



Victoria's China Tourism Strategy

MAY 2012

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Premier's Foreword

The Victorian Government is committed to deepening links between the people, communities, cultures and economies of Victoria and China and pursuing new opportunities for two-way trade.

Tourism is of course important to Victoria's prosperity, as it plays an important role in increasing understanding of Victoria by Chinese visitors.

As well as growing Chinese visitation to Victoria, we also need to increase Victoria's presence in China.

China is Victoria's most important trading partner with two-way trade of more than \$14.5 billion in 2010-11.

To build on this the Victorian Government has established a new Victorian Government Business Office in Beijing, in addition to our long-standing office in Jiangsu.

Later in 2012 we will be launching the largest trade mission ever sent to China by an Australian state. Our experience shows that these missions are critical to establishing the personal relationships between Victorian and overseas business sectors that are essential in building business.

Victoria's China Tourism Strategy identifies many opportunities for Victoria to grow and develop our relationship with China. While the economic aspect is vital, over the longer term we need a truly multifaceted approach. This is why all aspects of tourism – holiday, business, or visiting friends and relatives are so important.

The more Chinese visitors return home with positive experiences and a greater understanding and awareness of our State, the greater the opportunity for future trade and tourism engagement.

I commend Victoria's China Tourism Strategy to the industry.

Ted Baillieu MLA
Premier of Victoria



Minister's Foreword

China is already a Victorian tourism success story. China outpaced New Zealand to become the largest market for international overnight visitors to Victoria in the year ending December 2011.

Approximately 265,300 visitors from China stayed overnight in Victoria in 2011 a sixfold increase since 2000. This represents a growth rate of over 18 per cent per year – above the national growth rate of 15 per cent per year for Chinese overnight visitors.

Coming years offer significant opportunities to the Victorian tourism and related industries. The number of Chinese that travelled overseas outside Northeast Asia grew from 4.6 million travellers in 2000 to 12.6 million in 2010. By 2020, Chinese tourists are predicted to undertake 20 million trips outside Northeast Asia each year.

Victoria can capture a significant share of this growing number of Chinese travellers across all segments of the market.

Visitors discover in Melbourne a welcoming and cosmopolitan city with wonderful attractions within easy reach.

Our regional attractions such as Phillip Island Penguin Parade and Sovereign Hill provide a pathway whereby Chinese visitors can extend their visit both beyond Melbourne and in length.

It is clear we need to increase the number of quality tourism products, to improve Chinese language services and educate and equip the industry with the skills required to meet the needs of Chinese visitors.

The Strategy will enable government and the tourism industry to build on the momentum in the China market, and achieve greater success in attracting Chinese visitors by 2020.

Tourism Victoria estimates that using a 'business as usual' approach, Chinese overnight visitor expenditure should increase by seven per cent per year. The Strategy aims to increase this to 11 per cent per year providing a significant impact on the Victorian economy by 2020.

Our historical links position us better than other states and territories to attract the visiting friends and relatives segment, as it is strongly connected to our vibrant Chinese community, and to the large number of Chinese students who choose Victoria over other destinations.

Leisure travellers love our safe and clean urban environment and Victoria's unique natural and cultural attractions.

Business travellers and business events find our convention and business facilities attractive.

Extensive consultation has been undertaken with the tourism industry and across government and industry in both China and Australia to guide the development of Victoria's China Tourism Strategy.

It is now time to take the next step. Tourism Victoria will engage with the tourism industry and business partners to make Victoria an even more attractive destination for visitors from China.

Hon Louise Asher MP
Minister for Tourism and Major Events



Introduction

Victoria's China Tourism Strategy (the "Strategy") outlines five priorities to increase tourism visitation and yield from China to 2020. It targets all visitor segments including holiday makers, students, business travellers and those visiting friends and relatives.

The Strategy aims to realise the potential of the Chinese visitor market by growing Chinese overnight visitor expenditure beyond a business-as-usual prediction of seven per cent per year to more than 11 per cent per year delivering over \$2 billion in annual visitor expenditure.

This would lead to an increase in GSP of \$18.2 billion over the period 2011-2020 and would deliver 41,700 jobs in Victoria (13,200 more jobs than the business-as-usual forecast).

While ambitious, this goal is achievable with the right priorities in place to build Chinese visitor demand and create a world-class experience for Chinese visitors.

How will we achieve it?

Tourism Victoria will focus on Victoria's strengths in urban lifestyle, nature-based tourism, major events, education and business, as well as strengthening ties with the large local Chinese community.

Success depends upon action on both the supply and demand sides of the tourism equation and includes all visitor sectors – leisure, visiting friends and relatives, education, and business. It requires attention to detail across the lifecycle of the visitor experience – from pre-arrival and airline access to product delivery and point of departure – to enable the Victorian tourism industry to cater for strong growth in Chinese visitors.

The Strategy facilitates increased visitation to regional Victoria leading to the benefits being shared across the State.

Tourism Victoria will drive Victoria's China Tourism Strategy but success will require a whole-of-government approach and a close working relationship with the Commonwealth Government, local government, and partners in China and the Victorian tourism industry.

By delivering five key priorities, Victoria will build Chinese visitor demand and create a world-class visitor experience:

- 1 Develop a strong and unique brand positioning for Victoria in China by expanding into growth cities and provinces, targeting best-prospect consumer segments, and strengthening Victoria's marketing in China.
- 2 Building on Victoria's strong education, migrant and business links by working across Government and industry to promote the State's tourism strengths to the local Chinese community; to past, present and prospective Chinese students and their friends and family; and to prospective business visitors.
- 3 Improving visitor access by working with the Commonwealth Government to simplify the visa application process and with Australian and Chinese airlines to enhance direct aviation access to Victoria.
- 4 Enhancing the quality of the visitor experience by working with the tourism industry to increase Chinese language services, improve the range and quality of tourism experiences available, and strengthen the capability and capacity of the sector.
- 5 Aligning tourism investment to the Chinese visitor market by working with the tourism industry to refresh priority tourist attractions and with Invest Victoria and the private sector to attract new investment and infrastructure development, to position Victoria for strong tourism growth.

China's importance to Victoria

China's potential for growth

China's sheer size and potential for growth warrants attention.

With over 1.3 billion residents, China has the world's fastest growing economy, with real GDP average growth rates of 10 per cent for the past 30 years. China's GDP is expected to quadruple its current size, reaching US\$20 trillion by 2020.

China's economic boom has led to an increasingly wealthy and internationalised economy with a rising middle class in urban centres that has a high level of disposable income and a greater aspiration for travel. Coupled with government regulatory reform easing restrictions on outbound travel, there has been a significant growth in Chinese international travel.

Over the past decade, Chinese travel to destinations outside Northeast Asia has almost tripled, increasing from 4.6 million travellers in 2000 to 12.6 million in 2010.

Strong growth in Chinese outbound travel is expected to continue. China is widely anticipated to overtake Germany and the United States to become the world's biggest

source of outbound travellers by the end 2012. By 2020, it is forecast that China will generate over 100 million international trips including over 20 million trips outside Northeast Asia.

