chinese travellers and travellers'

products, especially the concept of LTF tours. These tours have had significant negative impacts on the tourism industry, as pointed out by many authors cited in Chapter 2. The research methodology was revealed in Chapter 3, and the reasons given for why qualitative face-to-face in-depth interviews were adopted for the research study. Interesting insights into the LTF phenomenon were revealed in Chapters 4 and 5, and the researcher went on to identify the main issues that need to be addressed from both the secondary and primary research.

### **7.3 THE PROBLEMS ARISING FROM LTF TOURS**

Problems arising out of the LTF mode of operation were revealed in Chapter 1. Examples were given of what happened in the Hong Kong tourism market and the researcher discussed how the incidents impacted negatively on the public's perception of LTF tours.

### **7.4 THE REASONS BEHIND THE LTF PHENOMENON**

The current research has identified the main factors behind the evolution of the LTF phenomenon. These are: 1) the Chinese government's policy of ADS systems which have resulted in China's outbound travel agencies/tour operators becoming more dominant because the vast majority of COLTs have to travel under an ADS visa; 2) the intense competition between operators in the tourism market in China which has resulted in a 'price war' in order to attract customers; and 3) the consumption attitudes of COLTs.

#### **7.4.1 The ADS policy**

China's open-door policy allows Chinese people to take overseas travel and, therefore, has accelerated growth in the country's outbound tourism market. Because of general improvement in living standards in China, travelling overseas has become part of the lifestyle of the emerging middle class, who are now demonstrating a strong desire to travel overseas. To cope with the sharp escalation in demand, quite a number of inbound travel agencies/tour operators in host destinations—in fact, a number grossly exceeding the demand—have been set up to compete for the outbound tourism business. When the number of outbound travel agencies/tour operators grows to an extent well exceeding the demand, fierce competition cannot be avoided.

### **7.4.2 The industry**

There are two possible ways for the COTAs to improve their competitive edge: to offer better quality products and services, or change a lower price. However, under the current Chinese outbound travel distribution channels, it is difficult for COTAs to ensure the quality of their products and services because these outbound agencies do not have strong partnerships with the inbound agencies in the hosting countries. This is partly because there are multiple departure points (i.e. ADS cities in China) and multiple destinations (i.e. ADS overseas countries), making it impractical for an outbound agency and a hosting agency to form strong one-to-one ties. The lack of strong partnerships can also be partly attributed to protectionism on the part of the Chinese government, which does not allow foreign companies to operate outbound travel agencies in China. Thus, outbound travel agencies can only compete on price, not quality. This means that to survive, they have to cut the price of their package tours in order to obtain, and maintain, part of the market share. Low-priced package tours have, therefore, emerged, and the term ‘LTF’ has come into being.

The term LTF, literally meaning ‘zero-charge tour’, does not refer to the price paid by the tourists – the competition has not gone that far. Rather, it refers to the cost paid by the outbound travel agency to the inbound travel operator in the host country. However, LTF does not necessarily mean *exactly* zero charge: depending on the competition between the inbound travel operators in the host destination, the charge can range from a small amount paid by the outbound operator to the hosting operator to cover their ground costs, to a negative amount, which means that the operator in the host country has to pay the outbound travel agency/tour operator for the right to take charge of the tour group. By minimizing the amount paid to the inbound operator in the host destination, the outbound travel agency/tour operator can make a profit by charging the tourist a price not too much above the airfare. On the other hand, however, the inbound operator has to obtain commission on the purchases made by the tourists in order to cover all their costs plus some profit.

### **7.4.3 The outbound leisure travellers**

COLTs are attracted by the low price offered by the outbound travel agencies/tour operator in China. From the interviews with the COLTs, the researcher learnt that the travellers suspected that the inbound operators were collecting a commission on their purchases. Yet the travellers did not find this way of operation too objectionable,

mainly because the souvenirs they purchased in the host destination are either not available in China or sold at an even higher price due to the heavy import taxes imposed by the Chinese government. The COLTs tended to look at the bigger picture when rating their trip: provided the trip satisfied their main purpose, they did not mind that the Chinese travel agencies were making money on their purchases.

## **7.5 WILL THE LTF MODE OF OPERATION BE SUSTAINABLE?**

As mentioned in the Chapter 5, one's panacea can be another's poison. The LTF mode of operation has brought immense benefits to the COTAs—for them, the LTF is a panacea. However, for the Chinese leisure tourists, the LTF is a chocolate candy disguised as panacea. COLTs prefer to pay lower fees for their package tour in the belief that they are getting 'value for money'; they do not have the mind-set that demands a better travel experience. TNZ considers that the LTF tour structure is a cancer-causing poison in that it can affect the growth of the Chinese inbound travel market. However, taking measures to eradicate LTF tours would immediately affect the number of Chinese tourists coming to NZ, and so for TNZ, there is no urgency to eradicate LTF tours. The inbound tour operators (ITOs) are the party worst hit by the LTF structure. With only minimal, or even sub-zero, income from the COTAs, the ITOs have to rely more and more on the commission on the tourists' shopping for cost recovery and for their very modest profit. For them, the LTF operating structure is a palliative: it is just better than no business. The ITOs are the ones who want to be rescued from this LTF trap. Fortunately for the ITOs, because not all parties can derive some benefit from the LTF mode of operation, it is not sustainable long term. However, since the party holding the deciding vote—the Chinese leisure tourists—do not want to change the existing structure, it is expected that LTF tours will continue in the near and medium future. In fact, until there is a change in external factors such as a change in the Chinese government's tourism policy, a drastic reduction in Chinese import taxes, or a change in the mind-set of the Chinese leisure tourist, the LTF mode will go on for quite some time.

