

Luxury Travel

How to attract Chinese and American
tourists to London's luxury hotels

THINK TANK REPORT 2016



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DISCOVER[®]
GLOBAL NETWORK

Welcome

Foreword



“London is the greatest city in the world but it’s lagging behind its European neighbours in terms of attracting Chinese tourists and it’s time to take action. Hoteliers want to capitalise on what is likely to be a much more mature market in five or ten years’ time, but we need to be proactive today. It was a pleasure to chair this Discover and BHA hosted Think Tank and discuss how the industry is shaping up to welcome the new entrants to the luxury market.”

David Morgan-Hewitt
Managing Director,
The Goring



“Discover was able to contribute to the study by sharing spending habits of travelers through a survey of our cardholders. We found that credit cards are the preferred method of payment by U.S. and Chinese tourists visiting London, and that if a merchant or hotel wants to appeal to these travelers they need to be flexible and accept a range of cards. We hope the industry finds the information helpful in marketing to these tourists.”

Kellie Glueck
Director, Product and International Marketing
Discover Financial Services

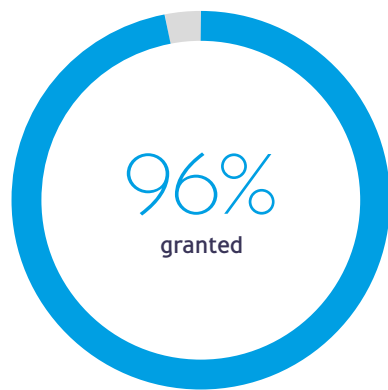
Participants

David Morgan-Hewitt The Goring
Kellie Glueck Discover Financial Services

Tabitha Aldrich-Smith British Hospitality Association
Semiha Askin Taj Hotels
Katie Benson Jumeirah Carlton Tower
Paul Brackley The Beaumont
Elizabeth Carpenter Discover Financial Services
Gordon Clark Global Blue
Tracey Clinton Belmond
Graham Copeman St James Hotel and Club
Hilary Cross Dorsett Shepherds Bush
Debrah Dhugga Dukes Hotel
Svetlana Dimakova Bicester Village
Vicki Dobin Discover Financial Services
Ciarán Fahy The Ritz
Samantha Fulton Shangri-La
Michael Gray Hyatt

Victoria Glenn The Dorchester
Rohit Gupta Café Royal
Ufi Ibrahim British Hospitality Association
Nick Jarman Harvey Nichols
Stuart Johnson Brown's Hotel
Natalie Kjellstrom Maybourne Hotel Group
Anthony Lee Café Royal
Duncan Palmer The Langham
Chris Penn Ace Hotel
Gill Puttick Global Payments
Ray Rodriguez Discover Financial Services
Gérard Sintès Mandarin Oriental
Kenny Teo Bicester Village
James Wharton Grosvenor House, A JW Marriott Hotel
Spencer Yeo The Stafford London

358,000
Chinese visitor applications



Executive summary

The UK is lagging behind its European neighbours when it comes to attracting Chinese tourists. The latest figures show that while France welcomes over 1 million visitors from China per year. The UK only receives 358,000 applications. More importantly, for London's independent luxury hoteliers, while many of these visitors do have money to spend, they are doing so on goods rather than accommodation. When it comes to hotels, they prefer to stay in three- or four-star properties they are familiar with rather than splashing out on high-end independent hotels.

In this BHA Think Tank, participants explore whether new visa rules, which make it easier for Chinese nationals to visit the UK, are set to boost visitor numbers to the country, and, if they do, what London's high-end independent hoteliers and the city as a whole need to do to attract these travellers to their properties.

Of course, the Chinese are not the only market London hoteliers are thinking about. The discussion also turns to American visitors to the UK. Despite our 'special relationship', participants ask, are we as London operators taking these visitors for granted?

Essentially, the discussion always comes back to one point: things could be very different in five or ten years' time. Luxury hoteliers and the city of London need to be proactive and start preparing for that new world today.

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Five key takeaways

A new visa application process, which means Chinese travellers can apply for a UK and a Schengen visa at the same time, is an incredibly positive development, but it won't be enough in itself to attract more Chinese travellers to London's luxury hotels.

It's essential to educate the relatively unsophisticated Chinese market about the value of luxury accommodation. Things are already moving in this direction, but it will take time, potentially at least five years.

A joined-up marketing campaign using various channels, including Chinese social media, and bringing together the city's different hospitality stakeholders – from London and Partners to high-end retailers – could be a great way to attract the luxury Chinese market.

Despite our special relationship with America, it is important that London does not take its US visitors for granted; hoteliers need to continue selling the city to the Americans too.