The significance of the Chinese visitor market to Victoria

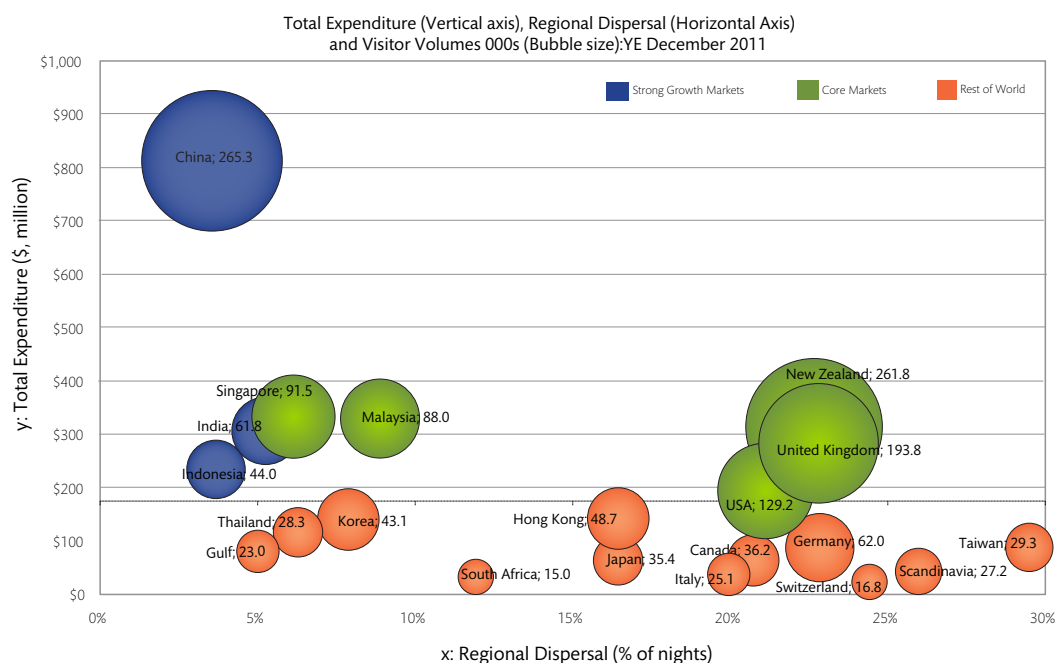
While the global economic downturn led to a decline in some of Victoria's international visitor markets, Chinese visitor numbers and spend continued to grow strongly.

Approximately 265,300 visitors from China stayed overnight in Victoria in 2011, a sixfold increase since 2000. This represents a growth rate of over 18 per cent per year – above the national growth rate of 15 per cent per year for Chinese overnight visitors.

China outpaced New Zealand to become the largest market for international overnight visitors to Victoria in the year ending December 2011.

The China visitor market is already Victoria's most valuable international tourist market, generating \$816 million in visitor expenditure in the year ending December 2011.

Figure 1: International overnight visitors to Victoria - market volume, expenditure and regional dispersal



The size of the bubbles represents the volume of each visitor market. The total expenditure of each market is noted on the y axis and the propensity of each market to disperse into regional Victoria is shown on the x axis (as a percentage of nights). Source: International Visitor Survey, Tourism Research Australia, Canberra, year ending December 2011.

China's importance to Victoria

Figure 1 illustrates China's (excluding Hong Kong) number one ranking in visitor expenditure in Victoria and its large visitor volume when compared to other international markets. It also highlights the opportunity in gaining a larger proportion of visitors from China to stay overnight outside Melbourne. Compared to visitors from Hong Kong and Taiwan, a low percentage of mainland Chinese visitors spend time in regional Victoria. Victoria needs to realise this opportunity by better promoting the tourism strengths of regional Victoria to China and assisting industry to improve the tourism offering.

What does China's growth mean for Victoria?

The independent Tourism Forecasting Committee (TFC) predicts that by 2020, Victoria will receive approximately 500,000 Chinese overnight visitors – almost double the current level and representing average annual growth of seven per cent over the period 2011-2020. Chinese visitor expenditure is also forecast to grow at seven per cent per year, reaching approximately \$1.5 billion by 2020. These forecasts are based on a 'business-as-usual approach' to the Chinese market in terms of tourism marketing and investment in the tourism industry.

Tourism Australia estimates that the Chinese market has the potential to contribute \$7 to \$9 billion in visitor spend nationally, with over 860,000 potential visitor arrivals to Australia by 2020.

By taking an ambitious approach Victoria has the potential to increase the China market to \$2 billion in annual visitor expenditure to Victoria by 2020. This is \$500 million above what would be achieved under 'business-as-usual'. Achieving the ambitious growth rate of over 11 per cent per year would translate to significant economic gains for Victoria, as shown in Table 1. This level of growth could contribute up to \$18.2 billion in Gross State Product over the period 2011-2020 and create 41,700 jobs in Victoria (13,200 more jobs than the business-as-usual forecast).

Table 1. Comparison of the impacts of the TFC and Potential Growth Scenarios: Contribution of Chinese visitors to Chinese Overnight Visitor Expenditure in Victoria, Victorian Employment and Gross State Product.

	TFC business as usual scenario for 2020	Potential growth scenario for 2020	Difference between TFC 'business as usual' and potential growth scenarios
Forecast growth rate per year	7%	11%	4%
Forecast expenditure	\$1.5b	\$2.0b	\$500m
Forecast employment	28,500	41,700	13,200 jobs
Forecast contribution to GSP over the ten year period (2011-2020)	\$14.6b	\$18.2b	\$3.6b over the year period

Table 1. Contribution of Chinese visitors to Victorian Employment, GSP and Chinese Overnight Visitor Expenditure in Victoria: TFC and Potential Growth Scenarios. Source: Ernst & Young, China Supply & Demand Analysis Report, June 2011.

China's importance to Victoria

Achieving growth from China: the task ahead

Victoria is not alone in wanting to grow its share of the Chinese visitor market and therefore faces strong competition across visitor sectors from interstate and international destinations.

Sydney is a popular choice for Chinese students, the Western Australian resource boom is attracting Chinese investors and business visitors, and Queensland is a strong choice for holidaymakers with iconic attractions such as the Great Barrier Reef.

Nevertheless, Victoria's growth in visitors and visitor nights from China has outperformed key competitors – New South Wales and Queensland – and the national average since 2000.

Figure 2 shows that in the year ending December 2011, Victoria attracted over half of the 512,600 Chinese visitors to Australia (52 per cent). New South Wales attracted the largest proportion of Chinese visitors at 59 per cent, with Queensland behind Victoria at 40 per cent. (The total exceeds 100 per cent as visitors travel to more than one state.)

New South Wales attracts the most Chinese visitors and visitor nights, but the proportion has declined over the past decade – down 22 percentage points and 28 percentage points respectively since 2000 (year ending December 2011).

In contrast, Victoria's proportion of Chinese visitors to the State (+16 percentage points) and visitor nights (+12 percentage points) have increased over the same period.

Victoria needs to encourage Chinese visitors to stay longer and spend nights in regional areas. Figure 2 shows that while Victoria attracts 52 per cent of Chinese visitors to Australia, it accounts for 29 per cent of Chinese visitor nights and 29 per cent of overnight visitor expenditure, compared to 43 per cent of overnight visitor expenditure for New South Wales.

Chinese holiday visitors tend to make short trips to Victoria. Nights in regional areas account for only three per cent of the total nights spent in the State. To increase overall visitor expenditure and ensure that regional Victoria benefits from China's tourism growth, Victoria needs to encourage mainland Chinese visitors to travel beyond Melbourne as do visitors from Hong Kong and Taiwan.