## **7.6 THE RESEARCH IMPLICATIONS**

The research findings have practical implications for managers. At the same time, the research provides a deep understanding of both the China–NZ tourism industry and the COLTs. The following section discusses the implications of the LTF phenomenon and the COLTs' level of satisfaction with their tours, based on the main findings of this

research. With the future development of China outbound tourism to NZ, it is important for the NZ tourism industry to: 1) understand how the LTF operating model works in the China–NZ market; 2) be aware of the huge challenges presented by this model and take measures to strengthen NZ’s position within the system; and 3) develop an in-depth understanding of what enhances COLTs’ satisfaction with their NZ tour experience.

As there has not been much study on customer satisfaction in relation to LTF package tours, no discussion of or comparison with other relevant data can be made. The literature review revealed little research specifically addresses this phenomenon, and most relevant studies focused on merely defining the LTF phenomenon and identifying its problems. This thesis thus brings new knowledge for the tourism industry on how the LTF model operates between China and NZ and how the experience of COLTs on LTF tours in NZ can potentially be improved.

This thesis makes several contributions. First, its findings will help TNZ to better understand the LTF phenomenon because it provides an in-depth description of how the LTF phenomenon applies in the NZ context. Specifically, the research explains why there are LTF tours, what factors have caused the phenomenon, and how the LTF model operates in the China–NZ tourism market. TNZ’s analysis of the research’s findings will help them to make relevant policies or rules that might encourage the Chinese tourism market in NZ to perform better by providing a better service to COLTs. At the same time, provision of a better service to travellers will generate good publicity for the destination because when the tourists return to China they will talk positively about their NZ experience; hopefully this positive ‘word of mouth advertising’ will extend NZ’s market share of China’s outbound leisure travel in the future.

Secondly, the thesis contributes to tourism knowledge by providing a better understanding of COLTs and what motivates them. The tourism industry needs to be aware of their customers’ needs and wants so they can improve and offer their customers a better service. An improved service will enhance the tourists’ overall holiday experience and hence the destination’s reputation; this will, in turn, help to attract potential travellers to the country and so extend NZ’s market share of China’s outbound leisure tourism market. Furthermore, the study offers profile characteristics of COLTs, based on the sample studies. Other useful information can be inferred from the

research findings, such as why the COLTs use travel agencies/tour operators more than personally booking their tours themselves; the reasons why COLTs choose multi-destination travel rather than choose to travel to a single destination; and how LTF tours exist in the Chinese tourism market.

Thirdly, the findings of this thesis could be useful for the COLTs. It could help them understand how an LTF tour operates, and so help them decide whether an LTF package tour is type of tour that is best suited for them and for what they want to experience from their outbound leisure travel.

## **7.7 RECOMMENDATIONS**

### **7.7.1 Recommendations for the industry**

The research found out that China's outbound travel industry is at an immature stage of development. This level of immaturity can be seen in the vehement price competition within the tourism industry and the mindless consumption habits of Chinese tourists. In particular, the Chinese delight in shopping has enabled the travel agents/tour operators to develop a package tour structure that exploits the consumer—and the LTF tour has become a trap which numerous tourists fall into. Travel agents need to look at their own motivations for developing such a structure, and so correct the way they operate their tourism business; they should not take advantage of the consumers who want to mindlessly shop. Instead, travel agents and tour operators should give direction to the consumer, helping them to choose the right products, and so remove LTF phenomenon.

### **7.7.2 Recommendations for the tourists**

Based on the statements made by the 20 COLTs interviewed for the research, the thesis concludes that Chinese tourists prefer to buy products that are either not available in China or that they perceive to be 'good quality'. The tourists' perception of quality is based on the belief held by most Chinese tourists that products from developed countries are 'good quality' or are 'better quality' than those available in their own country. In other word, these Chinese tourists are more Western-orientated. But is their 'belief' that there are not fake products in Western countries and that products produced in overseas destinations must be better than those produced in China actually true? Although the current research did not attempt to assess the quality of the products the interviewed travellers had bought in NZ, the researcher did uncover stories of tourists

who had found quality problems with the products they had bought from Chinese shops in NZ and who had been refunded their purchases after they had returned to China. Furthermore, there were times that the interviewed tourists had felt that they had to buy products because of peer pressure arising from the Chinese concept of ‘mianzi’ (face), i.e. the tourists felt awkward in front of the tour group members if they do not buy anything. Chinese tourists need to be aware of their consumption behaviours and the pressures they might face to consume. Maybe traditional consumption concepts need to be changed so that consumers can “act according to actual circumstances”.

### **7.7.3 Recommendations for future research**

The research attempts to fill in the gaps exposed by the literature review by exploring the dynamics of the outbound tourism market in China. In particular, the research focuses on exploring the LTF tour model that operates in the China–NZ outbound leisure tourism market, and whether LTF tours to NZ provide suitable services that match the Chinese tourists’ needs and wants. The research concludes by suggesting several areas for future research.

The current study had a number of limitations. First, there were limitations in the data collection: the data was collected mostly from older people aged between 56 and 65 years old, and only a few interviewees were in the younger age bracket of 26–35 years old. Thus, the interview results mainly reflect the views of the senior sector, which could skew the findings to more conservative viewpoints. It is recommended, therefore, that further research could be done with people aged between 40 and 50 years old, an age demographic that might give a balance between older and younger viewpoints.

Secondly, most of the interviewees come from north China. The viewpoints of the tourists from other place may differ from those who from other parts of China. Therefore, it is recommended that further research might include people who come from different areas of China.

Thirdly, due to the time constraints, the researcher was only able to interview COTAs in Beijing, China, ITOs in NZ and those COLTs who had joined a LTF tour to NZ. Future research might highlight the viewpoints of government agencies from both countries, such as the CNTA and TNZ. The topic could be well explored by considering the viewpoints of the remaining two parties that have stakes in the China–NZ tourism industry.

Finally, the purpose of this research was only to identify the gaps in current knowledge about LTF tours between China and NZ, and whether Chinese outbound tourists are satisfied with the current LTF structure. Because the research did not intend to measure the gaps or levels of satisfaction, the methodology chosen was qualitative rather than quantitative. To extend the use of these results into wider areas, it is recommended that both qualitative and quantitative methods of data collection be used the future research.

