

A thesis submitted in fulfillment
of the requirements for the degree of
DOCTOR OF PHILOSOPHY

STRATEGIES FOR ENTERING THE CHINESE OUTBOUND TRAVEL MARKET

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ABSTRACT

China represents a huge opportunity for the development of world tourism in the coming years. Now this opportunity has come closer as China's admission into the WTO (World Trade Organisation) has occurred. This has raised the expectation that foreign firms will explore and benefit from Chinese outbound market growth. However, what are the risks associated with entry into the Chinese outbound market? What strategies are most likely to succeed in the Chinese outbound market? This research is a timely study undertaken to examine the structure of the Chinese outbound tourism industry, its characteristics and the influencing factors which drive its evolution.

Successful entry strategies can only grow out of sophisticated understanding of industry structure and how it evolves. Based on a review of the Chinese travel history, the competitive theories of West and East, and a thorough analysis of industrial practice in China, a conceptual framework for industry structure has been created in Chapter Four. The conceptual framework is tested by a random sample of 210 personal interviews with Chinese travel operators in Beijing, Shanghai and Qingdao.

The findings of this research demonstrate that Australia holds a favourable market position in the current and future Chinese outbound industry. The research demonstrates that Australia's unique position is derived from a market perception of 'famous, fresh and authentic', a profile that can serve Chinese market needs in the coming years. The research also shows that the current outbound industry structure in China is the outcome of government policies. It has high barriers to entry. However, future industry structure and market competition will be determined by a company's capability to perform (including firm capability, structure and performance, strategy for future and product offerings).

Finally, the research analyses the choices of entry strategy available for Australian travel firms, and the possible future direction for market growth under WTO open policies.

Key Words

Tourism, Chinese outbound industry, industry structure, market competition, competitive advantage, Australia travel industry, Australia's competitive positions, China's WTO entry, ADS, The travel history of China.

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DECLARATION

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other institution, and to the best of my knowledge, contains no material previously published or written by another person, except where due reference is made in the text of this thesis

Signature:

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CHAPTER ONE INTRODUCTION

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Rising incomes and the rapid internationalization of the Chinese economy have resulted in an increasing level of interest in the outside world. As a result, the door to the Chinese outbound market has been prised open and prodigious growth has been achieved in recent years. In 1999, 9.2324 million (CNTA, 2000) Mainland Chinese traveled overseas, up 9.6 % from 8.4256 million in the previous year (CNTA 1999). Compared with 5.06 million (CNTA, 1997) in 1996, a growth of 84.65% was achieved in just over three years (Table 1.1).

**Table 1.1: Outbound Tourists from the People's Republic of China, 1990-1999
(million)**

Year Type	1993	1994	1995	1996	1997	1998	1999
Public Affairs	2.28	2.09	2.74	2.65	2.88	5.24	4.97
Private Purposes	1.46	1.64	2.05	2.41	2.44	3.19	4.27
Total	3.74	3.73	4.52	5.06	5.32	8.43	9.24

Source: CNTA, 1994-2000.

The latest data from CNTA (2000) have revealed that in 1999 there were 4.9663 million Chinese nationals travelling for government business (public affairs), representing a 5.1% decline from 5.2353 million in 1998. However, the decrease of outbound travel in the public sector has been well balanced by a much faster increase from the private sector. In 1999, there were 4.2661 million outbound trips for private reasons, a 33.7% increase from the 3.1902 million of 1998 (Table 1.1). Compared with 2.4396 million privately funded trips abroad in 1997, a growth of 75% was achieved over two years. In 1999, Hong Kong, Macao, Thailand, Japan, Russian, USA, Korea ROK, Singapore, Korea DPR and Australia were the main destinations of Chinese outbound visitors for private purposes (CNTA, 2000). Australia was

continuously rated among the top ten most popular destinations for private purposes by CNTA between 1995 and 1999 (CNTA, 2000; 1999; 1998).

The volume of outbound traffic through Chinese travel agents has increased enormously in recent years. The Chinese outbound industry has shown itself to be a major force in conducting and organizing Chinese outbound travel and generating market growth, especially in arranging travel for private reasons. The total number of Chinese outbound visitors organized by travel agencies was 2.4956 million in 1999, up 37.8% over the previous year (Table 1.2). The number for 1998 and 1997 were 1.8109 million and 1.4307 million respectively (Table 1.2). The major outbound destinations through this channel were Hong Kong SAR, Macao, Thailand, Myanmar, Vietnam, Singapore, Malaysia, Russia, Korea DPR and the Philippines. Organized outbound travel to Australia and New Zealand also formally started in 1999 (CNTA, 2000).

Table 1.2: Outbound Travel via Travel Agents, 1993-1999 (million)

Year	1993	1994	1995	1996	1997	1998	1999
Travelers	.72	1.09	1.26	1.64	1.43	1.81	2.50
Change over previous year (%)	N/A	51.4	15.6	30.2	-12.8	26.6	37.8
Of the Total Outbound (%)	19.25	29.4	27.9	32.4	26.9	21.5	27.0

Source: CNTA, 1994-2000.

Although it is no longer small in comparison with many other countries (see Table 1.1 and Table 1.3), the potential appeal of the Chinese market for international tourism development is huge. At present, only 0.7% (9.2324 million /1.3 billion) of China's population travels abroad. If the annual growth rate of the market is 15% (a moderate estimate) over the next three years, there will be at least 13 million travelers by 2002, presenting just 1% of the population.

Table 1.3: Australian Residents Travelling Abroad

Year	Overseas Departures	Change (%)
1992	2,276,260	8.4
1993	2,267,080	-0.4
1994	2,354,310	3.8
1995	2,518,620	7.0
1996	2,731,970	8.5
1997	2,932,760	7.3
1998	3,161,060	7.8

Source: ABS, 2000a.

Hall (1994) has pointed out that in contrast with other nations in Asia and the world, China's outbound travel remains promising on the back of a 1.2 billion population and burgeoning popularity for leisure and business travel abroad. It is even more promising if the current tougher restrictions for overseas travel by the government are relaxed in the future. Indeed, such relaxation will be a requirement of World Trade Organisation (WTO) membership. China appears set to become a tourist-generating region on a massive scale in the 21st century.

1.1.2 Australia Inbound Travel from China

The number of Chinese tourists to Australia increased at a rate of about 20% a year during 1990s. It grew by 26% to reach 54,000 in 1996 (Meade, 1997), after a 43.5% increase over the previous year (ABS, Dec 1995). In 1997 Australia recorded 62,180 arrivals from China in the year to September, an increase of almost 19% on 1996 (March, 1998). The prospects for growth are set to improve after the announcement by Beijing and Canberra (on 11/12/1997) that Australia has been designated as an approved destination for tourists from China, the first western country to gain such status (Mcgregor et al., 1997; Greene, 1997; Pettafor, 1997). As a result, arrivals from China have increased 36.7% in 2000 (Marino, 2000) after experiencing 29% growth in 1999 (March, 2000).

According to statistics from the Australian Department of Immigration and Multicultural Affairs (DIMA, 2000), the Department issued 78,671 visitor visas to

Chinese nationals to travel to Australia in 1999/2000, a nine-fold growth from 8,892 in 1991/1992. DIMA has confirmed that this number is likely to rise significantly as ADS (Approved Destination Status) arrangements are implemented. The Tourism Forecasting Council of Australia predicts that “visitor arrivals (which includes business visitors, and people visiting family as well as tourists) from the PRC are likely to increase to over 500,000 annually by 2008” (DIMA, 2000). The Australian Tourist Commission (ATC) believes that “China will become its primary inbound market in five to six years” (March, 2000).

Table 1.4: AVERAGE VISITOR EXPENDITURE, 1998
By Country/Region of Residence and Expenditure Item

Country/Region of residence	❶	❷	❸	❹	❺	❻	❼	❽	❾
New Zealand	339	524	122	418	331	52	7	67	1,860
Germany	1,630	1,576	601	1,256	386	72	34	177	5,732
United Kingdom	1,108	1,858	334	1,124	393	105	7	130	5,060
Other Europe	1,174	1,701	437	1,347	455	116	175	212	5,617
Indonesia	144	728	312	1,168	646	215	1,284	673	5,170
Malaysia	200	531	180	697	438	171	833	183	3,233
Singapore	416	526	165	778	547	120	613	297	3,462
Hong Kong (SAR of China)	600	839	251	896	499	255	473	222	4,034
Japan	2,219	225	83	370	619	63	138	61	3,778
Korea ROK	411	625	325	1,209	560	343	898	243	4,614
Taiwan	1,635	325	129	523	602	95	372	130	3,811
Thailand	258	585	241	1,002	562	251	855	258	4,012
China	1,144	803	368	1,275	810	309	898	683	6,290
Other Asia	281	1,160	269	854	595	101	554	177	3,991
United States of America	1,506	2,229	347	1,022	377	126	97	185	5,889
Canada	828	2,000	405	1,156	389	117	42	161	5,098
Other countries	391	1,489	247	785	536	111	352	271	4,182
All countries	1,071	1,036	242	801	480	110	243	170	4,153

Source: ABS, 2000b.

❶ = Package Tours (\$); ❷ = Prepaid international airfare (\$); ❸ = Transport (\$); ❹ = Food, drink and accommodation (\$); ❺ = Shopping (\$); ❻ = Entertainment and gambling (\$); ❼ = Education fees (\$); ❽ = Other (\$); ❾ = Total (\$).

In economic terms, inbound travelers from China are big contributors to Australia. According to BTR's 1998 statistics (ABS, 2000b) visitors from Mainland China were

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more likely to outspend other international inbound tourists to Australia. The average expenditure of international visitors to Australia in 1998 was \$AUD 4,153. Visitors from China spent an average of \$AUD 6,290, followed by visitors from the United States of America, an average of \$AUD 5,890. Germany was third with an average of \$AUD 5,730. Visitors from New Zealand spent the least, an average of \$AUD 1,860 per visitor (Table 1.4).

After paying for package tours and prepaid international airfares, the Chinese visitors spent more on food, drink and accommodation, averaging \$AUD 1,275 per visitor, second only to Other Europe which spent on average \$AUD 1,347. Visitors from Mainland China tended to be high spenders on transport, shopping, entertainment and gambling, education and other (refer to Table 1.4).

A similar story occurred in 1999. Visitors from China remained the biggest spenders with an average of \$5,637, followed by Other Europe, Canada, Germany and USA (refer to Table 1.5).

Table 1.5: AVERAGE VISITOR EXPENDITURE, 1999

By Country/Region of Residence and Expenditure Item

Country/Region of residence	❶	❷	❸	❹	❺	❻	❼	❽	❾
New Zealand	221	437	195	488	342	76	11	59	1,829
Germany	1,292	1,471	847	1,191	295	59	107	90	5,351
United Kingdom	802	1,677	554	1,226	347	113	8	95	4,823
Other Europe	1,060	1,565	758	1,364	400	106	139	147	5,539
Indonesia	144	596	482	1,002	654	160	1,174	338	4,550
Malaysia	241	497	331	763	400	247	812	106	3,397
Singapore	453	511	331	811	443	184	644	111	3,489
Hong Kong (SAR of China)	489	788	350	1,004	483	169	520	131	3,933
Japan	1,995	302	261	384	573	48	114	43	3,720
Korea ROK	794	545	305	969	506	128	399	129	3,775
Taiwan	984	436	320	650	582	88	587	112	3,759
Thailand	290	536	428	992	491	319	772	140	3,967
China	767	920	512	1,304	606	215	1,001	312	5,637
Other Asia	240	991	436	954	626	156	712	174	4,289
United States of America	1,188	1,954	468	969	329	86	236	90	5,320
Canada	1,053	1,789	594	1,238	367	112	107	127	5,387
Other countries	451	1,129	325	708	511	80	122	117	3,443
All countries	884	969	412	846	438	106	248	103	4,006

Source: ABS, 2001.

❶ = Package Tours (\$); ❷ = Prepaid international airfare (\$); ❸ = Transport (\$); ❹ = Food, drink and accommodation (\$); ❺ = Shopping (\$); ❻ = Entertainment and gambling (\$); ❼ = Education fees (\$); ❽ = Other (\$); ❾ = Total (\$).

1.1.3 Development of the China Outbound Market

At the initial stage of outbound travel from China, government travel policies play an important role in the development of the Chinese outbound market and the structure of the tourism industry. Government anxieties play a central role in the formulation of outbound policies. For the Chinese government, outbound travel by Chinese nationals means a hard currency drain from state coffers. As a nation, China cannot afford outbound travel to grow unchecked. In order to manage this market growth, the Chinese government resorts to the following methods:

- 1) Control of outbound destinations – Approved Destination Status (ADS);
- 2) Control of financial arrangements – who pays for the trip; and

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- 3) Control of the Chinese outbound industry that promotes it – who is in the business and who is out.

Another minor means of control is to limit the initial generating regions to Beijing, Shanghai and Guangdong Province. Since these three locations are where the outbound market and industry concentrate, it is logical to assume that the reason for such concentration relates to the ease of controlling the business behavior of the travel companies and limiting access to foreign destinations.

◆ Approved Destination Status (ADS):

In 1983, permission to undertake outbound travel for non-government purposes was first trialled in Guangdong province, and in 1984 the practice of outbound travel was extended to all other provinces in China. The special conditions for outbound travel at that time were:

- a. To Hong Kong and Macao only;
- b. The financial burden of outbound travel had to be shouldered by the traveler's overseas relatives and friends.

Permission for travel to Hong Kong and Macao at the time was a landmark event in China's recent history, heralding the start of the Chinese outbound market.

As continuous market growth has occurred, Singapore, Malaysia and Thailand have been added to the official overseas holiday destination scheme of the Chinese government in 1990. These became the first destinations outside Chinese sovereign territory to be granted the status enjoyed by Hong Kong and Macao since 1983 as approved destinations for Chinese nationals. The Philippines joined the group in 1992. To benefit from the Chinese scheme, a country must negotiate with the Chinese government to get ADS status. In 1998, Korea ROK, Australia and New Zealand were added to the scheme, with Japan gaining this status in September 2000. Currently, Switzerland and other West-European countries are actively negotiating with the Chinese government for Approved Destination Status (ADS).

To prevent outbound travel from becoming a burden on China's hard currency reserves, The Chinese authorities emphasised gradual market development. According to DIMA (2000), "Discussions between the Australian Government and Chinese authorities have focused on the PRC's intention to develop outbound tourism in a managed, orderly and controlled manner. China and the ADS countries must be confident the tourists will comply with visa conditions and return to China at the end of their tour itinerary."

"Under the ADS arrangements," DIMA (2000) said, "Chinese authorities designate a number of travel agents in China (22) to establish links with Australian nominated travel agents to arrange group travel from China. The Australian nominated travel agents were selected by the Inbound Tourism Organisation of Australia (ITOA)." Written agreements are required between the authorised Chinese outbound travel agencies and the Australian inbound operators. DIMA (2000) has stated: "the number of Chinese tourists visiting Australia is expected to increase significantly, providing a substantial boost to Australia's tourism industry. This is an important development for Australia's tourism industry given the softening in demand from other Asian markets." Between August 1999 and August 2000, over 7,500 ADS visa holders visited Australia (DIMA, 2000).

What is the future of ADS as the Chinese economy develops further? Can it be effective in managing outbound growth? How can ADS be used most efficiently to Australia's advantage? The following are some suggestions:

1. Eventually, ADS status will be awarded to almost all friendly and willing countries. It appears similar to the "Most Favoured Nation" status granted by the United States of America. It will become nothing more than a way of labeling friendly nations. It might be used in future against some governments for political reasons.

2. ADS status also has a negative dimension for destination countries, especially western countries such as Australia, New Zealand and the USA. The ADS visa has to be issued for travel. The visa may conceivably be used as a back door for an influx of illegal migrants from China.

◆ At Own Expense:

Despite more and more countries being awarded approved destination status, technically China still lacks the basic economic structure for the rapid development of its outbound market. Officially the policy of “the expenses of ‘outbound travel’ have to be borne by traveler’s overseas relatives and friends” is still valid, even though it is no longer the common practice for outbound travel. Aware of these developments, two new regulations came into force in 1997, clearly stipulating ‘*at own expense*’ rather than ‘at the expense of overseas relatives and friends’. They are “the Provision Regulation on the Management of Outbound Travel by Chinese Citizens at Their Own Expense” drafted by the China National Tourism Administration (CNTA) and “The Means of Foreign Exchange for Private Outbound Purpose” drafted by China’s National Foreign Exchange Administration (CNFEA).

Under these regulations, a first-time outbound traveler can buy a maximum of 2,000 US dollars at the official exchange rate. As Dou (2000) of the State Tourism Administration has pointed out, these regulations are the first Chinese government regulations governing outbound travel at the citizen’s expense. In essence they legalise the practice of outbound travel at “own expense” at the official level and create a basic structure on which the market and industry can develop. “It marks the overall opening of the Chinese outbound travel market” (Dou, 2000).

The legal development that has returned economic power to private hands in the marketplace reduces government control over outbound travel. An emerging problem over the past few years is that the US\$ 2,000 at the official exchange rate could become an unbearable burden for the government if the outbound market grows too

fast, too soon. According to Dou (2000), some measures have already been under government consideration to counter the hard currency leaking problem. One measure is to impose an 'exit tax' on all Chinese outbound tourists. According to Dou (2000), if the 'exit tax' is 100 RMB (US\$12) for each outbound traveler to Hong Kong and Macao and 200 RMB (US\$24) for tourists to other outbound destinations, this alone could generate about US\$100 million (RMB 826 million) in tax based on 1998 outbound statistics. There is no doubt that such a measure could, to a large extent, rein in the pace of growth in the Chinese outbound market.

Since the Chinese economy is predominantly a consumer economy, and China depends on consumption for its economic reform and progress, "at own expense" is a long-range government policy. China cannot afford its current economic reforms without the "at own expense" policy. As long as the principle of "at own expense" stays, the Chinese outbound travel market will be open for business. The Chinese government may however consider other secondary and tertiary level controls for outbound travel growth.

◆ The Chinese Outbound Industry:

Although China's outbound industry may not grow as rapidly as expected by its international partners, the achievements of the industry are spectacular. Since 1983 a huge growth in outbound visitors has occurred (Table 2). Despite such growth, there have been few attempts to examine the structure of the Chinese outbound industry, to see how competitive business advantages can be carved out for individual competing companies or travel agencies. Questions about the competitive health of travel businesses at the outbound-inbound industry level have generally been overlooked.

Understanding the dynamics of the Chinese outbound industry and its relationship with foreign destinations is becoming increasingly important. Knowledge and information about the alternative competition strategies open to prospective travel companies wishing to operate in China are likely to become increasingly sought after,

particularly after the approval of official destination status for Australia and China's entry into the WTO. Knowledge about the Chinese outbound industry is far from complete, especially in terms of strategy and strategy selection. In this respect, the opportunity to access the vast emerging China outbound travel market, presents Australia and the Australian tourism industry, with as many challenges as benefits. Research into the Chinese marketplace will be a very important determinant in setting the right competitive strategies for the Australian tourism industry.

1. Industry Perspective:

Generally speaking, the outbound industry has played an important role both in generating market growth and in satisfying tourist demand for particular destinations. Its role in market development has never been as perfect as economists envisaged under traditional demand-and-supply theory, where it is assumed that there is perfect knowledge of the channels of distribution and product demand. The outbound industry structure has been neither neutral to destinations and travel companies, nor responsive to consumer demand. It has its own flavour and often follows past success. As evidenced in King et al.'s (1999) research, "The destinations cited by ... consumers as most strongly desired were significantly different from those currently attracting the highest visitor numbers."

According to a PATA (Pacific Asia Travel Association) survey conducted by Roper Starch (a market research company) of 600 Chinese travelers from Beijing, Shanghai and Guangzhou in 1996, 34% put the US as their most desired destination, followed by Japan (11%), Australia (8%), Singapore (7%), and then France, Germany, Italy, Thailand and Taiwan (Muqbil, 1996). However, neither the US or Japan, or Australia received this level of market share. Of the Chinese outbound travelers 45% (Dou, 2000) traveled to Hong Kong in 1996. Macau and Thailand were the secondary and tertiary destinations (PATA Tourism Statistics, 1998). According to King et al. (1999), a similar situation occurred in an examination of the structure of the Korean outbound industry. While the latent Chinese consumer demand for Australian tours is

evident, it clearly depends on a favourable Chinese outbound industry structure to convert potential into actual numbers.

This is why the focus of the present research is on the Chinese outbound industry structure and the industry participating elements – Chinese travel agents. The managers of the current travel companies have valuable business perspectives that are the result of years of experience in dealing with customers, government policies, market changes and their business visions. They will influence the future of the Chinese outbound market and industry through their business and investment decisions. Research at this micro level can help identify the trends of industry change and the evolutionary path of industry structure. So far, no published research has examined the Chinese outbound industry in the context of creating competitive entry strategies for Australian inbound operators.

2. Government Perspectives:

The Chinese outbound industry is an important area that can be influenced by the Chinese authorities through controlling who is in the business and who is out, and influencing business and financial targets. To prevent a hard currency drain, government has required companies in the industry to balance their outbound operation (spending hard currency) with their inbound operation (earning hard currency) to a certain percentage, for example 60%. In this way, the government policy – earning hard currency first and spending second – will be implemented at the business level. Chinese arrangements for ADS (DIMA, 2000) are:

- ☉ Restriction of ADS to registered residents of Beijing, Shanghai and Guangdong province;
- ☉ Under PRC regulations, in the first instance the PRC government authorise only 22 travel agents from a total of 68 outbound agencies to handle self-paid outbound travel by Chinese citizens to Australia;

- ② Written agreements between agencies nominated by the CNTA and inbound tourist agencies nominated by ITOA;
- ② Operators restricted to organising group tours of no less than 10 members, with a Chinese tour escort. The escort will be responsible for keeping the group on schedule and returning all travelers to China;
- ② The Ministry of Public Security (MPS) is responsible for issuing passports for outbound travel and controlling border exits. Chinese citizens will use ordinary passports, valid for one year, and apply for tourist visas to visit Australia;
- ② Travel costs fully paid by the traveler;
- ② A requirement that all travelers in every group must return to China; and
- ② Sanctions for travel agencies who do not meet the required standards; for example, financial penalties and/or loss of their approved status.

The Australian government also influences the Chinese outbound industry by implementing its policy of demanding that all their customers return to China by the end of the Australian tour in exchange for visa convenience. The penalty is: if one customer does not return to China on time, the visa convenience awarded to the company by the Australian Embassy will be cancelled for two months.

At the same time, a Code of Ethics was developed by the Australian tourism industry for inbound tour operators handling ADS business from China. According to the Inbound Tourism Analysis Newsletter (Issue Five, April 2000), “Approved ITOs were engaged in the development of the Code and collectively signed the Deed of Agreement acknowledging their support of ethical business practices. A monitoring group has been convened to manage the adherence to the agreed Code.” The Department of Immigration and Multicultural Affairs (DIMA) has made special arrangements to ensure the smooth operation of the ADS system. These include certain safeguards to ensure that travel agents and tourists comply with ADS conditions. The arrangement includes (DIMA, 2000):

- ④ The introduction of a new visitor visa specifically designed for group applicants from China. The new visa will provide each member of the group with an individual visa, valid for the period of the tour group itinerary, with no work entitlements and no capacity to extend the length of the visa, or change visa status within Australia;
- ④ Providing travel agents with a streamlined service when they have a proven record of their tour groups complying with visa conditions;
- ④ Taking appropriate action, through DIMA's offices in China, against the organising travel agent if any member of a group fails to return to China. This may include a return to normal processing arrangements or in extreme cases, the suspension of the travel agent from the ADS program for a period of time; and
- ④ Changes to DIMA's computer systems and monitoring arrangements to manage the performance of agencies (outbound and inbound), tour groups and individual travelers and to respond quickly to any visa problems which arise.

The door has been opened to the Australia-outbound Chinese market and the policies are laid out for the development of the Australia-bound market. In the structure of the Chinese outbound industry, the Chinese government has embedded its financial responsibility policy, while the Australian government has imbedded its no-illegal-migrants reliability system. The current industry structure has excluded foreign companies from participation. Inbound operators have to sell to authorized Chinese outbound organizations. Considerable barriers confront potential participants due to visa restrictions which apply in destination countries, and to the official overseas holiday destination scheme of the Chinese government. However, these barriers are temporary and will eventually disappear in consideration of China's continuous economic reform and WTO entry. Therefore, it is timely to examine the structure of the Chinese tourism industry in the context of competitive advantage.

3. WTO Perspectives:

As is the case with many other industries, the Chinese outbound industry and its current model of development needs to be brought in line with WTO entry requirements. Many pre-arranged bilateral agreements for outbound tourism development do not satisfy WTO requirements at the industry level. Tourism industry reform in preparation for WTO entry is therefore essential and creates a great opportunity for strategy development and implementation.

To date, the Chinese outbound travel industry has been heavily regulated and tightly controlled by Chinese authorities with only 68 government designated travel agencies nation-wide, possessing the right to conduct normal outbound tourism operations. Australian companies and travel firms from other countries do not have a significant role to play in the current Chinese industry structure beyond making themselves known to the Chinese outbound operators. However, Chinese practices are likely to become redundant under the rules of the World Trade Organization (WTO), producing turbulence and dislocation within the industry. Many Chinese tourism organizations are trying to reinvent themselves in line with WTO rules in anticipation of WTO entry. Consequently, the Chinese industry structure is shifting itself from government protected local competition to free international market competition where market forces will prevail.

Admission to the WTO means that China's outbound industry must be simplified to accommodate the WTO perspective with fewer government regulations. The revamping of the system provides Australian tourism operators with an opportunity to create a desirable advantage in the revamped distribution system and to become established in the Chinese outbound market. To gain full advantage of the opportunities, Australian travel operators need to participate actively in the process of structural renovation, to develop a capacity to meet market expectations.

1.2 Research Aims

Industry barriers create a market/industry structure, and consequently determine the relationship (financial and non-financial) between industry members in regard to market opportunities. In the Chinese outbound industry some of these barriers are official disruptions to the market and industry development, which will eventually need to be reduced and eliminated due to continuous development of the Chinese economy and WTO entry. Others are industrial or business barriers created by the Chinese industrial participants through their business strategies that generate competitive advantages for them.

Industrial barriers will change and shift as the Chinese outbound market/industry structure evolves. In the world of real competition, the constraints (both conceptual and factorial) of the existing industrial structure will be challenged and consequently transformed by competitive strategies undertaken by firms, thereby changing the industrial structure. As a result, more and more sophisticated and market-sensitive barriers to new business are created while old barriers erected by the competitive advantages of the past are by-passed and made redundant.

In a static view of competition, competitive advantage is created through the deployment of environmental factors, such as factors of production and government policies, to their most productive use. In a changing competitive environment, resources are innovation and change. Firms increase their returns through new products and processes, which change the competitive dynamics. As Porter (1990:45) pointed out, "Firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bring them to market, which is ultimately an act of innovation."

1.2.1 Aims

This research aims to investigate the nature and development of the Chinese outbound industry, to form a conceptual framework for entry strategic options relative to market

and industry dynamics, and to map out the evolving picture of the Chinese outbound industry, through which business opportunities and strategies for Australian inbound operators can be envisaged.

1.2.2 Objectives:

Four research objectives are proposed as follows:

1. To review the history of travel in China from ancient times to the early years of the People's Republic of China (1949~1979) and the development of tourism since the middle of the 1980s. The review will provide an historical perspective into outbound travel from China and will identify the impediments to and the catalysts for tourism development. The review will also investigate the government rationale that has underpinned changes in the Chinese tourism industry and current outbound travel patterns.
2. To examine the structure of the tourism industry in China. The examination will focus on the relationship between industry structure and interaction, and will anticipate future development trends. The examination will also look at ways to position Australian products within the context of the host industry.
3. To identify the relative competitive advantage and the formation of competitive strategies for Australian outbound companies within the Chinese outbound travel market. It will identify the extent to which the principles of competition apply to the current and emerging Chinese tourism industry structure, and the strategies required by Australian companies to enter this market.
4. To formulate conclusions on the nature of a competitive strategy that may be applied to the Australian tourism industry, with a view to competing successfully in the Chinese outbound market.