Figure 2: State breakdown of Chinese visitors, nights and expenditure – Year ending December 2011

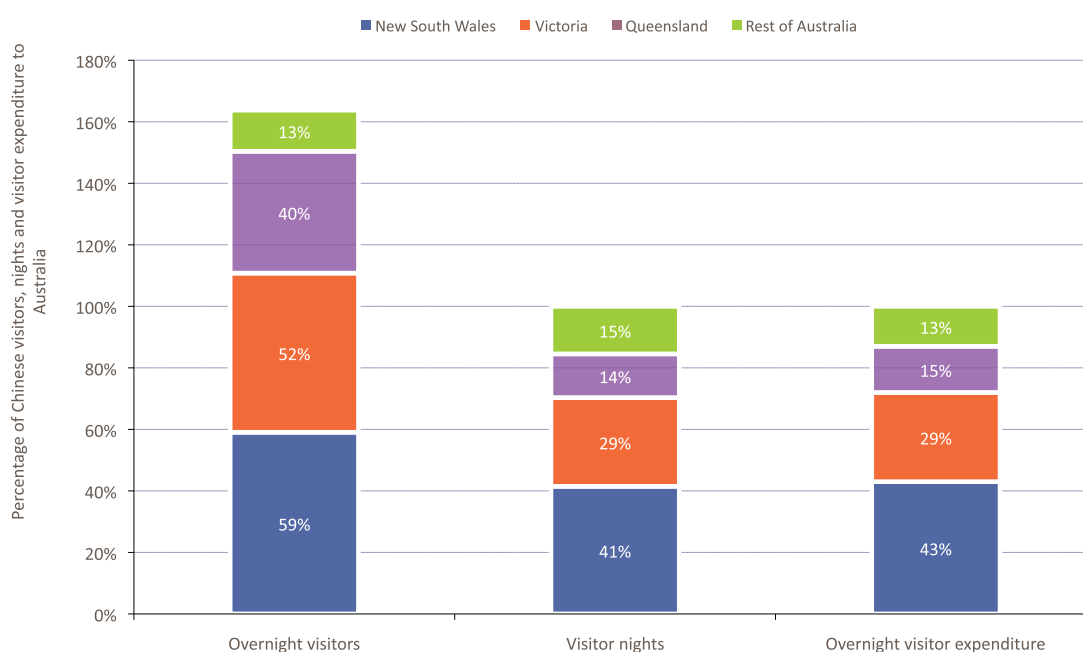


Figure 2: State breakdown of Chinese visitors, nights and expenditure – year ending December 2011

Source: International Visitor Survey, Tourism Research Australia, Canberra, year ending December 2011

Note: Overnight visitors exceed 100% as visitors can travel to more than one state.

China's importance to Victoria

Victoria outperforms key international markets in attracting Chinese visitors. With 265,300 Chinese arrivals in the year ending December 2011, more Chinese visitors come to Victoria each year than visit Canada (248,900) or New Zealand (145,500). However, Canada was only recently granted Approved Destination Status (ADS) by China in August 2010 and will become a more serious competitor in the future.

Other competitors are already witnessing significant growth from China. The United States had 802,000 visitors from China in 2010 – 53 per cent more than the previous year. Singapore also attracts large numbers with 1.6 million arrivals in 2011 compared to Australia's 512,600 arrivals in the same year.

Australia's share of China's total outbound market has fallen from 1.1 per cent in 2000 to 0.8 per cent in 2010. This decline is largely due to continued expansion of China's ADS scheme.

Australia's significant competitive advantage as one of the first Western destinations to receive ADS from the Chinese Government, in 1999, has now declined. Over 140 destinations have ADS today.

The opportunity for the Victorian tourism sector has been identified in consumer research commissioned by Tourism Victoria. Chinese travellers have limited knowledge of Victoria's unique attractions, compared to their knowledge of long-standing and iconic international attractions. While Victoria offers a range of quality visitor experiences, they do not command the same instant recognition as some interstate and international destinations.

This reinforces the significant task ahead. The strong growth in China's tourism market should translate to solid growth rates in real terms for Victoria over the next five to 10 years. The sheer numbers of Chinese tourists predicted means that even if Victoria trails total overall China tourism growth there is a substantial upside across all sectors.

Victoria must be strategic and innovative to harness the full potential of the Chinese visitor market. This involves better promoting the State's strengths in education, investment attraction, major events and lifestyle experiences so as to grow all visitor numbers – holidaymakers, students, business visitors and those visiting friends and relatives.

Victoria must add to the visitor experience by improving service standards, increasing product offerings, adding Chinese language services and plan tourist infrastructure development to cope with the volume of growth predicted. High growth could impair the tourism experience at Victoria's existing tourist attractions, accommodation and support services. Victoria's China Tourism Strategy aims to minimise this risk.

A focus on improving the Chinese visitor experience will help realise significant opportunities from second tier cities in China and other high growth markets with large numbers of ethnic Chinese. These include Hong Kong, Singapore, Malaysia, Taiwan and Indonesia. Victoria should ensure that flights from China are channelled through hubs such as Shanghai, Beijing and Guangzhou that have direct flights to Melbourne.

Victoria's competitive advantages

The Victorian Government has long recognised that China will play an important role in our future prosperity. Our people-to-people links stretch back to the 1850s and our government-to-government links were formalised over thirty years ago when the State of Victoria and Jiangsu Province established a sister-state relationship.

Victoria has a large and growing Chinese community. In 2011, over 330,000 Chinese either visited or lived in Victoria, including around 55,000 residents, 44,000 business visitors, 184,900 holiday, and Visiting Friends and Relatives (VFR) visitors and 47,900 students.

The 2006 Census shows that the number of Chinese born residents in Greater Melbourne more than doubled over 10 years from 27,355 in 1996 to 56,559 in 2006.¹ The Chinese born are among the fastest growing communities in Victoria, with more than 90 per cent arriving after 1986. More than 190,364 persons identified with Chinese ancestry, including second and later generations. This large Chinese community provides a sizeable pool of potential advocates as well as untapped potential to encourage VFR and repeat visitors to Victoria.

China is Victoria's largest trading partner. Trade in goods between Victoria and China was valued at more than \$14.5 billion in 2010-11² or 18 per cent of total trade.

1. Figures from 2006 Census. 2011 Census figures will be available in 2012.

2. DBI Trade Fact Sheet, August 2011

China's importance to Victoria

Major exports are wool and hides, meat and food products especially dairy. Our trade in services, including tourism and education, is also growing and will play an increasingly important role in our trade relationship.

China is a key source of business and skilled migrants to Victoria, accounting for over 20 per cent of all entrants to the State under the skilled independent visa category in 2009-10. A number of major Chinese international companies have made Victoria their Australasian home. These strong trade and investment links provide an excellent platform for encouraging Chinese visitors to mix business and leisure and understand Victoria's potential as an investment and travel destination.

Victoria's strength as a quality provider of education is a good match for China's growing demand for education services. China is already the largest source market for international students in Victoria and this is set to grow. Attracting Chinese students makes sense as students typically visit Melbourne and Victoria for longer periods and attract large numbers of VFR. A recent study found that on average, over 70 per cent of international education visitors to Australia expected at least two or more friends and two or more family members to visit them in Australia. Moreover, over half indicated that friends and/or family had already visited them while studying in Australia.

Partnerships with government and industry

In recognition of these important cultural and economic links, the Victorian Government has established a strong presence and important partnerships in China.

In 1979, Victoria developed a sister-state relationship with Jiangsu. This was followed by a sister-city relationship between Melbourne and Tianjin, the first of any such relationship between an Australian and Chinese city. Today, over 14 regional Victorian areas, two Melbourne suburbs and many educational institutions have formal links with China.

In 1999, the Victorian Government established an official presence in China with a Victorian Government Business Office (VGBO) in Shanghai. In addition to this office, the State now has representatives in Nanjing and has recently established a representative office in Beijing.

In 1999, Tourism Victoria became the first Australian state or territory tourism organisation to open an office in China. The agency now has a presence in both Shanghai and Guangzhou. Tourism Victoria works closely with the Chinese and Commonwealth Government, airlines, travel trade partners and the media to build Victoria's reputation and profile in China.