The time to act is now. While the Chinese market won't mature for at least five years and the Americans have not lost interest in London yet, hoteliers must be proactive today to ensure they're ready for the world of tomorrow.

About Discover Global Network

Discover Global Network is the third largest payments network in the world and the largest merchant acceptance network in Asia-Pacific. With more than 39 million merchant acceptance locations and one million ATM and cash access locations across 185 countries and territories, Discover Global Network includes Discover, Diners Club International, PULSE and affiliated networks.

About BHA

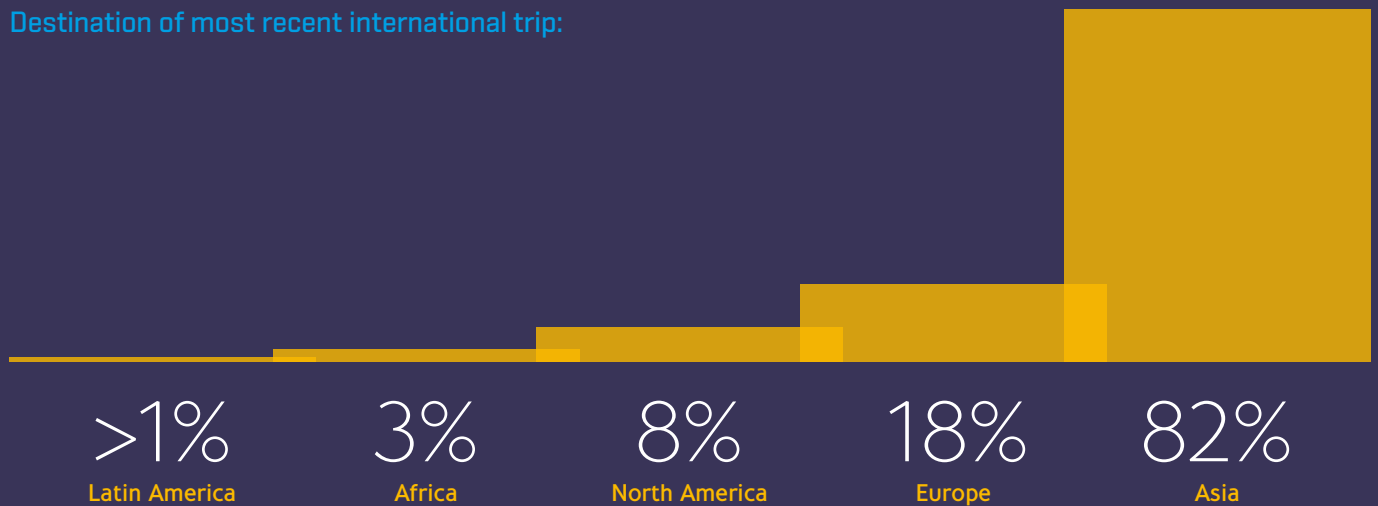
The BHA is the leading members organisation for the hospitality and tourism industry. Our role is to promote the interests of operators, brands and owners across hotels, restaurants, foodservice, serviced apartments, clubs and visitor attractions. The BHA shapes the future of hospitality and tourism as a driver for international competitiveness, economic growth and valuable careers – to ensure British hospitality and tourism is the best in the world.

About the BHA Think Tank Series

In response to member requests calling on the BHA to facilitate community driven insight, research and advice on fast changing market trends, we have partnered with top companies in our key research areas to bring together their market data with our industry expertise, through BHA member-led think tanks to steer the focus of this research.

This report from our second Think Tank event organised in association with Discover Financial Services, explores how luxury hoteliers in London can attract both Chinese and American travellers to their properties.

Destination of most recent international trip:



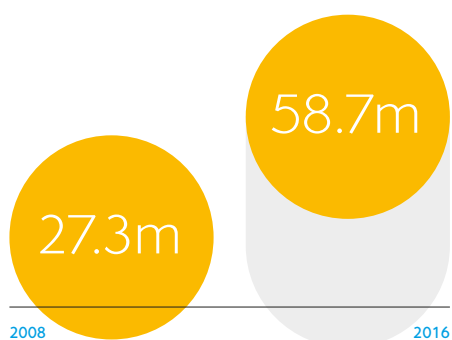
Note: Total does not add up to 100% as travellers could have visited more than one destination during their recent trip
source: Ipsos MORI, 2015

Full report

Visa improvements: an important first step

For a long time, London's hoteliers have been distressed about the fact that the UK is severely lagging behind its European neighbours when it comes to attracting Chinese tourists. For example, in 2013, the UK attracted only a sixth of the number of Chinese visitors France did. Furthermore, the visitors that do come over from China rarely opt to stay in the city's luxury independent hotels.