1.3 Significance

China's outbound travel market has the potential to become one of the world's largest markets in the 21st Century. This research can provide Australian inbound operators with useful knowledge with which to create competitive and innovative entry

strategies for the Chinese market, and can assist the Australian government in determining its role in the evolution of the Chinese industry by creating opportunities for Australian entry strategies. The aim is also to help firms and governments perceive market/industry opportunities better, choose better strategies and make more informed allocation of firm and national resources.

1.4 Conclusion

Despite its infant stage of development, China's outbound travel market has grown in size, value and sophistication since the middle of the 1980s. It has now become a valuable market for Australian tourism. Chinese visitors to Australia have been identified as the top spenders among international inbound travelers in 1998 and 1999. The Australian Tourist Commission (ATC) and the Tourism Forecasting Council (TFC) predict that China will become a major inbound market for Australia within the next 10 years.

Although Australia has benefited from the prodigious growth of the market, sustainable competitive advantage to Australia lies with Australian inbound operators successfully penetrating the Chinese outbound industry structure. "Strategies for Entering the Chinese Outbound Travel Market" as proposed in the title of this thesis are needed to answer many of the strategic questions confronting Australian travel companies in attempting to penetrate the Chinese market. Formulation of strategic models can eventually lead to successful entry by Australian travel operators into the Chinese market.

CHAPTER TWO

THE HISTORY OF TOURISM DEVELOPMENT IN CHINA

2.1 A Thousand-Year History of Travel in China

Before commerce came to play a part in the development of tourism, travel was a spontaneous activity. Commercial interests in tourism have further advanced travel and created new needs and desires in society. The historical review of travel development in China provides an opportunity to re-visit the essential principles of travel and their relationship with other environmental determinants. Historic travel motives as well as the various travel forms that existed in ancient China are examined. A review of the past may help in understanding the future changes likely to occur in China especially as development has occurred so rapidly and from such a small base. This review can help to put tourism development in China into perspective.

2.1.1 Travel, An Inevitable Part of Chinese History

In spite of its rather slow progress in recent history, travel in China has an immensely long history. A recorded history of over 4,000 years of economic and cultural development has produced evidence that travel in ancient China was practiced mainly by four major groups of people: the royal families and army, scholars, Buddhists and traders. The initial interest in travel was prompted by intellectual interests, international and domestic trade, curiosity about unknown lands and holy places. Those in positions of power traveled for the purposes of leisure, intellectual enjoyment, pilgrimage and trade, as well as for the needs of war and peace.

2.1.1.1 *Scholars*

In ancient Chinese history, travel had an extremely high intellectual value among Chinese scholars. The ancient Chinese valued knowledge about their land and the landscape highly in their culture, so needs for extensive travel arose. Most solitary travelers at that time, such as Monks, sought freedom from the reality of common life

(Nourse, 1944). However, Chinese scholars and philosophers, traveled in search of a consciousness to “seek ultimate truth from the landscape” (Petersen, 1995). In small groups or as individuals, they often traveled thousands of miles away from home to seek inspiration and sentimentality from a magnificent landscape and for creative pursuits such as poems and paintings. An harmonious relationship between people and nature often formed the central scene in their ancient travel (landscape) poetry and paintings. In Chinese culture, these travel (landscape) poems and paintings are not just portraits of the topography of real places - they are travelling vehicles intended to carry the participant on the power of imagination.

Scholars often traveled in groups of teachers and students, most commonly on horse back or on foot. For students, travelling with their masters and helping them to travel played an essential role in their learning. For aging masters, travelling with their students was an inseparable part of their scholarly life and teaching. By sharing goals and experiences together, students could feel the essence of their masters’ knowledge about nature and the world. According to an old Chinese saying, “the best way to learn (the essence of knowledge) is to travel and live with your master together.” Figure 2.1 represents a typical travel situation in ancient China.

The scene in Figure 2.1 depicts a student travelling with a master to areas behind mountains far away from human injustice in the real world. The student carried luggage containing basic life and academic needs on foot, while the aging master traveled on horse back. The general understanding is to get away from real life and to become part of nature. An inspiring natural scene is a must element in destinations they were travelling to, and often more than one group of scholars will be attracted to the same destination. In these places, the changing scenes of nature provide the ideas for poetry and painting. Consequently, in the poetry and painting, they become a part of the grand scenery.

Travel was regarded as a great source of inspiration by many famous ancient Chinese poets. The most popular poems in China today are more than 1,000 years old, and are often vivid presentations and fabulous imaginings of these great ancient travel experiences. Tang (618-906 AD) poetry, for example, is full of pictures of the rustic and tranquil countryside and magnificent scenes of prosperous cities. Beautiful mountains and rivers, as well as the magnificent man made buildings in cities were often the subjects of imagination in poetry writing (Peking: Foreign Languages Press, 1958).



Figure 2.1 A labourer student traveled with his teacher



Figure 2.2 Li bai's poem one (Ye et al 1990)

Figure 2.2 is the imaginative drawing of the poem “Early farewell to Bai Di town”. The following is a tentative translation of the poem.

Early Farewell to Bai Di Town

*In early morning mists and amongst colorful clouds,
Farewell Bai Di for Jiongling, thousand miles away.
On the river Yangtze and through the numerous maintains,
My boat sweeps, while monkeys play.*

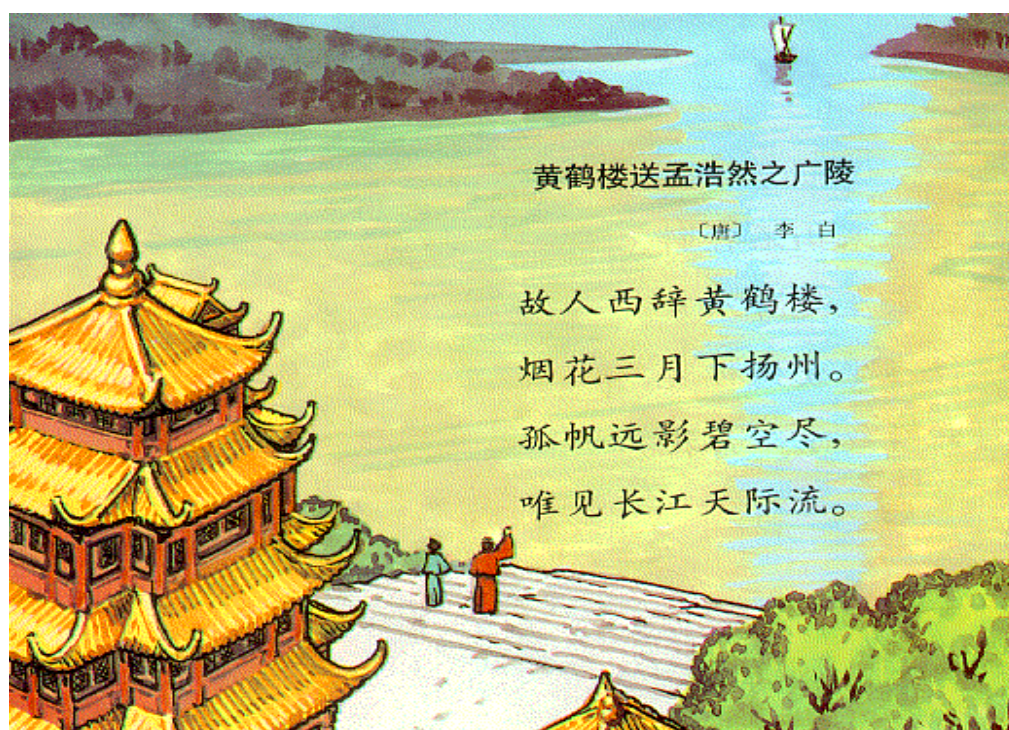


Figure 2.3 Li bai's poem two (Guan et al, 1990)

Figure 2.3 is the poem of “Farewell to Meng Hao-ran” and its associated imaginative painting.

Farewell to Meng Hao-ran

At the Yellow Crane Pagoda and amidst flowers and willows of Spring,

My old friend departs, on his way to Yangzhue.

Where Yangtze becomes the river of heaven,

The shadow of his lonely boat disappears in the blue sky.

Economic prosperity in Chinese history often played a major role in advancing the interests of travel and tourism of which the Tang Dynasty is an example. The economic prosperity of the Tang Dynasty, which was generally regarded as the Golden Age in Chinese history, contributed greatly to the development of contemporary travel and tourism. There is no doubt that economic prosperity during

this period helped Chinese travel poetry reach new heights (Nourse, 1944). It is equally clear that the swelling number of excellent poems that came into existence is a reflection of the popularity of travel amongst Chinese scholars. Li Bai (Li Po, 701-762) of the Tang Dynasty is the best known of China's host of lyric poets, famous for his exquisite imagery and his wealth of words. Many of his poems are still the most popular ones enjoyed by young and old in China today. Li Bai's unlimited encouragement and panoramic view of nature influenced the whole nation to follow in his foot steps. The places and images portrayed in Li Bai's poems have become the hot spots of travel and tourism today. Figures 2.2 and 2.3 are two of his famous travel (landscape) poems about the *Yangtze*, the longest river in China.

In current Chinese society, these poems have the status of truth, indeed ultimate truth. To date they may be considered as the biggest stimuli for people to travel. These poems continue to be taught in the Chinese education system today, and the Chinese people love their timelessness. Reciting these poems inspires an experience of imagination and produces an effect of meditation. In reality, almost everyone who has experienced some form of education, could describe the Yangtze River, even if they have not been there. Travel through imagination can also be found in Western travel literature. Just as the heroine, Pamela, had discovered "that living is not necessarily a matter of physical experiences, but that the imagination is also capable of voyages ... of daydreams" (Leiper, 1990). These Chinese poems have proven themselves in recent years to be great assets for domestic tourism development. The Chinese people, today, are in the process of translating these spiritual journeys into travel reality.

Travel in ancient times also served the needs of peace and war. Messages and communications between feuding states had to be transported physically. During periods of war, state scholars (philosophers) frequently traveled between feuding states to communicate their philosophy of peace and harmony to the fighting parties. For example, during the Spring and Autumn Period, state affairs philosophers such as Confucius, traveled to different states to spread their ideology of harmony and co-

existence to the ruling classes. Tired of the continuous wars, Kong Fuzi (Confucius, 571 - 479 BC) toured the various feuding states to sell his philosophy of “Do not impose on others what you yourself do not desire”. Although the rulers paid no heed to his advice during war, his ideology was studied and followed during peacetime (Peking: Foreign Languages Press, 1958).

2.1.1.2 By Royal Families and For Military Purposes

In Chinese history the earliest recorded example of travel was for military purposes. Before the second century BC, there is very little recorded evidence that the Chinese had any contact with distant foreign people. The first evidence of outbound travel was recorded in 128 BC when the envoy Chang Ch’ien was chosen by Emperor Wu (140 - 87 BC) to undertake a mission to make an alliance with a tribe called Yueh-chih with whom China shared a common enemy -- the Hsiung-nu Tatars. As FitzGerald (1969) has stated, “The original reason for making contact with the lands of the west was military, ...”.

According to FitzGerald (1969), Chang Ch’ien first traveled westward with one hundred followers. During his search for Yueh-chih, he was captured by the Hsiung-nu and held captive for about a year prior to his escape. He crossed the Sinkiang deserts and finally reached his destination of the I-li valley, but he failed to find the tribe. He then continued his journey westwards, and discovered many unknown countries, with advanced civilisations producing high quality products. Chang Ch’ien wrote “The people ... are sedentary and cultivate the soil. They have superb horses which sweat blood when they perspire. There are cities, mansions and houses as in China ...” (FitzGerald, 1969). When he returned to China, his knowledge interested Emperor Wu. Acting on his guidance, Emperor Wu sent expeditions and envoys to India through southwest China and Assam.

As symbols of military triumph, strength and deterrence, Chinese emperors often traveled on a large scale, with retinues of thousands of people. To facilitate travel of

such magnitude, huge travel infrastructures were constructed to accommodate the emperors' travel needs. Many world famous structures came into existence for this reason. The most famous example is the construction of the Grand Canal, an engineering prodigy on a par with the Great Wall. This man-made Grand Canal, the longest of its kind in the world, ran from Beijing in the north to Hangzhou in the south, a total of 1,801 kilometres. It was dug in the 5th century BC and repeatedly extended and dredged in the following dynasties (Qin Shi, 1995). Emperors of the following dynasties were frequent users of the Canal. They went from north to south on pleasure trips. However, the Canal was also a funnel of trade and tribute from south to north, and its flow of grain and booty enriched the court, nobility and army (Pan, L. 1985).

A key function of royal travel was to demonstrate the emperor's authority over his territory. The emperor and his family, and the royal army were required to travel frequently. For safety and convenience four capital cities were built in ancient China called the eastern, the western, the northern and the southern capitals. These capitals were built on a large scale and used as the travel residences for the imperial families and the royal army.

During later dynasties, the need for military display and royal travel gradually gave way to the growing demand for leisure travel. Eventually, travel for leisure became the dominant form of royal travel. Thus, during later dynasties, more royal travel residences were built according to the emperors' leisure needs. For example, during the Qing Dynasty (1644-1911) a summer mountain villa in Chengde was built by the Emperors Kangxi and Qianlong. It was popularly called the Imperial Temporary Dwelling Palace or Imperial Travelling Residence. The emperors often brought with them their whole administration to the Villa in the summer months and governed the country from there. This large resort is considered to have the most remarkable imperial garden existing in China today.

Since the 16th century, leisure travel was popular amongst China's royal families. Almost all affluent royal families of different ethnic groups flocked to popular destinations and constructed travelling residences. Chengde, the most popular Chinese travel destination for hunting and other summer activities was one of these destinations. A total of 11 lamaseries (popularly called The Eight Outer Temples) were built by groups along the mountain slopes for the travelling Mongolian and Tibetan royal families in Chengde. The architectural style of the temples shows a harmonic combination of Han, Mongolian and Tibetan influences.

2.1.1.3 Traders

Trade prompted the first contact with western Asia. The trail used by early traders, later became the world famous Silk Road. The Chinese traded silk, which was then a Chinese secret and monopoly, in return for horses and other tradable items. It was along the Silk Road that grape vines were brought to China. The strong trading position of China also influenced the political affairs of neighbouring countries. There was little evidence that China was in direct contact with Rome although the silk trade reached Rome through Persian intermediaries (FitzGerald, 1969).

During the prosperous Tang Dynasty, China became a major trading nation in the Indian Ocean area. The economic prosperity of the Dynasty had made many Chinese overseas traders seek trade opportunities with neighbouring nations and around the Indian Ocean. At first most traders traveled overland because of the risk was perceived as lower relative to ocean travel. The Silk Road became a major route for international traders. At the same time, Chinese naval vessels also began to experiment with travel along the coasts of South-east Asia. Due to technological improvement in sea vessel safety, the sea routes gained in popularity (Haw, 1995). Travel made some Chinese traders (actually pirates) emigrate to other places. Economic prosperity, travel and emigration (tourism) became a natural part of the prosperous Tang Dynasty.

During the early Ming Dynasty (1368-1644 AD), China was still the richest and mightiest country in the world. China had succeeded in developing the compass. China's shipbuilding and sailing experience attained a high level. All these facts confirmed the popularity of ocean travel among Chinese traders. The Great Sea Voyages became the symbol of overseas travel and international trade. These large expeditions were no longer for military purposes. They traded and explored unknown lands. Their major objectives were to satisfy the curiosity and taste for rarities among ladies of the court. Perhaps the most important motive was to "fly the flag," displaying the power and glory of the new Ming dynasty to the small kingdoms of southeast Asia and to establish prestige.

In 1405, Chenggong Zheng (Cheng Ho), an admiral of genius and enterprise, accompanied by a retinue of 27,000 men (70,000 men according to FitzGerald, [1969]) and a fleet of 60 sea-going vessels fully laden with gold, silk goods and porcelain, sailed across the East and South China Sea, reaching Champa (Cochin-China) and many other lands. He had a free hand when he left China, and he directed his fleet wherever he chose to go. He detached small squadrons or single ships to explore obscure islands and ports. Between 1405 and 1433 seven great expeditions were undertaken. The earlier voyages were more political, and the later ones were more important for trade.

Wherever they went, they inquired about the condition of the land, visited and observed the customs and habits of the local people. They traded with the local people and presented gifts to their kings without any expectation of a return. Six more trips followed to Indo-China, the Malay Peninsula, the East Indies, India, Persia and Arabia. Chenggong and his men advanced as far as the east African coast, trading peacefully as they went. On the Malay Peninsula, with the permission of the king, they built a warehouse to store food and merchandise. Chenggong's success led to the establishment of a peaceful trade relationship between China and several foreign countries. Exchange of visits between Chinese and foreign merchants became more

and more frequent (Peking: Foreign Languages Press, 1958). From Africa, the Chinese sailors brought a live giraffe back to Beijing, and presented it the Emperor Yung Lo. It lived for several years on the palace grounds (FitzGerald, 1969).

As trade increased between China and neighbouring countries, an increasing number of Chinese who traveled to these islands, settled down and established families (Peking: Foreign Languages Press, 1958). Throughout the Ming Dynasty large numbers of Chinese traders migrated and settled in the Philippines, the Malacca Strait area and the islands of Indonesia (Lew, 1995). In Palembang in Sumatra several thousand Chinese families settled and some moved onto Java.

2.1.1.4 Buddhists

Buddhists traveled extensively in order to spread their spiritual beliefs. They also traveled to holy places to master the essence of Buddhism. It was the opening of the land route (the Silk Road) and the sea route by traders that originally brought Buddhism to China. Both the land route and the sea route were used by the Buddhist missionaries from India and by the Chinese pilgrims who went to India to visit holy places and to learn Sanskrit in order to translate the Buddhist Scriptures. Outbound travel by Chinese pilgrims was popular at that time and many ancient Chinese books record pilgrimages to India. The notable author Fa Hsien, traveled across Central Asia to India in 399 AD, travelling over land to India and returning by sea.

The Chinese court considered India to be one of few countries where a high level of civilisation had been attained. Consequently, Emperor Tai Tsung of Tang sent an official missionary to the northern part of India to learn India's customs and skills, such as the method of refining sugar from sugar-cane. The learned monk Xuan Zhuang (Hsung-tsang) made a pilgrimage to India and spent sixteen years in India studying Buddhist classics. He also traveled extensively around India (Haw, 1995). He returned to Chang'an with 600-odd Buddhist books and spent more than twenty years translating them. Altogether he translated more than 1,300 volumes that have

since become an invaluable asset to researchers on Buddhism and Indian culture, because many of the original copies in India were lost. Xuan Zhuang also wrote an account of his trip, entitled *Records of Western Travels*. In the book, he wrote about the mountains and rivers, the local products and customs and religious myths and legends of the countries he visited, particularly India (Haw, 1995)

Land or sea travel was treacherous. While a few pilgrims succeeded in returning, the majority failed. Sumatra became a flourishing Buddhist centre and these pilgrims were probably the earliest Chinese settlement in southeast Asia. The Chinese pilgrimage travel to the holy land of Buddhism ended when the Moslem invasions converted Central Asia and India's Buddhist northwest to Islam.

2.1.2 Economic Prosperity and Travel

Economic prosperity and travel are closely related in Chinese history. Economic prosperity creates opportunities for exchange with other nations for the purposes of trade and diplomatic contacts, which in turn creates a curiosity towards the outer world and the need for travel. Figure 2.3 has demonstrated this relationship between economic prosperity, social stability and travel development throughout the Chinese history. Table 2.1 is a brief summary of major dynasties in Chinese history. There is no doubt, according to FitzGerald (1969), that Chinese knowledge of the outer world increased enormously in the period from the first century BC to the early seventh century AD. It would seem that the Tang educated elite knew more about the Western world than their successors in the Qing Dynasty of the early nineteenth century.

The Tang Dynasty is regarded as the most prosperous dynasty in Chinese history (Nourse, 1944). It is also the longest dynasty (almost 300 years). Emperor T'ai Tsung of Tang set an example of living simply and not oppressing his people. His economic policy of not overtaxing the people produced economic growth and increased the wealth of peasants (Haw, 1995; Peking: Foreign Languages Press, 1958; Nourse, 1944). When the Tang Empire was in its full glory, China became the most powerful,

and the most economically and culturally developed empire in the world. It became the centre of economic and cultural intercourse for all Asian peoples, with the capital Chang'an (present-day Xi'an) rising as a cosmopolitan city (Peking: Foreign Languages Press, 1958). During this period, many Chinese traveled overseas and many foreign travelers came to China.

Figure 2.3 The Key Development of Travel and Tourism in The Chinese History

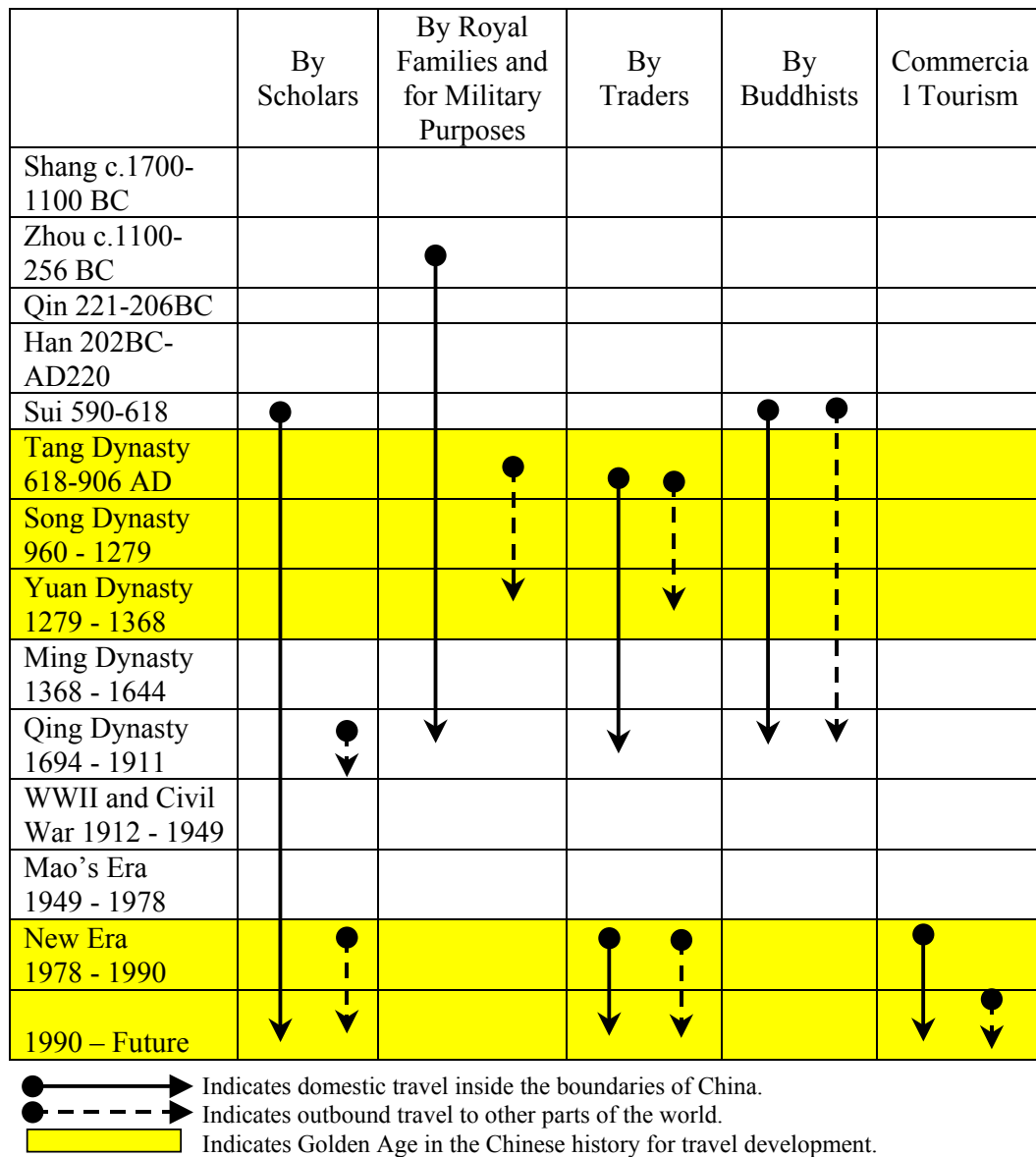


Table 2.1 Major Dynasties in Chinese History (Fessler, 1963:29)

Shang c.1700-1100 BC	An agricultural society, it flourished in the Yellow River valley, had a highly developed writing system, and used wheeled chariots in warfare.
Zhou c.1100-256 BC	Its kings extended China's power to the Yangtze valley. Confucious and other sages flourished in the dynasty's declining years.
Qin 221-206BC	A short-lived but dynamic dynasty, it rapidly succeeded in bringing all of eastern China under its domination.
Han 202BC-AD220	Vigorous and expansionist, this dynasty vastly expanded China's borders and received tribute from kingdoms throughout Asia. So successful was the dynasty that to this day Chinese refer to themselves as "the sons of Han"
Sui 590-618	The Sui emperors recovered the territory lost after the fall of the Han and built a great transport network with millions of labourers.
Tang Dynasty 618-906 AD	In its early years, this dynasty expanded deep into Asia. Later less militaristic, it experienced a great cultural flowering.
Song Dynasty 960 - 1279	Its emperors reunified the country after a period of disunity. Fine porcelains and landscape paintings were produced.
Yuan Dynasty 1279 - 1368	The Mongols controlled China from Peking. The most famous of the Yuan emperors was Kublai Khan.
Ming Dynasty 1368 - 1644	Chinese culture flowered again under this native dynasty. Great fleets went abroad to obtain tribute and trade.
Qing Dynasty 1694 - 1911	Invaders from the north, the Manchus brought China again under alien rule. For 150 years they expanded and strengthened the empire only to topple before foreign encroachment.

By the seventh century AD, Chang'an was probably the largest city in the world with the exception of Constantinople and was the most advanced in technology, arts and culture. Chang'an, for example, boasted a population of nearly two million inhabitants, and its walls enclosed an area of thirty square miles. It had a large state academy, where Chinese students studied together with foreign students of different backgrounds. Foreign visitors to the cosmopolitan city enjoyed the same political rights as the local Chinese. Their customs and habits and religious beliefs were respected. Among the visitors, some were scientists and artists who introduced music and dance to China (Peking: Foreign Languages Press, 1958). Foreign visitors played an important role in the propagation of Tang culture to the outer world.

The Japanese eagerly copied and learnt the arts of advanced civilisation from their great Tang neighbour. Eighteen groups of Japanese envoys were sent to China during that time. The advanced Tang culture continues to exert great influence in Japan today and many of the Tang customs and music are still preserved there (Peking: Foreign Languages Press, 1958; Minami, 1994). The Japanese cities of Nara and Heian-kyo (Kyoto) were designed according to Tang's Chang'an, and even today Kyoto retains some of the street names copied from Chang'an. As a natural part of their culture, Chinese monks (and Korean monks as well) brought Buddhism to Japan around the same time.

Commercial activities in Chang'an also reached a high level. The famous Tang scroll painting of "Life Along the River on the Eve of the Qing Ming Festival" is evidence of commercial development in Chang'an. Foreign merchants from the Western Regions, Central Asia, Persia and Arabia traveled to China to trade. Some came and went, but others settled. Some were prosperous merchants who traded in silks and jewels. Some were moneylenders. Others ran small shops, selling home-preserved fruit-wine and home-baked cakes (Peking: Foreign Languages Press, 1958).

Chang'an was also probably the largest commercial centre in the old world and was a collection and distribution centre for silk and other merchandise. The famous Silk Road started at Chang'an. Merchants from abroad bundled up raw silk and bolts of satin wrapped in varnished sackcloth or animal skin before carrying them west. Then streams of caravans loaded with goods began to negotiate the Shaanxi-Gansu Plateau, passing Wushao Ridge, Wuwei in Gansu and crossing the Corridor to Dunhuang, the then communication hub between China and the West. Further west was the Taklimakan Desert in Xinjiang Uygur Autonomous Region. Over the shimmering desert sands came the significant caravans of East silks, spices and ornaments of priceless jade. The Silk Road linked China with central and western Asia, and with the Greek and Roman civilisations. (Peking: Foreign Languages Press, 1958)

During the Tang and Song periods, foreign traders from the outer world contributed greatly to China's economic prosperity. China traded with nearby Japan and Korea, and with the distant lands of eastern Asia, India, and southeast Asia. No doubt, overseas trade played a very important role in Chinese economic development. Many Arabs stayed in China for long periods, with large colonies in the southern ports along with communities of Jews. The apparent monopoly of long-distance overseas travel made these foreign traders a crucial part of the Chinese economy in the Tang and Song periods. They played in China the economic role that Europeans were later to assume.