Building Chinese visitor demand

Priority 1: Strengthening Victoria's market positioning

China is a large, complex and fragmented market. To gain a bigger profile in China, Victoria needs to focus its activities on the target cities, regions and people that are most likely to visit Australia. To differentiate Victoria from other interstate and international destinations, the focus will be on the State's unique assets in urban lifestyle experiences, nature-based tourism, education, business and its high-profile major events industry.

An integrated marketing campaign has been developed for the China market which will be released later in 2012.

It consists of an advertising campaign, digital, website and mobile marketing, strategy planning and research, partnership marketing, public relations and familiarisations.

Geographic focus

China is undergoing a rapid process of urbanisation. By 2025, it is predicted that nearly one billion people will live in urban centres and China will have 221 cities with more than one million residents. And by 2025 approximately 485 million people will be upper middle class with the potential to travel.

Tourism Victoria currently focuses on Shanghai, Beijing, Guangzhou and Shenzhen with an increasing focus on Nanjing, Hangzhou and Chengdu in the last couple of years. As wealth, development and consumer demand spread beyond the main centres in China, Victoria will intensify its activity and investment in these secondary and emerging cities will expand into new growth areas. Tourism Victoria is staging its geographic expansion in-line with Tourism Australia's geographic priorities, as well as shifts in consumer wealth and aviation access.

Victoria will adopt a hub and spoke approach to its investment with a number of priority cities serving as the central 'hub' and neighbouring/secondary cities acting as the 'spokes'. This model will enable greater reach and economies of scale in marketing and trade development activities. Victoria's focus on digital marketing and distribution activities will also enable the Victorian tourism industry to expand its reach to a wider audience across China cost effectively.

Travel characteristics vary in different geographic areas in China. Emerging cities are more likely to have a higher number of first-time travellers and group tours, whereas wealthier, individual travellers are predominantly from larger cities. Victoria will therefore focus its marketing and investment activities in line with the changing needs and maturity of each city and region.

Understanding Victoria's target market

Tourism Victoria research has identified those Chinese citizens most likely to visit Victoria for leisure purposes. They are aged between 25-54 years, well educated, with high incomes and usually reside in major cities. This group is characterised by their high propensity to travel.

This broad target group includes the growing sector of younger, affluent, well-educated adults who have a more progressive attitude to life, a globalised view of the world and are more inclined to travel independently than mature-age Chinese. They favour experiences in Victoria's urban and natural environment and are usually early adopters of technology.

It also includes Chinese families, which aligns well with Victoria's strengths as a clean, safe and friendly place to visit – either as a leisure holiday in its own right or as a holiday which includes investigation of future education, investment or migration options.

To maximise growth in Chinese visitors, Victoria will focus its activity on this core audience of affluent, well-educated independent travellers, while continuing to invest in the group travel market, particularly in new growth cities to ensure a solid base of visitors.

Maximising Victoria's digital platform

A key plank of Victoria's communications and distribution activity will be its digital platform. The Chinese market is technologically savvy with over 450 million regular internet users today and an estimated online audience of 750 million by 2015.

This strong growth in internet usage has included more Chinese choosing to book their travel online. In 2010, online travel bookings in China reached 6.2 billion, a 58 per cent increase from 3.9 billion in 2009. By 2014, online travel bookings are expected to exceed 20 billion.

The internet was the most popular source of information for Chinese travellers to Victoria, used by 38 per cent of visitors in 2011. Tourism Victoria's Chinese language websites attracted more than 236,900 unique visitors in 2011. This reinforces the importance of providing consumers with informative and easy to access online options.

Tourism Victoria will implement a sophisticated digital strategy including the development of a new Chinese-language website, to communicate Victoria's unique

tourism offering to China's large and technologically advanced online population. A contemporary Chinese-language website is essential in communicating directly with a sophisticated market of potential independent travellers.

Victoria will continue to support trade partners and operate within traditional media platforms. However, in the longer-term, the investment in online media and distribution activities will increase.

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Develop a strong and unique brand positioning for Victoria in China	<ul style="list-style-type: none"> > Develop and implement a major Melbourne and regional Victoria marketing campaign in China through key media channels. > Work with industry partners to promote Melbourne and regional Victoria in China, including the Crown Integrated Resort, Phillip Island Nature Park, Sovereign Hill and the Bendigo region. > Increase the range of Victorian products, experiences and regions that are promoted to Chinese visitors, in line with changing market characteristics. > Build on the Government's Brand Victoria positioning to create a consistent image of Victoria across sectors, including tourism, education, investment, the arts and skilled migration. > Work under Brand Australia to undertake cooperative campaigns in China with Tourism Australia, other Australian States and Territories and industry partners. > Strengthen consumer awareness of Melbourne and regional Victoria through targeted public relations activities. > Leverage Victoria's major events to build Victoria's profile in China. 	<ul style="list-style-type: none"> > Review and build on the initial Melbourne and regional Victoria marketing campaign to add new messages to Victoria's brand positioning. > Expand word of mouth and relationship marketing activity to increase repeat visitation to Victoria.

Building Chinese visitor demand

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Expand Victoria's activity into new growth cities and provinces in China	<ul style="list-style-type: none"> > Build Victoria's presence in the priority cities of Beijing, Shanghai, Guangzhou and Shenzhen with a focus on affluent travellers. > Enhance Victoria's presence in secondary cities such as Nanjing, Hangzhou, and Chengdu. The focus will be on building trade, distribution and media activities in partnership with Tourism Australia, focusing on cities with direct flights to Melbourne through China hub cities. > Leverage Victoria's formal sister-city and sister-state relationships with Chinese cities and regions to promote visitation to Victoria. 	<ul style="list-style-type: none"> > Expand and strengthen Victoria's presence in secondary and emerging cities. Broaden marketing and investment focus as the markets mature.
Target the best prospect consumer segments for Victoria in China	<ul style="list-style-type: none"> > Focus Victoria's activity on a core audience of affluent, well-educated independent travellers (priority age category of 25-54 years). > Undertake qualitative focus group research in key cities in China to understand the unique needs and drivers of Victoria's target group. > Continue to market to the Approved Destination Status (ADS) group travel market especially in new growth cities. The focus will be on trade activities with quality tour group providers. > Target key niche segments in line with Victoria's product strengths, including the Crown Integrated Resort, luxury, wine, golf, tennis and racing, with a focus on trade and direct marketing activity. 	<ul style="list-style-type: none"> > Drive growth from Victoria's target market of affluent, independent, Chinese travellers.

Building Chinese visitor demand

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Strengthen Victoria's digital presence in China	<ul style="list-style-type: none"> > Improve Victoria's profile in key online channels and in social media through the implementation of Tourism Victoria's Digital Strategy in China. > Build a new Chinese language website based on Tourism Victoria's new technology platform. Improve the availability of rich destination content, including video. > Increase marketing activity with key digital partners in China, including Baidu, Sina Weibo and Douban. 	<ul style="list-style-type: none"> > Strengthen Victoria's digital content and channels in accordance with online consumer booking and purchasing cycles.