#### **7.7.4 Recommendations for TNZ**

The adoption of a tighter code of conduct to improve the operation of the ITOs can only have a limited effect on the LTF mode of operation in NZ. Moreover, any changes will take some time because proposed amendments to the code will require lengthy consultation and negotiation with the industry stakeholders. Nevertheless, enforcing a more rigid code could perhaps be the only way TNZ can improve the inbound tourism market from China. However, the ITOs have very limited bargaining power with the other key players in the China–NZ market—the ITOs are in a reactive position, and they do not really benefit from the LTF mode of operation—and so there is no real point in TNZ exerting undue pressure on the ITOs. On the other hand, establishing the Premier Kiwi Programme to promote and sell tour group packages through trusted travel sellers in China, packages which are of high quality and which do not include any organized shopping activities, is a good move. If successful, Chinese leisure tourists will be able to choose a tour that is not following the LTF mode of operation. However, development of this alternate structure will not be easy because the COTAs have tremendous vested interest in maintaining the current LTF structures. To be successful in establishing an alternative type of package tour, the assistance of the Chinese government is essential.

### **7.8 FINAL COMMENTS**

The study explored the current operating model of LTF tours in the China–NZ tourism market and examined the behaviour and satisfaction levels of Chinese outbound tourists on LTF tours to NZ. The problems of the LTF phenomenon were identified in order to understand the Chinese tourism market. More specifically, this study highlighted the rationale of Chinese outbound tourists in choosing LTF tours, and travellers' satisfaction with LTF tours was explored through interviews with Chinese tourists on LTF tours in NZ. In particular, the tourists were asked about their purchasing of local products and participation in the optional attractions and activities.

This study contributes to a broader and deeper understanding of the Chinese outbound tourism industry, as well as the travel behaviour of Chinese outbound leisure tourists. The research seeks to fill the identified the research gaps by exploring the experiences of Chinese outbound tourists on LTF tours to NZ.

By analysing the factors that caused the LTF phenomenon and the behaviours of Chinese tourists, this research will help tourism practitioners to better understand the rationale of Chinese outbound leisure tourists. Furthermore, this research will also be useful for government tourism organizations such as TNZ. It can help them to recognize the current problems, thus enabling them to take appropriate measures to improve the performance of tourism players. Provision of a quality travel experience for Chinese outbound tourists in NZ will, in turn, help the country to improve its market position in China's outbound leisure tourism industry. With the efforts of all parties concerned, it is hoped that China inbound tours to NZ will keep on growing and the Chinese visitors tour experience in NZ will continue to improve,

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# APPENDICES

## **APPENDIX A: Indicative interview questions for tourism industry representatives (English)**

These questions will be asked to tourism practitioners (staff and manager)

Outbound Operators in China

1. What is the characteristic of China's outbound market?

---

2. What is the package tour in the Chinese tourism industry?

---

3. Do you operate ADS package tour and what is your role in the operating model?

---

4. Why the low-cost tour is widespread in Chinese tourism industry?

---

5. How the package tours distribute and operate?

---

6. Why low-cost tours can survive for such long time?

---

The inbound operators in New Zealand

1. Do you operate ADS tour and what is your role in the operating model?

---

2. Why the Chinese market is very fierce in competition of gaining market share?

---

3. What is your point of view with regard to Ling Fei tour (zero-charge tour)?

---

4. What is your viewpoint about Chinese traveller's shopping?

---

5. Do you think Chinese travellers would like to come to New Zealand as a single destination?

---

Retail Assistant

1. What is the role of souvenir shop?

---

2. What products do your shop mainly sell?

---

## **APPENDIX B: Indicative questions**

### **for Chinese outbound leisure tourists (English)**

#### Indicative Interview Questions

##### Theme One: Demographic Background

###### Prompt information:

Gender

Age

Occupation

Income level

Education level

##### Theme Two: Overall Travel Experience of Participants.

###### Prompt information:

How much travel experience do you have: Domestic and international?

What are the major motivation factors for your travel?

Who did you travel with this time?

What was the purpose of your travel?

Are you satisfied with the trip?

Overall, do you consider the package has provided you the value for money and would you recommend the tour package or the travel agent to your friends?

##### Theme Three: Travel to New Zealand

###### Prompt information:

What was your prior knowledge about New Zealand before the trip?

Please tell me about your trip to New Zealand.

Which part of your trip in New Zealand interests you most?

Why did you choose New Zealand as your travel destination?

Did the tour package cover Australia as well?

##### Theme Four: The Ling-tuan-fei Tour

###### Prompt information:

Do you know what a “Ling-tuan-fei” (zero-charge) tour is?

Do you consider the tour you have joined a so-called “Ling-Tuan-Fei” tour?

How much did you spend on your tour package and what was included in the package?

Are there any optional items in the tour package?

Do you expect that the optional items should have been included in the package or do you consider that they should be optional items considering the cost of the tour package?

Is shopping arranged in the tour itinerary?

Theme five: Find out how satisfied the interviewee is with the tour package.

Prompt information:

Do you feel being coerced by the local guide or escort to go shopping?

Did you expect to go to the types of shops you were led to? Did you expect to buy those products?

Do you consider the products reasonably priced taking into account that the tour guide/company may be receiving some benefits from the shops to cover part of the tour costs?

What kind of products did you buy during your trip and why did you want to buy these products?

Do you think you will join such type of tour package again to visit New Zealand or other destinations?

Are you satisfied with the service provided by the tour operator? If not, which part of the service do you find unsatisfactory, for example, food, accommodation, transportation or the way you were coerced to shop.

Do you have any other comments?

## **APPENDIX C: Participant Information Sheet**

**given to tourism industry representatives (English)**

Participant Information Sheet



**For tourism industry**

**Date Information Sheet Produced:**

20 /12/2010

### **Project Title**

“Ling-Tuan-Fei”<sup>1</sup> Tours – Panacea or Poison?