The economic prosperity of the Tang and Song Dynasties gave rise to great interest in Europe. According to Nourse (1944), curiosity about China, "from whence for centuries had come the mysterious silk, could no longer be restrained. Not only did the traders talk of China, but at the courts of Italian cities this great empire of Cathay, as they called it, which lay far to the east of them, was discussed." They decided to appoint envoys to go to the court of China to carry official greetings to Cathay's monarch. These envoys made the long journey along the "silken way" which led across the deserts of Turkestan around the western extremity of the Great Wall to the city of Sian.

The Chinese were also very advanced in technology. The Chinese were the first to develop knowledge of gunpowder and an early form of the cannon in the twelfth century. This advanced knowledge and skill helped many Chinese engineers and technicians find employment around the world. As they traveled, their knowledge and skills traveled with them to other parts of the world. For example, their skills were used by the Mongols to besiege cities in Persia and elsewhere in western Asia. It seems very probable that knowledge of gunpowder and artillery reached Europe as a result of the employment of Chinese gunners in western Asia. (Peking: Foreign Languages Press, 1958)

2.1.3 Social Stability and Travel

Social stability is one of the most important conditions for the development of travel and tourism worldwide and China is no exception to this (refer to Figure 2.3). The following examples in Chinese history demonstrate this point on two grounds. Whenever China became strong and united, and experienced a long period of peace and order, travel and trade increased enormously. Travel and trade would suffer whenever the country became divided and weak.

Under the Mongol emperors of Yuan, the Chinese empire consisted of all China, Korea, Central Asia, India, Persia, and much of Asia Minor, and most of Russia. Never before, and never since, has this vast land been under the control of a single government. During the Yuan Dynasty, China was strong, stable and open for travel. Many Chinese were sent by their government to foreign countries. At the same time, many foreigners came to China to satisfy their curiosity, while the Yuan government in Beijing employed many foreigners in its administration. Marco Polo was one of them. During the Yuan Dynasty as never before, China was open to visitors from every country of the Old World. (FitzGerald, 1969)

During periods of social stability, the increasing popularity of travel not only helped to increase knowledge of the outer world, but also helped increase foreign understanding about China. For example, Marco Polo provided a full account of his travelling experiences in China. One of his stories told of his amazement at how local traders traded their goods for a bundle of paper (which of course was the first example of the use of money). This demonstrates that commercial development in China had attained a very high level in the period, both in concept and in practice. Largely due to Marco Polo, knowledge about China in the West increased. Consequently, the Yuan Dynasty has become the period of Chinese history best known to the West.

At the same time, Chinese knowledge about the outer world was also recorded by the court of China. One embassy official of Yuan named Chou Ta-kuan, recorded the best and fullest account of the kingdom of Cambodia and of the city of Angkor as it was in 1295. His account of Chinese settlement in southeast Asia is one of the earliest and the best-known so far. Chou mentioned a large number of Chinese from the southern provinces had traveled to Cambodia (FitzGerald, 1969).

After the death of Kublai Khan, The Yuan world-empire began to dissolve. Unsafe travelling conditions in the later days decreased the opportunities for trade and travel compared with the early period of Yuan. The Chinese Empire became divided and fell into the hands of rival forces often at war with each other. Unsafe road conditions made land travel dangerous and as a result, travel between China and the West declined. The decline of land travel contributed to the rising popularity of ocean travel across Asia. Subsequently, land routes were replaced by sea routes through the Indian Ocean to the Red Sea.

In the early Ming Dynasty, The Chinese were the most sophisticated sea voyagers. The experience of sea travel obtained by Chenggong saw China establish stability and safety at sea. In the later centuries of the Ming, the Dynasty rulers took little interest in the foreign lands that Chenggong Zheng had visited and explored. The rise of Japanese piracy and the subsequent intrusion into the eastern waters by the Portuguese and the Dutch (who often attacked Chinese ships), discouraged sea travel and weakened Chinese contact with lands overseas. (FitzGerald, 1969)

After a long period of trade with the outer world, the economic strong and socially stable Tang, Song, Yuan and Ming dynasties saw a great number of Chinese travel to other countries, Some settled down in the new lands they visited and as a result, the Chinese population overseas increased rapidly. Fearing this population growth, many governments treated them badly. On the other hand, the weakened Ming government

took a position of discouraging travel to other countries, and if emigration to foreign countries occurred, the emigrants bore the consequences. (Nourse, 1944)

In sharp contrast to the attitude of the Tang and Song periods, a spirit of self-sufficiency and stay-at-home complacency began to dominate China in the later Ming period (sixteenth century). Foreign visitors to China were not encouraged. When newcomers arrived from the West, the Ming government's response to them was conservative and aloof. Firstly, the Ming Government made no effort to make contact with the home countries of the visitors. Secondly, the government refused repeated requests from the visitors to establish diplomatic relations with the court of China. The Ming government also tried to constrain contacts with foreign countries by trade. Subsequently, trade was limited to a single port - Canton. This policy continued with the later Qing Dynasty. In the 19th century, an un-stable China became weaker and weaker and was almost powerless at sea. Given the unstable situation of sea travel and a policy by the weaker Chinese government discouraging overseas travel by capital punishment, overseas travel became very dangerous. China's door was effectively closed. (FitzGerald, 1969)

Because of the British opium traders wanting to profit from their trade with China and also because of British capitalists being anxious to open China's door to their manufactured goods and to take away industrial raw materials at low prices, the Opium Wars were fought in the 1860s. Partly because of British military superiority at sea and partly because of the internal dis-unity of the Qing government, China lost the war. As part of the Nanjing treaty for the ending of the war, the Manchu government was forced to permit emigration. A great number of Chinese from the southern provinces subsequently became overseas labourers as a result of this relaxation of travel to Nanyang - the southern sea countries as they were collectively called. Foreign trade once again opened the Chinese door to the outside world. Emigration from China once again became legal (Pan, 1990).

In the middle of the 19th century, Britain sought Chinese “coolie” labourers to work in Southeast Asia, the Americas and Australia. The vast majority of Chinese who took advantage of these opportunities were from the southern coastal area of China (Guangdong and Fujian provinces today). During the 1850s goldrush era in Australia, a large group of Chinese workers ventured to the goldfields of Victoria. They lived in the major towns of Ballarat and Bendigo. Travelling Chinese in Australia peaked at 38,258 in 1861 (Garnaut, 1989). They were about one-quarter of the digger population on many gold fields (Bate, 1988). The majority of the Chinese goldseekers returned to China after the goldrush and about 2,000 stayed permanently.

2.1.4 Disasters and Travel

Ordinary Chinese were often forced to travel in order to avoid natural or man-made disasters. Survive and an opportunity to serve in the army were major reasons to travel. Indications are that famine, population pressure, revolutionary upheaval and oppression have driven these people from their homelands.

Millions of labourers were forced to travel away from home to participate in large construction projects such as the Great Wall and the Grand Canal. A total of some 5.5 million people were forced to participate in the construction of the Grand Canal, and one million were conscripted to restore the Great Wall. Except for a very few of the upper classes, slavery by government decree became a form of conscription. In some areas, all those between the ages of fifteen and fifty were forced to work on these construction projects (Haw, 1995). Few survived construction of the Great Wall, the greatest feat of ancient China, built over two thousand years ago in a most remote and rugged mountain area. The Great Wall is a symbol of sadness for these working slaves.

In later periods in history, many members of the upper classes from previous dynasties were forced to run away when dynasties changed. Many of them had no choice but to travel overseas and to emigrate to foreign countries. Resistance to the

Manchu conquest (1644-1659) had been strongest and most prolonged in the south. Southerners who went abroad during this period were refugees from political justice or rebels seeking foreign help. Many anti-Manchu supporters of Ming fled south with the slogan: “Overthrow the Manchus, restore the Ming” and often ended in Java and Malay, probably because of the long friendly history of relations between the Malay kings and China (Godley, 1981). These people generally were the malcontents or the very poor, and most never attempted to return. The Qing government felt that all southerners were disloyal and deliberately obstructed both foreign and Chinese traders who wanted to travel abroad. Fearing their revolutionary influence, they made emigration illegal and the return of Chinese from abroad punishable by death (Lew, 1995).

During the Opium Wars, the Nanjing Treaty had put the Chinese people under the double yoke of foreigners as well as their own feudal rulers. The harshness of this government and foreign rulers fermented a new uprising (Taiping Uprising) and another man-made disaster. (Peking: Foreign Languages Press, 1958). During this period, a major motivation for outbound travel by many people in Guangzhou was to escape the natural and man-made disasters that plagued their homeland in the middle of the 19th century (Lyman 1974 and Pan 1990:13). Many Chinese workers willingly sought opportunities to go abroad as labourers to work in Southeast Asia.

On the east coast of Sumatra, large Chinese communities were established by immigration. While there were fewer than 4000 Chinese labourers in the year 1870, Chinese “coolie” labourers were recruited by the thousand in the ensuing years. They came to work mines and to farm the large-scale rubber, tobacco and other plantations begun by the Dutch. Between 1888 and 1931 some 305,000 more “coolie” labourers were recorded. Because of their disciplined, hard working nature and social stability, the Dutch rulers preferred the Chinese to manage many of these plantations (Godley, 1981).

Between 1945 and 1950, a third Civil War in China and an unsettled political situation saw a large exodus from China again. Most were for purposes of studying abroad as sojourners and they became physically and psychologically locked out of China.

2.2 Tourism Development between 1949 and 1978

After a long turbulent history of foreign invasions (the Sino-Japanese War and the Civil War between 1842 and 1949), the liberation of 1949 was a relief to the great majority of the Chinese people. This is not because the Communists were winning the war, but because Mao's government, compared with the Capitalist's, was much stronger. For the first time in many centuries China was ruled by a strong Chinese authority, which reunited the country, settled internal dissension and promised land reform (Haw, 1995). Under these circumstances, the Economic Development Policy from 1949 was characterised by independence of foreign intervention and strong central authority. In reality the structure of the machinery of government in China was fundamentally identical with what it was under the earlier imperial dynasties. The idealism of those who led the party and the country to victory became the policies of the nation. Mao's ideological policies that prevailed between 1949 and 1978 strongly influenced tourism development in China.

2.2.1 Economic Policies before 1978

2.2.1.1 *Economic Policy*

From the experience of war and the reality of the 20 years embargo imposed on China after 1949 under the leadership of the USA, Mao formed his own Economic Development Model. His vision of economic reform was totally different to that of the west. Self-reliance was the core of his economic model. In this model, less external influence would lead to less vulnerability to the outside economic climate. Mao launched several economic reform movements to translate his vision into reality. As a result, most of the work units in China became almost fully self-functioning. For example, Tsinghua University in Beijing is like a small city. It has everything it

needs. A huge logistics department provides everything necessary for all staff and students needs for living and studying on its campus. It has its own markets, hotels, hospitals, and book-stores. It provides its own staff housing facilities and dormitory space for every student free of charge. It also has sanatoria in other parts of the country so that staff of the university could also recuperate in other areas. All of these facilities were internally oriented.

It was hard to fit tourism under this autocratic style of economic model. However, just as the basic elements of life (clothing, food, and housing), travel was always needed by society. Consequently, many tourism facilities were developed as attachments to work units of different sizes. Admission to these tourism facilities was based on the connections between the work units. There was no totally independent domestic tourism industry in China before 1978. The official travel organisations such as CITS (China International Travel Service) and CTS (China Travel Service) were only responsible for the arrangement of inbound travel under the leadership of the Ministry of Foreign Affairs.

2.2.1.2 Low Wage Policy

Food and clothing along with housing were considered by the government as basics. Houses and flats belonged to a category of property that should be publicly owned. Long-distance travel was not considered as a basic element of people's life. During the early years of the young People's Republic, many private and joint venture businesses managed themselves poorly (profiting through cheating and low quality products), and consequently put themselves at risk. As some Western business people who are familiar with Chinese commercial arrangements have said, "In the West, business people are trying to beat each other under the system. However, in China business people are trying to beat the system." This behaviour was condemned by the public. Private and joint venture businesses became a symbol of untrustworthiness by the general public. Mao's distrust of private ownership had made public ownership an

ideological economic model and the Communist Party the genuine representative of the proletariat who should scorn private ownership of any property.

Under public ownership, people can only rent from the government. The ideology was developed further to apply to wages policy. Should the government give the rent money to its employees by one hand and then take the same money back by another, as if the money was taken out of the left pocket and put back in the right one? This was considered a waste of time. As a result, wages became only a means to purchase necessary food and clothing, and housing became almost free except for token rent.

2.2.2 Tourism Development Before 1978

As a result of the policies mentioned above, especially the low income policy, tourism development in China before 1978 was non-existent. Travel from personal income was simply too expensive to be a real life choice. For travel to occur, it had to be a part of government business and at government expense. Consequently, travel developed as a cost to the government of billions of dollars. Under this system, travel gradually became a kind of government subsidy for a luxury life style. Subsequently, it became part of the bureaucratic hierarchy. Firstly, the higher the rank of officials, the more luxurious the travel. Secondly, travel was often awarded to employees in recognition of their contribution to work units, so that travel became a bonus outside the normal income system. Thirdly, travel became the pride of professional people. This group of people were often required to travel to national meetings in other parts of the country.

Before 1978, outbound travel from China was limited exclusively to diplomats and government officials. For a long time, outbound tourism was essentially a “diplomatic activity”, serving political goals rather than economic ones. During this period, leisure travel had been considered a bourgeois lifestyle, contrary to communist ethics (Zhang, G. 1995), so that tourism in China was considered a non-economic activity with no economic significance. However, the significance of travel as a life style was always

regarded by the general public as desirable. The popularity of travel has never abated. Government and work units very often used travel and sightseeing as an incentive to reward workers for performance. The popular travel forms before 1978 were:

- Government activity.
- Recuperation for model workers, the sick, and the injured (at work).
- Family reunion during Spring Festival.
- Business activity.
- Student travel during school holidays.
- Visiting friends and relatives.

China's transportation capacity before 1978 was also limited. To avoid conflict between public and private demand on the overcrowded railway system and to give public interest a higher priority, a letter of introduction was required to buy the limited tickets available. During peak seasons, even a government letter could not guarantee a ticket and waiting for a few days for a ticket was common.

2.2.3 The Travel Industry Prior to 1978

Although travel agencies such as CITS and CTS were set up in the 1950s, travel agencies for domestic tourism were non-existent. CITS was set up to service foreign guests and friends and CTS was mainly to serve overseas Chinese. The travel activity was centred around "people to people diplomacy", seeking no economic benefit for the country. Overseas tourists, at that time were treated as VIPs, with endless banquets, meetings with leaders, courtesy calls, and visits to model work units, regardless of their real interests (Zhang, G. 1995). Overseas visits to China were treated as a foreign affairs activity and guided by the principal of "nothing is minor in the handling of foreign affairs, and everything done requires asking for instructions." This approach was initiated by the late Premier Zhou Enlai.

The low level development of the domestic travel and tourism industry in China was the direct result of an autocratic economic development model and the low income

policy. This was also due to a lack of recognition of the importance of leisure in personal life, and a lack of recognition of the contribution that the travel and tourism industry can make to a national economy. However, travel remained popular and often sightseeing became an automatic extension of a business trip, most of the time at government cost. Even the central government indulged themselves in luxury travel. For example, after the PRC was established in 1949, the communist leaders did not break the royal tradition of former dynasties spending the hot summer months at summer resorts. In August, for instance, the whole government usually moved to the beach resort of Beidaihe on the Gulf of Bohai on a par with the Qing administration move to a Summer Resort Villa in Chengde.

The inharmonious relationship between Mao's ideology and party leaders' practice and the conflicts between Mao's ideology and people's desire to see the natural beauty of their homeland invited corrupt practices. However, these corrupt practices were justified under the slogan of 'learning to love our motherland, to love rivers and mountains of our country and to make acquaintance with our nation' (a common Chinese excuse for travelling at government expense).

Generally speaking, Mao's socialist ideology resulted in an inadequate tourism infrastructure and further limited the development of the domestic tourism industry prior to 1978.

2.3 Tourism Development after 1978

Modern tourism and the tourism industry in China began in the 1920s, but was short-lived. The first travel agencies were established in Shanghai in 1923 (Yang and Jiang 1983:9). Wealthy and adventurous foreigners dominated the Chinese travel industry, both as participants and business operators. Thomas Cook and Sons, among other well known travel companies, opened an office in China during the 1920s (Hibbort, 1990), initially located in Shanghai. Thomas Cook later moved to the old Hotel de Peking in the country's capital. These early travel agencies handled both domestic

travel and outbound travel for Chinese citizens to visit foreign countries. Travel services for transportation, lodging and meals were also provided for inbound foreign visitors. However, this burgeoning tourism industry ceased to exist during the wars of the 1930s and 1940s. In its true sense, modern tourism and the tourism industry started after 1978.

The year 1978 was a year of great significance in China. In December that year, a meeting of the Chinese Communist Party's Central Committee launched China decisively into an era of economic reform and opening to the outside world. The Chinese socialist ideology of economic equality gave way to economic growth, allowing part of the population to become wealthy through hard work. Becoming rich fast was glorious and was promoted as a new ideology in society. In reality, economic growth and money became the only standard to measure the progress that work units and local governments at different levels achieved.

Soon after 1978, China's leaders began talking of quadrupling production per person by the end of the century. Under these circumstances, the old paradigm of "social stability comes from economic equality" gave way to the theory of "China's political stability could only be maintained if economic prosperity was achieved" (Business Review Weekly, 9/4/93). Many political ideologies were broadened in consideration of the requirement of economic development. Economic reform in China has produced a nearly unheard-of feat: running a trade surplus while growing at a double digit rate.

2.3.1 Economic Foundation of Tourism Development

Tourism is a form of modern consumer behaviour. It is restricted to those who have sufficient time and money. Income and time are the two basic requirements for tourism development. Tourism may also be regarded as a luxury, because it requires larger than usual expenditure and time away from work. Tourism is not seen as a necessity. A developed economy, more often than not, bestows on its citizens more

disposable income and holiday time. Therefore, the level of tourism development in a developed economy is high. To a large extent, the level of tourism development in a country is determined by its economic development. Rapid economic growth is the foundation for fast tourism development.

2.3.1.1 High Economic Growth

After 1978, China's economic growth rate has been among the world's highest. According to Kissinger, China's average annual growth has been well over 8% a year on average for over 20 years. Table 2.2 shows that China's economic growth has recovered rapidly after the Asian economic crisis of 1997. It also seems that this high growth will continue into the 21st century, despite a looming world-wide economic slowdown.

2.2 Economic Indicators of China

Economic indicators	1994	1995	1996	1997	1998	1999	2000*	2001*
GDP Rmb bn (current)	4,711.1	5,940.5	6,936.6	7,607.7	7,955.4			
GDP at market prices (\$bn)	546.6	711.4	834.3	917.7	960.9			
Real GDP growth (%)	12.6	10.5	9.7	8.8	7.8	7.5	7.2	7.0
CPI%	24.1	17.1	8.3	2.8	-0.8	-1.4	2.5	6.0
Population (m)	1,191.8	1,204.9	1,217.6	1,230.1	1,242.4			
Exports fob (\$bn)	102.6	128.1	151.1	182.7	183.4	186.5*	201.8	226.6
Imports fob (\$bn)	95.3	110.1	131.5	136.4	136.9	156.8*	176.3	198.7
Current-account (\$bn)	6.9	1.6	7.2	29.7	29.3	11.7*	6.6	9.3
Reserves excl gold (year-end; \$bn)	52.9	75.4	107.0	142.8	149.2			
Total debt \$bn	106.5	125.7	139.3	159.2	165.3*			
Exchange rate	8.6	8.4	8.3	8.3	8.3	8.3	9.0	9.5

Source: EIU Country Report 4th 1999. * EIU forecasts.

In 1993, the International Monetary Fund assessed the Chinese economy to be four times the 1978 level. The US assessment of China's GDP was \$US3 trillion in 1995 and is expected to be approximately \$US7 trillion by the year 2000 (US Senate Hearings, 1996). Using Chinese calculations, China's GDP in the year 2000 is 6.4 times larger than that of 1978, and has an average annual growth rate of 9.5%. By the end of 2001, China's economy has exceeded US\$ 1,100 billion, the sixth largest in the world (Yan, 2002). Yan (2002) believes that China's economy will keep its current

growth rate of 7% in the next 20 years, reaching US\$2 trillion by 2010 and 4 trillion by 2020. With a sustainable growth rate above 7% annually, the Chinese economy will likely be one of the major world economies of the 21st Century.

2.3.2 Tourism Growth Since 1978

2.3.2.1 Domestic Tourism Development

According to the Asian Business Review (May 1996) Mainland Chinese save 40% of their yearly earnings. It is estimated that there are about \$US 800 billion in savings deposited in Chinese banks (Far Eastern Economic Review, September 1996). The high saving rate has changed the consumer attitude towards tourism. Travel is increasingly perceived as a worthwhile pursuit. In order to promote tourism, the Chinese central government has effectively cut official working hours from 48 to 44 in 1994 and then to 40 in early 1996. By 2000, the annual official holidays have been extended to more than 110 days, including two-day weekends and three seven-day long holidays – May day holiday, National Day holiday and Spring Festival holiday (China Tourism News, 5/7/2000). Thus, more and more time has become available for travel purposes.

Many local governments have recognised the role of domestic tourism in regional development and begun to use regional advantage in tourism resources to formulate strategic plans to promote tourism development. As a result, domestic tourism progresses by leaps and bounds. After a 29% growth (Zhang, 1995) in 1994 reaching 450 million travelers, China's domestic travel had further grown 40% to reach 629 million travelers in 1995 (CNTA 1996; PRC Year Book'95). The tourism industry has become a major industry in the Chinese market economy, and reached 3.6% of GDP (domestic component, 2.36%) in 1995.

According to statistics from the China National Tourism Administration, the May Day holiday in year 2000 between 1st and 6th of May (a seven-day long holiday) has seen more than 46 million Chinese travelling both domestically and internationally,

up 15% from the National Day holiday in 1999 (also a seven-day holiday). Holiday spending has increased 27% from 1999 to 2000 to reach 18.1 billion yuan (US\$ 2.2 billion). This demonstrates that the holiday economy has become a significant part of the Chinese economy (China Tourism News, 5/7/2000). Zhang (1995) contributes fast domestic tourism growth to the central government's modernisation drive; emancipation of people's liberties and the local economic development of Chinese cities and regions.

In the past few years, domestic tourism in China has not only grown in size, but also in sophistication. New market demands for more sophisticated products are created daily. Two important trends in domestic tourism development have been observed:

- Domestic tourists overflow into star-rated hotels: With fast economic growth and the increasing spending power of domestic tourism, many domestic tourists find that star-rated deluxe hotels in Chinese cities are within their reach, and the use of the star-rated hotels by domestic tourists has become more and more fashionable. Differences between the deluxe hotel nights used and the number of overseas tourist arrivals in selected cities shows that a large proportion of the hotel nights are being used by domestic tourists (Gormsen, 1995).
- More domestic demands are perceived for amusement parks: Amusement parks and theme parks are perceived as the next big area of tourism development in China. "Indicators are there," Mr. Bob Lam, the chief operating officer of American Dream Parks and Entertainment, said, citing such pluses as a population base of 1.2 billion, higher disposable incomes, the new two-day weekend rule, and people's acceptance of amusement parks and attractions as a good form of family entertainment (PATA, 1996a). Mr. Dennis Spiegel, the president of the American based International Theme Park Services which has five large-scale projects in China, says, China's high population urban centers have created opportunities for the industry in the region (PATA, 1996b). Shanghai-American Dream Parks has

announced recently that it will invest \$US 600 million to establish six recreational parks in China. Stephen Hung, a company executive, said that the parks will be located in Shanghai, Guangzhou, Beijing, Wuhan and Chengdu (China Daily, 1996). Currently, some mainland groups are also considering investing in both water and high-tech theme parks (PATA, 1996a).

Domestic tourism has become a strategic industry in China's overall development toward a market economy, and will continue its high growth even if a lack of infrastructure, qualified staff and facilities continues. Demand exceeding supply in domestic tourism has created challenges and opportunities for the tourism industry. Geoffrey H. Lipman, president of the World Travel and Tourism Council (WTTC), predicted that in the next decade China's annual travel- and tourism-driven investment will increase more than fourfold to reach \$US80 billion a year, and China's GDP contribution will increase fivefold to more than \$US200 billion (CITS News, Vol. 3 No. 1, 1996).

2.3.2.2 Outbound Tourism Development

Outbound travel by Chinese citizens is a more recent phenomenon. With the deepening of economic reform, rapidly increasing wealth, frequent domestic travel experiences and greater openness to the outside world, more and more people in China are expressing an interest in an international travel experience. Firstly, cross-border day tours in the frontier areas with Russia, Korea, and Mongolia in the north, and to Vietnam, Laos, and Myanmar in the south have been developed. Then in 1992 a handful of travel agencies, such as CITS, CTS, CYTS, were authorised to make travel arrangements to a limited number of countries and regions, including Singapore, Malaysia, Thailand, Hong Kong and Macau. Three years later, in 1994, and despite government clampdowns on travel with public money, 3.73 million mainland Chinese traveled abroad. In 1995, outbound travel grew 34% to 5 million (Table 2.3). Despite government efforts to rein it in, outbound travel is ballooning. Leisure travel is now outstripping business trips. In 1993 the leisure/business ratio

was 60:40, whereas it was 41:59 in 1992 (Ocampo, 1995). To a large extent, the traditional work units in China also play a big role in supporting outbound leisure travel by their staff. This support can be in the form of money or time or both.

Table 2.3 Outbound travel from China between 1990-99

Year	1992	1993	1994	1995	1996	1997	1998	1999
Outbound tourists (mn)	2.93	3.74	3.73	4.52	5.06	5.32	8.4256	9.2324

Source: CNTA 1996, 1998, 1999, 2000; Ocampo, 1995; Edwards, 1995; 1997 Year Book of Travel Service, CNTA.

One significant development in the Chinese travel market is that a large proportion of the Chinese outbound travelers are in their senior years. After travelling extensively domestically, more and more senior Chinese citizens began to travel abroad. According to China Tourism News (5/7/2000), about 5 million senior Chinese traveled abroad by the end of 1999. Currently, this group of people account for about 20% of the annual outbound flow from China. More than 100 travel agents in China are targeting and specialising in the outbound needs of these senior Chinese.

The latest data shows that over 12 million Chinese traveled overseas in 2001, spending more than US\$10 billion (Yan, 2002). However, this is only a small proportion ($12/1300 < 1\%$) of the Chinese population. Compared with 7% (Hall, 1994) of Japan's population travelling abroad in 1989 and 8.5% of Australia's population in 1993 (Tourism Victoria, 1993), less than 1% of the mainland Chinese population represents a huge potential for future growth. Despite Chinese tourists being restricted to a few official overseas destinations at the moment, outbound travel in recent years has shown that the number of outbound travelers from China will continue to surge due to huge demand. A recent forecast by the World Tourism Organisation predicts that outbound travel from China will reach 100 million by 2020 (China Daily, 20/10/2001; Yan, 2002).

Since 1997 when Australia became the first western destination for outbound Chinese travelers, China has been a strong growth market for Australia. According to Peter

Shelly of the Australian Tourism Export Council, China together with South Korea are blossoming whereas Japan is in a holding pattern (Traveltrade, 02/05/2001). In 2000, 124,354 mainland Chinese visited Australia, up 27% over 1999 (refer to Table 2.4). In 2001, the arrivals from China grew 63.5% between January and April (Traveltrade, 13/06/2001).

Table 2.4 China Flow to Australia

Year	1996	1997	1998	1999	2000
Visitor Arrivals	54,000	62,180	76,540	97,995	124,354

ABS, 2000

In 2000, the Mainland Chinese market was the tenth largest origin market for Australian tourism. However, according to the latest report from the Tourism Forecasting Council (TFC), arrivals from China will grow by 25.2 percent over the next 10 years. By the year 2010 China will overtake New Zealand as Australia's largest source of international visitors (Traveltrade, 13/12/2000), contributing 11% of the 10 million tourist market. The other five key origin markets for Australia are expected to be Korea, UK, US, Japan and New Zealand.

