Tourism expenditure patterns in China

Vera Shanshan Lin [a], Rui Mao [a,*], Haiyan Song [b]

[a] School of Management, Zhejiang University, China
[b] School of Hotel and Tourism Management, The Hong Kong Polytechnic University, Hong Kong SAR, China

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ABSTRACT

Using China's urban household survey data for 2002–2009, this study compares the impacts of the socio-economic and demographic characteristics of urban household expenditure on tourism in different age cohorts. The life cycle age profiles of group-tour and non-group tour expenditures are obtained by decomposing total household expenditure. The results show that the age profile of total tourism expenditure is hump-shaped, which conforms to consumers' income discretionary expenditure cycles. The age profile of group-tour expenditure is hump-shaped whereas that of non-group tour expenditure is S-shaped, corresponding to the substitution of group and non-group tours as children grow older. The implications are discussed in the context of tourism marketing with a view to providing useful segmentation information for tourism decision makers.

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Introduction

With increasing disposable income, more public holidays, faster transportation (e.g., convenient air networks and high-speed railways), and greater openness toward the world, China's domestic and outbound travel have grown unprecedentedly since the 1990s. The number of domestic tourists reached 3,262 million in 2013, with an average annual growth rate (AAGR) of 11.27% over the period 1990–2013 (CEIC China Database, 2014). The number of resident departures from China increased from 6.11 million in 1994 to reach 98.2 million in 2013, indicating an AAGR of 16.69% (CEIC China

* Corresponding author.
    E-mail addresses: shanshanlin@zju.edu.cn (V.S. Lin), rmao@zju.edu.cn (R. Mao), haiyan.song@polyu.edu.hk (H. Song).

Database, 2014). Along with the significant growth in tourism, tourism expenditure in China has also increased significantly since Chinese people now have more opportunities to travel internationally and domestically for leisure purposes. In 2013, China's domestic tourism revenue reached RMB 2,627.61 billion, with an AAGR of 12.5% between 1995 and 2013 (CEIC China Database, 2014). The AAGR of domestic tourism revenue measured in 2010 prices over the same period was even higher (14.3%).

One of the biggest challenges facing the tourism and hospitality industry today is the need to overcome the lack of information/knowledge necessary to target real consumers and seek out what they actually need (Jang & Ham, 2009). Understanding tourism expenditure is of vital importance because "tourism is an expenditure-driven economic activity" (Mihalic, 2002, p. 88). A good understanding of tourism expenditure will bring great benefits in identifying viable market segments and formulating market segmentation strategies for the tourism industry. The importance of tourism expenditure is well recognized, not only by tourism-related businesses, but also by local governments and destination marketing organizations (DMOs). Consequently, powerful analytical models are crucial in order to trace tourists' spending patterns. Econometric techniques offer valuable tools for investigating the relationships between tourism, expenditure, and their characteristics (Brida & Scuderi, 2013).

However, there has been little empirical research on tourist expenditure patterns. Microeconomic studies of individual or household tourism behavior are even rarer. A comprehensive analysis of the socio-demographic characteristics of tourist expenditure over the life cycle can provide useful information aiding destinations to formulate appropriate marketing strategies and tactics to attract potential tourists. The purpose of this study is thus to analyze the patterns of household expenditure on tourism in different life stages using the national household survey data for China. It is important to note that our study concentrates on urban areas of mainland China due to data constraints.

This study differs from previous work on tourism expenditure in the following ways. Firstly, it compares the spending patterns for tourism in China over the period 2002–2009. A longitudinal examination of tourism expenditure patterns can provide information about the demand for tourism and leisure activities under different economic and demographic conditions. To the best of our knowledge, this study is the first of its kind to investigate the dynamic tourism spending patterns at individual household level across age cohorts in China using a simple but effective dummy variable model. Secondly, it utilizes national household survey data, which contain detailed information on individual consumers and thus enable analysis of tourism spending patterns at the individual consumer level. Thirdly, it also provides information about how households' socio-demographic and economic characteristics influence tourism expenditure, which can shed useful light on how to develop efficient segmentation strategies for DMOs given the constraints of their marketing budgets.

The remainder of the paper is structured as follows: Section "Literature review" contains a review of the tourism expenditure literature; Section "Data and models" describes the data in detail and the modeling method employed in this study; Section "Findings and discussions" compares the differences of tourism expenditure patterns based on socio-demographic and economic characteristics; and Section "Conclusions" concludes the study.

Literature review

A substantial body of research on tourism demand has been devoted to investigating the relationship between tourism demand and its determinants as well as analyzing the characteristics and determinants of tourism demand (Brida & Scuderi, 2013; Li, Song, & Witt, 2005; Song & Li, 2008). In addition, many of these studies have focused on the destination level using total arrival, departure, and expenditure data. Micro-data are rarely used to examine individual or household consumption behavior relating to tourism (Brida & Scuderi, 2013; Wang & Davidson, 2010a). Wang and Davidson (2010b) concluded that studies using micro-data have the advantage of considering the diversity and heterogeneity of consumer behaviors, which are averaged out in macroeconomic analysis.

Based on a review of 27 tourism expenditure studies that used micro-data, Wang and Davidson (2010a) concluded that the tourism expenditures used in econometric modeling were commonly measured by expenditure per person per day, total travel expenditure, total party expenditure, party