Over the past decade, China's domestic and international business growth has boomed, resulting in a steep increase in business and leisure trips.



Since 2008, China's international trips have increased from 27.3m to 58.7m

source: Euromonitor, 2014

A large part of the reason for fewer Chinese tourists visiting the UK than many other European countries has been that it is not part of the Schengen agreement, which gives tourists access to 26 European countries. This has meant that Chinese tourists wanting to visit both the Schengen countries and the UK, have previously had to go through two application processes (for both the Schengen visa and a specific UK visa), a cumbersome process.

Since July 1st 2015, though, as participants discussed at the BHA's second Think Tank, this is no longer necessary. After years of lobbying by the BHA, the Government has started a pilot with Belgium, which allows Chinese travellers to apply for both a UK and a Schengen visa at the same time, a huge step forward for the UK.

The new system is far from perfect though, as Chinese nationals will still have to pay twice, costing a total of £180 for each traveller. But it's an important first step hoteliers can build on as they work to get a greater share of what could be a hugely lucrative market for London.

A new visa model

The Home Office and UK Visa and Immigration have shown innovative leadership in launching a pilot scheme with Belgium to enable visitors from China to obtain a visa for both the UK and Schengen area with a single application.

Belgium currently receives few Chinese visitors in comparison to other Schengen states such as France or Germany.

However, the BHA is closely monitoring the impact of the pilot scheme as a possible model to be extended in partnership with other European countries.

Education, education, education

Nearly half choose a destination for sightseeing purposes.

(multiple responses)

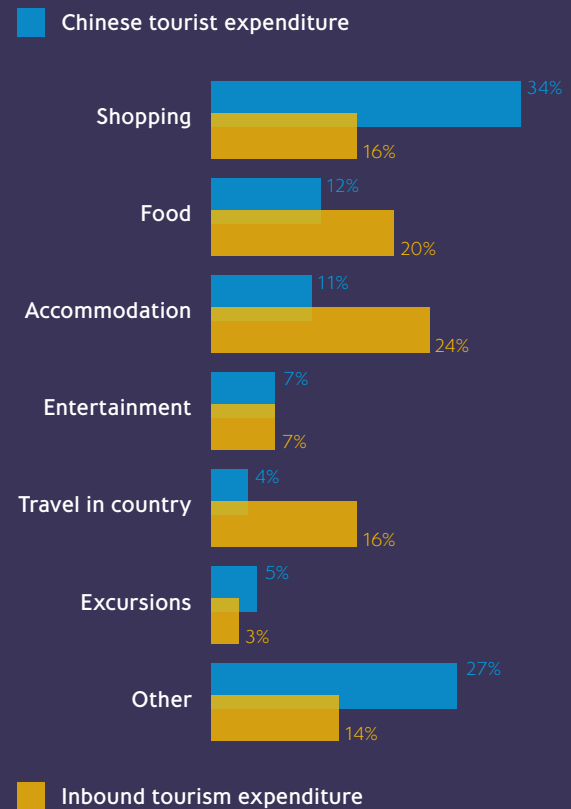


Value for money was more likely to be a reason for destination choice for Core Premium travellers than Young Professionals, 41% vs 32%; and also those travelling for leisure, 40% vs 26% for those travelling for business.

Shopping was more important to individual travellers, 42%, compared to around 1/3 of group travellers. It was also more important to female travellers than male, 39% vs 31%.

source: Ipsos MORI, 2015

On average, tourists spend 16% of their travel money on shopping, although tourists from China spend 34% of their travel money on shopping



Source: Euromonitor, 2014

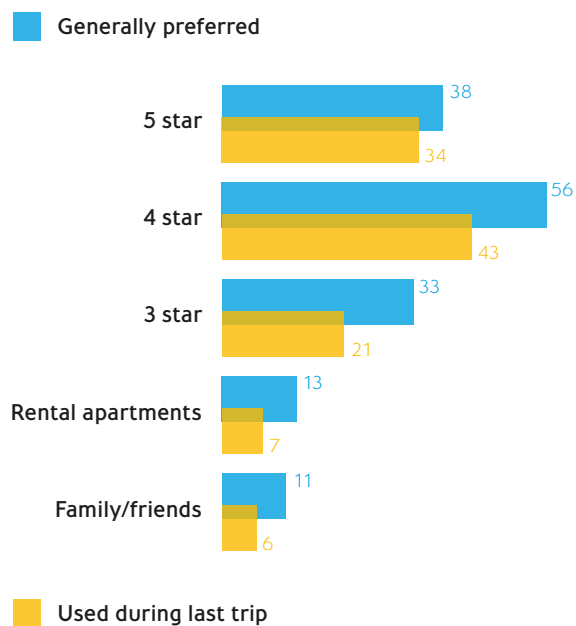
Looking forward, it will be key to educate Chinese travellers on the value of luxury accommodation, something that is not currently on their radar. Indeed, the Think Tank revealed that while Chinese travellers do like to splash their cash on luxury goods, luxury accommodation is not something they're currently prepared to pay for.