2.4 Conclusion

Historically, tourism development and economic prosperity are positively related. Tourism, as a major beneficiary of economic prosperity, and develops much faster when the economy is growing strongly. In turn, tourism development will broaden the economic base and add strength to the economy. Since shifting its policies on economic growth and economic reform, China has enjoyed rapid economic development. As a result, the expansion of trade between regions promotes opportunities for travel and tourism.

The review of Chinese history has shown that poverty and instability are detrimental to the interests of travel and tourism development. This is true for both international and domestic travel. The events around 1989, the historical travel experiences of the Tang and Song Dynasties, and the Sino-Russia border tourism development through

the 1960s to 1990s, have all shown that peace and stability are the preconditions for travel and tourism development.

It is also clear that the Chinese history of travel and tourism development has a current impact upon modern tourism destination choice. Domestic tourism is heavily focussed upon historically significant sites while international tourism is keenly interested in societies overseas with significant Chinese populations (although the ADS program distorts the flow volumes from a strictly demand and supply relationship).

The recent Chinese history of tourism shows that domestic and outbound tourism are interrelated. After almost two decades of domestic tourism development, a foundation for outbound travel has been created. More and more domestic tourists have now turned their attention to international travel. Although China's outbound travel potential is huge, it will take time for the market to realise its full potential. It is now time to prepare for this emerging market. The scale and speed of the domestic tourism development in China will soon make the country a major player in international travel and tourism.

One of the key factors in changing the Chinese outbound travel market is China's accession to the WTO (World Trade Organisation). China's WTO entry has essentially deregulated government control over industry developments. In line with WTO requirements, the following actions are imminent (within five years) in the tourism industry in China (Yan, 2002):

- China will continue to open up its service sectors, including tourism. As a result, foreign businesses will be allowed to participate and to compete in the Chinese market.
- China will have to perfect its legal system in such aspects as uniformity of law, non-discrimination, openness and transparency. As a result, the efficiency of and degree of justice in law enforcement will be improved.

- Chinese governments at all levels are required to accelerate the transformation of governmental functions, enhance policy transparency, reform the administrative approval system, reduce administrative intervention, and further regulate government activities.

From these changes in the Chinese legal system, the future success of tourism businesses will depend more on market competition than government policies. The tourism industry structure will also have to change to suit the new environment of global competition.

CHAPTER THREE

COMPETITIVE STRATEGY LITERATURE REVIEW

3.1 Introduction

The success of an enterprise depends ultimately upon its performance in market competition. In order to get a fair share of the market, it is no surprise that creating competitive advantage has become a major part of business strategy development. Companies are growing larger and becoming more complex to manage; competition, both domestic and global, is becoming more intense; markets are becoming more diversified and harder to predict; threats as well as opportunities in the evolving environment seemingly are getting more difficult to foresee; product research and development lead times and costs are growing while product life cycles are shortening. Forecasts for the future are no longer reliable with any degree of precision except for a very short time span. As Charles Handy (1996) wrote, “. . . while it is possible to get a sort of general view of the way the world is going, and the way business is going, you can't actually predict with any kind of certainty where you'll be in that future, more than two or three years ahead”.

To manage a business successfully and to sustain profitability relative to competitors in such an environment, competitive strategy offers the best chance for achieving business success. Researchers on strategy and corporate performance in the US (Ma et al., 1989; Pearce and David, 1987) and in Australia (Coopers and Lybrand, 1989; Grant and Sutcliffe, 1988) have confirmed that high-performing companies have often used a strategic-planning process to develop effective competitive strategies in their particular business situation, and consequently achieved a sustained competitive edge.

Competitive advantage in the modern business context can only be created with a sophisticated understanding of changing social, economic, political, and technological developments. According to Steiner (1979), the effectiveness of competitive strategy largely depends on a thorough appraisal of the environment within which the business

operates and how the business designs its competitive advantage in changing environments.

Two important aspects of competitive advantage are:

1. The development of competitive advantage theories;
2. The art of competitive strategies.

3.2 The Development of Competitive Advantage Theories

The term competitive advantage emerged in the late 1970s, articulated by McKinsey and Company based on the success of the Japanese in penetrating world markets under changing business circumstances (South, 1981). It represents, on the one hand, a shift in strategic thinking that has grown out of competitive reality in an ever-competitive marketplace. On the other hand, it suggests that the theory of traditional comparative advantage has reached its limits in explaining and guiding business behaviour in market competition. Beyond the stage of comparative advantage, according to Porter (1991), competitive advantage offers the best general approach for achieving business success under in an uncertain and more competitive external world.

3.2.1 Changing Foci of Market Competition

From an historical perspective, the way market competition is waged changes continuously. This also applies to the competitive advantage of firms. An ever rising level of competition determines that competitive advantage is a relative concept.

Market competition was first fought on the basis of comparative advantage, where ‘the industrial arts’ of production and distribution were based on what was given. Production is simplified to combine factor inputs and transform them into outputs. In this regard it is the sheer access to global comparative advantages around the world that provides a competitive advantage. According to Porter (1996), “The first impact of globalization was to diminish the impact of location, by allowing international

companies to gain an advantage over companies that were still stuck in a domestic orientation.”

However, the challenge of globalness was soon matched by the majority of domestic companies in their approach to business management. “Anything a company can access from a distance is no longer a competitive advantage, because now everybody can access it” (Porter, 1996). Increasingly, access to international factor comparative advantage in manufacturing, the international capital market, and to international consumer markets is regarded as a competitive neutral position, and not having it, is often regarded as competitive disadvantage. In this regard, Porter (1996) wrote: “Companies have to find ways of growing and building advantages rather than just eliminating disadvantages”.

As comparative advantages from afar can no longer create the required competitive advantage as before, strategic thinking shifts in other directions. Now, companies have to compete with variables that are essentially outside the traditional analytical framework. So in many respects, the meaning of competitive advantage has also had to distance itself from the meaning of traditional comparative advantage.

Consequently, a key shared understanding in that shift is a strong local science and technology base for the creation of competitive advantage. This thinking made technological invention and innovation integral parts of our economic activities. Knowledge has become so widespread in the contemporary economy that it becomes the locomotive for economic growth - from factor creation to pioneering new, more efficient production systems, new products, new distribution channels and new marketing methods. As such, the traditional comparative advantage is gradually superseded by created factor advantage resulting from advanced technology, forming the basis for competitive advantage.

By the late 1970s and early 1980s, the perception shifted to position advantage within an industry structure. Position was seen as being more significant for the purposes of market competition (Porter, 1980; South, 1981). According to South, the purpose is not to retreat from competition, but to compete selectively from an advantageous strategic position.

In the mid 1980s, attention shifted from how to deploy factors effectively and efficiently. “It is where and how effectively factors are deployed that proves more decisive than the factor themselves in determining international success” (Porter, 1990:15). In this period, benchmarking was regarded as the major means for ongoing improvement and the chief focus of strategy development was to close performance gaps along known parameters of competitiveness.

After years of benchmarking on the latest ideas on management such as TQM and time-based competition, competitive improvement seemed rather limited. This focus is not sufficient to give companies the needed competitive advantage. When commenting about a copycat strategy and why it is destined to fail, Kay (1993:332) said, “If everyone can do it, it ceases to offer competitive advantage, or profit, to anyone.” By the same token, if all improvements are focused on the same competitive dimensions, it also often fails to deliver any advantage to any company. As Porter (1996) pointed out: “. . . if everybody is competing on the same set of variables, then the standard gets higher but no company gets ahead. And getting ahead - then staying ahead - is the basis of strategy: creating a competitive advantage. Strategy is about setting yourself apart from the competition.”

In the 1990s, the creation of competitive advantage shifted to setting yourself apart from the competition and creating new market opportunities out of existing ones. “It’s not just a matter of being better at what you do; it’s a matter of being different at what you do” (Porter, 1996). Gaining and sustaining competitive advantage, as understood

in the 1990s, can only be achieved by product innovation, and by new ways of competing.

Clearly, the pressure for clear strategies that are different and unique is greater than ever. The correct understanding of competitive advantage and the unique way the advantage is attained often play a central role in the whole process of competition. In market competition, more often than not the real problem is vision, not benchmarking. Unless companies have a clear vision about how they are going to be distinctly different and unique, they are going to be eaten alive by the intensity of competition (Porter, 1996).

As one of the earliest visionary economists who placed emphasis on competition as a dynamic process, Schumpeter (1934, 1942) has long suggested that ‘being different’ in market competition is the right thing to do. Schumpeter (1934:68-70) assigned the central role of upsetting the stationary competition equilibrium, to the vision-entrepreneur, who recognises that there are tremendous opportunity advantages for profit by “deploying resources in a different way” or by “detaching productive means” away from the well-established flow between industries and markets and using them in a new fashion. In his book - Capitalism, Socialism, and Democracy, Schumpeter (1942:84-85) vividly summarised visionary competition as: “The competition that counts is the competition from the new commodity, the new technology, the new source of supply, the new type of organisation ... competition which strikes not at the margins of profits and the outputs of existing firms, but at their foundations and their very lives. This kind of competition is much more effective than the other (the form of competition postulated by conventional theory) as a bombardment is in comparison with forcing a door, and so much more important that it becomes a matter of comparative indifference whether competition in the ordinary sense functions more or less promptly ... ”

3.2.2 The Evolution of Competitive Advantage Theories

The practice of competitive advantage develops vigorously with time and with the changing competitive environment. The whole process of evolution essentially suggests that market competition continuously outgrows the previous theory and its economic assumptions. The need for innovative competitive advantages continuously propels strategic thinking forward into new and challenging ground. The evolution of competitive advantage begins with traditional comparative advantage.

3.2.2.1 *Comparative Advantage*

Comparative advantage is the first theory to define competition and trade as complementary commercial activities in the development of an economy. Doing what you are competitive (good at) in and exchanging a surplus with other people is traditionally regarded as the reason for individuals (or nations) to trade with each other since better and cheaper products from competitive individuals (or nations) can elevate a nation's living standards. It is also regarded as the basis upon which the classical theory of comparative advantage is built. There are essentially two key points - 'competitiveness' and 'exchange surplus'. Adam Smith was the first to state the first point - 'competitiveness', creates the notion of absolute advantage, in which a nation exports an item if it is the world's low-cost producer (Porter, 1990). According to McTaggart et al. (1992:55), it "is often suggested that people and countries that have it (absolute advantage) can out-compete others in the production of all goods."

In the fragmented, separated and unrelated world of the 19th and early 20th centuries, out-competing others could not happen naturally. Therefore, absolute advantage had a very limited meaning to the old world. Also because of a lack of common standards on which absolute advantage could be judged, absolute advantage had little meaning to trade either. In reality, to each sovereign economy, such as a self-sufficient individual or nation, any advantage can only be justified in its own terms, and trade can only happen if it lets the traders become better off by the process of 'exchange'.

In this respect, David Ricardo thought that ‘exchange surplus’ would be a much better idea and more meaningful than ‘competitiveness’ in its absolute sense, so he refined the notion to that of comparative advantage, emphasising trade as the basis of being better off for both sides.

Under Ricardo’s comparative advantage theory, the essence of trade is that ‘we all gain by shedding disadvantages to one another’. What has been lost through trade is the economic inefficiency in each of the trading economies. And therefore, everyone gains from trade according to comparative advantage theory. It is an exchange advantage and a barter trade advantage that “was observed in ancient societies, like that of the Aboriginal people, and in the arena of international trade it occurs today under the name of ‘countertrade’.” (McTaggart et al., 1992:54-55, 944-945)

Unfortunately the following fatal assumptions are made in Ricardo’s theory:

1. Mutual benefit by positive adjustment. A nation may stop producing and exporting a product that is inefficient under its own terms of exchange for other goods, even if it is the lowest cost producer in the world. This is because the whole world can strengthen its total advantage potential by supporting each other’s comparative advantage. In essence, Ricardo’s theory has left no role for companies to play. It also assumes no role for knowledge which can create new base for competition. Therefore the theory is not suitable for dynamic economic conditions where change dominates.
2. The overcapacity problem. The opportunities for economic growth are widely available and there are no growth limits. That means production can grow forever in the arena of comparative advantage. Therefore, according to comparative advantage theory, opportunity loss is not a real loss.

3. Comparative advantage is available to every economy. Ricardo's theory assumes that the pre-condition of the mutual beneficial 'exchange' (comparative advantage) is self-sufficiency. Since every self-sufficient society has a section of its economy comparatively less efficient, comparative advantage of some sort can always be achieved through trade. International trade according to comparative advantage will make each self-sufficient economy more efficient and thus the whole world more productive.
4. Monopoly market. There is no mention of markets in the theory. As such, the theory effectively divides the world into two equal halves (in meaning, not in size) - 'our half' and 'our trading partner's half'. International trade happens only when both sides are willing to co-operate. Essentially, market sovereignty is assumed into the theory.
5. Demand similarity. The theory assumes that demand and wage conditions are similar around the world's trading economies. It also assumes that all economies around the world have the same demand for the same product. If a product generates a huge demand in one economy, it will generate the same success when it is exported to another economy.
6. Finally, the logic for success is universally true. That is, today's competitive advantage will be the advantage of tomorrow. It can be applied anywhere at any time. There is no need to 'upgrade it', and the only need, is to make more of the same.

Given the six limits mentioned above, Ricardo's comparative advantage theory represents a strong logic for creating mutual beneficial niche competition on a global scale. Acting according to the theory, everyone will have competitive advantage in the form of a monopoly position. As a result, competition becomes a positive-sum game and creates a win-win situation for participants. As Thurow (1996) pointed out:

“Everybody has their own niche where they can excel, so nobody goes out of business.” McTaggart et al. (1992: 948) said: “Gains in one country do not bring losses in another.” International trade, on the other hand, has a role to play in allocating a nation’s resources to its relatively most productive niches.

3.2.2.2 Factor Comparative Advantage

The essence of Ricardo’s comparative advantage theory is to free people from the constraint of self-sufficiency to enable them to reap the mutual benefits of productive specialisation. However, Ricardo’s theory did leave the specialisation question open to “unexplained differences in the environment or ‘climate’ of nations that favoured some industries” (Porter, 1990:11). The central question, as Porter (1991:168) pointed out, is: “what are the decisive characteristics of a nation that allow its firms to create and sustain competitive advantage in particular fields?”

Because the early production system (outlined in Figure 3.1) depended very much on natural resources for its input (refer to Figure 3.2) and the natural resources were not distributed evenly on the earth, productive specialisation according to endowed natural factors makes sense to trade. Thus, factor comparative advantage developed into a dominant version of comparative advantage theory in the early twentieth century.

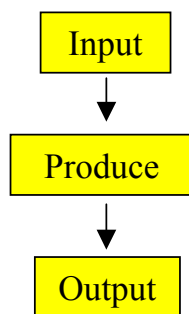


Figure 3.1:
Production Model

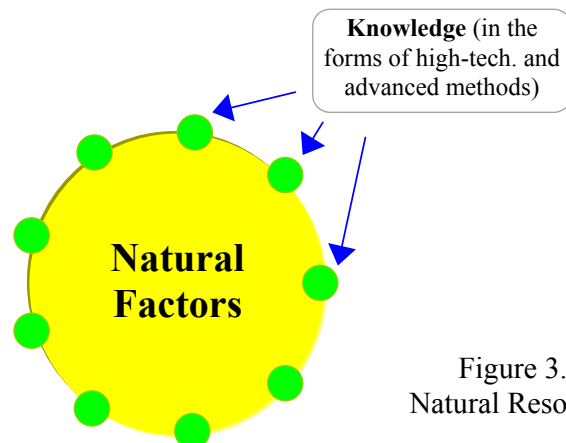


Figure 3.2
Natural Resources

As Porter (1990:13) pointed out, “many traded goods were products such as spices, silk, tobacco, and minerals whose availability was limited to one or a few regions”, reflecting differences in growing conditions, natural resources, and capital. Therefore in seeking to analyse emerging trends and to determine strategies for trade, the answer was that the natural endowments of the land are from the strength of a particular nation.

Comparative advantage makes no claim to match the richness of market competition, so it is not a competition-orientated theory (Porter, 1990). Porter (1990:73) suggests that these “factors are nothing more than the inputs necessary to compete in any industry.” Nations can only gain factor based comparative advantage in a very limited number of industries that make intensive use of the factors they possess in abundance. Often factor comparative advantage becomes a competitive shackle in today’s environment of human creativity.

There are three critical disadvantages in the traditional comparative advantage theory:

1. Natural factor advantage cannot continuously create and sustain competitive advantage for trade;
2. Natural factor advantage cannot attain the high and rising level of productivity a modern society needs.
3. Natural factor advantage is almost irrelevant to modern economies that upgrade and innovate continuously.

Kay (1993) states: “Today, these natural resource industries are much less significant proportions of overall industrial activity and many of the world’s most successful economies are very poorly endowed with natural resources.” In fact, “the scarce factors that influence national competitive advantages today are more often the range and variety of skills to be found in the workforce.”

3.2.2.3 *Knowledge, The Dominant Source for Competitive Advantage*

Since World War II, the rapid pace of technological advance has changed economic conditions. Instead of regarding technology as external to the study of economics in its traditional sense, more and more economists, including Thorstein Veblen (1857-1929) and Joseph Schumpeter (1883-1950), realised that human innovative activity in technological progress and improvement is the driving force of economic progress and growth. As a result, strategic sources for competitive advantage have shifted from natural factors to brainpower (Thurow, 1996:232). Two basic characteristics of the shift are:

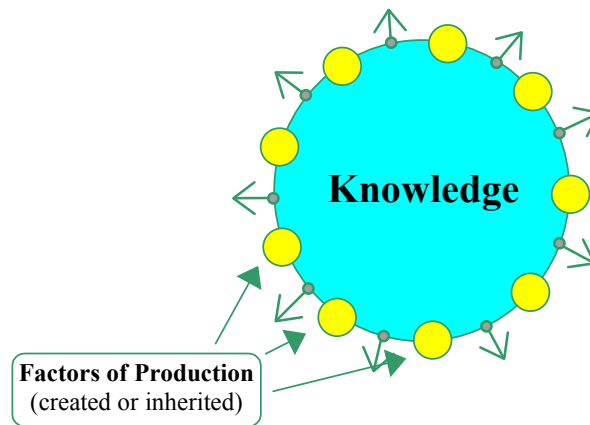
1. Natural resources have dropped out of the competitive equation.
2. The industries of the future are all based on brainpower.

A clear shift in the patterns of trade was also observed. Trade based on the traditional factor advantage is shrinking, and trade in non-traditional areas that underpin high and rising productivity is growing (Sheehan et al., 1995). Most newly created industries are the results of human knowledge. Among them are the computer and computer software, telecommunications, civil aviation, robotics, machine tools, biotechnology, automotive and microelectronics industries. They have no natural home. Therefore, the search for the determinants of competitive advantage in them has to take a different approach.

The changing approach to competitive advantage has put human knowledge at the centre of business innovation. As ‘the capacity for effective action’ (Senge, 1996), knowledge has long overtaken natural resources as the dominant source for competitive advantage (refer to Figure 3.3). According to Rosegger (1996), human creativity has long been the most mysterious source of economic growth in this world. Although a strong relationship between human creativity and future income is assumed, this relationship is at best only a very fuzzy one. Once companies have started the purposeful search for competitive innovations, they quickly learned human creativity is essential to their business success or survival (Rosegger, 1996). In the

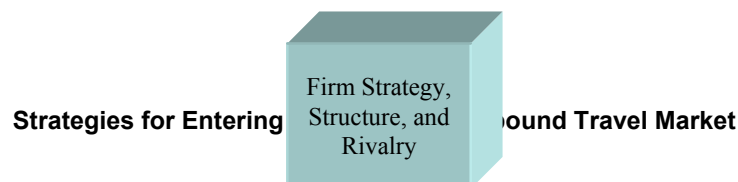
process, it was also discovered that the traditional economic relationship between inputs and outputs is not a sure thing at all. Confronted by economic uncertainty, the best choice is to innovate and upgrade.

Figure 3.3:
Knowledge at the Centre
of Innovation



According to Porter (1990, 1991), companies achieve competitive advantage through the acts of innovation, in that human resources, which possess high levels of specialised skills in particular industries, are the most decisive in modern international competition.

Believing that competitive advantage resides in the innovative relationship at the industrial level, Porter's (1990) research crystallised this relationship into the 'diamond' of national advantage (refer to Figure 3.4) to answer why some nations provide a better environment for human innovation in some industries "that enables companies to improve and innovate faster than rivals".



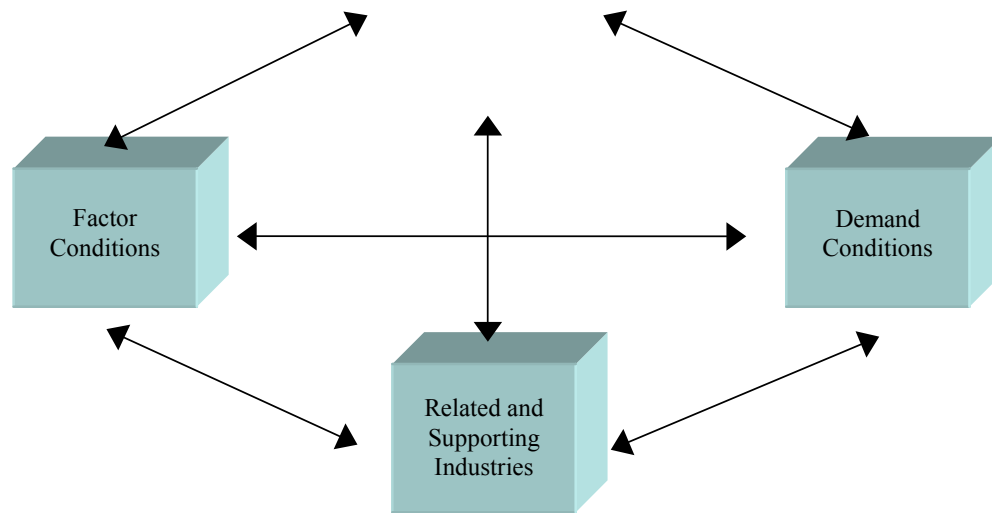


Figure 3.4: The Determinants of National Advantage (Porter, 1990)

3.2.3 Knowledge Comparative Advantage

Despite expressing displeasure with the traditional comparative advantage theory, Porter essentially tied his theory development onto the territory of the old theory. Porter's efforts have essentially stretched the old theory much closer to competitive reality by creating new factors. However, putting new meaning into the old framework may not be an adequate way to address new competitive reality.

There are also two additional reasons for the long-lasting nature of traditional theory:

- The traditional culture of ownership. Traditionally one cannot own something intangible;
- The traditional idea of management. According to Hammer (1996), the industrial revolution of the 18th century introduced the idea of mindless workers “who had no responsibility or decision-making power, but merely had a mind-numbing task to perform, and did so under the watchful eye of a supervisor.” Thus, the nature of simple jobs, in turn, led to complex organisational processes and systems.

However, since the old vision of factor economy is no longer adequate to guide real world competition, a new theory has been developed by Porter (1990). According to

Handy (1996), the rethinking of reality needs “to realise that the new source of wealth is intelligence. It is not land or money or raw materials or technology. It’s the brains and the skills of people.” Hammer (1996) pointed out, “We need a model in which people at the front lines, armed with a basic strategy decided by the senior management of the company, are given a lot of autonomy and responsibility for deciding things on their own. A model where management exists, not to direct and control or to supervise, but rather to facilitate and enable.”

Essentially what is needed for new theory, is to unlearn the past, to make intangibility an unqualified principle of business and to base business success on its employee entrepreneurs.

A paradigm shift to knowledge-based comparative advantage can create kinds of company behaviours that are in sync with what’s going on in the future. The following are comparisons of company behaviours between the two paradigms:

- In the old theory, a company owns production assets such as equipment, tools, land and buildings. Employees are the simple instruments (hands and feet, but not mind) of the company owner. In the new theory, employees of the company own the production asset – knowledge. The company provides the productive instruments for employee’ creativity.
- In the old theory, the management model is “command and control”. All intelligence, all wisdom, resides at the top; strategic decisions are made by the top and carried through the organisation structure to the bottom. In the new theory, a company is a decentralised network of empowered employee entrepreneurs. Decisions are made and carried out by those much closer to the work.
- In the old theory, a company was a complex of production procedures and systems that are designed to create simple, repetitive, precise jobs. In the new theory, a company is a simple system of networks with complex, flexible, ambiguous jobs. According to Hammer (1996), “It’s a bit loose. It’s a bit ambiguous – which is both a shortcoming and its greatest advantage. In an environment of change, you

don't want a very rigid organisational structure. You want one that allows you to adapt.”

While factor comparative advantage assumes firms having perfect knowledge about existing technology, knowledge comparative advantage makes no such assumption. Although knowledge is the source of all meaningful resources in our social and economic life, the knowledge comparative advantage theory believes that brain energy is not equally accessible. Therefore, knowledge specialisation of firms and industries creates competitive advantage.

3.2.3.1 Three Golden Rules for Creating Competitive Advantage

When knowledge becomes the driving force for setting business strategy in market competition, the three most effective rules for creating competitive advantage are ‘specialisation’, ‘devaluation’, and ‘differentiation’.

3.2.3.1.1 Knowledge Specialisation

Since it is not possible for locations to be equally good at providing all services and all products all the time, geographic specialisation of economic activity seems to be the natural way to create competitive advantage. The rule here is ‘power comes from being one thing to all people, not being all things to all people’. When exports expand for more productive firms, goods and services are imported, and less productive activities move to other locations, the knowledge structure of the location skews towards its most productive focus to support the rising local specialisation. According to Rie (et al., 1996), “Conceptually, the bigger the market, the more specialised you have to become if you want to succeed.”

From the viewpoint of knowledge, competitive success means continuously moving beyond today's reality. Therefore, business competition is, more importantly, about tomorrow's market opportunities. Geographic competitive specialisation can inspire human imagination for better strategies and overcome the natural desire for stability.

Henderson (1991) believes that “business strategists can use their imagination and ability to reason logically to accelerate the effects of competition and the rate of change.”

3.2.3.1.2 Knowledge Devaluation

The knowledge comparative advantage approach is to seek competitive advantage from human creativity and market opportunity. It also means knowledge-based advantage is an advantage between now and the future. If a firm stops seeking change, its knowledge devalues. Knowledge devalues when it is neutralised by imitation or nullified by more sophisticated knowledge. Several common business traditions contribute to the process of knowledge devaluation.

- Knowledge devalues when a firm’s culture prevents it from adopting new approaches to market competition. Successful companies often develop a strong culture of their own which then acts as an anchor on change (Kotter, 1996). A common problem is ‘we were so successful, we must be geniuses’, and there is no need to change. Further, “business leaders prefer to hold the change-management process hostage to an elite group of officers, planners and directors” (Want, 1995:288). This essentially diminishes the full potential of business creativity and innovation. What senior managers value most is themselves. People who follow them are promoted through the ranks. Consequently, the business becomes self-oriented, ignoring the external environment, and the knowledge cannot match changing market values.
- Knowledge becomes devalued when it is shackled to the existing assets of the company (such as existing equipment), the decision-making procedures of organisations, and established views of the business world.

- Knowledge devalues when a business paradigm change has been ignored. Human innovations are endless and new paradigms consistently replace old ones. Taking the past as a sure guide for the future is often a formula for failure. Many researchers such as Prahalad (et al., 1991) and Hamel (et al., 1991) believe that success can create a state of mind that often has toxic side effects. For example, the source of the US and Europe's economic failure of the late 1980s can be traced back to their successes in earlier years.
- Knowledge devalues when the market passes by and market value has migrated. Slywotzky (1996) saw many large, successful companies with hardened knowledge in the form of established capital and management methods lose the market, while many new competitors, starting small but with updated knowledge, were winning valuable customers. A strategic understanding of how current and prospective knowledge competition and markets change through time, could serve as a compass that would point to the best direction for any company seeking to create value growth.
- Knowledge devalues when the existing knowledge of a firm has been overemphasised by established perceptions, and the future value of newly created knowledge has been ignored. Historical evidence suggests that the future is consistently incompatible with the past and changes are required before future success is achievable.