Building Chinese visitor demand

Priority 2: Building on Victoria's strong education, migrant and business links with China

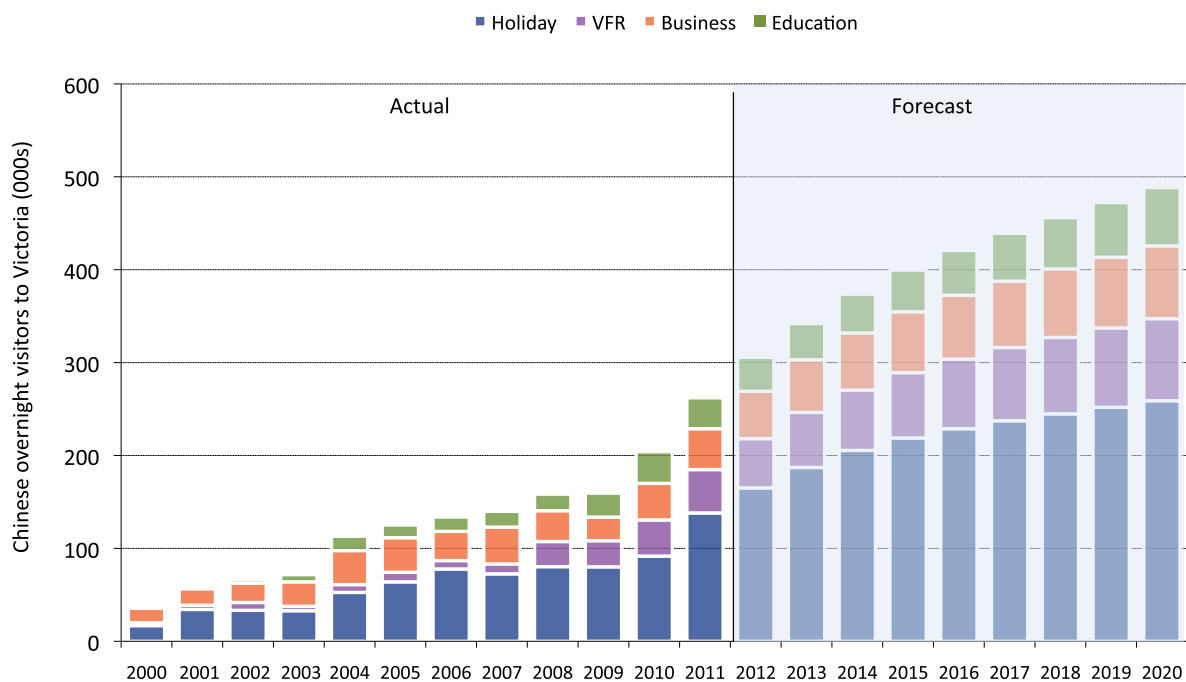
Promoting Victoria at home

With over 55,000 Chinese born residents and a 150 year history of Chinese migration, Victoria has a large and growing Chinese community. This adds to the State's rich cultural diversity and provides a large pool of potential advocates for Melbourne and Victoria as a place in which to live, study, visit and invest.

The Visiting Friends and Relatives (VFR) market is important for Victoria and accounted for 18 per cent of all visitors from China (year ending December 2011). This segment has increased at a rate of 39 per cent per year since 2006 (year ending December). According to the latest TFC forecasts ("Business as Usual"), the number of Chinese VFR visitors to Australia is expected to grow strongly at a rate of seven per cent per year over the next decade.

Tourism Victoria and the industry will work with the Office of Multicultural Affairs and Citizenship and community groups to promote Victoria's tourism strengths to the local Chinese community, encouraging word of mouth marketing and increased rate of VFR visitors from China.

Figure 3: Growth in Chinese visitors to Victoria by purpose of visit and forecasts to 2020



Source: International Visitor Survey, Tourism Research Australia, Canberra, December 2011; Forecast, TFC, Vol 1, April 2012.

Building Chinese visitor demand

Tapping into Victoria's education strengths

China is by far the largest importer of education services of any country in the world.

According to China's Ministry of Education, approximately 1.27 million Chinese students were studying abroad in 2010. With a large population of tertiary-aged people and rising incomes, this is set to grow.

Victoria has a reputation as a quality provider of international education with a share of Australia's education exports exceeding 30 per cent. International education is Victoria's largest export sector earning \$4.8 billion in financial year 2010-11 and generating around 50,000 full-time equivalent jobs across the State. In short, education is a big and growing market in China and one of Victoria's strengths.

Victoria has experienced strong growth from Chinese students. Education visitors now account for 13 per cent of all overnight visitors from China, with enrolments from Chinese students in Victorian educational institutions growing at an average rate of 17 per cent since 2002. Professional development, research collaboration and vocational training represent the next phase of growth in the education sector. However changes in visa rules, the appreciation in the Australian dollar, and damage to the reputation of the sector from the closure of some private colleges, has weakened growth in student numbers from China in recent years.

The Victorian Government is active in China's education market through, for example, its international education offices in China and the Study Melbourne Chinese language website.

Chinese students undertake the majority of their travel when their family and friends are visiting Victoria. Tourism Victoria will work with the International Education Division within the Department of Business and Innovation (DBI), the Department of Education and Early Childhood Development and the education and tourism sector to ensure better marketing of education and leisure experiences, and to increase travel around Victoria by Chinese students and their friends and relatives.

Building on business links

Victoria and China have complementary industry strengths and strong business links. While the recent global economic downturn led to a decline in Chinese business visitors to Victoria, this has recovered with 44,000 business arrivals to the State in the year ending December 2011. According to the latest TFC forecasts, solid growth from Chinese business visitors is expected to continue at a rate of seven per cent per year over the next decade.

China recently announced a five-year plan to transform the world's second-largest economy from an export-led economy to one based more on domestic consumption. This includes increasing research and development in areas such as biotechnology and ensuring a more sustainable growth path with a focus on renewable energy. The Chinese Government aspires to increase the share of GDP these industries contribute from about one per cent today to eight per cent by 2015 and to 15 per cent by 2020. This presents significant potential for Victoria which is well-regarded as an investment destination with strengths in these fields.

China's massive urbanisation program, which has an annual spend of more than A\$180 billion, presents unprecedented opportunities for Australian firms with expertise in sustainable and liveable urban development. The aim of China's ambitious program is to move more than 400 million people from a rural to an urban environment over the next 20-30 years and this requires the provision of more appropriate housing, schools, hospitals, health and education services, more efficient infrastructure including roads, ports, rail, water and wastewater treatment and distribution, airports and aviation services – in fact, the planning, design and construction of entire new cities and districts to accommodate China's transformation.

These business opportunities will be boosted by a Super Trade Mission to China in 2012 where more than 100 Victorian businesses, including tourism, education, infrastructure and urban systems will have the opportunity to meet and develop relationships.

Building Chinese visitor demand

Melbourne is an attractive location for major business events. To build on this and encourage more business visitors and business events, Tourism Victoria will work with Invest Victoria, Melbourne Convention and Visitors Bureau (MCVB) and the tourism and major events industry to promote Melbourne's business and event credentials.

In particular, Tourism Victoria will work with the meetings, incentives, conventions and exhibitions industry to attract

more Chinese businesses to host and attend international conventions and incentive trips in Melbourne and develop tourism products and itineraries for pre/post conference touring.

Tourism Victoria will build on Chinese consumer interest in wine through working with Victorian wine industry exporters to increase visitation to Victoria's wine regions.

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Increase the Visiting Friends and Relatives (VFR) tourism sector	<ul style="list-style-type: none"> > Undertake a marketing campaign to Victoria's/Australia's Chinese community to increase VFR tourism. > Establish tourism ambassadors within Melbourne's Chinese community. 	<ul style="list-style-type: none"> > Undertake relationship marketing activities to generate repeat visitation.
Promote Victoria to past, present and prospective Chinese students	<ul style="list-style-type: none"> > Work with other Government agencies and the education sector including higher education, Vocational Education and Training (VET) and English language intensive courses for overseas students (ELICOS) providers to enhance the student experience and improve the marketing of the education sector in China. > Work with industry to develop promotions to encourage students and their families to travel to Victoria's regions. > Work with industry and other agencies including the Department of Education and Early Childhood Development (DEECD) to increase the tourism benefits of the short-term study market from China. > Support industry to develop and promote combined leisure tourism and education initiatives. 	<ul style="list-style-type: none"> > Support Victorian education providers in developing tailored offerings to the Chinese student market including new courses and targeted exchange programs. > Investigate options for developing an education precinct in Melbourne that combines education delivery and accommodation for international students.