As Stuart Johnson remarked: "The first hurdle is to give greater awareness of Luxury travel. I think they are without doubt luxury hotel clients, but at the moment, luxury goods mean far more to them than luxury accommodation."

When it comes to hotels, Chinese tourists are price-sensitive, tending to go for four- over five-star properties, which are often all-inclusive. They are also looking for hotels with a strong focus on technology, and not really placing much onus on intangible luxuries.

"It doesn't matter how many familiarisation visits you do, how many times you bring the agents down, the Chinese are very, very price sensitive and very tech-savvy when it comes to hotels - they want the latest docking stations and the smart TV's, not necessarily service, quality and delivery, which is what I see luxury as," said Debrah Dhugga.

Travellers did not always stay in their preferred rating accommodation on their last trip (multiple responses)



Young professionals mostly prefer to stay in 4 star hotels

Senior management mostly prefer to stay in 5 or 4 star hotels

source: Ipsos MORI, 2015

Shangri-La Hotel, At The Shard, London

London has always been in the global spotlight and continues to welcome visitors and investors from all over the world. Key markets such as China have supported the city's substantial growth in all businesses, particularly in the luxury sector. Despite complicated visa process, the deluxe hotel market in London has seen a steady rise in Chinese visitors and future growth is projected year on year.

Many of the London's high end retail outlets have recognised the significance of the Chinese High Net Worth visitors and have invested in specialised training and systems. The luxury hotel industry has also introduced bespoke services to meet the needs of that segment.

At Shangri-La Hotel, At The Shard, London we understand that all guests are looking for a rewarding experience during their stay, whether it is for business or pleasure. Guests rightfully demand a highly personalised service, from booking all the way to check out.

As a hotel group we have invested in a lot of research and employee training initiatives to ensure all staff are culturally aware. We have recruited Mandarin and Cantonese speakers in all service areas of the hotel. We welcome all Chinese guests with a welcome letter in their native language and a Chinese welcome tea ceremony in the comfort of their rooms. A telephone 'hot line' is also available on all telephone sets, which connects directly to a Chinese speaking guest-service agent.

Recognising the need of being connected whilst travelling, we have ensured that our guests from China avail to a variety of "home" services including Chinese TV channels and newspapers as well as Chinese beer and noodles in the mini-bars and in-room tea making facilities.

The hotel's signature menus include the ever popular congee for breakfast as well as Chinese and Malaysian dishes served in TING lounge and In Room Dining.

Shangri-La Hotel, At The Shard was also one of the first hotels in London to accept the China Union Pay Card.

Our hotel group is very fortunate to have established luxury brand recognition in China, which further strengthens our positioning in attracting in-bound HNW Chinese visitors.

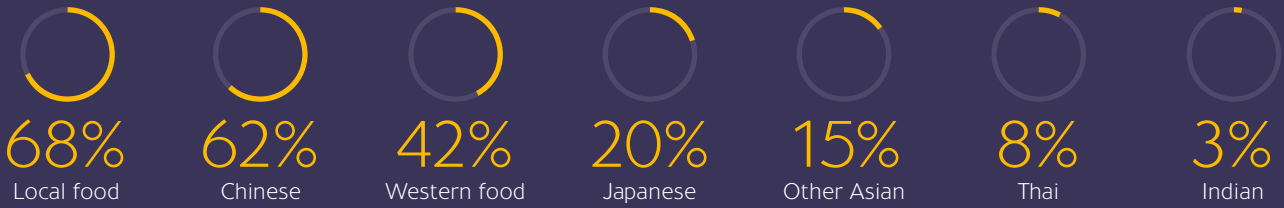
Shangri-La background

- Inspired by the legendary land featured in James Hilton's novel Lost Horizon published in 1933, the name Shangri-La encapsulates the serenity and service for which Shangri-La is renowned worldwide
- Shangri-La's tradition of service excellence started with the opening of the Shangri-La Hotel, Singapore in 1971.