Increasingly, a company's ability to change (flexibility) has become the most significant form of competitiveness in the future. To do so, firms need time to learn new routines that will deliver them rewards in the new technological environment (Tisdell in Dowrick, 1995).

- Knowledge devalues when it is bounded by temporary rationalities. Take economies of scale as an example. Under increasingly deregulated economic

environments, small firms gain advantage through knowledge specialisation where size is not a factor. They often sustain it through improving fast enough to stay ahead (Porter, 1990). According to Naisbitt (1996), business needs to find an appropriate scale and “increasingly, appropriate scale is smaller and more powerful.” “The increase in power comes from a presence that’s out of proportion to size, as we used to think about it.” Now most of the ideas about doing things better and improving operational effectiveness, such as TQM, time-based competition, benchmarking and so forth are not sufficient, although they are still necessary just to stay in the game. The stakes of having a unique competitive advantage in the market are higher (Porter, 1996).

Market devaluation of knowledge has been the central point in Schumpeter’s (1934) theory of economic development. Schumpeter believed that technological and organisational innovations in economic activities set in motion “a process of creative destruction”. New knowledge (new combinations) decreases the value of the existing market positions of firms, the capital and the knowledge they possessed. Consequently, according to Schumpeter, early innovators created new knowledge bases for competition and reaped supernormal profits. Porter (1990:70) said, “the nature of economic competition is not ‘equilibrium’ but a perpetual state of change.”

Knowledge devaluation essentially means that there are no rules to follow, but knowledge to progress and innovate. In the competition on knowledge, as Hamel et al. (1991) pointed out, “successful competitors rarely stand still. So it is not surprisingly that many executives feel trapped in a seemingly endless game of catch-up - regularly surprised by the new accomplishments of their rivals.”

3.2.3.1.3 Market Differentiation

The paradigm of ‘Knowledge ⇌ Service ⇌ Market Needs’ in the creation of market differentiation can best be understood through two different but inter-connected angles.

- Knowledge specialisation creates market segmentation, and its reverse;
- Market segmentation promotes knowledge specialisation.

In the process of out-competing one another, competition finds its strongest edge in a different knowledge focus (Rie et al., 1996). By being different from each other, difference produces greater differences. Thus the endless creativity in knowledge will create more and more differentiated competitors. As a result, industries divide into more industries. Businesses divide into more businesses. As knowledge specialisation is an endless innovation process, market differentiation is also endless.

The traditional theories, such as factor comparative advantage theory, and economies of scale, believe that “entire industries are coming together” (Rie et al., 1996), competition will reach equilibrium, and society will achieve equality and prosperity for all. However, by nature, human beings are trying to differentiate from one another. Consequently, market competition on human creativity is a process of disequilibrium. Fresh competitive advantage often comes from being different, from upsetting existing competition equilibrium and from being competitively new (Schumpeter, 1934, 1961; Von Hayer, 1944, 1948, 1960; and others). This means small firms can compete with big firms through unique knowledge specialisations. “If a small firm with high unit costs can differentiate its products in ways that permit it to charge a much higher price for them, then it would suffer no disadvantages of small scale. On the basis of this fact alone we can explain ... the profitable co-existence in the same industry of firms and plants of greatly varying sizes.” (Rosegger, 1996). In practice, business differentiation often becomes the preferred choice for competitive success against large-scale firms. As a result, industries divide, and so does the market.

Although knowledge specialisation happens in big companies, it is more likely to occur in small companies, right down to the individual. Ultimately, knowledge specialisation dwells with individuals. As the paradigm for creating competitive

advantage changes from the wealth of natural resources to the wealth of intelligence, as employees change from instruments of company owners to asset owners of the company, and as outsourcing practice becomes widely accepted, a company will deconstruct itself into a networked community with individuals as the centres of knowledge specialisation, and “push power and decision making down to the lowest point” (Naisbitt, 1996). That’s when small becomes really powerful. According to Naisbitt (1996), “the global economy of the twenty-first century will be dominated by small and middle-sided players”. Tourism is a good example. Here knowledge specialisations blended by a big network, a myriad of combinations can create differentiated knowledge specialisations to suit almost every kind of market opportunity. In this way, knowledge specialisation will contribute to a more differentiated marketplace. As the world becomes more and more affluent, the profitable sizes for market segments shrink accordingly. As a result, the market becomes more differentiated.

Market segmentation is also endless. For example, once consumers’ common needs are met, their desires for differentiated products to serve their sophisticated needs create new expectations. As a result, a revolution of rising consumer expectation sweeps through the consumer market. The fuzzy market gets fuzzier. By nature, consumers are individually different, that is no two consumers are exactly the same. However, consumers do share similarities in their basic needs. According to Kotler (1996), “All segmentation is of course somewhat artificial. We use certain variables to group people into segments. And there are people who oscillate between segments, or who can’t be totally described. Generally though, segment descriptions represent a compromise between viewing all buyers as similar versus all buyers as individually different.” By emphasising each consumer’s differentiated needs, each consumer potentially defines himself (or herself) as a segment of the market.

3.2.4 Summary Notes

The mindsets for creating competitive advantage have been dominated by factor comparative advantage theory since the Industrial Revolution. Competition focus was mainly on ‘profiting from low costs’ (see left side scenario in Figure 3.5). Now the constant technological and contextual change and intense market competition make a new paradigm highly desirable. Consequently, knowledge comparative advantage theory was created (see right side scenario in Figure 3.5). According to this paradigm, success comes from ‘profiting from market opportunities’, in that specialised knowledge creates sophisticated products and services in accordance with the personalised needs of the market.

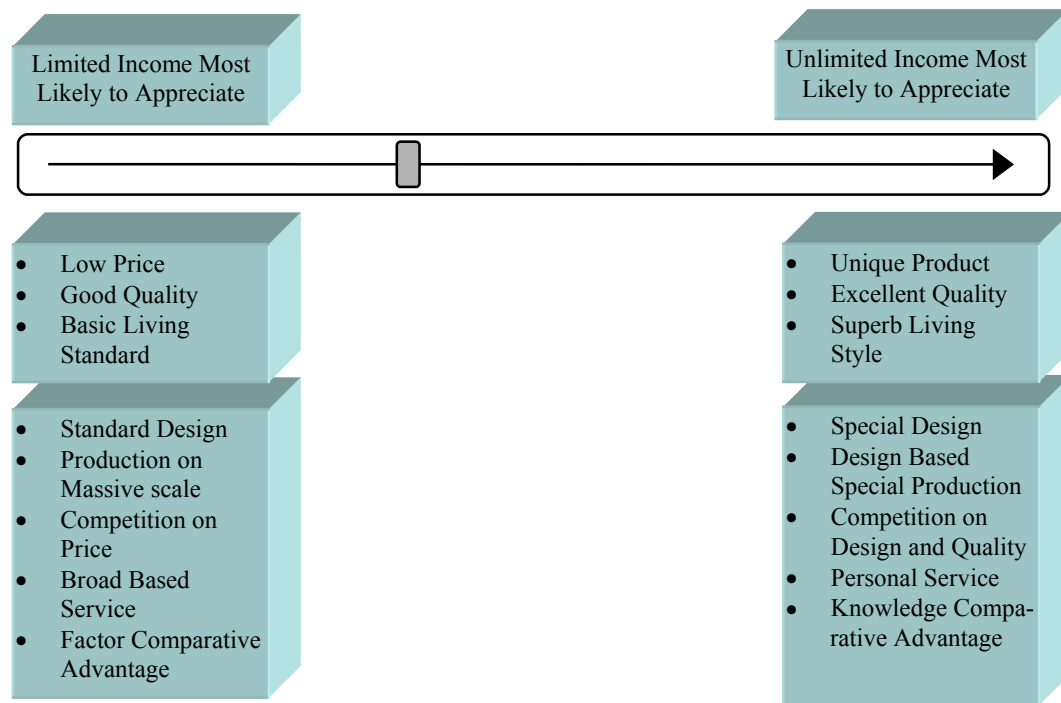


Figure 3.5: Change Model of Economic Growth

Since human beings have a propensity to associate transient (limited) truth with permanent truth, business management seems to over-rely on what was successful in the past to guide the future. Consequently, companies fail to anticipate emerging opportunities in the marketplace. Through efforts in developing the knowledge of

comparative advantage theory and the change model of economic growth in Figure 3.5, the discussion here broadens the comprehension of the market economy. It covers both competitive situations at the primary stage of economic development when factors are economically significant and at the advanced stage when knowledge matters much more.

Since competitive focus and predicting the future are strategically very important for strategy development, and therefore entry strategies into the Chinese market, the review and theoretical development efforts in this chapter are trying to make clear what will be the future of business activity; how should business concentrate its efforts in creating competitive advantage in the future fragmented marketplace.

3.3 Strategy and International Competition

In the 21st century deregulated world market, domestic competitors can no longer be shielded from international competition by trade barriers. On the other hand, slow economic growth at home may prompt local firms, both small and large, to compete globally for survival. As a result, firms are under constant pressure to explore the international perspective and incorporate international environments into their competitive strategies.

According to South (1981), a dominant proportion of competitive advantage, which often spells the difference between success and failure, comes from a favourable competitive position in industry structure. To be successful in international competition, a firm needs to develop a strategy to place the business onto the most successful industry segments. This involves not only selling to, but also an understanding of, itself in the context of the host industry structure, its capability of innovation and production efficiency in comparison with that of the host industry incumbents, and the traditional ways of business competition in the host country.

3.3.1 International Competition and Industry Structure

Having undertaken a four-year study of the relative competitiveness of ten nations, Porter (1990) noticed a strong relationship between industry structure and competitive success internationally. He listed three reasons for the importance of structural analysis of industries in host countries:

1. Industry structure creates differing requirements for success;
2. Under different industry structure, the attractiveness of the industry is different;
3. In international competition, structural change creates genuine opportunities for competitors to enter.

Domestic rivalry is also crucial to a firm's international advantage. The home industry structure provides local firms with the first opportunity to compete. This is a useful basis for understanding the form of subsequent competition in the world market. In the ten nations that he examined, Porter noticed that competitive advantage emerged out of intense competition in an industry.

In global competition, according to Porter (1985), the competitive forces in each country will ultimately determine the profit potential that market competition can reach, and therefore the limits of competitive strategies. Porter (1991) stated that, "The strongest competitive force or forces determine the profitability of an industry and so are of greatest importance in strategy formulation." The effective environment for setting international competitive strategy is "the industry, because the industry is the arena in which competitive advantage is won or lost" (Porter, 1985). Internationally, industry structure changes from country to country.

Porter (1990) believes that competitive advantage must grow out of a sophisticated understanding of industry structure and how it is changing. He identified four focal concerns underlying the choice of a competitive strategy.

- Industry structure: Globally, industries differ widely in the nature of competition and not all industries offer equal opportunities for sustained profitability. This

underpins why industry structure is such an important issue in international competition.

- Positioning: Some positions are more profitable than others.
- Change: Both industry structure and competitive positions are dynamic. Industries can become more or less attractive over time. Generally speaking, structural changes that produce a lower entry cost, often mean that the industry is less attractive; attractive industries normally have high entry barriers.
- Shaping competition: Upon entering an industry, a firm becomes part of the industry structure. Whatever actions a firm takes will change industry attractiveness and the firm's competitive position. Successful firms respond not only to their environment, but also attempt to influence it in their favour.

Like Porter, Ohmae (1991a) also regarded host industry structure and the way of doing business as crucial to creating competitive advantage in international competition. However, he did not believe that industry structure is significant to all segments of an industry. For example, industry structure is not significant for high price, low purchase frequency, fashion-based items such as Gucci. However, industry structure is very important for firms that produce low price and high frequency commodity items such as Coke. Companies that fall in between Coke and Gucci tend to mix up the strategies. In international competition, according to Ohmae, most companies' success depends upon understanding the host industry structure.

3.3.2 International Competition and MNCs

Governments are critically important to multi-national companies (MNCs) in formulating and implementing global strategies. According to Doz (1986), host countries impact upon MNC performance in two ways. First, governments have adopted a batch of policies and actions designed to impact both on competition and on the types of firms able to participate. Second, the industry structures in different

nations differ in terms of their attractiveness to MNCs. International competition often means more opportunities and choices are available, and subsequently more bargaining power in favour of MNCs. This bargaining power has, in practice, transformed the relationship between governments and MNCs from one of regulation to one of negotiation.

Doz concluded that government intervention is able to modify a set of strategic options available to global competitors. It creates both constraints and opportunities, and influences the attractiveness of various options. Governments are also able to exert a significant impact on the evolution of industry structure and industry rivalry.

The following aspects have attracted increasing attention from strategic planners from MNCs:

- *Make Domestic and Foreign Opportunities Complementary:* To survive the ever-changing business environment where opportunities shift dynamically around the world, opportunities in different parts of the world are not only choices for companies to choose, but also opportunities for survival.
- *Ignoring Politics Until You Need It is a Thing of The Past:* No company or industry is immune from the impact of decisions made by governments, which not only shape the structure of local industry but also shift the balance in international competition. Consequently, politics has become a crucial element of international competitive strategy. If government is important to an industry's competitive future, political activism must be a business priority (Yoffie, 1991). A growing number of MNCs have set up departments of politics and government relations to develop a stable and constructive relationship with governments around the world.

3.3.3 International Competition and Deregulation

When government protection policies are lifted and new entrants are allowed to enter, the artificial balance of the industry is destroyed. The whole industry is thrown into an uncharted terrain of competition. The old style of competitive strategy that factors heavily on government protection becomes obsolete. Everyone in the industry has to learn to cope with competition from the beginning.

First, low-cost new entrants come in. Then larger companies formulate competitive strategies to offer low-cost products and services to compete with the new rivals. Consequently, the price gap between new entrants and existing companies diminishes as the latter's cost-cutting efforts take effect. Finally, new entrants decline, the industry consolidates, and competition shifts away from purely price-based behaviour. The key to the survival of the new entrants is to foresee the evolution of the industry structure after deregulation.

In all the industries studied by Bleeke (1991), the competitive situation was changed by industry shakeouts and the same set of competitive dynamics played themselves out each time. Strategically, the result of deregulation is significant. The following are the characteristics of the deregulation of the US market:

1. While the number of new entrants can be staggering, nearly all soon fail - along with many large existing competitors. For example, less than one third of the new entrants and less than half (44%) of existing competitors survived the competition.
2. Industry profitability deteriorates rapidly as new entrants shatter pricing for all competitors for at least five years.
3. The most attractive business segments often become the least attractive - and vice versa - as competitors all flock to the same markets and cross-subsidies unwind.
4. Variation in profitability between the best and the worst performers widens dramatically and remains high.
5. Merger and acquisition activity often occurs in compressed waves that are driven by the demonstration effect of other acquisitions and by pressure to keep up with rivals that are doubling in size and/or scope.

6. Only a small number of companies can remain broad-based competitors. Most are forced to narrow their product range and spin off non-core (weakness) activities to survive.

Under deregulated market conditions, Bleeke (1991) identified four distinct types of companies that were able to survive and build profitable, sustainable market positions. They are:

1. broad-based distribution companies that offer a wide range of products and services over an extensive geographic area;
2. low-cost entrants that migrated over time to become specialty or customer segment-focused providers;
3. focused-segment marketers that emphasise high levels of service at relatively high prices or target a very specific, defensible customer group; and
4. shared utilities that focus on making economies of scale available to a large number of small competitors. New industry structure creates a new competitive balance.

Successful entry is only the start. In the “longer term, the key to survival for low-cost players lies in finding a viable migration route to a position as a broad-based competitor or a focused-segment provider. Identifying new niches can play a part in this migration” (Bleeke, 1991). The experiences of Japanese auto players in the US market has demonstrated this point. Bleeke believes that migration is a difficult part of competitive strategy for small and medium market entrants.

3.4 The Art of Competition

Economic theories are theoretical models for designing and tuning the business activities of organisations to the world of competition and for producing competitive strategies that can deliver competitive advantage to competing firms. However, to be successful business organisations need to apply these models appropriately to real competitive situations. Since the business world changes constantly and there are no

clear-cut situations similar to what were assumed in theoretical models, sophisticated skills and high principles are required to guide competitive strategy formulation.

In the western philosophy, competitive strategic formulation is based on two key principles: The first is the Principle of Competitive Exclusion (Gause's): No two species can coexist that make their living in an identical way. According to Henderson (1991), business as a living system is no exception to this principle. The second is the principle of "fittest survive and prosper". In business this means that outstanding market performance is the result of "Strategic Fit" – matching an organisation's capabilities to the environment within which it operates. In practice, seeking 'strategic fit' has long been at the centre of competitive strategy.

In spite of the widely perceived differences in the meaning of 'strategic fit' by business and by academics, it is often believed that 'strategic fit' creates competitive advantage in a sustainable and defensible way. According to the current western practices in competitive strategies, two major approaches have been observed for achieving the desired 'strategic fit':

- The traditional analytic approach to 'strategic fit' strategy is to bring the choices of manufacturing strategy into the big picture of industrial positioning. It can be summarised as Ends→Ways→Means.
- The recently established approach to 'strategic fit' is to bring a firm's capability to serve various opportunities in the uncertain environment. It can be summarised as Means→Ways→Ends.

3.4.1 "Ends-Ways-Means"

This approach considers our society to be an inter-connected social system. Enterprises are regarded as creatures of market demand and are nurtured and supported by the market to accomplish specific functions of society. Therefore, their survival depends on fulfilling these functions. Under this line of reasoning,

competitive strategy needs to be set to worthwhile social functions in its external environment. Figure 3.6 shows the key external elements for strategy formulation.

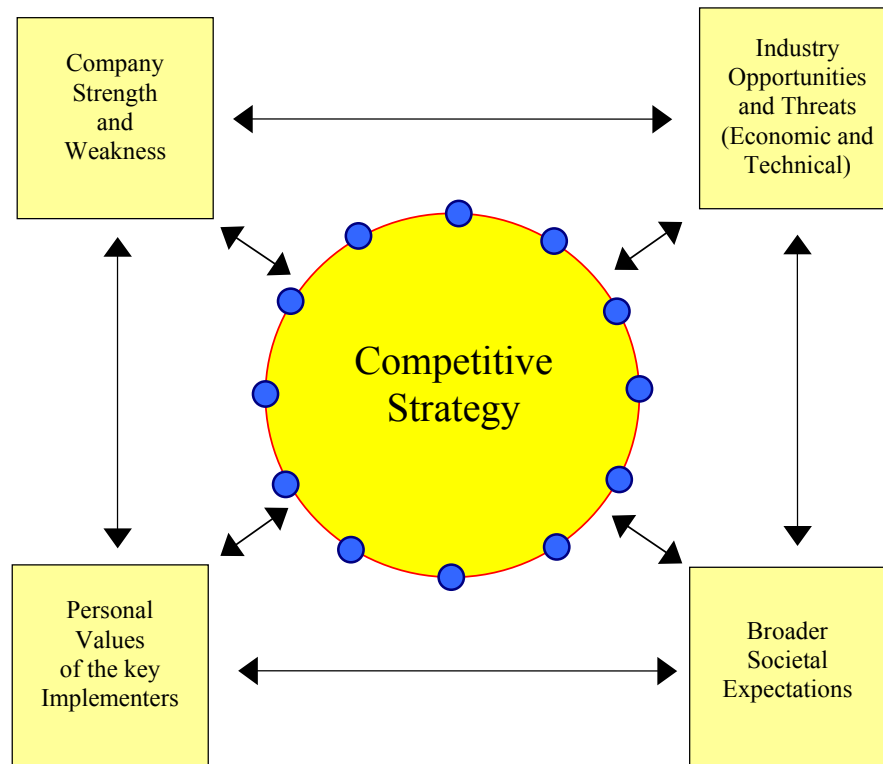


Figure 3.6 Context in Which Competitive Strategy is Formulated (Porter, 1980)

So, as Hayes (1991) pointed out, the traditional ‘strategic fit’ planning process rests on an “ends-ways-means” positioning model: establish corporate objectives (ends); given those objectives, develop a strategy (ways) for attaining them; then marshal the resources (means) necessary to implement this strategy. According to Hayes (1991), there are two familiar lines of argument for keeping these three elements of the planning process “ends-ways-means” in their current order:

1. Ends should precede ways because managers must know what their objectives are before deciding how to go about attaining them.

2. To maximise efficiency, the choice of strategy should precede the assembling of the resources for carrying it out. Because each strategy is likely to require a different mix of resources, developing resources before choosing one of them exposes a company to the risk that it will be short of some resources and have too much of others.

According to Mintzberg (1991) and Hayes et al. (1996), when managers demand ‘ends-ways-means’ approaches in strategic planning, they assume that all wisdom resides at the top, the external environment is both analytical and predictable, and success can be charted. Equally importantly, they assume that reasonable objectives, arrived at by available analytic methods, can be achieved through ‘command-and-control’ style management and that progress toward those objectives is both measurable and controllable (refer to Figure 3.2). Therefore, the approach focuses enormous effort towards the development of analytic methods to help assess the three elements in strategy formulation.

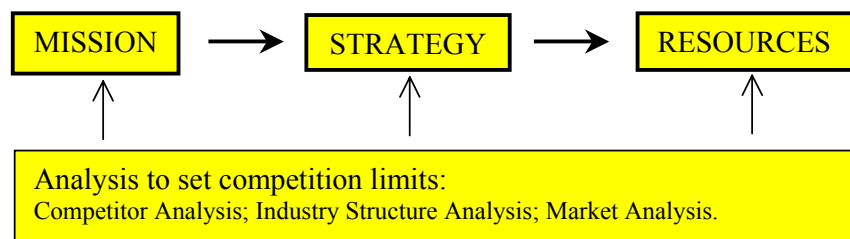


Figure 3.7: Design School Approach to Strategy Formulation

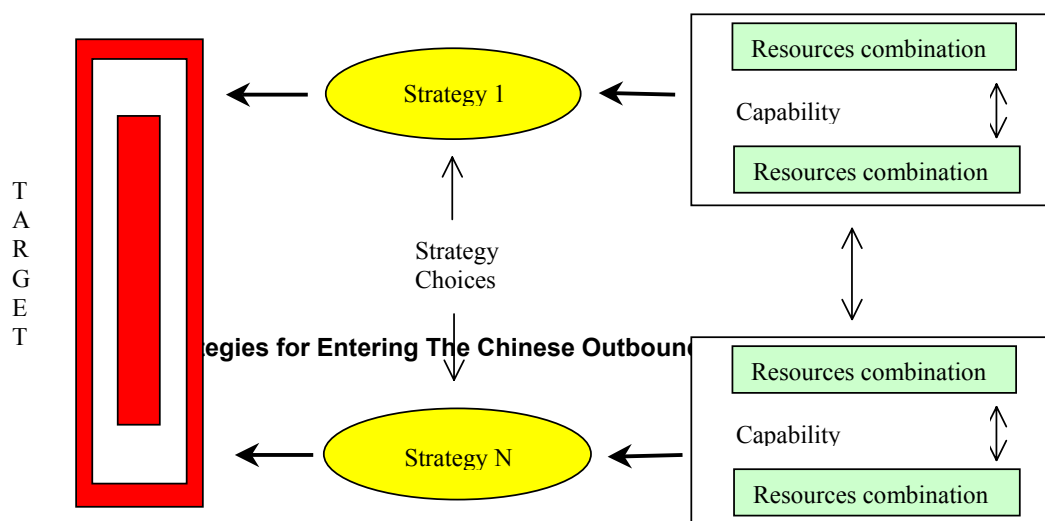


Figure 3.8 “Ends-Ways-Means” Planning Process for Creating “Strategic Fit”

The “Ends-Ways-Means” planning process predicts a company’s future through predicting ‘strategic fit’ in the external environment, especially the ‘position fit’ in the industrial environment (refer to Figure 3.7; Figure 3.8). Traditionally, the analytical techniques supporting the planning process concentrated on the following areas:

Mission Statement: predicts the future through exploring appropriate premises or assumptions before beginning strategic planning. Drucker called a mission the theory of business. An effective mission statement often defines the fundamental, unique purpose that sets a business apart from other firms of its type and identifies the scope of the business’ operation in product and market terms (Pearce, 1982). It provides the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of managerial jobs and structures.

Competitor Analysis: is trying to predict the competitor’s behaviour or competition limits for benchmarking. Porter (1980) believes that a comprehensive competitor analysis should cover two angles - external and internal. There are four external diagnostic components to a competitor analysis (refer to Figure 3.9). Understanding them will allow an informed prediction of the competitor’s response profile.

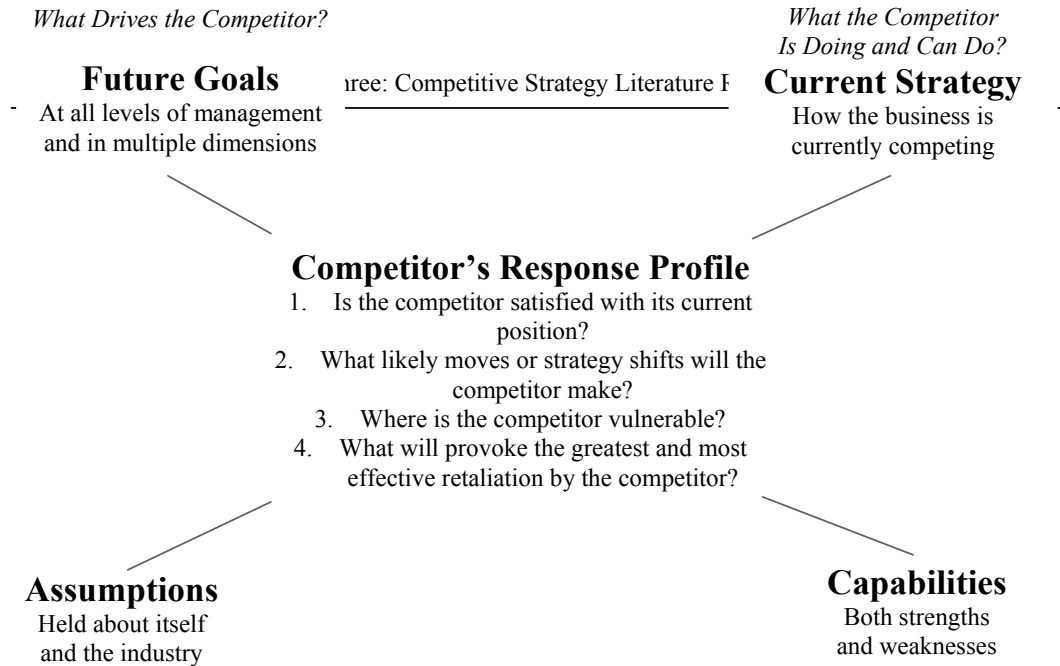


Figure 3.9. The Components of A Competitor Analysis

Porter's (1985) generic value chain of business activities (refer to Figure 3.10) is a typical operational analysis of competitors. Detailed analyses in these five areas could help predict the competitors' capabilities.

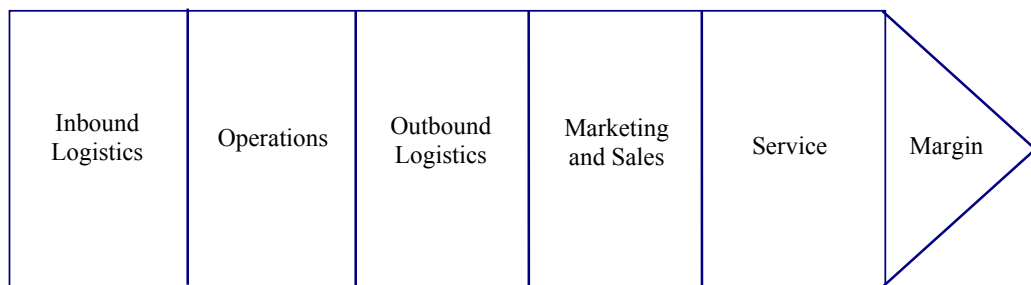


Figure 3.10 Primary Activities in Porter's (1985) Generic Value Chain

Structural Analysis: As the industry grows more and more complex, Porter (1991) believes that only "Multifaceted Rivalry" analysis can predict market competition satisfactorily. So, Porter (1980) developed a comprehensive framework of analytic techniques to help a firm predict its future (refer to Figure 3.11). Once the competition limits at the industrial level are known, a firm is in a position to identify

Strategies for Entering The Chinese Outbound Travel Market

its strengths and weaknesses relative to predictions. To many people, his theory is a big step forward in dealing with external competition problems.