Note: <sup>1</sup>“Ling-tuan-fei” is the pinyin for the Chinese characters “零團費” meaning literally “zero tour charge” or “no charge tour” and “Ling-tuan-fei” tours refer to tours which charge very low costs grossly adequate to meet the costs of the tours.

### **An Invitation**

Dear Sir/Madam, I am Ping Yu (Elaine) and I am studying for a Master’s in Tourism Studies at the Auckland University of Technology. I am researching aspects of the so-called “Ling-tuan-fei” tour. I would like to invite you to give me some feedback on the level of satisfaction you have experienced with your tour. I assure you that information collected will be kept confidential and will only be used for the purpose of my study.

### **What is the purpose of this research?**

The research topic “Ling-tuan-fei” tours is part of my Master’s Degree project and the research results will be published in my Master Degree thesis. The aim of this thesis is to explore how “Ling-tuan-fei” tours affect tourists’ experience.

### **How was I identified and why am I being invited to participate in this research?**

I would like to invite people who have travelled to New Zealand recently and have been responsible for making the choice of their tour package as well as paying for the tour. You were identified through personal contacts in the travel industry and your experience of a “Ling-tuan-fei” tour to New Zealand is reason I would like you to participate.

### **What will happen in this research?**

You will be asked to attend a meeting where your opinions will be recorded with the aid of a tape-recorder if it is permitted. Otherwise only notes will be taken. The interview will take the form of an interactive conversation.

### **What are the discomforts and risks?**

The interview will be a friendly conversation. You should not experience any discomfort and should not be exposed to any risks.

### **How will these discomforts and risks be alleviated?**

The conversation should not cause any discomforts or risks. In case you feel in any way discomforted, you may withdraw from the research at any time without being disadvantaged in any way.

### **What are the benefits?**

The aim of this project is to gather information on the level of satisfaction of the visitors having joined a “Ling-tuan-fei” tour for the publication of my Master Degree thesis. I hope the thesis can provide some useful hints to the potential Chinese outbound tourists in their choice of tour packages that best suit their needs and provide some useful feedback to the tourism industry for reference in providing a better service to the tourists.

### **How will my privacy be protected?**

The information collected will be solely used for my study purpose and the source of the information will not be disclosed to anybody. You will not be identified in the final report.

### **What are the costs of participating in this research?**

The cost to you is your time. The interview will take about 30–40 minutes of your precious time and if you agree there will be no other costs.

### **What opportunity do I have to consider this invitation?**

You do not have to decide immediately. If you wish, you can take a few days to consider the idea.

### **How do I agree to participate in this research?**

You agree by signing a consent form which will be available at the interview.

### **Will I receive feedback on the results of this research?**

Yes, if you wish. Please provide me your contact information such as your email address, so that I can send you a copy of the executive summary of the research report.

### **What do I do if I have concerns about this research?**

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisors;

Dr Hamish Bremner

64-9-921-9999 (5898)      64-9-921-9962 (f)

Email: hamish.bremner@aut.ac.nz

Dr Charles S. Johnston

64-9-921-9999 x 5120      64-9-921-9962 (f)

charles.johnston@aut.ac.nz

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda, *madeline.banda@aut.ac.nz*, 921 9999 ext 8044.

### **Whom do I contact for further information about this research?**

Project supervisor, please details below:

Researcher Contact Details:

Ping Yu (Elaine) ID: 0427438

Student of Master in Tourism Studies

Faculty of Culture & Society  
Auckland University of Technology  
elaine\_pingyu@hotmail.com

### **Project Supervisor Contact Details**

#### **Dr Hamish Bremner**

Senior Lecturer and Postgraduate programme Leader (Tourism)  
School of Hospitality and Tourism. Faculty of Culture and Society and  
Associate Director NZ Tourism Research Institute. [www. tri.org.nz](http://www.tri.org.nz)  
Auckland University of Technology  
email: hamish.bremner@aut.ac.nz  
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#### **Dr Charles S. Johnston**

Senior Lecturer, School of Hospitality and Tourism  
Faculty of Culture and Society  
Auckland University of Technology  
email: charles.johnston@aut.ac.nz  
phone: 64 9 921 9999 (5120)

Approved by the Auckland University of Technology Ethics Committee on *type the date final ethics approval was granted*, AUTEK Reference number *type the reference number*.

## **APPENDIX D: Participant Information Sheet**

**given to Chinese outbound leisure tourists (English)**

Participant Information Sheet



**For Chinese tourists**

**Date Information Sheet Produced:**

20/2/2010

### **Project Title**

“Ling-Tuan-Fei”<sup>1</sup> Tours – Poison, Panacea or Palliative?

Note: <sup>1</sup>“Ling-tuan-fei” is the pinyin for the Chinese characters “零團費” meaning literally “zero tour charge” or “no charge tour” and “Ling-tuan-fei” tours refer to tours which charge very low costs grossly adequate to meet the costs of the tours.

### **An Invitation**

Dear Sir/Madam, I am Ping Yu (Elaine) and I am studying for a Masters in Tourism Studies at the Auckland University of Technology. I am researching aspects of the so-called “Ling-tuan-fei” tour. I would like to invite you to give me some feedback on the level of satisfaction you have experienced with your tour. I assure you that information collected will be kept confidential and will only be used for the purpose of my study.

### **What is the purpose of this research?**

The research topic “Ling-tuan-fei” tours is part of my Master’s Degree project and the research results will be published in my Master Degree thesis. The aim of this thesis is to explore how “Ling-tuan-fei” tours affect tourists’ experience.

### **How was I identified and why am I being invited to participate in this research?**

I would like to invite people who have travelled to New Zealand recently and have been responsible for making the choice of their tour package as well as paying for the tour. You were identified through personal contacts in the travel industry and your experience of a “Ling-tuan-fei” tour to New Zealand is reason I would like you to participate.

### **What will happen in this research?**

You will be asked to attend a meeting where your opinions will be recorded with the aid of a tape-recorder if it is permitted. Otherwise only notes will be taken. The interview will take the form of an interactive conversation.

### **What are the discomforts and risks?**

The interview will be a friendly conversation. You should not experience any discomfort and should not be exposed to any risks.