Building Chinese visitor demand

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Build the business visitors and business events sector for Victoria	<ul style="list-style-type: none"> > Work with the meetings, incentives, conventions and exhibitions industry to attract more Chinese businesses to host and attend international conventions and incentive trips in Melbourne. > Support industry to develop tourism products and itineraries for pre/post conference touring. > Support industry to develop and promote combined leisure tourism experiences and business/investment activities. > Build on Chinese consumer interest in wine through working with Victorian wine industry exporters to increase visitation to Victoria's wine regions. 	<ul style="list-style-type: none"> > Leverage Victorian business partners in China to undertake promotions including the wine, design and fashion industries. > Support the VGBO and Austrade in developing long-term business partnerships and relationships in innovation sectors such as biotechnology, high-end manufacturing and renewable energy.

Creating a world-class experience for Chinese visitors

Priority 3: Improving visitor access to Victoria

Victoria has long recognised the importance of attracting air services from China. Airlines serving Melbourne Airport now include Air China, China Eastern Airlines and China Southern Airlines. Since 2006, Melbourne has achieved a 67 per cent growth in seat capacity between Melbourne and China – this equates to approximately 97,000 additional direct seats.

Analysis indicates that many Chinese carriers are facing difficulties in achieving viable business yields on the Australia-China air route especially during off peak periods. Victoria needs to work cooperatively with its airline partners to achieve a commercially sustainable business model that attracts the right level of capacity to meet demand – both inbound and outbound, especially at peak times of the year.

In the longer-term, Victoria needs to ensure it has adequate direct non-stop flights to meet forecast visitor growth. Analysis undertaken by Tourism Victoria estimates

that approximately four times the current level of direct capacity between China and Victoria will be required to meet Victoria's visitation goal.

Victoria also needs to diversify its aviation linkages to cater to the needs of different Chinese visitor groups such as students, visiting friends and relatives and business travellers. This requires Victoria to work cooperatively with its aviation partners to ensure the regulatory environment supports capacity growth.

Improving the visa entry process is also important to improve visitor access to Victoria. Research highlighted that some Chinese visitors find Australia's visa process lengthy and inflexible, despite improvements which have resulted in an average visa turnaround time of approximately five days. The Victorian Government will lobby the Commonwealth Government Department of Immigration and Citizenship to investigate options to further streamline the visa application process and to better communicate the steps required.

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Improve the visa entry process	<ul style="list-style-type: none"> > Influence Australia's visa policy through Victoria's ongoing presence on the national Tourism Visa Advisory Group. This will include lobbying to extend the Australian working holiday program to include China. > Lobby the Commonwealth Government to further simplify the visa application process by, for example, transferring processing online, making documentation available in Chinese, recognising credit for reputable regular applicants and making multi-entry visas available. > Work with Commonwealth Government agencies to enhance the communication of the visa entry processes and requirements. 	<ul style="list-style-type: none"> > Work with the Commonwealth Government to encourage emerging growth cities in China to be equipped with visa processing facilities.

Creating a world-class experience for Chinese visitors

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Enhance direct aviation access to Melbourne/Victoria	<ul style="list-style-type: none"> > Undertake activity to sustain and strengthen the viability of key China-Melbourne flights, particularly during off peak periods. > Focus on building the frequency of direct non-stop China-Melbourne services, especially during peak periods of demand. > Continue to develop cooperative marketing campaigns and additional supporting activities with key airline partners that service the China-Victoria route. > Build and broaden Victoria's role in influencing Commonwealth Government policy. This extends to areas such as bilateral air rights and airport negotiations. 	<ul style="list-style-type: none"> > Develop new direct aviation routes and capacity ahead of forecast passenger growth. > Ensure the China-Australia aviation policy framework supports continued aviation capacity growth. > Work with the Commonwealth Government to negotiate an 'open skies' position with China in bi-lateral air services agreements.

Creating a world-class experience for Chinese visitors

Priority 4: Enhancing the quality of the Chinese visitor experience in Victoria

Victoria is a desirable destination for many Chinese who choose to live, work or study here. However, research commissioned by Tourism Victoria shows that the Chinese short-term visitor experience doesn't always live up to expectations due to issues relating to cultural understanding, inadequate Chinese language services and limited tourism experiences tailored to the Chinese market.

Tourism Victoria will work with industry to improve the practices of tour operators that offer low quality products, especially in the group leisure market, that lessen the experience of Chinese visitors in Victoria. Victoria needs to ensure it provides visitors with a first rate experience that capitalises on its tourism strengths.

To encourage repeat visitation, it is important that all parts of the experience reflect the quality of tourism services available – from the visa application process, to the airport welcome and the departure experience. The introduction of improved targeted services at key points of entry and exit will help tailor the Victorian experience to the needs of Chinese visitors.

Improving Chinese language services and cultural understanding

Making Chinese visitors feel welcome is pivotal to enhancing the visitor experience. At the most basic level, this involves providing better Chinese signage and information and more Chinese-speaking staff at visitor information centres and tourism attractions in Melbourne and regional Victoria.

To develop stronger links with China, Victoria needs to increase the number of Chinese speakers and improve our cultural literacy and awareness. This is particularly important for tourism operators in regional Victoria so they can meet the needs and expectations of Chinese visitors.

Victoria and China recently signed a Memorandum of Understanding agreeing to greater cooperation in education with an increase in student and teacher exchanges. The Victorian Government also announced that it will establish a Victoria-Jiangsu Chinese Language Scholarship Program for up to 50 participants a year to build the language capabilities of young professionals and build cultural awareness with China.

Better product alignment for Chinese visitors

To benefit from the strong growth in Chinese tourists, Victoria needs to distinguish its offering from other destinations and develop tourism experiences specifically tailored to the Chinese market. Long-term success cannot be achieved by simply marketing existing services to Chinese visitors. They have to be adapted and customised towards the needs of the market.

This involves the Victorian tourism and events industry working with the Chinese industry to increase the range and quality of tourism experiences for Chinese visitors. Melbourne is a sophisticated European style city, with a green and scenic urban environment, especially when compared with the majority of large Chinese cities. Melbourne has a calendar of major events, such as the Australian Open tennis which is of increasing interest to Chinese travellers. Victoria is seen as a safe, clean and friendly place to visit, study and live with a wide variety of natural, cultural, heritage attractions. Its compact size means that attractions such as Sovereign Hill and the Phillip Island Penguin Parade are within close proximity to Melbourne. Products and itineraries that showcase Victoria's strengths in these areas will be developed, supported and promoted, including lifestyle experiences and nature-based tourism.

Tourism Victoria will work with the tourism and events industry to ensure accommodation and hospitality options specifically cater for Chinese visitors including, Chinese television channels and food choices. It will also work with the Department of Transport to ensure transport options better cater to Chinese visitors with improved information available, particularly about taxis and public transport links.