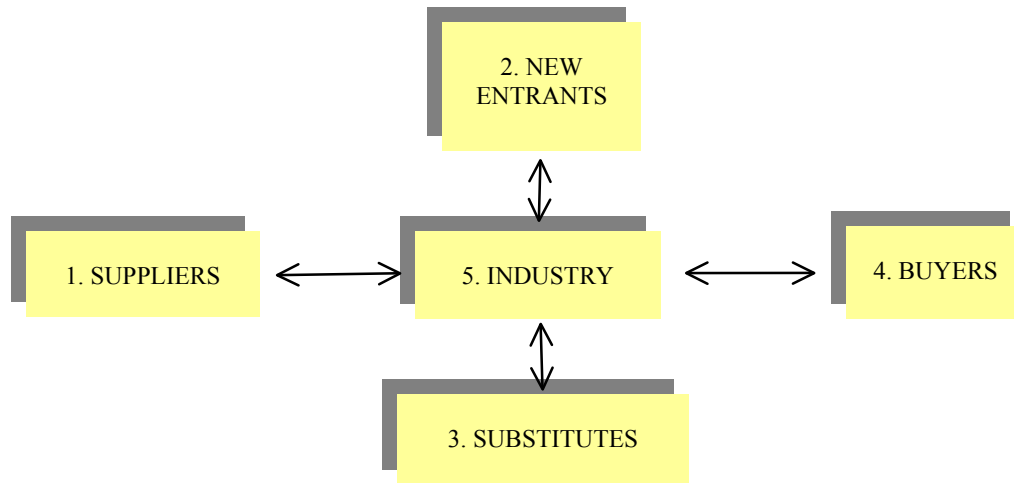


Figure 3.11: Forces Driving Industry Competition (Porter, 1980)

According to Porter (1991), his model is also trying:

1. to avoid the myopia of narrow product-oriented analysis.
2. to avoid over-looking latent sources of competition that some-day may threaten the industry.
3. to find “a position that is less vulnerable to attack from head-on competitors.”

The “Ends-Ways-Means” planning process remains satisfactory if the business environment is relatively stable, and slow-moving. However, this kind of environment often does not exist any more. According to Hamel and Prahalad (1991), as the traditional “strategy has blossomed, the competitiveness of Western companies has withered.”

The cause of the western competitive decline is in the ‘ends-ways-means’ approach seeking ‘strategic fit’ in retrospective knowledge. Following the past is no recipe for the future (Hayes et al., 1996; Robert, 1998). This traditional concept of creating ‘strategic fit’ has the following problems:

Strategies for Entering The Chinese Outbound Travel Market

- Through retrospective analyses, business goals often carry past orientations. They are also short term, highly quantitative, focusing on rates of growth in profitability, return on investment, and market share. “Unfortunately, quantitative goals ... tend to drive out non-quantitative goals. It is easy for an organisation tied to quantitative goals to believe (or to act as if it believes) that anything that is not quantitative is not important” (Hayes, 1996). Therefore, over-emphasising hard numbers by the traditional process for business goals could also be detrimental to the competitive capability development within business.
- The traditional concept believes resources get used most efficiently when management provides only those that are absolutely necessary (Hayes et al., 1996). Understandably, the strategic planning processes create “just enough” resources for the requirement of ‘strategic fit’ due to the desire for maximisation of business profitability. If competition is intensified over the designed ‘strategic fit’, the strategy will immediately become a competitive problem instead of a solution.

The second issue in the problem is that state of art capabilities cannot always be bought. Many companies have come to realise, however, that technology, market position, and organisational skills (world-class operations) are not as transferable as they had expected. These capabilities must be grown from within, and growing takes time. According to Hayes (et al., 1994), strategically worthwhile capabilities are usually built over time through a series of investments in facilities, human capital, and knowledge.

- The approach assumes ‘strategic fit’ can be found through the recipe of ‘ends-ways-means’. However, there is no durable ‘strategic fit’ position in an uncertain environment. “It should also be understood that companies never ‘arrive’ at a sustainable competitive position; they must continuously work at refining their

operations. As this always requires looking into the future,” (James, 1993). In this sense, the design school mentality of “ends-ways-means” is a thing of the past. According to Handy (1996), all those words (management terms) are now irrelevant. They are not useful in a world that is flowing rather than standing still. “All we can really do now is go with the flow and try to steer a little.”

- The business world is no longer analytical. According to Abernathy et al. (1980), the attempt to apply analytic methods to business issues is at the heart of the Western economic decline. Kay (1993) believes, many important aspects of business are no longer analytical. Kay said, “... .. while the real contrast is with the vision, the mission, and the wish-driven strategy about which there is nothing analytical at all.” According to Rouse (1996), human assessment of the surrounding environment is as much as subjective as an objective actually. The mental models of executives and managers tend to constrain greatly their consideration of the future.

In practice, firms which were less influenced by Porter’s theory of analysis seemed more successful in global competition, while others competing on the bases of analytic methods within industry structure were often experiencing competitive difficulties. Japan and Germany are examples where Porter (1980) had less influence on their strategic decisions (Hayes et al., 1996; Hamel et al., 1991; Prahalad et al., 1991).

- It assumes ‘think before act’ is a clever way of doing things. First we think, then we act. We formulate, then implement. It also assumes “command-and-control” as the organisation management model for operating efficiencies. It believes that responsibility for organisational success rests primarily on the shoulders of top management, in that all major decisions were made by top management and then imposed onto the organisation through elaborate planning, budgeting, and control

systems. Hammer (1996) pointed out, the “command-and-control” model is ludicrous in the 21st century or even in the latter part of the 20th century.

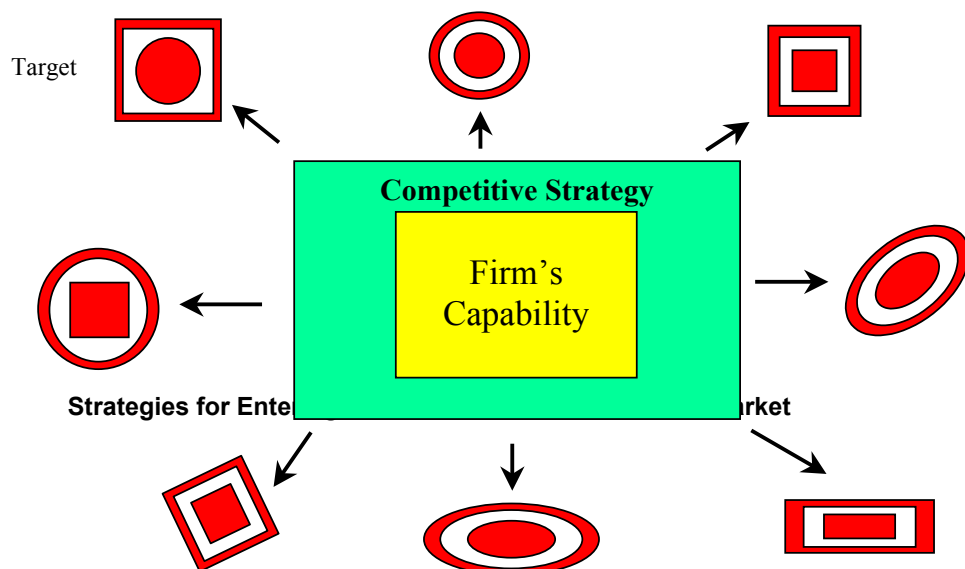
- Finally, the approach may unnecessarily limit the outlook of industry. It is essentially static in nature. In the same way that the theory of comparative advantage assumes national or regional level averages, Porter’s analytic methods assume averages at the industry level. It assumes an average understanding of competition; average understanding of trade-offs between manufacturing choices; average capability between competitors. Further, it assumes average hot spots (genetic strategies) in market competition. The only thing which is defined to make a firm more profitable than others, is ‘structural fit’ (Hayes et al., 1996; Abernathy et al., 1980).

As Robert (1998) has pointed out, the traditional approach is no longer durable today, no matter how successful it was in the past. Therefore, a significant role for today’s manager is to find new strategic ideas for future competition. Prahalad (1996) believes the company has to depend on its competitive capabilities to adapt, to survive, and to prosper. According to Hayes (1991), the “means-ways-ends” is a good approach for business survival.

3.4.2 “Means-Ways-Ends”

In a stable environment, the meaning of ‘strategic fit’ is externally oriented. The theme for business activity is profit, not survival. For profit, a firm has to target the structure of the attractive industries. So, the game of strategy is to find a ‘fit’ position in an attractive industry and build fortresses around it. A good manufacturing strategy is to defend a company’s position through a narrowly focused set of capabilities. It is also rendered as true that world-class equipment and operations can be easily sought out and bought. The ‘ends-ways-means’ planning process for competitive strategy is effective under such an environment.

However, as competition becomes survival and the nature of competition shifts to speed and swiftness the 'ends-ways-means' approach to strategic planning has become ineffective, failing to provide the defined competitive advantage. According to Hayes (et al., 1996), under the traditional approach, the organisation finds itself unfit to confront real challenges when the market changes. Practitioners and academics alike have begun to re-examine the bases upon which successful firms have been able to build and sustain their competitive advantage. The general finding is that under ferocious market competition, operations functions should take a leading role and enable firms to create and deliver a product or service that is regarded as exceptional - even unique - by its customers (Hayes et al., 1996).



Target

Target

Figure 3.12 “Means-Ways-Ends” Planning Process for “Strategic Fit”

Figure 3.12 shows how the ‘means-ways-ends’ approach works. Market opportunities can be different shapes of targets and capable firms will match their capability to these targets as they become available. The Japanese successes in American markets in the past decade have shown that the ‘means-ways-ends’ approach to market competition is a powerful model (refer to Figure 3.12). “While many Japanese companies had built exceptional manufacturing capabilities, they did not appear to have an enduring approach to competition” (Hayes et al., 1996). Essentially their strategic ‘unfit’ approach to positions in the structure made their attack on incumbents hard to be retaliated against. Instead, their own positions often upgraded from low-cost to high-precision to flexibility to innovativeness. And through such changes the nature of competition within the industry was often transformed to a higher level. It was their operations capabilities that made their position change possible with ‘speed and flexibility’. It was the operating capabilities of Japanese firms that provided such powerful sources of competitive advantage, in a wide range of manufacturing and service functions, the competing organisations could no longer afford to confine operations to a traditionally ‘strategic fit’ reactive role (Hayes et al., 1996).

In reality, Hayes et al. (1996) believe that firms use both of these mechanisms - competing through positioning and competing through capabilities - according to the competitive situations they are involved in. In stable economic environments, the traditional model will be employed. In turbulent environments, firms depend on their existing capabilities and continuously look for opportunities. Sometimes they have to invent opportunities, and then exploit them (refer to Figure 3.13).

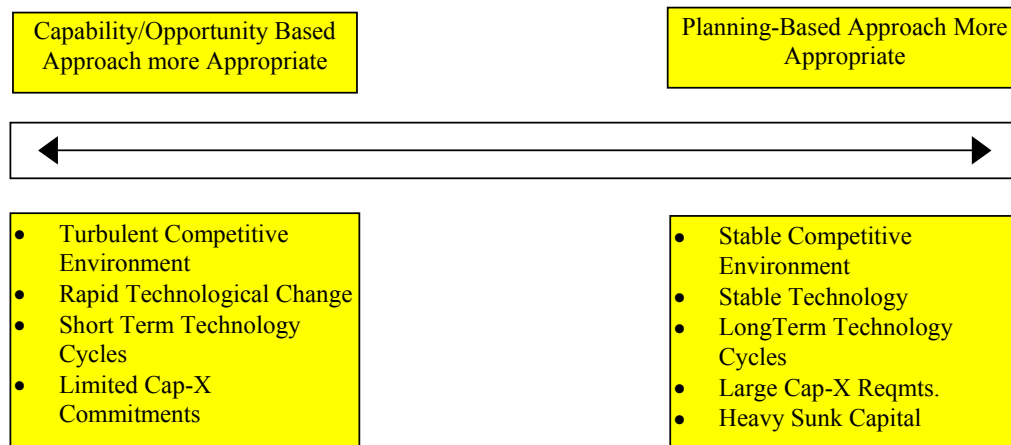


Figure 3.13 The Balance Between Planning and Exploiting Existing Capabilities
Source: Hayes (et al., 1996)

3.4.3 Synthetic and Organic Models of Organisation

After considering how business organisations use their resources in market competition, Rouse (1996) came up with two models of organisation, the synthetic model and the organic model.

3.4.3.1 Synthetic Model

In this model the central point is that a company can be design or synthesised to pursue its mission, goals, and strategies super-imposed on it by its top executives. When changes are inevitable for surviving in a new competitive environment, the organisation (its structure, jobs, tasks, reward systems etc.) can simply be re-designed and re-organised. This model treats the parts of a company as parts of a machine. The only thing crucial to success is the resources. Having plenty of resources (or money) is equal to guaranteed success.

The characteristics of the synthetic model are:

- It emphasises the ability to design and re-design the company. When a company experiences a crisis, it responds by reorganising. The results are often delays, downsizes, and rightsizes etc. So that the unusable capacities will be relieved, and

the firm reduces its capability to match the level of market demand. However, re-designing often avoids changes that are fundamental.

- It focuses on re-engineering the company to eliminate un-sellable products and streamlining low-productivity. As a result, the company becomes a low-cost, high-quality commodity producer. Operational efficiency is often achieved by producing obsolete products for a shrinking market. However, although cost cutting is important, it cannot solve the vision problem.
- It assumes that fine-tuning of its operations system is the only change the model needs. Basically, it maintains the old system as long as possible.
- It assumes top managers are in control. Control is often regarded by synthetic organisations as the ultimate goal of commercial activity. These organisations are often prepared to make sure that they have the resources and responsibility to put them where they want to be.
- It is a useful model for a supplier-dominated growth economy.

3.4.3.2 Organic Model

This model recognises that the larger environment can be influenced but cannot be controlled. You cannot determine your own position in industry structure. The position of a firm is the reflection of its capability against average capability of the industry as a whole. The organisational values, beliefs, and the creativities of its workforce are important elements of its capability that eventually determine its ability to change (flexibility).

The characteristics of the organic model are:

- It sees companies as part of a larger environment. Therefore, companies change with the environment harmoniously.
- It thinks about over-capacity as an opportunity for developing a new market. In criticising the traditional approach to restructuring, Prahalad (1996) pointed out, “Think what might have happened if companies had used all the redundant

brainpower that they got rid of to imagine new markets for tomorrow, or to build new core competencies that would give them an advantage in those markets.”

- It assumes changes are fundamental. It recognises the best way to live with change as an organisation is to develop its capability to adapt. Therefore, it is not trying to avoid change but to prepare for change.
- It assumes the environment is in charge. The best adapters will succeed in the future. The organic organisation adapts to external and internal forces and trends. It will finally end up where the environment wants it to be.
- It is a useful model in a consumer-dominated market where companies offer what the market wants.

Rouse (1996) believes that the two models are equally powerful for companies that use them properly. Which one is better? It all depends on the competitive situation in which a company operates. Rouse said, “If the assumptions underlying the current situation remain valid - or can be updated - and the changes to which management aspires are achievable, then the synthetic point of view can be very powerful. In contrast, if assumptions are substantially off the mark and the old situation no longer matches reality, the organic perspective is more useful.”

According to Rouse (1996), a key aspect of strategic thinking is to balance the two models, depending on the nature of the relationship a company has with its market. In steady growth market situations, a company’s relationship with its market is simple. The company can sell as much as it can produce. At this stage, the synthetic model will work quite well. Market demand can be satisfied by duplicating current facilities to expand total production capacity. After that stage, an often ignored but fundamental change starts to happen. The firm’s relationship with its market starts to change from ‘buy and sale’ to multi-level organic links of buy, sale, choices, and preferences. The differences between what the company wants to sell and what the market wants to buy begin to appear. At this stage, enterprises need to shift to the organic model.

From an organisational point of view, shifting from one model to another may not be an easy thing to do. Model change often changes the structure, culture, values and relationships between different functions of an organisation in a fundamental way. As Hayes et al. (1996) pointed out, “Centralising production in an highly automated facility may look like a brilliant decision when customers place a premium on low cost. But as the marketplace shifts and competitors adjust to provide higher quality and faster response times, while keeping their costs reasonably low, a centralised facility can quickly become a corporate millstone.”

3.4.4 Patterns of Change

According to Mintzberg (1991), the very concept of strategy is rooted in stability, not change. Therefore, the fundamental dilemma of the traditional approach is “how and when to promote change”. According to Prahalad (1996), change used to be a generational issue. One generation of managers left and the next generation moved on to create new directions, to lay out courses of action, and to elicit cooperation from their members around common established guidelines. Rouse (1996) believes that strategic thinking requires firms to understand their capability within market changes. For example, is it ahead of the market, in step with the market, or behind the market? According to Rouse (1996), many companies do not plan for change. They do not think strategically.

The most significant element in strategic planning is change (Rouse, 1996; Prahalad, 1996; Hamel, 1996; Porter, 1996). In a dynamic competitive business environment, firms must prepare to change in accordance with the environment, and must not be bound by past practices or traditions. There is a need to constantly search for new and innovative ways of meeting market challenges. This is essentially what Sun Tzu wrote in “The Arts of War”, “Therefore, do not repeat the tactics that won you a victory, but vary them according to the circumstances.”

3.4.5 Capability Oriented Advantage

What is capability? From the view of the market, capability is defined as a company's proficiency in the business processes which allow it to constantly distinguish itself along the dimensions that are important to its customers (Bartmess et al., 1993). From the view of a firm, capabilities are the combined abilities of its employees, equipment, procedure, culture, and infrastructure. In today's dynamic competitive environment where products are quickly obsolete and competitive positions are rapidly overtaken, the real competitive advantage is its ability to respond to market change with new products or services. Among different kinds of capabilities in history, two are distinctive:

Capability of 'volume and cost' – American Style (Hayes et al., 1996):

- It focused on mass markets, standard designs, and high-volume production using interchangeable parts. The economy of scale is evident. This paradigm helped the United States build up their industrial super-capabilities to become an industrial powerhouse by the 1920s.
- Operation strategy is 'simple job, complex process'.
- It emphasises long runs, utilises equipment capability, and uses inventories to buffer different stages both from each other, and from the erratic behaviour of suppliers and customers.
- It is the "one best way" capability developed under early 20th century economic situations when market change and marketing were not worthwhile factors in strategic thinking.

Capability of 'speed and flexibility' – Japanese style:

- Faced with limitations on natural resources, capital, manufacturing expertise and a fragmented market, the Japanese were forced to design new operations systems reflecting these limitations and the chaotic conditions of their wounded economy.
- The concept of operation strategy is 'complex jobs, simple process'.

- Employees were broadly trained, and worked in teams to tackle operating problems.
- This kind of operation is adaptable to changing, turbulent and increasingly fragmented market situations. Japanese companies found that their competitiveness was actually enhanced when competition shifted from low cost to high quality to flexibility to innovativeness.

Although the American style capability played a very important role in satisfying market needs before the 1950s, the “one best way” capability soon became the one efficient way to produce one product (or a few products). Over-supply and over-capacity ensued when the market shifted its direction. During the market revolution of the 1950s, ‘one best way’ became a source of problems and constraints. In this sense, the success of manufacturing contributed to its failure. As Hammer (1996) pointed out, “The traditional concept of management is reaching the end of the road. The notion of management as a significant idea in itself, and as a major part of the organisation, is obsolete.”

3.4.6 Sun Tzu’s Strategic Approach

During the period of the Warring States about 400 BC, there was a famous general Sun Tzu (Sun Zhi) in the state of Ch’i of China. His ability to win victories for his warlord gained him fame and power. His book “The Art of War” has become the classic on strategy in China, Korea, Japan and other Asian countries. His approach to competition is holistic, integrated, and synergistic. He emphasises surviving and prospering in the process of competition, and winning without cost. Figure 3.14 represents the principles of Sun Tzu’s strategy.

Principles of Sun Tzu’s Strategy

1. Win All Without Fighting
2. Avoid Strength / Attack Weakness
3. Deception and Foreknowledge
4. Speed and Preparation
5. Shape Your Opponent
6. Character-based Leadership

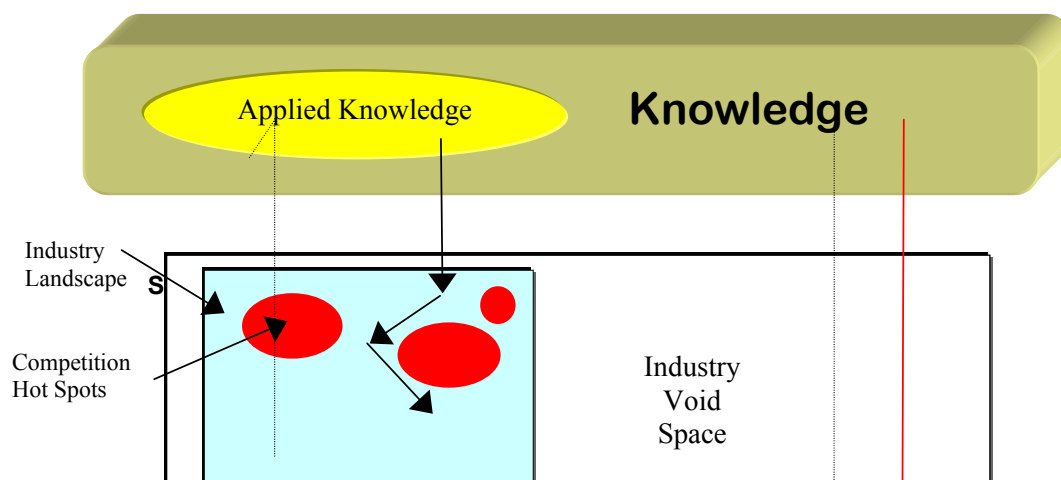
Figure 3.14 Principles of Sun Tzu's Strategy

Sun Tzu believed the essence of competition is 'to win', not a resource-consuming fight. According to Sun Tzu's *The Art of War*, the essentials to success in the current competition can be summarised as below:

- "Invincibility lies in defense; the possibility of victory in the attack."
- "Create an invincible army and await the enemy's moment of vulnerability."
- "To rely on rustics and not prepare is the greatest of crimes; to be prepared beforehand for any contingency is the greatest of virtues."
- "Hence what is essential in war is victory, not prolonged operations."
- "Know the enemy and know yourself; in a hundred battles you will never be in peril. When you are ignorant of the enemy but know yourself, your chances of winning or losing are equal. If ignorant both of your enemy and yourself, you are certain in every battle to be in peril."

3.4.6.1 Avoid Strength, Attack Weakness and Emptiness

Sun Tzu's philosophy represents the eastern approach to the art of competition. It emphasises the process of competition. Sun Tzu said: "The nature of water is that it avoids heights and hastens to the lowlands. When a dam is broken, the water cascades with irresistible force. Now the shape of an army resembles water. Take advantage of the enemy's un-preparedness; attack him when he does not expect it; avoid his strength and strike his emptiness, and like water, none can oppose you."





- ☉ Industry is defined by its suppliers.
- ☉ Market is defined by demands.
- ☉ Knowledge is defined by the capability of effective action.

Figure 3.15: Industry Architecture and The Creation of Competitive Advantage
Sun Tzu's central goal is "win all without fighting", and his central principle is "avoid strength, strike weakness." Figure 3.15 represents the competitive view of industry structure by applying Sun Tzu's approach to current market and industry competitive situations.

The following are the differences between the two approaches, western and eastern:

Table 3.1 Comparison Between Western and Eastern Approaches on Competitive Strategy

The Western Approach	Sun Tzu's Approach
Emphasises the result of competition (of whatever process).	Emphasises the process of competition (of whatever result).
Assumes the process is just a head-on fight, the fittest wins or the winner is the fittest.	Believes in fighting successfully in the process of competition will contribute to the final victory.
Believes some one winning is more important than who wins.	Believes that who wins matters more.
Regards competition as between two of the same species.	Regards competition as between different species.

Advantage is in strengths that can expel external challenges.	Advantage is in identifying competitors' weaknesses and striking at them.
Strength is absolute. Competitive advantages should be built upon your own strengths no matter who you are. Taking opportunities and defending positions according to strength are essential. If you take a niche position, it is because that is where your strength is.	Strength is relative. Taking a niche position is because the competitors' weaknesses are there.
Final victory can only be achieved by absolute strength.	Final victory is the result of achieving victory by victory in the competition process. So it is very flexible in the process of competition.

Essentially, Sun Tzu's philosophy shares many similar ideas with the 'means-ways-ends' approach to strategic planning. Sun Tzu believes that maximum advantage comes from two sides of competition. First, a firm should have unique capability (invincible army). Second, it should target the opponent's weakness and emptiness (moment of vulnerability). Thus, the firm creates its winning advantages in competition. In the 'means-ways-ends' approach, it encourages firms to create flexible capability and adapt to changing environments. This is because change is the critical weak point of market incumbents.

Many authors (Prahalad et al, 1991; Ohmae, 1991; McNeilly, 1996, Robert, 1998) believe that the Japanese and Korean competitive strategies have benefited from Sun Tzu's holistic approach. For example, the Japanese and Korean firms are always avoiding direct confrontation with their US and European incumbents. On the other hand, they were willing to assist their US and Europe counterparts in their competitive position by offering them quality components. According to Prahalad (et al, 1991), "The problem in many Western companies is not that their senior executives are any less capable than those in Japan nor that Japanese companies possess greater technical capabilities. Instead, it is their adherence to a concept of the corporation that unnecessarily limits the ability of individual businesses to fully exploit the deep reservoir of technological capability that many American and

European companies possess.” As a result, the western approach has left enough emptiness for the Japanese or Koreans to find advantages.

Hamel (et al., 1991) has pointed out, the strategist’s goal in competitive strategy is to create new space, often out of the existing industry structure, that is uniquely suited to its own strengths. When you invent a new market, you will win without a fight. When you change the rules of competition, you will win without a fight. If your competitors want to compete with you, they have to come to your market to compete on your terms. Hammer (1996) said: “The essence of successfully going forward is humility - a recognition that success in the past has no implication for success in the future. And that the world has changed so much that the formulas for yesterday’s success are almost guaranteed to be formulas for failure tomorrow.” Hammer (1996) said, what the leaders of the twenty-first-century corporations need is an open-minded humility and a recognition that they have to re-invent themselves for the customer.

The experience of US market deregulation (Bleeke, 1991) also confirms Sun Tzu’s philosophy of competition. When new entrants attacked incumbents on their weaknesses, they were successful. When the new entrants attacked incumbents on their strengths, as Bleeke (1991) observed, “most new entrants are bruised when the giants react, and all but a few fail.” Bleeke believes that to take on the incumbents on their strengths is the most dangerous mistake low-cost entrants can make.

Another comparison of Western, and Eastern approaches to market competition are summarised by Prahalad (et al., 1991) as below:

- 1) Most Western managers are resource-oriented and centre on maintaining strategic fit between resources and the environment. The eastern approach is learning-oriented and centres on leveraging resources.
- 2) Western managers search for advantages that are inherently sustainable; eastern managers emphasise the need to accelerate organisational learning to outpace competitors in building new advantages.

- 3) Western managers search for niches or simply dissuade the company from challenging an entrenched competitor; eastern managers produce a quest for new rules that can devalue the incumbent's advantages.
- 4) Western managers seek to reduce financial risk by building a balanced portfolio of cash-generating and cash-consuming businesses; eastern managers seek to reduce competitive risk by ensuring a well-balanced and sufficiently broad portfolio of advantages.
- 5) In the western model, resources are allocated to product-market units; in the eastern model, investment is made in core competences.
- 6) In the western approach every activity conforms to financial objectives; while in the eastern approach the strategic intent is the criteria of consistency of business.

Sun Tzu's strategic philosophy has assisted many Japanese companies to rise to global leadership over the last twenty years in a manner that is out of all proportion to their traditional resources and capabilities (Prahalad et al., 1991). These companies are obsessed with winning and overcame resource constraints to build leadership positions based on a management system that included: " . . . focusing the organisation's attention on the essence of winning; motivating people by communicating the value of the target; leaving room for individual and team contributions; sustaining enthusiasm by providing new operational definitions as circumstances change; and using intent consistently to guide resource allocation" (Hamel et al., 1991).