### **How will these discomforts and risks be alleviated?**

The conversation should not cause any discomforts or risks. In case you feel in any way discomforted, you may withdraw from the research at any time without being disadvantaged in any way.

### **What are the benefits?**

The aim of this project is to gather information on the level of satisfaction of the visitors having joined a “Ling-tuan-fei” tour for the publication of my Master Degree thesis. I hope the thesis can provide some useful hints to the potential Chinese outbound tourists in their choice of tour packages that best suit their needs and provide some useful feedback to the tourism industry for reference in providing a better service to the tourists.

### **How will my privacy be protected?**

The information collected will be solely used for my study purpose and the source of the information will not be disclosed to anybody. You will not be identified in the final report.

### **What are the costs of participating in this research?**

The cost to you is your time. The interview will take about 30-40 minutes of your precious time and if you agree there will be no other costs.

### **What opportunity do I have to consider this invitation?**

You do not have to decide immediately. If you wish, you can take a few days to consider the idea.

### **How do I agree to participate in this research?**

You agree by signing a consent form which will be available at the interview.

### **Will I receive feedback on the results of this research?**

Yes, if you wish. Please provide me your contact information such as your email address, so that I can send you a copy of the executive summary of the research report.

### **What do I do if I have concerns about this research?**

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Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Madeline Banda, *madeline.banda@aut.ac.nz*, 921 9999 ext 8044.

### **Who do I contact for further information about this research?**

Project supervisor, please details below:

Researcher Contact Details:

Ping Yu (Elaine) ID: 0427438

Student of Master in Tourism Studies

Faculty of Culture & Society  
Auckland University of Technology  
elaine\_pingyu@hotmail.com

### **Project Supervisor Contact Details**

#### **Dr Hamish Bremner**

Senior Lecturer and Postgraduate programme Leader (Tourism)  
School of Hospitality and Tourism. Faculty of Culture and Society and  
Associate Director NZ Tourism Research Institute. [www. tri.org.nz](http://www.tri.org.nz)  
Auckland University of Technology  
email: [hamish.bremner@aut.ac.nz](mailto:hamish.bremner@aut.ac.nz)  
phone: 64 9 921 9999 (5898)

#### **Dr Charles S. Johnston**

Senior Lecturer , School of Hospitality and Tourism  
Faculty of Culture and Society  
Auckland University of Technology  
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phone: 64 9 921 9999 (5120)

Approved by the Auckland University of Technology Ethics Committee on *type the date final ethics approval was granted*, AUTEK Reference number *type the reference number*.

## APPENDIX E: Consent Form

### given to tourism industry representatives (English)

#### Consent Form

For use when interviews are involved.



For Tourism Industry

Project title:

The Ling-tuan-fei tour to New Zealand: poison, panacea or palliative?

Project Supervisor:

Dr Charles Johnston

Hamish Bremner

Researcher: Ping Yu (Elaine)

- I have read and understood the information provided about this research project in the Information Sheet dated dd mmmm yyyy.
- I have had an opportunity to ask questions and to have them answered.
- I understand that notes will be taken during the interviews.
- I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- If I withdraw, I understand that all relevant information including transcripts, or parts thereof, will be destroyed.
- I agree to take part in this research.  I wish to receive a copy of the report from the research (please tick one): Yes  No

Participant's  
signature:.....  
Participant's  
name:.....  
Participant's Contact Details (if appropriate):.....  
Date:.....

Approved by the Auckland University of Technology Ethics Committee on 28<sup>th</sup> Oct  
2010 AUTEK Reference number 10/243 Note: The Participant should retain a copy of  
this form

## APPENDIX F: Consent Form

given to Chinese outbound leisure tourists (English)

### Consent Form

For use when interviews are involved.



For the outbound leisure tourists

Project title:

The Ling-tuan-fei tour to New Zealand: poison, panacea or palliative?

Project Supervisor:

Dr Charles Johnston

Hamish Bremner

Researcher: Ping Yu (Elaine)

- I have read and understood the information provided about this research project in the Information Sheet dated dd mmmm yyyy.
- I have had an opportunity to ask questions and to have them answered.
- I understand that notes will be taken during the interviews.
- I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- If I withdraw, I understand that all relevant information including transcripts, or parts thereof, will be destroyed.
- I agree to take part in this research.  I wish to receive a copy of the report from the research (please tick one): Yes  No

Participant's signature: .....

Participant's name: .....

Participant's Contact Details (if appropriate):.....

Date:.....

Approved by the Auckland University of Technology Ethics Committee on 28<sup>th</sup> Oct  
2010 AUTEK Reference number 10/243 Note: The Participant should retain a copy of  
this form

**APPENDIX G: Indicative interview questions  
for tourism industry representatives (Chinese)**

采访问题

接受采访者:旅游业者

1. 中国出境旅游市场的特点

---

2. 中国旅游团的表现形式

---

3. 贵公司有相关的ADS团的业务吗，和你们的职责是什?

---

4. 为什么中国旅游市场的价格都很底?

---

5. 底价团的分配渠道和操作模式怎样的?

---

6. 为什么零团费可以持续到现在?

---

新西兰的中国地接社

1. 贵公司有做ADS 旅游团的业务吗，和你们的职责?

---

2. 为什么中国的市场有这样大的竞争?

---

3. 能说说您是怎样看待在零团费这个问题的？

---

4. 请问您是怎样看待购物团的？

---

5. 您认为中国人会喜欢新西兰一地游吗？

---

礼品店员

1. 你的职责有哪些？ \_\_\_\_\_

2. 贵点有买哪些土特产品？

---

## **APPENDIX H: Indicative questions for Chinese outbound leisure tourists (Chinese)**

采访问题

接受采访者:游客

题目1: 被调研者的信息

性别:

年龄:

职业:

收入:

学历

题目2: 旅游者的之前的旅游经验.