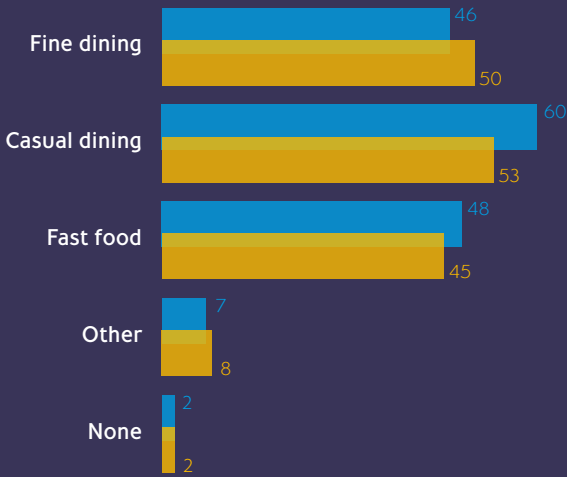
Training is Shangri-La's top priority and significant resources are allocated annually to ensure employees have the skills and knowledge to be the best in their fields. This has earned the group international awards and recognition from guests, prestigious magazines as well as industry partners and made Shangri-La one of the preferred hotel employers, with around 42,000 people serving guests with the philosophy "hospitality from the heart."

Local cuisine is the most popular choice for travellers with 3/5 preferring casual dining

(multiple responses)



Generally preferred

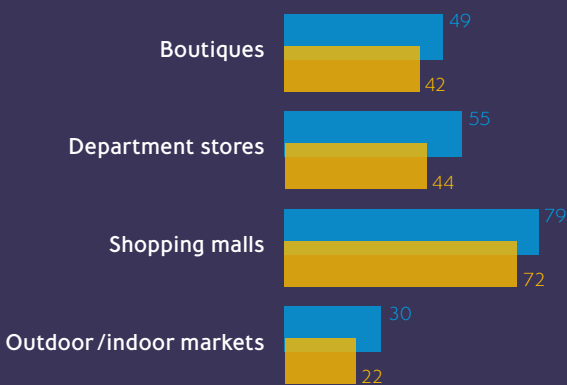


Used during last trip

Source: Ipsos MORI, 2015

Shopping malls are by far the most preferred and used type of retail store

Generally preferred



Used during last trip

Regardless of age, the majority of travellers generally prefer, and go, shopping in shopping malls;

70% of business travellers and 74% of leisure travellers did so during their last trip

47% of female travellers went shopping in boutiques during their last trip, compared to 39% of male travellers. An equal proportion prefer to shop in name stores.

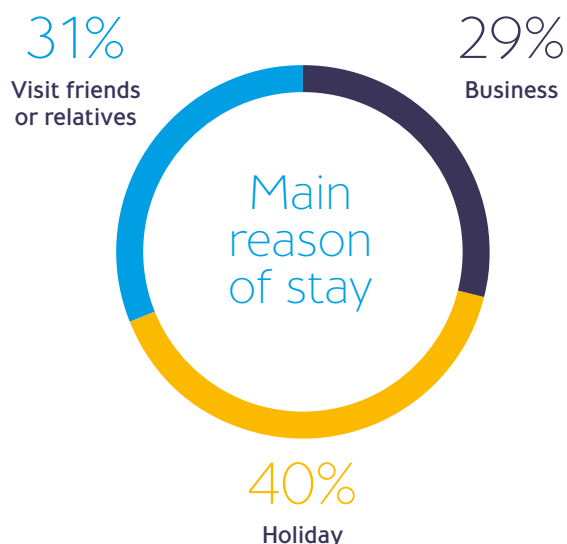
Source: Ipsos MORI, 2015

So, participants wondered, are Chinese travellers ever going to be interested in staying in independent luxury hotels? The consensus was 'yes', but not until the market matures, a point which is at least five years away, but will most likely happen. In fact, research has shown that the number of independent travellers coming from China and looking at five-star hotels is already increasing.

"We're seeing more and more independent travellers coming through; there are more and more millionaires and billionaires in China and they're now looking at more and more five-star hotels," said Gordon Clark.

With more and more Chinese families sending their children to be educated in the UK, these numbers are only likely to rise further.

The majority of Chinese visits to the UK shifted from business-oriented to leisure-oriented in 2012.



Source: VisitBritain, 2014

One hotel group that is already being proactive to grow its share of the luxury Chinese market is Rocco Forte Hotels, which will open a property in Shanghai in 2018 for the specific reason of increasing brand awareness in China.

