

Chinese tourism market

Description

A Japanese travel agency recently got approval from the Chinese authorities to set up a totally foreign-funded company in China, the first of its kind so far. What does it mean? Is it a challenge or chance for local companies to compete with increasing power?

China boasts a large population and vast geographical areas. They are natural catalysts for the development of its tourism industry. The recent few years have seen a boom in this sector with a trend of cooperation among different countries. It resulted from fluidity, one feature of the tourism industry, as well as ongoing economic globalization. Thanks to China's opening-up policies, the tourism sector is being turned into a vanguard in helping the country make further economic progress.

Some experts point out that China is expected to open its outbound travel business to foreign-funded enterprises within two years. They believe that the development of China's tourism market will help the recovery of the world's tourism industry. Given the accelerated process toward a more open policy and environment, local travel services should be prepared. Competition for even small pieces of the tourist pie will be fierce.

In mid July this year, an official Chinese delegation paid a visit to Japan. The main goal of the trip was to further promote bilateral cooperation in the tourism sector.

Among the gifts referred to by He Guangwei, the most substantial and attractive one is the government's approval for one Japanese travel agency to set up its solely funded company in China. And it came much earlier than the country's commitment to the WTO required.

For the professionals in the Chinese tourism sector, the inflow of foreign capital is not a fresh or a frightening matter. They have already been used to such things. However, we have to face the impact of the establishment of solely foreign-funded travel agencies in China on the local enterprises and the tourism sector at large. From the positive perspective, a foreign-funded company can introduce some new methods of management, for instance, the overall operation of a travel agency, the organization of its client source, as well as the exploitation and management of the internal human resources. Furthermore, it can offer quality services to the mass market," said Wu Bihu, professor of Peking University.

Given the ever more open policy laid out by China for its tourism sector, Jalpak International Corporation becomes the early and lucky bird to get the benefit. Affiliated with the Japan Airlines Group, the company to be set up in Beijing will have some 600,000 US dollars in registered capital and will focus on inbound travel in China. Last year, Jalpak brought 25,000 tourists to China through its Beijing office. With an expected schedule to officially start running by year end, it will organize many more Japanese tour groups to China and take a bigger share in the country's tourism market. However, many people will be wondering whether this foreign company will cause big ripples in the comparatively open sector in China.

As the Chinese tourism market expands at high speed, a good environment is being created to further drive its development. The process of inbound and outbound travel is becoming more simplified for the convenience of tourists. More products in the tourism sector are coming forward to meet the increasing demand from both the domestic market and abroad. A comprehensive upgrade and standardization is taking place in China in line with relevant WTO regulations as well as bilateral and multilateral agreements. Accompanying the market expansion fiercer competition is unfolding in waves. The green light to allow the setup of foreign-funded travel agencies now shines brightly in the eyes of the local companies and demands their attention.

The local travel agencies do have their own advantages in the competition with their foreign counterparts, for example, their familiarity with the country's geographic conditions and human characteristics. However, compared with the sustainable strength of many big foreign companies, the local ones have a lot to catch up. Fortunately, there is time left, though it is limited.

“Before the foreign enterprises enter China, they have conducted thorough market research and study. Once they decide to come here, they are sure to gain profit a few years later instead of making the decision on a sudden impulse. The current one to two years are a period for them to make observations and adjustments and to move steadily. I believe that they will make rapid progress in two years and pose a huge threat to us. So the local travel agencies should always keep alert, or in other words, raise their sensitivity towards relevant changes,” said Wu Bihu.

Stakeholders want to boost China's tourism industry by allowing more engagement of foreign capital. The establishment of foreign-funded travel agencies is among the first steps taken. With the market further opened, people from around the world will be able to visit this great nation with a long history and beautiful scenery, while it will also be easier for Chinese people to travel to other countries. More business opportunities will surely abound.

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