1. 您有多少旅游的经历,包括国内和国外?
2. 您旅游的主要动机是来自哪些方面呢?
3. 您这次是和谁一起出来的?
4. 您旅游的目的是什麼?
5. 您对这次旅游感到满意吗?
6. 总的来说您认为您的这次旅游是物有所值吗?

题目 3: 旅游新西兰

1. 你来新西兰之前对新西兰了解多少?
2. 能说说关于您这次来新西兰的旅程吗?
3. 在你这次的旅行中哪部分是最让您感兴趣的?
4. 为什麼您选择来新西兰旅游呢?
5. 请问您这次行程里包括澳大利亚吗?
6. 如果没有签证问题的话, 您会选择哪里作为你首要的目的地去旅游呢?

#### 题目4: 零团费

1. 您知道什么是“零团费”吗?
2. 您认为您这次所参加的团算是“零团费”团吗?
3. 能问一下您这次花了多少钱来参加这个团?
4. 行程中有自选项目吗? 也就是说行程里没包括的。比如某些活动或是某些地方。
5. 您认为这些自选项目是应该已包含到团费内呢? 当然也要考虑到团费本身的多少
6. 您这次的行程里有没有包括购物?

#### 题目5: 挖掘对采访这零团费的满意程度.

1. 您感觉您有被强迫去购物呢还是您本身就想去购物呢?
2. 您希望去导游带您去的商店和买那些产品吗?
3. 您认为您所消费的产品是否物有所值呢? 无论销售产品利润的一部份或已给予导游和旅行社来填补部份旅游成本。
4. 您这次的旅行中买了什麼产品呢? 为什麼会这些产品呢
5. 您认为您还会再次参加类似的旅行团来新西兰或者是其他国家吗?
6. 您对您的这次旅行的服务感满意吗? 如果不满意, 那麼哪部份让您不满意呢?
7. 您还有其它别的意见和建议吗?

谢谢您也非常感激您肯给我这次机会来做这次访问。我希望不久的将来再次能在新西兰见到您。

## **APPENDIX I: Participant Information Sheet**

### **given to tourism industry representatives (Chinese)**

接受采访者:旅游业者

参与者信息表 须知

信息表拟定日期:

项目名称:

**“零团费”旅行团: 毒药, 万能药, 还是?**

#### **邀请**

尊敬的先生/女士, 我是于萍, 是奥克兰理工大学学生, 正在进修研究和开展旅游的硕士课程, 就“零团费”旅行团是灵丹妙药还是毒药为课题作研究。我想请您就这次旅游经验给我提供一些反馈意见。可否占用您几分钟的宝贵时间吗? 您可以随时停止这次访问。这是我的学生证和大学的研究授权书。我向您保证所收集资料将会保密, 并只会用在我的研究作为参考。

#### **本次研究的目的是什么?**

研究课题“零团费”旅行团-灵丹妙药还是毒药”是我的硕士课程项目。研究成果将会发表在我的硕士论文。

#### **为什么我会被邀请参加这研究?**

我想邀请曾参加过“零团费”旅游的旅客给我一些关于这次旅游的满意度程度的意见和建议。

#### **这项研究是怎样进行的?**

此次访问将采取互动对话的形式。

#### **这次访问会引起不适或风险吗?**

这次访问将是一个友好的交谈。您应该不会遇到任何不适或风险。

#### **如何将这些不适和风险减轻?**

如果您觉得任何不适, 您可以随时停止这次访问。

#### **有什么好处?**

这个项目的目的是为了搜集有关零团费旅客对于旅行团的满意程度。我希望本次研究能为一些准备出国的旅游者提供一些有关选择旅游团的提示。也可以为旅游业界者提供更好服务的参考资料。

#### **如果这次研究会导致任何损害的话, 会有赔偿吗?**

这次研究将不会涉及到健康的研究或者是其它会造成损害的范畴。

#### **如何让我的隐私得到保护?**

所有资料的来源是不会向外发表的, 而所有资料将只会不记名地用在我的研究上。所有的资料将会被妥善保管, 并会在6年后被销毁。

#### **参与这项研究要付出什么?**

如果您允许的话, 只需要您30-40分钟的宝贵时间。

**我要怎样才能接受您的邀请呢？**

您不需要立刻答复,如果您不介意,您可以考虑几天然后在回复,谢谢!。

**我要怎么样做来同意参与这项研究呢？**

只需要在这张同意书签署—如果您同意的话。

**我能否收到有关这项研究结果的反馈吗？**

可以,如果你需要的话。请向我提供您的联络资料,譬如您的电邮地址,以便我可以给您一个研究报告摘要的副本。

**如果我对这项研究有任何疑问我该怎么做？**

如果您有任何疑问或者是关于这项研究的问题,您可以联系我的导师:

**Hamish Bremner 博士**

旅游专业高级讲师, 旅游研究协会副主任 [www.tri.org.nz](http://www.tri.org.nz)。

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电话: 64 9 921 9999 (5898)

**Charles S. Johnston 博士**

旅游和酒店管理专业的高级讲师

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奥克兰理工大学

邮箱地址: [charles.johnston@aut.ac.nz](mailto:charles.johnston@aut.ac.nz)

若有对这项研究行为的关注,应通知奥克兰理工大学伦理委员会执行秘书,奥特克,马德琳班, [madeline.banda@aut.ac.nz](mailto:madeline.banda@aut.ac.nz), 921 9999转8044。

如果我要知道这项研究的进一步信息,我要联络谁呢?