Payments

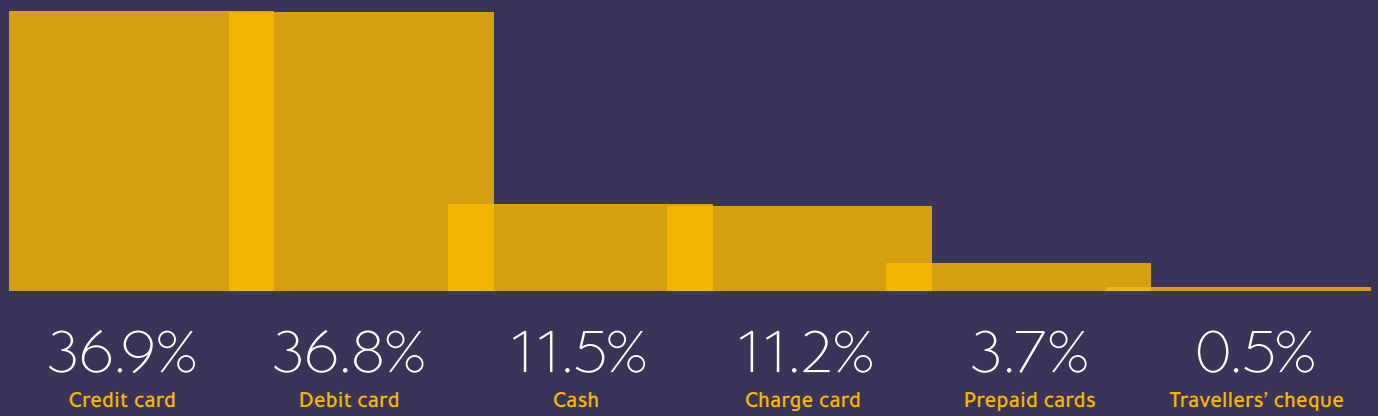
Credit cards account for over a third of tourism spend in the UK, with a particularly high proportion of Chinese and American travellers preferring to use credit cards. Indeed, 84% of Chinese travellers used a credit card on their most recent trip while 78% said it was their preferred payment type. When it comes to the American market, 96% choose a credit card with reward as a preferred payment method.

Furthermore, 25% of both American and Chinese travellers would spend less, decide to go to another merchant or decide not to make a purchase at all if their card is not accepted, making it crucial for London's hoteliers to accept credit cards if they want to attract either market to their properties.

"Discover Global Network has cardholders from around the globe including the UK's highest spending tourist group, Americans, as well as one of the world's fastest growing tourist groups, the Chinese. Our cards include Discover Card from the U.S., Diners Club International, which is issued in more than 65 countries, and several global alliance partners. These high spending cardholders are loyal to their cards due to the lucrative benefits they receive."

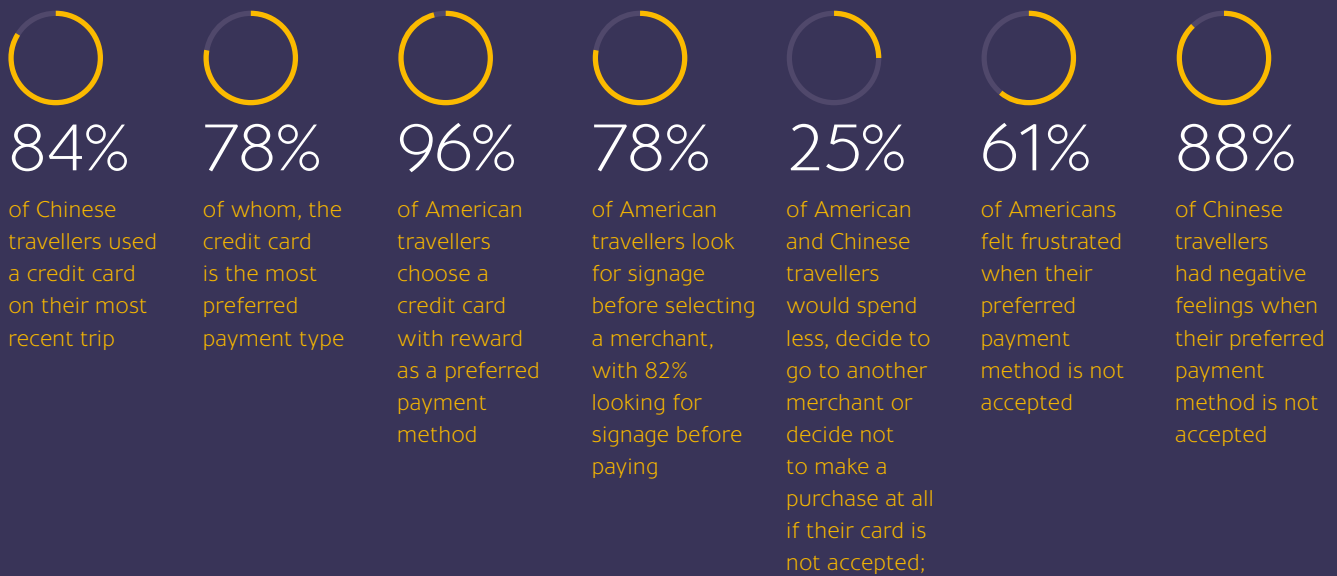
Kellie Glueck
 Director, Product and International Marketing
 Discover Financial Services