Robert (1998) believes Sun Tzu's principles of strategy are more suitable for business competition. Robert said: "After all, the object of competition is not to have an even playing field, but to design a playing field that is tilted to your advantage, a playing field that paralyses the competition. As General Sun Tzu would say, 'To subdue the enemy without fighting is the acme of skill'." From a different point of view, if you are constantly being surprised by the enemy, this is a clear signal of a defensive,

reactive strategy. Change it. A productive strategy constantly surprises the enemy and keeps the competitor in a defensive position.

3.5 Literature Review on Competition Strategy in Tourism

A review of literature on competition strategy in tourism reveals little systematic study on the subject. There is limited tourism research on the study of competition, competitive advantage and industry structure, and this literature is focused on two areas:

- Extending Porter's concepts of competition to domestic tourism industry development, such as the restaurant industry and commercial short holiday break market (Edgar et al., 1996; Tse et al., 1990).
- Investigating government policies and international market entry barriers which influence outbound market development in international tourism (Edgell, 1990).

Competition in Domestic Tourism:

In the United States, research has been conducted to extend Porter's framework of business strategy to the service industry by exploring the level of strategic management in restaurant firms (Tse's et al., 1990). Two dimensions were used to analyse firm performance. The external dimension (industrial) of a company is Porter's Generic Strategy – "Cost leadership, Differentiation and Focus". The internal dimension is "Formalisation, Complexity and Centralisation". The research suggests that for "firms in a maturing industry, low cost may be a better choice or more profitable strategy if the concerns for operational efficiency and cost reduction are high on the company agenda" (Tse et al., 1990).

The research concludes that "In today's complex and competitive environment, strategic management provides the primary mechanism for adaptive organisations to change. Ultimately, for firms in the maturing hospitality industry to survive and grow, they will have to depend increasingly on their ability to align themselves strategically

and select appropriate strategies to achieve defensible competitive position” (Tse et al., 1990).

Edgar et al.’s (1996) research is much more comprehensive. It applies Porter’s structural analysis to the commercial short holiday break (CSHB) market in Scotland. It analyses the competition structure in the CSHB market by using Porter’s (1980) industry competition model (refer to Figure 3.11). It also links strategic activities and value chain linkages to the creation of competitive advantage developed by Porter (1985).

Edgar et al. concludes that firms should raise the complexity of internal value chain linkages of their products and lower external complexity to simplify the decision and purchase process. By doing so, firms raised the entry barriers for new entrants. The study suggests that pricing and differentiation are not effective entry barriers on their own for sustainable competitive advantage.

Edgar et al. also linked strategy and competitive advantage to company performance in the CSHB market. They found that image in the CSHB market is the most effective form of competitive advantage. The combination of location and distribution also provided significant advantages to some firms.

Competition and Entry Barriers in International Tourism:

Since outbound travel means the loss of hard currencies to destination countries, government outbound policies (especially in the less developed countries) often try to regulate and limit the development of an outbound industry. Besides limiting the number of outbound operator licenses for home-grown companies, government economic policies often disadvantage foreign-owned travel and tourism businesses. The following are some of the controlling limitations for the establishment of foreign travel firms:

- Exchange controls;

Strategies for Entering The Chinese Outbound Travel Market

- Local equity requirements;
- Labor laws protecting domestic workers;
- Limitations on market access by foreign companies;
- Discriminatory treatment of subsidiaries;
- Inability to utilize computer reservation systems, and
- Restrictions on remittance of earnings.

Therefore, most research on market competition and industrial barriers is focussed on government policies where nationality plays an important role. As Edgell (1990) pointed out, “many obstacles affect companies that provide services to facilitate travel. For example, in most countries, travel agents and tour operators are licensed or regulated for the protection of consumers. Licensing practices are designed to promote financial responsibility and to assure that firms deliver the services advertised in a timely manner” (Edgell, 1990). When licenses are denied or delayed without good reason, according to Edgell (1990), the effect is unfairly limiting the competition and causing disruption in the marketplace.

As a result, research on the structure of the outbound travel industry and its evolution has been neglected. In fact, industry structure plays an important role not only in competition under government regulations, but also in future industry evolution and market competition in deregulated market situations such as China’s accession to the WTO.

3.6 Conclusion

In practice, avoiding a common perception of the ‘strategic fit’ situation is often a practical way to get a real and relatively long-lasting competitive advantage. To out-think incumbents, according to Sun Tzu, “go into emptiness, strike voids, bypass what he defends, hit him where he does not expect you.” Market incumbents are often weak in probing new market possibilities because they are very strong in doing what was successful in the past. The lack of imagination is often their void point. By

becoming different species and changing the way of thinking, distinctive strategies can be created and the rules of the game can be changed. Thus, the strengths of the incumbents become their weights, dragging them down.

On out-thinking competitors, Robert (1998) outlines four points for successful competitive strategy:

1. If you are not the leader, never play the game according to the rules the leader has set. Remember his rules are his strengths. Trying to 'out-excel' the leader in an industry is certain death over time. The leader designed the rules and therefore understands them better.
2. A better approach is to create a distinctive strategy to change the rules of play. By changing the rules of play, you neutralise and paralyse the leader.
3. Significant shifts in market share only occur by changing the rules of play on the leader, not by imitating the leader!
4. To maintain its competitive advantage, a firm is required to reinvent the game according to the competitive environment.

In summary it has been shown from the extensive literature review that there is a difference between trade entry strategy between western and eastern countries. The eastern view is not only different but in some cases argued to be superior and an explanation for Asia's international trade success.

Furthermore, it is clear that the western approach has evolved through economic theory based upon corporate advantage, to competitive advantage and more recently a mix of approaches, particularly looking at the eastern approaches, especially from the point of view of incorporating analytic processes such as just-in-time and TQM.

In developing a conceptual framework for the further analysis of the problem of entry strategies appropriate for western (and particularly) Australian penetration of the Chinese marketplace both the eastern and western views on strategic development

CHAPTER FOUR

CONCEPTUAL FRAMEWORK

In this chapter, a Chinese outbound industry framework for creating competitive advantage will be suggested; hypotheses for the testing and analysing of the framework will be developed; important factors for entry strategies will be identified; and opportunities for Australia companies will be amplified and examined. In the first part of the chapter, the competitive situation in the Chinese outbound industry will be discussed. Key characteristics of the market/industry will be identified. The purpose of the discussion is to set the orientation for competitive strategy at entry.

4.1 Definition of Terms

In this study, **market competition** is defined as the pressure that firms exert on one another and on themselves when acting independently to achieve their company goals (Terry et al., 1992). In market competition, a company depends on **competitive advantage** over its competitors to achieve increased market share. Comparative advantage is a form of competitive advantage based upon a firm's individual strengths in producing a particular product. Often, competitive advantage emerges as a result of both internal and external activity. Changes in the external and/or external environment of the marketplace (e.g. change in fashion) can give an organisation the opportunity to gain competitive advantage over its less responsive rivals (Viljon et al, 2000). In the competitive environment of the current Chinese outbound industry, competitive advantage is regarded as a competitive strength in **'firm capability'** (refers to the capacities in personnel and technology possessed by the firm), **'nature of firm and performance'** (referring to whether the firm is a wholesaler or wholesaler and retailer, and performance refers to either increased market share, sales growth, profit growth and overall measures of these factors), **'strategy for future'** (refers to plans for performance improvements over future trading years) and **'product offering'** (refers to how wide the variety of products offered are, including whether the destinations offered are worldwide or regional).

In an industry such as tourism, there exists a market competitive relationship between industry players (firms) or segments of industry players. This competitive relationship is called **industry structure**. To prevent ultra-competition in a marketplace, firms often invest to create **competition barriers** to avoid competition and to achieve high profits. Governments often use policy as a competitive barrier to discourage foreign competition and to protect the domestic market.

Before the 19th century when firms were small and numerous, and competitive barriers (to enter) were low, market competition became the famous ‘invisible hand’ which was beyond the control of competing firms. Since the 20th century when competitive thinking became fashionable and was applied to more and more business situations, companies began to develop **competitive strategies** to control market forces and environmental change. As a result, the ‘invisible ultra-competitive hand’ of the market became the ‘visible hand’ of competitive advantage. Competitive strategy is a key instrument used by firms to create competitive advantage over competitors.

4.2 Competitive Orientation of the Chinese Outbound Industry

The literature review of competitive strategy in chapter three has demonstrated that competition and competitive advantage are both dynamic and changing. Competition was fought on different aspects of the market at different stages of economic development. So there is the requirement for firms to compete differently according to changing market situations. Two typical competitive situations are strategically significant for competitive orientation of firms.

Situation I:

The first competitive situation reflects market competition at the early growth stage of economic development. Being relatively inexperienced at this stage market demand concentrates on a few significant products and services; industry barriers are high and industries are highly structured by government policies. Markets are simple and segmented on a massive scale; market

competition fights on factor comparative advantage, and eventually low-cost and good quality wins. Many competition theories have been developed in accordance with this situation and are effective in guiding market competition before the 1980s. Among them, Porter's (1980) analytical techniques for industry structure and generic strategies are particularly important for competing firms. Also important to strategy formulation at this stage is the effectiveness of the 'ends-ways-means' strategic planning process.

Situation II:

The second competitive situation reflects market competition after the 1980s when the experience and expectation of the increasingly sophisticated consumers in the west begin to revolutionise market demands. During this period, consumers begin to feel the need to further differentiate themselves rather than pursue commonly perceived standards. As a result, the market becomes fragmented into more and more segments. From western experiences, market competition at this stage no longer fights on cost alone. To create competitive advantage under this changing situation, firms must be proactive in market differentiation where knowledge plays a major role in market success. Many of the theories which were successful before the 1980s are no longer effective in guiding market competitive strategy.

With an emerging market and growing initial demands for travel, the Chinese outbound industry appears to be in a period that just precedes 'Situation I'. In 1999, China had only 0.7% (9.2324 million/1.3 billion) of its population (see Chapter One) travelling abroad. This may be compared with developed countries such as Japan where 7% of the population traveled abroad in 1989. This indicates that the Chinese outbound industry is only at the very beginning of its tourism industry development. Therefore, the competitive situation in the Chinese outbound market will soon grow into 'Situation I' and entry strategies for the Chinese market should be formulated accordingly.

At present, market demand signals continue to be strong and many businesses continue to rush into the market to try to satisfy the same market demands, offering diverse travel products. The key factors which appear to drive the Chinese industry change are:

1. Government policy:
 - Consumer protection policies;
 - Foreign trade management policy.
2. Industrial characteristics:
 - Captive retail function.
3. Market competition:
 - Price competition;
 - Undifferentiated market demand.

These factors will eventually lead to an industry shake-out and result in a relatively durable industry structure. This situation suggests that the Chinese outbound industry will soon become structured with high entry barriers, and will be dominated by a few large firms. The factors which are important to competitive strategy are:

- Standardised low cost travel products;
- Position in the industry structure;
- Economies of scale;
- Analytical techniques for industry structure.

4.3 The Development Model of The Chinese Travel Industry

The Chinese travel industry has a unique development model which distinguishes it from western countries. As a first priority, promotion of Chinese economic development after the open-door policy in 1978, the Chinese tourism industry started as a sole inbound industry. During the early years of its growth, the industry developed in accordance with the traditional planning model of a top down approach with high entry barriers. The companies in the industry belonged to powerful ministries of the central government and were called I.T.S. companies (International

Travel Services, refer to Figure 4.3). They consequently became the pacesetters for overall tourism development in China, and had a major influences on other sectors of the industry.

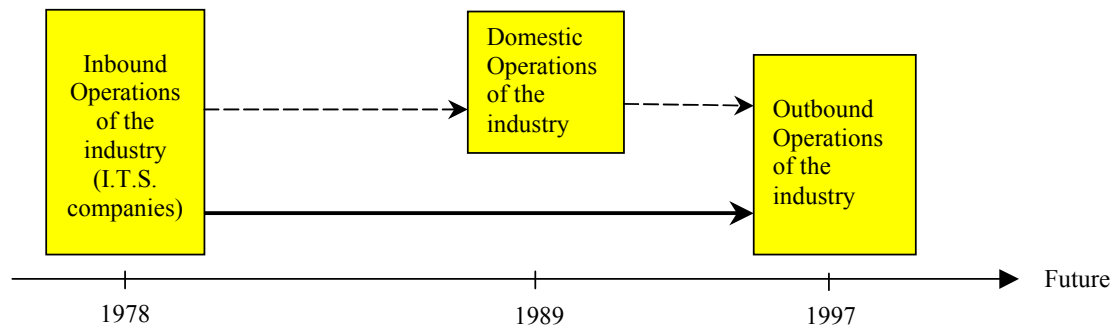


Figure 4.1: The Evolution of the Chinese Outbound Industry

More than ten years later, the Chinese domestic travel industry began to develop. It owes its development to market opportunities created by a fast growing economy and low entry barriers. From this time a bottom-up approach makes an appearance. Its strong growth since 1989 has become a recognised factor for China's economic development in the 1990s. For this reason, the Chinese government has developed an array of new policies in the 1990s to promote the development of domestic tourism. Many of the domestic travel firms are now among the largest travel companies in China. They are also eager to get into outbound operations due to the high profitability of this activity. Figure 4.1 represents the time model for industry development.

Figure 4.2 illustrates a development model for Chinese travel companies. There are two types of firms. Type I companies are the outcomes of central planning during the early years of development. Most of them are China's largest travel companies. They later expanded into domestic operations and outbound operations. Type I companies owe their origin to the power structure of the government (refer to Figure 4.3). Type

II companies result from the growth of the Chinese domestic tourist market (Figure 4.2). A number of them are among the largest travel companies in China. They often expanded into inbound and outbound operations as their business grew. For these reasons, there are no solely outbound operators in China.

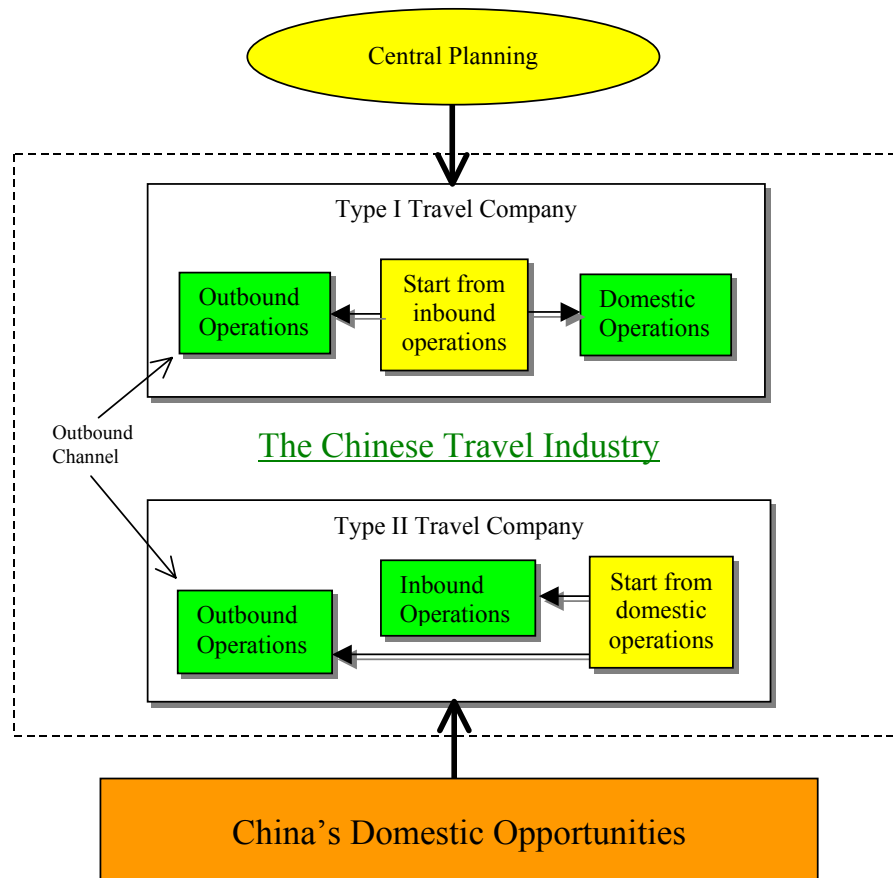
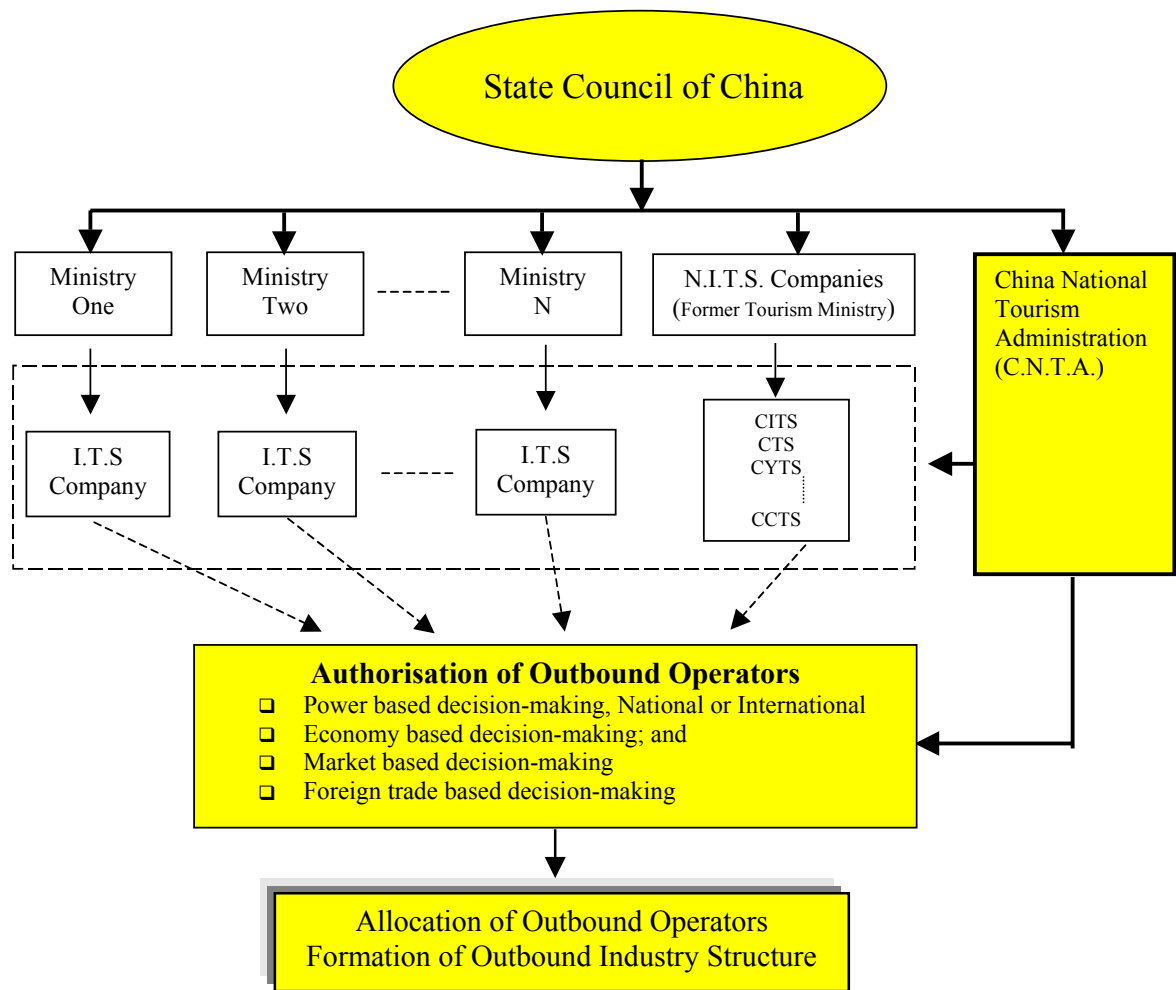


Figure 4.2 The Development Model of Chinese Travel Firms

As Figure 4.1 and Figure 4.2 illustrate, the Chinese outbound industry grew out of both the inbound sector and the domestic sector of the industry, though the inbound sector has exerted the most influence. The Chinese outbound industry consists of a group of elite inbound operators. This reflects both the pattern of the nation's political power structure and the perceived need by government to regulate the behaviour of outbound operations with a view to safeguarding consumers and the nation's interests, such as foreign currency exchange policy. Therefore, the outbound industry shares

Strategies for Entering The Chinese Outbound Travel Market

many characteristics with the inbound industry. Figure 4.3 illustrates the composition of the Chinese outbound industry and the decision-making process.



- CNTA – China National Tourism Administration;
- NITS – Nation's International Travel Services Companies owned by the state government;
- ITS – International Travel Services Companies owned by ministries;
- CITS – China International travel Services (China's Largest travel operator); CTS – China Travel Services; CYTS- China Youth Travel Services; CCTS – China Comfort Travel Services (CTS, CYTS and CCTS are China's largest operators).

Figure 4.3: The Formation of China's Outbound Industry

As a result, the Chinese outbound industry has the following features:

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- It is concentrated in the hands of a few large Chinese travel firms;
- The wholesaling and retailing functions remain blurred at the industry level;
- Selling customers between travel agents is prohibited in outbound practice;
- Quality control remains the responsibility of individual firms;
- ADS (approved destination status) is required for holiday and sightseeing travel to outbound destinations.

4.4 The Present Chinese Outbound Industry Competitive Advantage

To create a better understanding of the Chinese outbound industry structure for the application of entry strategies, comprehensive research was conducted in China between May-August 2000. The current Chinese outbound industry structure was modeled (refer to Figure 4.4), following personal interviews with travel industry CEOs and senior managers and key figures in the Chinese National Tourism Administration in Beijing,

In Figure 4.4, the influencing elements for the growth of the Australia-bound industry are identified:

- Chinese outbound market;
- Government outbound policy;
- Authorised channel – Chinese outbound industry for consumer market (holiday and sightseeing travel);
- Unauthorised channel – Chinese outbound industry for non-consumer market (other travel needs);
- Australian inbound operators;
- Australian specialty operators;
- Australia's unique advantages.

The thick black arrows in Figure 4.4 are marked as strategic energy flows for the future development of the Chinese outbound industry. The flow includes both the competitive dynamics of Australian inbound operators and that of the Chinese

outbound industry, and their interconnections. Therefore, this research takes a broad view of the industry and divides it into ‘authorised’ and ‘unauthorised’ channels according to the current Chinese practice in outbound travel (refer to Figure 4.4).

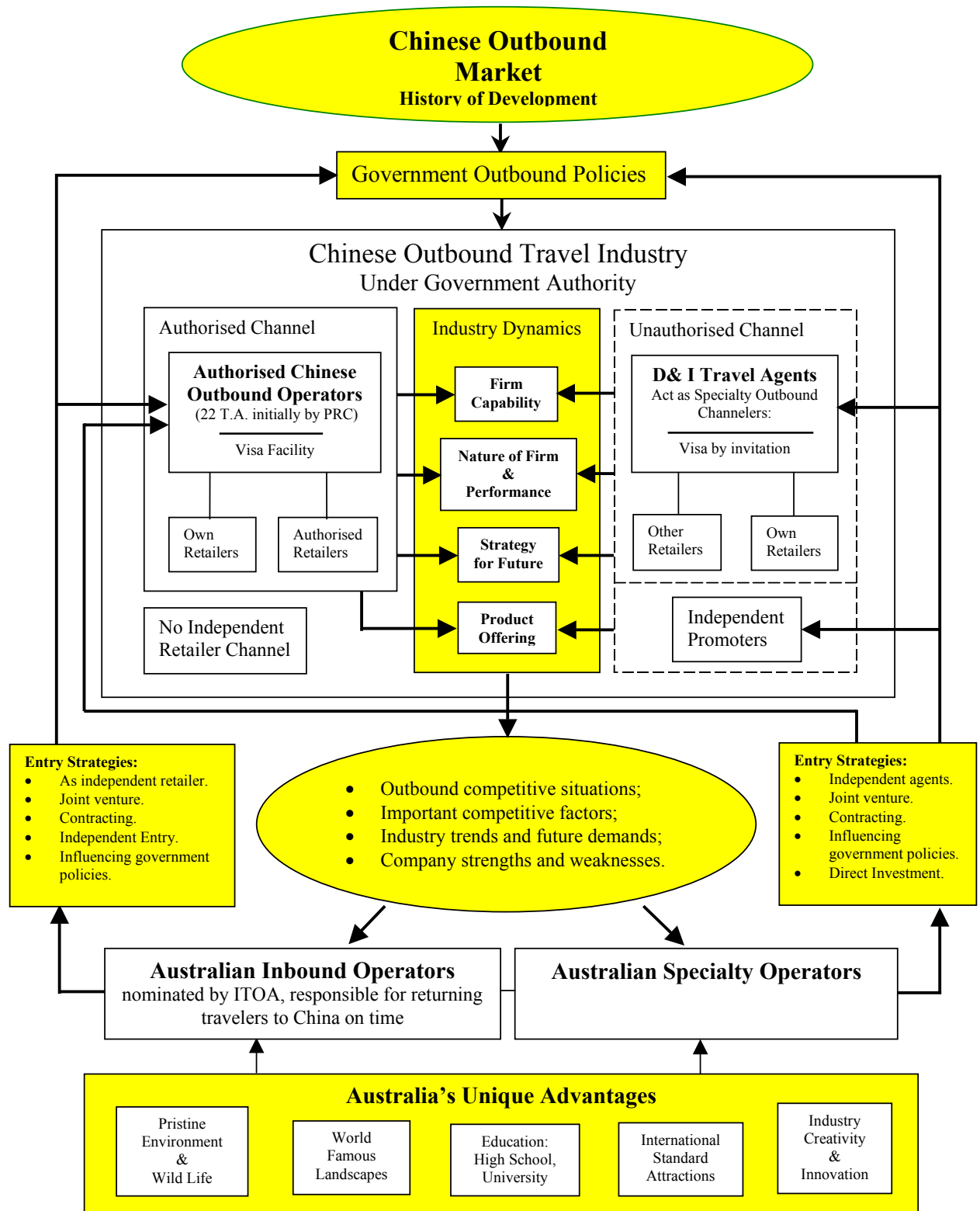
To gain a proper understanding of the development of the Chinese tourism industry, the word ‘tourism’ in Chinese has to be analysed. In Chinese, ‘tourism’ may be translated into two Chinese characters ‘Lu-You’. ‘Lu’ means travel and ‘You’ means sightseeing. In combination these two Chinese characters mean ‘travel for sightseeing’. The concept which incorporates these two characters implies that travel is for “un-productive purposes” such as for leisure and self-indulgence. This concept was subject to heavy criticism prior to 1978. Subsequently, the economic value of the ‘Lu-You’ concept has been recognised and viewed as a key element of the growing Chinese economy. However, the original meaning still lingers. The authorised channel means ‘being authorised to do holiday and sightseeing travel to outbound destinations’. Unauthorised means ‘not being authorised to do holiday and sightseeing travel’. However, these two channels can both do outbound travel for other purposes.

Authorised Channel:

The ‘authorised channel’ is a group of companies that have been given authority to organise tours officially for the purposes of holidays and sightseeing. The companies in this category were given special privileges and monitored continuously for their outbound activities by the Chinese and destination governments.

In the case of Australia-bound holiday travel, the authorised channel consists of 22 travel agents out of a total of 68 Chinese travel companies that have been authorised to conduct outbound travel from China and approved ITOs (inbound tour operators) in Australia. The authorisation of the Chinese firms for outbound operations and the Australian inbound operators, and the continuous monitoring of tour operations inside and outside China according to the ADS status, demonstrate that the industry has major policy entry barriers. The responsibilities for the authorised channel are to balance outbound and inbound operations and to eliminate illegal migrants to

Australia. To carry out these tasks, Chinese companies exert quality control over their outbound tourists. Any sharing of business operations with other unauthorised travel firms is an abuse of their entitlement. The strict licensing procedure in China towards outbound operations has determined that the Chinese outbound industry is centred around a few large firms.