研究员联系方式:

名字: 于萍 学号: 0427438

旅游学硕士生

文化和社会学院

奥克兰理工大学

邮箱地址: [elaine\\_pingyu@hotmail.com](mailto:elaine_pingyu@hotmail.com)

导师的联系方式：

**Hamish Bremner 博士**

电话：64-9-921-9999 转(5898)

邮箱地址：hamish.bremner@aut.ac.nz

**查尔斯. 约翰斯顿 博士**

电话：64-9-921-9999 转5120 传真： 64-9-921-9962 (f)

邮箱地址：charles.johnston@aut.ac.nz

## **APPENDIX J: Participant Information Sheet**

### **given to Chinese outbound leisure tourists (Chinese)**

接受采访者:游客

参与者信息表 须知

信息表拟定日期:

项目名称:

**“零团费”旅行团：万能药,毒药还是？**

#### **邀请**

尊敬的先生/女士，我是于萍，是奥克兰理工大学学生，正在进修研究和开展旅游的硕士课程，就“零团费”旅行团是灵丹妙药还是毒药为课题作研究。我想请您就这次旅游经验给我提供一些反馈意见。可否占用您几分钟的宝贵时间吗？您可以随时停止这次访问。这是我的学生证和大学的研究授权书。我向您保证所收集资料将会保密，并只会用在我的研究作为参考。

#### **本次研究的目的是什么？**

研究课题“零团费”旅行团 - 灵丹妙药还是毒药”是我的硕士课程项目。研究成果将会发表在我的硕士论文。

#### **为什么我会被邀请参加这研究？**

我想邀请曾参加过“零团费”旅游的旅客给我一些关于这次旅游的满意度程度的意见和建议。

#### **这项研究是怎么样进行的？**

此次访问将采取互动对话的形式。

#### **这次访问会引起不适或风险吗？**

这次访问将是一个友好的交谈。您应该不会遇到任何不适或风险。

#### **如何将这些不适和风险减轻？**

如果您觉得任何不适，您可以随时停止这次访问。

#### **有什么好处？**

这个项目的目的是为了搜集有关零团费旅客对于旅行团的满意程度。我希望本次研究能为一些准备出国的旅游者提供一些有关选择旅游团的提示。也可以为旅游界业者提供更好服务的参考资料。

#### **如果这次研究会导致任何损害的话，会有赔偿吗？**

这次研究将不会涉及到健康的研究或者是其它会造成损害的范畴。

#### **如何让我的隐私得到保护？**

所有资料的来源是不会向外发表的，而所有资料将只会不记名地用在我的研究上。所有的资料将会被妥善保管，并会在6年后被销毁。

#### **参与这项研究要付出什么？**

如果您允许的话，只需要您30-40分钟的宝贵时间。

#### **我要怎么样才能接受您的邀请呢？**

您不需要立刻答复，如果您不介意，您可以考虑几天然后在回复，谢谢！。

## 我要怎么样做来同意参与这项研究呢？

只需要在这张同意书签署—如果您同意的话。

## 我能否收到有关这项研究结果的反馈吗？

可以，如果你需要的话。请向我提供您的联络资料，譬如您的电邮地址，以便我可以给您一个研究报告摘要的副本。

## 如果我对这项研究有任何疑问我该怎么做？

如果您有任何疑问或者是关于这项研究的问题，您可以联系我的导师：

### **Hamish Bremner 博士**

旅游专业高级讲师，旅游研究协会副主任 [www.tri.org.nz](http://www.tri.org.nz)。

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邮箱地址： [hamish.bremner@aut.ac.nz](mailto:hamish.bremner@aut.ac.nz)

电话： 64 9 921 9999 (5898)

### **Charles S. Johnston 博士**

旅游和酒店管理专业的高级讲师

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邮箱地址： [charles.johnston@aut.ac.nz](mailto:charles.johnston@aut.ac.nz)

若有对这项研究行为的关注，应通知奥克兰理工大学伦理委员会执行秘书，奥特克，马德琳班，[madeline.banda@aut.ac.nz](mailto:madeline.banda@aut.ac.nz)，921 9999转8044。

如果我要知道这项研究的进一步信息，我要联络谁呢？

研究员联系方式：

名字： 于萍      学号： 0427438

旅游学硕士生

文化和社会学院

奥克兰理工大学

邮箱地址： [claine\\_pingyu@hotmail.com](mailto:claine_pingyu@hotmail.com)

导师的联系方式：

### **Hamish Bremner 博士**

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邮箱地址：charles.johnston@aut.ac.nz

## APPENDIX K: Consent Form

### given to tourism industry representatives (Chinese)

采访同意书

接受采访者:旅游业者

调研题目:“零团费”:是毒药,万能药还是?

调研导师: Hamish Bremner和约翰斯顿, 查尔斯 博士

调研员: 于萍

- 我已经看过并且明白有关这个研究项目的资料-文件 发出日期.....
- 我有机会问问题并得到答案
- 我明白访问谈话将会被笔录下来
- 我明白我随时可以撤回接受访问并取回我提供的资料, 并不会为自己带来任何不变。
- 如果我撤回接受访问的话, 所有我提供并被记录下的资料将会被销毁。
- 我同意接受访问
- 我希望得到一份调研报告的副本 (请选择): 是  不是

受访者签名:

.....

受访者名字:

.....

受访者的联络资料: (非必要)

.....

日期:

经“奥克兰理工大学道德规范委员会”在2010年10月28日批准。批准编号: 10/243

注意: 副本交受访者

## APPENDIX L: Consent Form

### given to Chinese outbound leisure tourists (Chinese)

采访同意书

接受采访者:游客

调研题目:“零团费”:是万能药还是毒药?

调研导师: Hamish Bremner和约翰斯顿, 查尔斯 博士

调研员: 于萍

- 我已经看过并且明白有关这个研究项目的资料-文件 发出日期.....
- 我有机会问问题并得到答案
- 我明白访问谈话将会被笔录下来
- 我明白我随时可以撤回接受访问并取回我提供的资料, 并不会为自己带来任何不变。
- 如果我撤回接受访问的话, 所有我提供并被记录下的资料将会被销毁。
- 我同意接受访问
- 我希望得到一份调研报告的副本 (请选择): 是 不是

受访者签名:

.....

受访者名字:

.....

受访者的联络资料: (非必要)

.....  
.....  
.....