Credit card accounts for over a third of tourism spend:

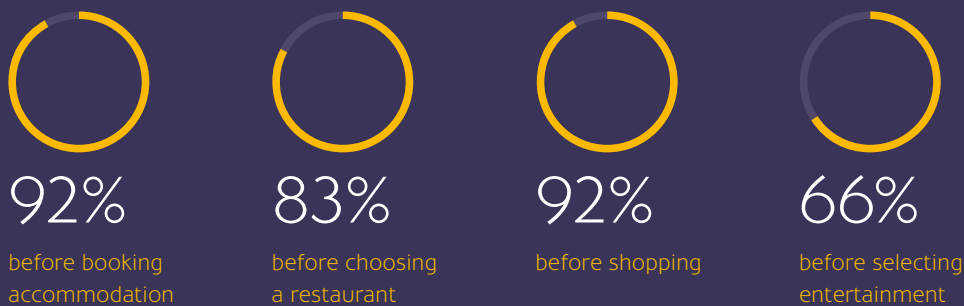


Source: Euromonitor, 2014

A high proportion of Chinese and American travellers prefer to use credit cards



Chinese travellers check ahead to see if their credit card is accepted before choosing a merchant:



Source: TNS, 2014; and Ipsos MORI, 2015

Marketing strategies: better together

As the number of high-end Chinese travellers increases, more potential will undoubtedly be created for luxury restaurants and hotels to attract them. But, is London doing enough to market itself as a luxury destination? While it was agreed that the answer is 'probably not yet', there were also some exciting ideas put forward.

Why not, for example, think about having a joined-up approach to marketing, bringing retail, dining and hotel operators together to create a luxury strategy for London? This could include emphasising the 'British' experience as well as linking up with brands Chinese travellers already know to give away luxury goods as part of high-end hotel packages.

Participants also discussed the importance of celebrating the fact that every hotel represented at the Think Tank employs Chinese speakers, even if that has been almost by accident. They also thought it would continue to be key to emphasise how good London and the UK have always been at welcoming foreign travellers.

"I always wondered why we don't celebrate the number of people that speak different languages, just like British Airways started to do," said Ufi Ibrahim. "Why don't London hotels do the same thing and really start projecting that as a positive?"

In terms of where to promote the campaign, it was suggested that alongside using traditional marketing platforms, Chinese social media platforms like Weibo and Wechat would need to be embraced.

Customers value positive reviews and good value in most travel decisions [multiple responses]:

Hotel

Accepting my preferred card	41%
Good review rating	34%
Best price	33%
Good rates family/friends	28%
Staff to speak Chinese	27%
Prestigious brand	25%
Availability of discounts/offers	24%
Materials in Chinese	18%
Recommended by a tour guide	17%

Restaurant

Best price	35%
Good review rating	33%
Accepting my preferred card	32%
Materials in Chinese	32%
Located close to a hotel	29%
Availability of Chinese food	29%
Staff to speak Chinese	29%
Good rates family/friends	29%
Prestigious brand	21%

Source: Ipsos MORI, 2015

Dorsett Shepherds Bush

Dorsett Shepherds Bush is located in the heart of vibrant Shepherds Bush, in close proximity to Westfield Shopping Centre. The property is strategically located close to Shepherds Bush overground and tube stations offering guest's easy access to London's West End and other major tourist spots. Heathrow Airport can be reached in just 30 minutes, making this a hot spot for both business and leisure guests.

Set within a Grade II listed building and built in 1923, Dorsett Shepherds Bush retains the building's historic façade with added contemporary elegance within. Under the landmark glass roof, this 7 storey hotel offers 317 Chinese inspired bedrooms designed with a light and modern feel. The property showcases 2 restaurants, including one fine dining Chinese experience and Jin (金) bar, named after the Golden Atrium in which it sits.

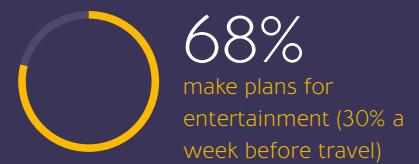
The opening of the hotel in 2014 was unique with numerous Chinese traditions incorporated within the build and set up of the hotel. There is actually no fourth floor within Dorsett Shepherds Bush as the Chinese word for four sounds quite similar to the word for death, and is often avoided in construction. The Chinese calendar decided the hotel's opening date, with June 24th presenting as auspicious. To mark such a momentous occasion the hotel then had its very own traditional lion dance to bring good luck and prosperity to the business.