Creating a world-class experience for Chinese visitors

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Increase Chinese information services	<ul style="list-style-type: none"> > Develop a range of Chinese-language visitor resources on transport, shopping and restaurants including mobile applications. > Increase Chinese language signage and the number of Chinese speaking staff at key tourist attractions and Visitor Information Centres, in particular at Federation Square. 	<ul style="list-style-type: none"> > Improve the availability of Chinese language resources in regional Victoria.
Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Increase the range and quality of tourism experiences for Chinese visitors	<ul style="list-style-type: none"> > Work with the tourism industry to develop new tourism initiatives for Chinese visitors that align with Victoria's strengths. > Support the development of tailored transport, accommodation and Chinese food options at key tourist locations. > Work with the tourism industry and the Department of Resources, Energy and Tourism (DRET) to improve the quality of tourism services provided in Victoria, especially low end shopping tours. > Work with the private sector to ensure the accessibility of appropriate currency exchange and financial transaction facilities for Chinese visitors, such as China Union Pay. 	<ul style="list-style-type: none"> > Develop a grants program to support the development and market-entry of appropriate products for the Chinese market, particularly in regional Victoria.

Creating a world-class experience for Chinese visitors

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Enhance the capability of Victoria's tourism industry	<ul style="list-style-type: none"> > Educate the Victorian tourism industry about the unique preferences of Chinese visitors, especially stakeholders in regional Victoria. Identify and promote the products that are able to meet the needs of the market. > Work with DRET to undertake Chinese cultural awareness and language skills training as part of the Tourism Excellence Program. Training will be targeted to incorporate key services sectors across the hospitality and tourism industry as well as the retail sector. 	<ul style="list-style-type: none"> > Increase regional dispersal of Chinese language speakers and graduates through training placements at key tourist attractions in regional Victoria. > Work with other Victorian Government agencies to promote the study of Chinese languages in the education system, especially in senior years and at tertiary level.
Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Improve the arrival and departure experience for Chinese visitors	<ul style="list-style-type: none"> > Work with Commonwealth Government agencies to improve the communication of visa entry rules and requirements. > Work with Melbourne Airport to ensure there are adequate language and cultural services provided. > Advocate for an increase in the number of Chinese speaking staff at Melbourne airport. 	
Understand and learn from the Chinese visitor experience	<ul style="list-style-type: none"> > Introduce a visitor experience exit survey for the Chinese market to track customer satisfaction. > Develop a 'welcome back to Victoria' promotion for Chinese visitors to encourage word of mouth referrals and repeat visitation. 	<ul style="list-style-type: none"> > Continue to track the evolving needs of Chinese consumers and make improvements.

Creating a world-class experience for Chinese visitors

Priority 5: Aligning tourism investment to the Chinese visitor market

Improving Victorian experiences

Melbourne is the main focal point for Chinese visitors to Victoria, with Federation Square, the Queen Victoria Market, Crown Integrated Resort, the Melbourne Museum and the National Gallery of Victoria attracting the most

visitors (Figure 4).

Almost all Chinese visitor itineraries also include regional day touring experiences with the Great Ocean Road or the Twelve Apostles; the Phillip Island Penguin Parade and Sovereign Hill attracting the most visitors (Figure 5).

Figure 4: Total international and Chinese visitors to Melbourne's attractions

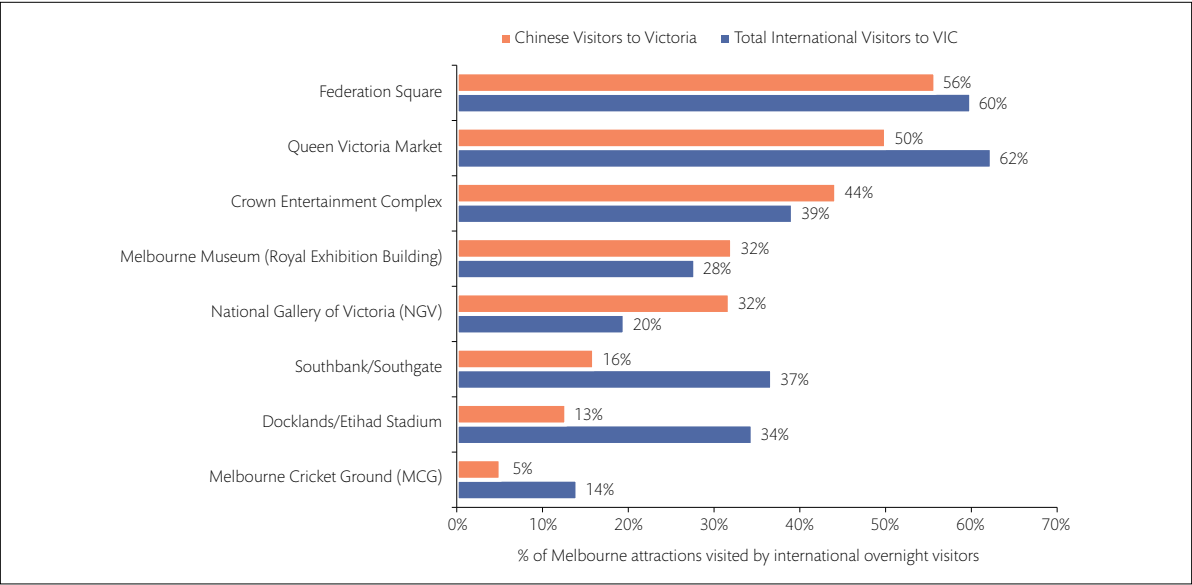
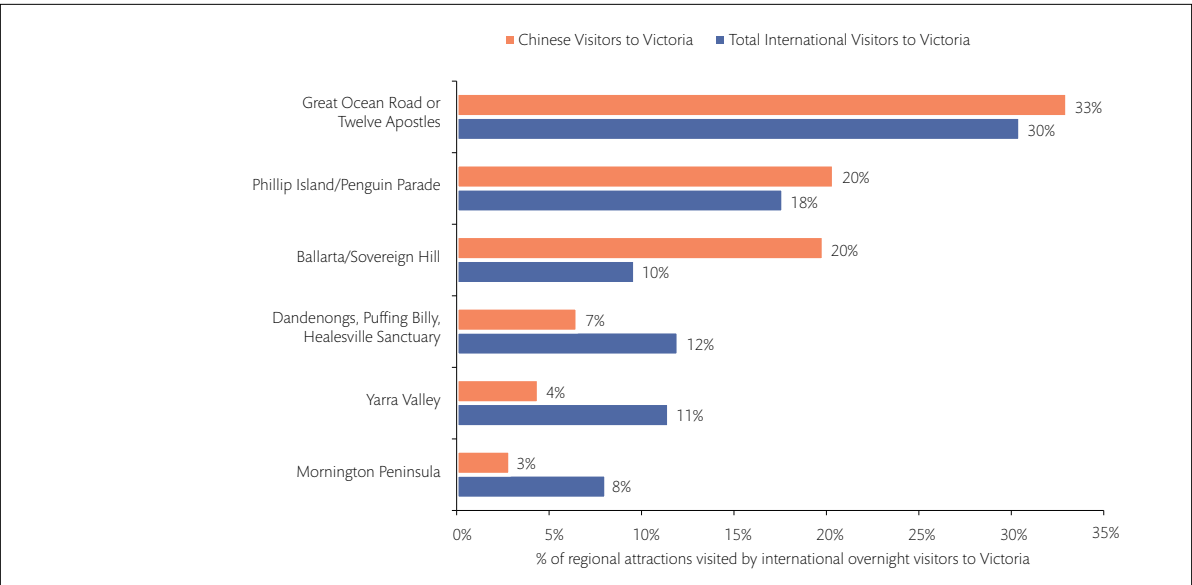


Figure 5: Total international and Chinese visitors to Victoria's regional attractions



Source: International Visitor Survey, Tourism Research Australia, Canberra, year ending December 2011

Creating a world-class experience for Chinese visitors

The two main attractions in regional Victoria are Phillip Island Penguin Parade and Sovereign Hill. There were approximately 1.9 million domestic and international visitors to these attractions in 2011. Demand is expected to grow strongly over the next 10 years, with approximately 1.3 million visitors to the Phillip Island/Penguin Parade and 1.5 million visitors to Ballarat/Sovereign Hill predicted by 2020.