日期:

经“奥克兰理工大学道德规范委员会”在2010年10月28日批准。批准编号10/243

注意: 副本交受访者

## APPENDIX M: ADS destinations

Number of ADS Countries and Regions	Country/Territory	Starting Date	Scope
1	Hong Kong	1983	1983 Guangdong; 1984 Beijing, Shanghai
2	Macau	1983	Fujian, Zhejiang, Jiangsu; 1996 26 provinces; 1998 all provinces except Xizang (Tibet)
3	Thailand	1988	All
4	Singapore	1990	All
5	Malaysia	1990	All
6	Philippines	1992	All
7	South Korea	1998	1998 Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Shandong, Anhui, Shanxi, Jiangsu; 2000 all provinces
8	Australia	1999	1999 Beijing, Shanghai, Guangzhou; July 2004 Tianjin, Hebei, Shandong, Jiangsu, Zhejiang, Chongqing; 1 <sup>st</sup> Aug.2006 Full

9	New Zealand	1999	1999 Beijing, Shanghai and Guangzhou; July 2004 Tianjin, Hebei, Shandong, Jiangsu, Zhejiang, Chongqing
10	Japan	2000	2000 Beijing, Shanghai and Guangdong; 2004 Liaoning, Tianjin, Shandong, Jiangsu, Zhejiang
11	Brunei	2000	All
12	Cambodia	2000	All
13	Myanmar	2000	All
14	Vietnam	2000	All
15	Egypt	2002	All
16	Indonesia	2002	All
17	Malta	2002	All
18	Nepal	2002	All
19	Turkey	2002	All
20	Cuba	2003	All
21	Croatia	2003	All
22	Germany	2003	All
23	Hungary	2003	All
24	India	2003	All
25	Maldives	2003	All
26	Pakistan	2003	All
27	Sri Lanka	2003	All
28	South Africa	2003	All
29	Austria	Sept. 2004	All
30	Belgium	Sept. 2004	All
31	Cyprus	Sept. 2004	All

32	Czech	Sept. 2004	All
33	Denmark	Sept. 2004	All
34	Estonia	Sept. 2004	All
35	France	Sept. 2004	All
36	Finland	Sept. 2004	All
37	Greece	Sept. 2004	All
38	Holland	Sept. 2004	All
39	Iceland	Sept. 2004	All
40	Ireland	Sept. 2004	All
41	Italy	Sept. 2004	All
42	Latvia	Sept. 2004	All
43	Liechtenstein	Sept. 2004	All
44	Lithuania	Sept. 2004	All
45	Luxemburg	Sept. 2004	All
46	Norway	Sept. 2004	All
47	Poland	Sept. 2004	All
48	Portugal	Sept. 2004	All
49	Romania	Sept. 2004	All
50	Spain	Sept. 2004	All
51	Sweden	Sept. 2004	All
52	Switzerland	Sept. 2004	All
53	Slovenia	Sept. 2004	All
54	Slovak	Sept. 2004	All
55	Ethiopia	Dec. 2004	All
56	Jordan	Dec. 2004	All
57	Kenya	Dec. 2004	All
58	Mauritius	Dec. 2004	All
59	Seychelles	15-Dec-04	All
60	Tanzania	15-Dec-04	All
61	Tunisia	15-Dec-04	All
62	Zimbabwe	15-Dec-04	All
63	Zambia	15-Dec-04	All

64	Botswana	2005	Not Full
65	Lesotho	2005	Not Full
66	Mariana Islands	Apr. 2005	All
67	Fiji	May-05	All
68	Vanuatu	May-05	All
69	Mexico	15-Jul-05	All
70	Peru	15-Jul-05	All
71	Antigua and Barbuda	15-Jul-05	All
72	Barbados	15-Jul-05	All
73	Chile	Jul-05	All
74	UK	Jul-05	All
75	Jamaica	Jul-05	All
76	Laos	15-Jul-05	All
77	Russia	Aug. 2005	All
78	Brazil	Sept. 2005	All
79	Algeria	Nov. 2006	Not Full
80	Cameroon	Nov. 2006	Not Full
81	Gabon	Nov. 2006	Not Full
82	Madagascar	Oct. 2006	Not Full
83	Mozambique	Nov. 2006	Not Full
84	Nigeria	Nov. 2006	Not Full
85	Rwanda	Nov. 2006	Not Full
86	Uruguay	Aug. 2006	Not Full
87	Mongolia	01-Mar-06	All
88	Toga	01-Mar-06	All
89	Grenada	01-Mar-06	All
90	Bahamas	01-Mar-06	All
91	St. Lucia	01-Mar-06	All
92	Benin	Nov. 2006	All
93	Andorra	Jan. 2007	All
94	Argentina	Jan. 2007	All

95	Bangladesh	Jan. 2007	All
96	Venezuela	Jan. 2007	All
97	Uganda	Jan. 2007	All
98	Bulgaria	Oct. 2007	All
99	Monaco	Oct. 2007	All
100	Morocco	Oct. 2007	All
101	Oman	Oct. 2007	All
102	The Republic of Namibia	Oct. 2007	All
103	Trinidad and Tobago	2007	Not Full
104	Syria	Oct. 2007	All
105	Costa Rica	Jan. 2008	All
106	Micronesia	May-08	All
107	Samoa	Sept. 2008	Not Full
108	The United States	Jun. 2008	All
109	Taiwan	Jul-08	Beijing, Tianjin, Hebei, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi
110	Israel	Sept. 2008	All
111	French Polynesia	Dec. 2008	All
112	North Korea	2009	All
113	Serbia	Aug. 2009	All

114	The Republic of Cape Verde	Sept. 2009	All
115	Colombia	Sept. 2009	All
116	Ecuador	Sept. 2009	All
117	Guyana	Sept. 2009	All
118	Mali	Sept. 2009	All
1119	The Republic of Montenegro	Sept. 2009	All
120	Ghana	Sept. 2009	All
121	The Commonwealth of Dominica	Sept. 2009	All
122	The United Arab Emirates	Sept. 2009	All
123	The Independent State of Papua New Guinea	Sept. 2009	All
124	Canada	Dec. 2009	All
125	Lebanon	Mar. 2010	All
126	Uzbekistan	Mar. 2010	All