Dorsett Shepherds Bush pays homage to its Chinese roots throughout the hotel and has enhanced facilities for the Chinese traveler. All of the hotel literature can be found in both English and simplified Chinese and whilst the associates within the hotel can speak a number of languages, there are 3 who are fluent in Chinese. The in-house restaurant Pictures hosts a specialty Chinese breakfast, Conjee, available on the buffet every morning, along with Dim-Sum upon request. The hotel is proud to offer China Union Pay to all of its guests and is also a member of the Great China Welcome.

The hotel is furthering the East meets West connection and has recently partnered with Asian Art in London to showcase two exhibitions; a selection of works from both Jared Fitzgerald and Matthias Dathe.

Planning the trip

Chinese travellers generally make travel arrangements within 1 month prior to their trip:



Online opinions and guides are more popular than offline sources [multiple responses]:

	Opinions from travellers online	Opinions from friends and family	Travel website (used in China)	Travel websites (used outside of China)	Travel review websites	Travel guidebooks
Accommodation	43%	28%	40%	29%	37%	28%
Restaurants	38%	25%	28%	25%	29%	29%
Entertainment	38%	29%	31%	25%	30%	27%

Domestic travel websites are more popular amongst travellers than other methods for making arrangements

Accommodation [multiple responses]

Domestic travel website	42%
International travel website	34%
Website of the hotel	26%
Visiting a travel agent office	18%
Phoning a travel agent office	13%

Those who travelled to the EU for their last trip are more likely to use international websites, 40% vs 32%; and hotel websites, 35% vs 24%, for their most recent non-EU trip.

Online resources are popular for making arrangements for restaurants and attractions [multiple responses]

Website of the restaurant	30%
International restaurant website	29%
Domestic restaurant website	24%
Hotel concierge	17%
Visiting a travel agent	14%
Phoning a travel agent	10%

Source: Ipsos MORI, 2015

Don't forget the Americans!

As the debate continued, it was hardly surprising that the conversation turned to the American market. 'Are we taking that market for granted and are we doing enough to ensure we continue to get that market?' David Morgan-Hewitt asked the group.

UK is America's most favourite overseas destination in the world with almost 3m visits in 2014

From	Visits (000)	From	Spend £(m)
1 France	4,114	USA	£2,944
2 Germany	3,220	Germany	£1,478
3 USA	2,976	France	£1,434
4 Irish Republic	2,486	Australia	£1,224
5 Spain	1,986	Spain	£1,082

Source: VIsitBritain, 2015

While it was stressed that the UK and the US still boast a very 'special relationship', which is unlikely to go away, a few trends did worry participants. Not only are American travellers becoming more attracted to other European countries, Germany and Spain in particular, and further flung destinations like Africa and the Middle East, London is also facing competition from other areas of the UK.

US outbound travel (overseas 1+ nights)

	2005	2014
▲ Africa	576	839
▼ Europe	11,976	10,804
▲ Middle East	1,094	1,724
▲ Central America	1,756	2,370
▼ South America	2,361	2,278
▲ Caribbean	5,182	7,387
▼ Asia	6,074	5,694
▼ Oceania	835	585

Source: IATA, 2015

This then raised the question of whether London is doing enough to promote itself as a destination (let alone market its individual hotels) to ensure the next generation of Americans keep London on their itinerary five or ten years into the future.

Keeping awareness high of London's uniqueness as a luxury destination would be crucial to future success with the American market, it was agreed. Some participants also suggested that help from bodies like the BHA and London and Partners could be invaluable in achieving this.

Next steps: it's time to take action

One key takeaway from the Think Tank was that while the Chinese market is still relatively unsophisticated, so are London's luxury hoteliers' marketing strategies for the region. And the latter is something that needs to be addressed now.

Going round the group, it became clear that marketing budgets for China were low, although there were positive signs, such as some hoteliers already having Chinese language websites, attending roadshows in the country and employing Chinese speakers.

Yet, what is being done now is simply not enough; if hoteliers want to capitalise on what is likely to be a much more mature market in five or ten years' time, they need to be proactive today.

"It feels like hospitality is slowly realising it needs to ask 'How do we get that change to the market?'," said Gordon Clark. "I think it will take three to five years to get to that same point as retail, but it means that you've got to start now. Even if we are waiting for the market to mature a bit and it's a five-year plan, we need to be a bit more proactive now so we can maximise on that now to receive those guests and take their spend."

Whether that's through teaming up with their industry colleagues to create joined-up marketing approaches, educating Chinese travellers on the value of luxury accommodation or lobbying for further improvements to visa regulations, London is lagging behind its European neighbours, and it's time to take action.



British Hospitality Association
Augustine House
6a Austin Friars
London EC2N 2HA

www.bha.org.uk
+44 (0)207 404 7744
bha@bha.org.uk
[@BHAtweets](https://twitter.com/BHAtweets)

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