Chinese visitors accounted for approximately one in five of total international visitors to these attractions for the year ending December 2011.

In the short-term, Tourism Victoria will work with these and other key tourist attractions to refresh existing infrastructure and services and tailor them to the Chinese visitor market. To meet expected growth in the longer-term, Tourism Victoria will work with Phillip Island Nature Park to consider options for expansion that take into account environmental considerations.

Phillip Island Nature Park, Healesville Sanctuary, Great Ocean Road, Puffing Billy and Sovereign Hill are prime examples of Victoria's unique attractions – natural, historical and cultural. They are demonstrably attractive to Chinese visitors, and increased numbers could, without proper planning, overwhelm the very thing that makes them attractive. Any future development at any of these attractions will have to manage environmental concerns and the limitations of the sites.

Delivering new investment projects

Government and the tourism industry must ensure Victoria benefits from increased Chinese visitation by identifying what new accommodation and tourist attractions are needed while remaining sensitive to concerns about development in areas of environmental significance.

International analysis shows that competitors who have invested heavily in refreshing existing products or launching new products have seen strong growth in Chinese visitor numbers. Singapore's recently opened integrated resorts saw Chinese visitation increase by 35 per cent in 2011. Macau has invested heavily in the development of several high quality resorts over the last decade and supported this with major marketing campaigns. This resulted in visitor numbers increasing from 9.5 million in 2001 to more than 23.0 million in 2010.

The range and quality of accommodation in Melbourne and Victoria is critical to attracting more Chinese visitors.

Ongoing investments in hotel stocks will be required to achieve the forecast growth rate for tourism arrivals. In order to increase visitation to regional Victoria, Victoria will also need to work on raising the quality of accommodation with investors. Tourism Victoria will continue to work with investors to help facilitate accommodation projects to encourage growth in this sector.

Tourism Victoria will undertake further work to identify investment priorities that meet the needs of the Chinese visitor market and the State's tourism and events industry more generally. Working closely with Invest Victoria, Austrade and Tourism Australia will also be important to attracting more Chinese investment in major tourism products including accommodation and tourist attractions.

Creating a world-class experience for Chinese visitors

Key directions <i>What we plan to do</i>	How we aim to achieve it	
	1 – 3 years	4 – 10 years
Refresh priority tourist attractions	<ul style="list-style-type: none"> > Investigate tourism investment requirements (particularly in regional Victoria) for the Chinese market. > Support industry to refresh priority tourist attractions including the Phillip Island Penguin Parade and Sovereign Hill. > Initiate the planning process for the redevelopment of priority tourist attractions/areas. 	<ul style="list-style-type: none"> > Facilitate the redevelopment of priority tourist attractions, including the Phillip Island Penguin Parade and Sovereign Hill. > Work with the Commonwealth and Local Governments to support the development of key infrastructure projects for the Great Ocean Road. This includes the priority projects identified in the Great Ocean Road product-gap audit (i.e. eco-tourism facilities, walking trails, 5-star accommodation and improved visitor information facilities).
Attract new investment and infrastructure development	<ul style="list-style-type: none"> > Identify investment priorities that meet the needs of the Chinese visitor market such as regional accommodation and metro 3-4 star accommodation. > Work with investors to facilitate accommodation projects. 	<ul style="list-style-type: none"> > Work with Invest Victoria, Austrade and Tourism Australia to attract Chinese and other investment in major tourism projects that meet the needs of Chinese visitors including accommodation and attractions.

Delivering the Strategy

Victorian International Engagement Strategy (VIES)

Asia's emergence creates extraordinary growth opportunities for Victoria. The Victorian Government recognises the need to build our economic future in partnership with these markets, particularly China, and has developed an initiative to meet this demand.

The Victorian International Engagement Strategy (VIES) will facilitate greater opportunities for Victorian businesses to engage with overseas markets, lifting competitiveness and productivity. The Victorian Government has invested heavily in the VIES and the tourism industry can also capitalise on these benefits. This includes participation in trade missions and in Victoria Week which promotes Victoria's business capabilities and investment opportunities.

The aim is to internationalise Victorian industry to deliver long-term economic growth for the State. Key to this is ensuring Victorian businesses are equipped with the skills, knowledge and expertise to succeed in global markets. The VIES will drive the Government's international engagement to encourage strong ties between international markets and Victorian businesses.

Collaborating with partners

Extensive consultation has been undertaken with stakeholders across Government and industry in China and Australia to guide the development of this Strategy. These stakeholders will continue to play an important role in the implementation of the Strategy.

Victorian partners

Victoria's China Tourism Strategy aims to grow Chinese visitor numbers across all segments – leisure, students, business visitors and those visiting friends and relatives.

It therefore requires a whole of Government approach and close collaboration with industry.

Tourism Victoria will lead the delivery of the Strategy working closely with:

- > Business and industry partners including Melbourne Airport, Victorian Employers' Chamber of Commerce and Industry (VECCI), Victoria Tourism Industry Council (VTIC), Melbourne Convention and Visitors Bureau (MCVB), Victorian Major Events Company (VMEC), Crown Integrated Resort, Federation Square, Sovereign Hill, Phillip Island Nature Park, the Bendigo region and the wider Victorian tourism and events industry;
- > Local government organisations, especially the City of Melbourne and also Regional Tourism Boards to increase Chinese visitation in regional Victoria;
- > Invest Victoria, DBI, VMEC, Skills Victoria, the MCVB and tourism and industry groups to attract new investment, infrastructure and business events to the State;
- > The International Education Division of DBI, DEECD, the education sector (Victorian Universities and TAFEs) and the tourism industry to better develop new initiatives that link tourism and education and promote Victoria to past, present and prospective Chinese students;
- > The Office of Multicultural Affairs and Citizenship and community groups to promote Melbourne and Victoria's tourism strengths to the local Chinese community;
- > Parks Victoria and the Department of Sustainability and Environment to determine the infrastructure and investment requirements for public land sites and areas of environmental significance including the Great Ocean Road and Phillip Island Nature Park.

Australian partners

The Victorian Government will continue to work closely with the Commonwealth Government, particularly Tourism Australia and the Department of Resources, Energy and Tourism (DRET), to ensure the implementation of the Strategy complements and builds on the directions outlined in relevant priorities at the national level.

Other national stakeholders include the Australia China Business Council, Department of Immigration and Citizenship, Department of Transport, Department of Education, Employment and Workplace Relations, Austrade and Australian airlines.

Chinese partners

Strong relationships on the ground are critical in China. The Victorian Government will continue to work with the Chinese Government, Chinese airlines, travel operators, trade and educational institutions to enhance aviation access to Victoria and to promote Victorian tourism and lifestyle experiences.

Measuring Victoria's performance

Delivering the initiatives of Victoria's China Tourism Strategy will provide significant benefits to Victoria. If we get it right and the environment remains stable, the Chinese visitor market has the potential to deliver the goals outlined below. These have been deliberately set high to improve the performance and competitiveness of the Victorian tourism industry.

Performance measure	Unit of measure	2020 Potential
10 year contribution to GSP	Dollars	\$18.2 billion
Contribution to employment	Number of jobs	41,700
Chinese overnight visitor expenditure in Victoria	Dollars	\$2 billion
Annual visitors to Tourism Victoria's Chinese language websites	Number of visitors	1 million

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