- '22 T.A.' means 22 Chinese travel agents are currently authorised by the Chinese government to handle outbound travel to Australia.
- 'D&I' means Domestic & Inbound Operators

Figure 4.4: The Present Chinese Outbound Industry Structure

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Unauthorised Channel:

The ‘unauthorised channel’ is the kind of outbound operation that does not belong to the authorised business areas. Instead, the companies in this category are required to get the necessary authorisation from different levels of authorities before commercial arrangements for outbound travel are carried out. In the Chinese outbound industry, all firms can act as unauthorised channels for outbound travel. Though the unauthorised channel is not necessarily illegal, it may be.

No Independent Retailer Channel:

A key characteristic in the Chinese tourism industry is the absence of an ‘independent retailer channel’. As an essential part of business, the retailing function is largely an activity in captivity inside individual firms. Referring to the experience of Korean outbound travel, King and Choi (1999) stated that a lack of clear distinction between the wholesaling and retailing functions at the industrial level is a sign that the industry is at an early stage of development.

The captive retail function is viewed to be the result of the following:

- Quality control and consumer protection require companies selling travel products to be made ultimately answerable for problems that arise later. As a result, no company is willing to sell products over which they cannot exert quality control.
- Chinese customers tend to think that being transferred to other travel operators is tantamount to being sold around for a profit by “vicious” travel dealers. In China, a large proportion of the complaints of low quality and profiteering practices have been in this area. As a result, Chinese regulations outlaw the selling of customers between travel companies.
- The low profit structure of retailing practices has prevented a retailing function from developing independently at the industry level. Little value is perceived in retailing by both consumers and companies. They often regard retailing as having

nothing to do with quality control and it is just some thing to be done before the real business begins.

As long as quality control and consumer protection are the paramount requirement in government policy, the distinction between the wholesaling and retailing functions within the industry is likely to remain blurred. On the other hand, as long as the retailing functions remain captive, the Chinese travel industry will eventually evolve towards high barriers and a highly profitable structure. Will the retailing function become independent at the industry level in the future? It remains to be seen.

Australian Inbound Operators:

The companies in this category are Australian Inbound Operators nominated by ITOA (now called Australian Tourism Export Council - ATEC) according to ADS status.

Australian Specialty Operators:

They are companies targeting areas other than the Chinese holiday market.

4.4.1 General Research Hypotheses

Figures 4.1, 4.2 and 4.3 have demonstrated that the Chinese government tourism policies played a key role in the structural formation of the current Chinese outbound industry and its future evolution. In spite of the sudden increase of ‘Type II’ travel companies (refer to Figure 4.2), their functions in outbound operation are limited by government policy in comparison with those of the licensed (or authorised) operators from ‘Type I’ travel companies (refer to Figures 4.3 and 4.2). Essentially, Chinese government outbound policy is the overwhelming factor influencing the current outbound industry. The conceptual framework in Figure 4.4 clearly shows the dominance of government policy in the Chinese outbound industry. In Figure 4.4, two questions are essential to the comprehension of the Chinese industry structure and its future evolution. The two questions are:

- Whether the industry structure determined by government policy relates to firm capabilities and company performance (Hypotheses 1-4);
- Whether the industry dynamics will influence the evolution of industry structure after China's accession to the World Trade Organisation (WTO) (Hypotheses 5-8).

Based on the conceptual framework of the Chinese outbound industry structure in Figure 4.4 and the above mentioned relationships of interest, the following hypotheses are proposed for empirical investigation.

Ho1: The industry dynamics for the two different channel operators lead to different firm capabilities (refer to Figure 4.4).

Ho2: The industry dynamics for the two different channel operators lead to different firm structure and performance (refer to Figure 4.4).

Ho3: The industry dynamics for the two different channel operators lead to different firm strategy for the future (refer to Figure 4.4).

Ho4: The industry dynamics for the two different channel operators lead to different firm product offerings (refer to Figure 4.4).

Ho5: Firm capability has no influence on outbound competitive factors, strengths, weaknesses and future demand.

Ho6: The Nature of the firm and its performance has no influence on outbound competitive factors.

Ho7: Strategy for the future has no influence on outbound competitive factors.

Ho8: Product offering has no influence on outbound competitive factors.

Since the images of Australia in the Chinese outbound industry are key factors which have strong influences on the formation of entry strategies by Australian inbound operators, the third question to be tested will be:

- whether Australia is an attractive destination to the Chinese outbound market (Hypotheses 9-10).

Ho9: Australia is in a poor market position to attract Chinese outbound travel compared with other country markets.

Ho10: Australia has no unique market image in China that can be identified and used by Australian operators to shape their particular entry strategies.

4.5 Strategic Choices for Market Entry

The Chinese outbound industry is an emerging industry. It is also a very attractive industry, because its high growth rate, its huge potential and the prospective profitability of incumbents. Due to the process of authorisation, the Chinese outbound industry is tightly regulated and highly concentrated with high entry barriers. Taking into account the fact that the structure of the industry is certain to change in the future, there are three possible scenarios for entering the Chinese outbound industry.

4.5.1. Non-independent Entry

Currently, the most important non-independent forms of entry are joint venture and business coalition since they are the only entry forms being allowed by government regulations. Joint venture into the current industry structure can create early mover advantages in many business areas. The benefits of joint venture (business alliance) are:

- ❑ Early learning;
- ❑ Economies of scale;
- ❑ Access to distribution channels;
- ❑ Access to skilled labour;

- ❑ Reducing risk;
- ❑ Overcoming entry barriers.
- ❑ Reducing costs through cumulative learning;
- ❑ Establishing brand names and customer relationships without direct competition;
- ❑ Greater capability to create favorable industry structure change.

ADS status agreement is essentially an intergovernmental alliance on tourism development. It creates early mover advantages both for Australia as a nation or for Australian travel companies. It constitutes the base for business alliances such as joint venture and other kinds of inter-firm relationships. Building these early mover advantages into the growing structure of the Chinese outbound industry has the potential to benefit Australian tourism for decades to come.

The disadvantages are:

- Early movers will not succeed unless they have a good understanding of how the industry will evolve in the future, because industry evolution and structural change in the future could override the advantage of the early movers of the past.
- Sometimes, coordinating different and conflicting objectives with an independent partner can be very difficult.

Since balancing outbound operations with inbound business is one of the major financial targets required by the government, the Chinese outbound industry consists mainly of early inbound I.T.S. companies. For these companies, their large scale inbound operation can offset their outbound operations. Therefore, according to Sun Tze's view of creating competitive advantage through targeting competitor weaknesses, targeting Chinese firms' inbound business is a major point of joint venture advantage for Australian travel operators. It can raise the bargaining power of Australian travel firms in joint venture operations and help them to cope with the future risks of the emerging industry.

4.5.2 Independent entry

This kind of entry is currently not possible. By regulation, foreign companies are not allowed to participate in retailing activity in China. Independent entry without independent retailing outlets means no business, and this can only happen after a government outbound policy change. WTO entry is a good opportunity for this to occur.

Many of the Chinese outbound policies have to change to meet the requirement of WTO entry. These changes include the redefinition of the business environment. As Porter (1980) pointed out, shifts in government policy, distribution channel infrastructure, and buyer needs create opportunities for change, which in turn become the chances for a shift in competitive position among firms or the creation of the advantages of a global strategy.

One of the potential impacts of WTO entry may be that the Chinese government can no longer control who is in the industry and who is out. In other words, whoever wants to be part of the outbound industry can do so as long as they satisfy the basic requirements demanded by regulations. To enter or not enter is a business decision rather than the outcome of power struggles and in effect this change would lower entry barriers. As a result, the former government selected entry system will be replaced by a business decision based entry system, in which profit feasibility and business perception is strategically essential. Without established rules and scale economies as deterrents, many of the domestic and international travel firms will test their entry and a proportion of them will eventually become the industry players. The industry competition will change from a domestic game into an international one.

The potential disadvantage of China's admission to the WTO is that it could trigger an influx of a great number of entrants both domestically or internationally. As a consequence, the industry could become fragmented, and profits plunge as competition intensifies. Consequently, in time a large number of companies might be forced to exit the industry. This scenario has been carefully analysed in section 3.3.3

“International Competition and Deregulation” of Chapter Three. The four profitable and sustainable market positions identified by Bleek (1991) were also mentioned in Chapter Three.

4.5.3 Retailing Channel Entry

Currently the Chinese travel industry is moving towards a structure of large dominant firms due to the captive retailing function. Will the structure survive into the future? It is unclear. However, by segmenting the industry into wholesaling and retailing at the industry level to create efficiency is another important form of entry. This can be done both independently or non-independently. This strategic action can potentially overcome the advantages obtained by first generation companies.

As the outbound industry matures and growth slows down, competition between firms will intensify at the market level. Competition shifts will move toward greater emphasis on cost and service. Fierce market competition will force small and middle size operators to rethink their competitive strategies, realising that they do not have the economies of scale to survive the intensity of the competition. This situation will lead operators into seeking different strategic responses to the fundamental changes taking place in the firms’ competitive environment. As Porter (1980:239) pointed out, “This development shifts the requirements for success in the industry and may require a dramatic reorientation of the ‘way of life’ in a company used to competing on other grounds.”

This will eventually lead the industry into setting up appropriate infrastructure by creating common distribution channels and subsequently segmenting the industry into wholesaling and retailing functions. The new industry structure could create enormous efficiencies of scale and scope at industry level and increase the survivability of small and middle size firms. Figure 4.5 is the blueprint for the future Chinese outbound industry where independent, retailing and wholesaling firms competitively co-exist. Note also that retailing at the industrial level will also depend on technologies such as the internet.

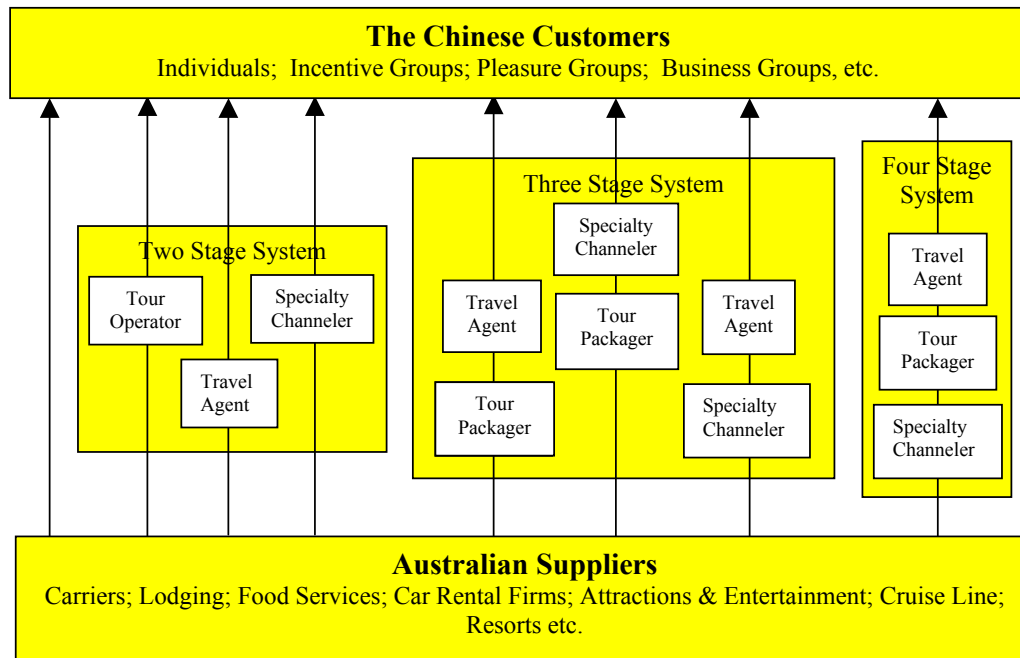


Figure 4.5: The Future Potential Structure of The Chinese Outbound Industry

4.5.4 Separation of Wholesaling and Retailing and Entry Advantage

As stated before, the intensified competition in the industry (including outbound) will make the small and middle-sized operators copy the industry structure of western countries and separate the tourism industry into wholesale and retail functions. The setting up of a new layer of retailing infrastructure in the industry can potentially turn economies of scale around against the big players in the industry, and efficiently reduce the entry barriers for new entrants. The advantages of entry at this time are:

- ❑ Low cost entry;
- ❑ Economies of scale and scope of industry structure;
- ❑ Great innovative environment for new entrants;
- ❑ Flexible system;
- ❑ Reduced entry barriers.

4.6 Conclusion

Porter (1980) has pointed out; “Formulation of strategy in emerging industries must cope with the uncertainty and risk of this period of an industry’s development. The rules of the competitive game are largely undefined, the structure of the industry unsettled and probably changing, and competitors hard to diagnose. Yet all these factors have another side – the emerging phase of an industry’s development is probably the period when the strategic degrees of freedom are the greatest and when the leverage from good strategic choices is the highest in determining performance.”

Industry uncertainties manifest themselves at two levels:

- ❑ The market level – determines the commercial viability of the industry;
- ❑ At the business level – opportunities for business strategy to improve strategic position.

The overriding strategies issue at the business level is the ability of firms to shape industry structure. For business, uncertainty is a source of opportunity for strategic creativity. Through their choices, the firms can turn these uncertainties into industry barriers for business advantages in areas like product policy, marketing, and pricing strategy.

In the above chapter, three scenario forecasts have been made for industry structure evolution and the potential entry strategies associated with them. Competitive advantage can be created out of the opportunities resulting from the structural change of these companies if it can be perceived early and moves aggressively made to exploit them. Strategically, it is important to move early to address each structural change. As Porter (1990) pointed out, the ultimate leaders in many global industries often are among the first firms to perceive a new strategy and then implement it globally.

CHAPTER FIVE RESEARCH METHODOLOGY

5.1 Introduction

Consistent with many other developing countries, the available information about outbound industry in China has remained scant and inconsistent. As to how travel companies think about the future of competition in the Chinese outbound industry, there is no data what so ever. So far, no published research article was focused on the Chinese travel industry structure and competitive strategy in outbound operations. Therefore, this research has to take the initiative in searching for an entry strategy of competitive advantage. In this chapter the research methodology is discussed associated with the design of the basic questionnaire for the Chinese outbound industry survey and the collection of data for analysing competitive advantage in the current Chinese outbound industry.

5.2 Survey design for competitive advantage

5.2.1 Human Creativity Advantage

The competitive strategy literature review in Chapter Two has shown that competitive advantage of firms at the market level can be defined by three variables:

- Human Creativity;
- Company Capability;
- Market Opportunity.

In market competition, competitive advantage is generated when available business opportunities are matched by a company's distinctive capability that in turn is born from human creativity. According to Rosegger (1996), creativity has long been the most mysterious source of economic growth in this world (refer to Chapter Three). According to Thurow (1996), two basic characteristics of market competition have become conspicuous (refer to Chapter Three):

1. Natural resources have dropped out of the competitive equation.

2. The industries of the future are all based on brainpower.

Fundamentally, according to Porter (1991), the true source of competitive advantage is human innovation. Four approaches are obvious:

1. New technology;
2. New ways of doing things;
3. New bases for competing;
4. Better means for competing in old ways.

Human creativity, together with company capability and market opportunity are the true source of economic growth. They should also be the source of growth for the Chinese outbound industry and the source of competitive strategy. Therefore, to survey the Chinese travel industry for strategies of competitive advantage, the survey needs to target the top Chinese travel firms where these three elements are most dynamic. Where can these competitive firms be found?

5.2.2 Location of Competitive Advantage

According to Porter (1990), competitive advantages of industry within a nation follow the theory of clusters. That is geographic concentrations of interconnected companies and institutions come from the competitive environment where competition is most dynamically fought out and new advantage is most enthusiastically created. Porter believes that a favourable environment is the most significant source for human competitive innovation and ultimately for business competitive advantages. The importance of the favourable environment is “where strategy is set, core product and process development takes place, and the essential and proprietary skills reside” (Porter, 1990:69). Therefore, the competitive future of the industry depends on the nature of these favourable environments. According to Porter (1990), the creation of competitive advantage is often spurred by strong domestic rivals, aggressive home-based suppliers, and demanding local customers.

The relationships of competitive advantage and the competitive environment are outlined below (Porter, 1990):

- Innovation cannot be de-coupled from its strategic and competitive context.
- Much innovation does not involve technology in the narrow scientific sense but improvements in the ways of doing things.
- The environment surrounding a firm is as (or more) important to innovation than what goes on inside.
- Exposure to, and interpretation of information, is central to the innovation process.
- Innovation is an unnatural act in firms that result only from pressures on unusual motivation in the environment.

To search for competitive advantages in the Chinese outbound industry, any survey should be conducted in cities that are the dynamic centres of industry. In this study, three cities – Beijing, Shanghai and Qingdao – are identified in this way. In combination, these three cities have a large part of the activity in the current Chinese outbound industry structure; represent the most advanced tourism products, and use advanced technology:

Beijing – the Capital of China where a large number of dynamic travel companies and the former ITS companies are located. Beijing was often the location where many national travel companies had their headquarters. It has a population of 11 million.

Shanghai – China's largest industrial and commercial city. Naturally a large number of travel firms both international and domestic have a strong presence here. Shanghai is also a fast growing market for outbound travel. It has a population of 17 million.

Qingdao – one of China's fast growing, large, industrial and commercial cities. It is located at the east coast of China and has a population of 6 million.

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5.2.3 Advantages and Disadvantages of the survey locations

According to the Tourism Yearbook (CNTA, 2000), there were 7326 travel agents nationwide in 1999. Among these, 1256 were international travel agents, which are responsible, under government regulations, for handling international inbound tourists. By choosing the above three cities to distribute survey instruments, the following biases can be introduced.

- A dis-proportionally large percentage of international travel companies;
- A dis-proportionally large percentage of large firms;
- Views and practices about the future of competitive advantage and strategy are generally more advanced.

On the other hand, a survey of national sampling according to probability theory in China could introduce the following dis-advantages:

- Since competitive advantage is a matter of excellence, random sampling nationwide can only get a result focused on the average and aged processes.
- A national survey according to probability theory is not possible for this research, because the survey has to be conducted by personal interviews rather than a mail survey, and in China the sample population and geographic spread is too wide.
- Since cities are where competitive advantages of the Chinese outbound industry dwell, national sampling is of no help towards the investigation of competitive strategies, and therefore is of no advantage over samples from the three leading cities.

5.3 Sampling Methods

5.3.1 Sample Population

The population in the survey of the Chinese outbound industry is all travel companies in the above selected three cities (refer to Section 4.2). The population does not exclude travel firms that currently do not have official outbound operations. There are three reasons for this:

- The concept of qualifying for outbound operations by the Chinese authorities emphasises ‘travel and sightseeing’ only, and only for the consumer market.
- The scope of business is dynamic and changing. A firm’s future in outbound operations cannot be determined for certain by its current status in outbound operations.
- Geographic knowledge concentration, industrial capability concentration, market opportunities and the dynamic spirit of the above three cities, uniquely forces them to compete with each other creating important factors for competitive advantage.

5.3.2 Sampling Frame

According to Emory and Cooper (1991), “the sampling frame is the list of elements from which the sample is drawn”. However, the survey population of the Chinese outbound industry is constantly changing. Some newly established firms can become members of the population and be successful, while other existing members can drop out from time to time. Therefore, it is not possible to exactly identify the sampling frame.

In China, public information is controlled by the government. To find particular information about the Chinese outbound industry in Australia is even more difficult than in China. However, genuine efforts have been made in Australia to try and find quality sampling frames for the three target cities - Beijing, Shanghai and Qingdao. The efforts are:

- Through libraries in Melbourne;
- Through Internet search;
- By contacting CCG (the Chinese Consulate-general) in Melbourne;
- By contacting the NTO (National Tourism Office) office in Sydney.
- By contacting the ITOA (Inbound Tourism Organisation of Australia) office in Sydney.

The result was that the information was limited and unsuitable. There is no list of Chinese travel firms available in Australia. The research was then moved to China. In China, the Qantas office in Beijing and the ATC office in Shanghai were contacted for information. They said they do have a list, however, they could not offer the list, citing customer confidentiality. Finally, use of the alumni network of Tsinghua University in Beijing found an alumni friend who worked at China's National Tourism Administration. Through his contacts in the industry, the full company lists for Beijing, Shanghai and Qingdao were quickly obtained and subsequently became the sampling frames for the survey.

In Beijing there were 110 local registered travel firms and 88 International Travel Service firms under central government registration. There were 364 travel firms in Shanghai and 123 travel firms in Qingdao. Survey samples were randomly selected from the lists.

5.3.3 Personal Interview in the Chinese Travel Industry

Company surveying in China is very difficult to conduct. The reasons for this difficulty are:

- For a survey of companies in China conducted officially the respondents to the survey have a responsibility to answer and return the finished questionnaire. For an unofficial survey, they do not feel they have any responsibility to respond.
- In China, information confidentiality is not clearly defined. Respondents are often hesitant to provide economic information about the company to an unknown party. They are afraid of an official investigation if something goes wrong.
- Market surveying is a new practice in the emerging Chinese economy. As a result, Chinese companies are unfamiliar with surveys.

Chinese managers in general do not have favourable attitudes to market research and are unwilling to co-operate (Qiu, 2000). It is absolutely essential that personal and sometimes semi-official influences from higher offices are used to give the survey

needed momentum. Otherwise, even personal interviews are almost impossible, much less surveys by mail or telephone.

Consequently, it is essential to survey by interview with some form of introduction. Other reasons favouring a personal interview approach are: high return rate, the depth and detail of information, and the high quality of information gathered.

5.3.4 Measurement and Scale

According to Emory and Cooper (1991), in measurement, one devises some form of scale and then transfers the observation onto this scale. In practice, respondents need a scale to respond quickly to questionnaires. A proper scale can also contribute efficiently to the accuracy of responses. Therefore, the ideal scale is to help to achieve a precise and unambiguous measurement of the variables of interest (Emory and Cooper, 1991). Due to the newness of market surveying in Chinese society, this research uses a 5 point Likert scale rating. The reason is that it is simple for respondents to make clear and quick judgements, and given that the Chinese are new to scaling systems an extended scale of more than 5 could incorrectly influence respondents judgement and slow the survey process. In particular in a society where a higher number is a 'better' number there is more opportunity to positively bias responses with a large scale of 1 to 6 or 7.

As Cook (1998) pointed out, the rating format tries to make each point of the scale more meaningful to the rater, to make rating less arbitrary, and thereby increase reliability of the answers to the questionnaire. A rating scale of 5 can allow for a non-answer in the centre. However, the scale chosen is worded so that the central value is part of the scale such as "some image", but not "no opinion" or "undecided". The meaning of the 1 to 5 Likert scale was described to each respondent and the respondents were asked to interpret the gap between each scaled items as one unit.

5.4 Research Design

The research steps follow the suggestions of Emory and Cooper (1991). The outline of the process is shown in Figure 5.1.

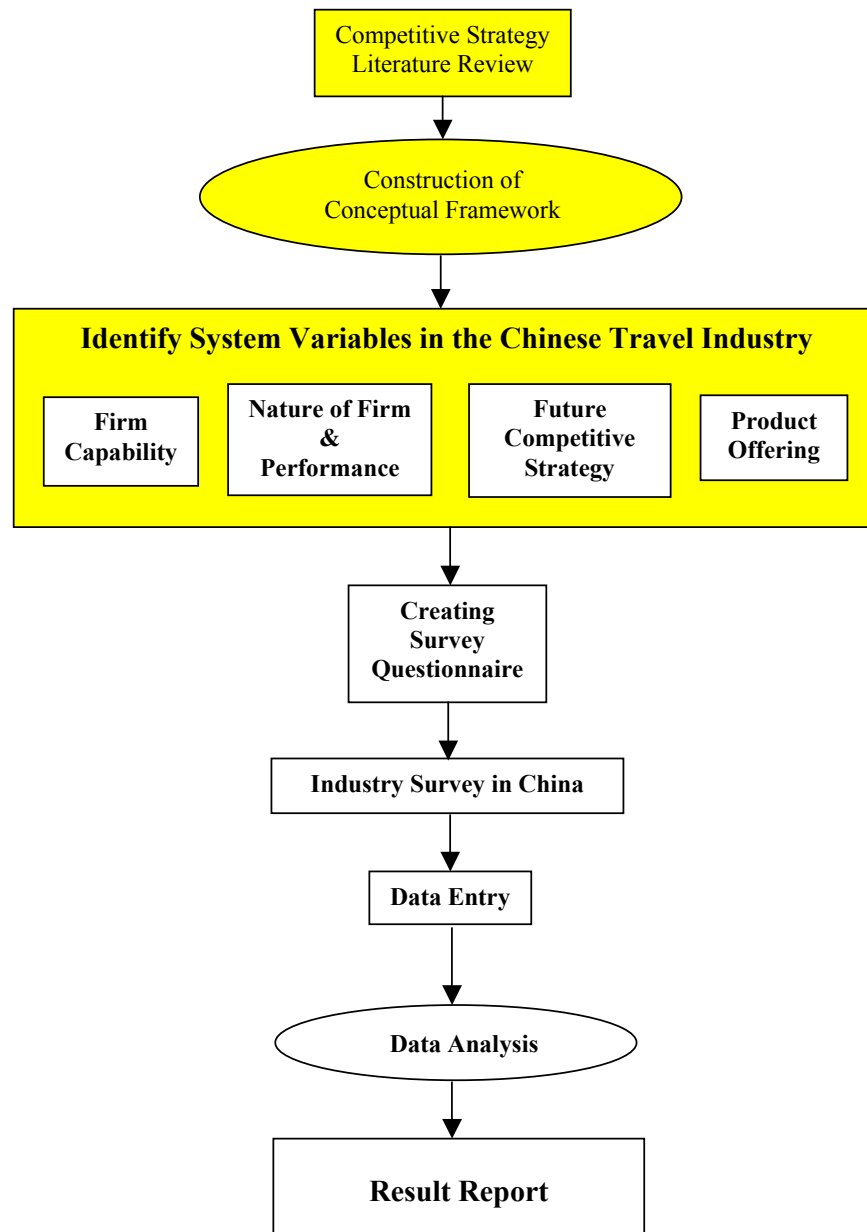


Figure 5.1 Research Design

The research trip to China was carried out between the 30th of May 2000 and the 17th of August 2000. A total of 210 copies of the questionnaire were collected from the 350 distributed, which is a success rate of 60%. Each company was contacted for an appointment before the interview. Table 5.1 shows the survey results from each of the three chosen cities.

Table 5.1 Survey Results

City	No. of Questionnaires Distributed	No. of Questionnaires Collected	Percentage
Beijing	160	106	66.25%
Shanghai	130	67	51.5%
Qingdao	60	37	61.67%

5.5 Questionnaire Structure

Because the Chinese outbound market has not been open to foreign travel firms, entry strategies for Chinese market entry cannot be examined from the existing foreign travel firms in the Chinese market. However, many strategic dimensions can be investigated from the existing firms (without outbound operations) in the Chinese travel industry. Questionnaire development followed the steps suggested by Lasarsfeld (1950). They are:

1. Concept Development: The task here is to conceive of the constructs of interest.
2. Concept Specification: Here, the original concept will be broken down into smaller components (sub-dimensions or sub-concepts).
3. Indicator Selection: Once the dimensions have been set, indicators for measuring dimensions must be developed. Choices must be made among alternatives to determine which one is the best indicator for the concept.
4. Formation of indices: A combination of all indicators of a dimension may be a fair representation of what is being measured. In this case, a single indicator becomes an index to one aspect of the concept and all indices together improve the measurement.

The questionnaire was essentially designed to collect data from Chinese firms with current outbound operations or the potential for future outbound operations. The intention of the investigation covers the following areas:

- Strategic market development;
- Strategic industrial development;
- Current firm performance;
- Strategic factors in outbound expansion of firms;
- Industry dynamics and industry competition.

The purpose of the questionnaire is to solicit information from the survey subjects. In order to make the questionnaire acceptable to the industry respondents, specific efforts have been made in the following areas:

- The questionnaire was designed to create a clear guide for participants to finish the questionnaire quickly and accurately.
- Simple language and simplified ways for generating answers to questions were used to create confidence and to avoid misunderstanding.
- The instructions at the beginning of the questionnaire made clear that respondents should answer all questions in the questionnaire, and all information is confidential.
- The address and phone number of the University Human Research Ethics Committee were purposefully included here to dispel any doubt about the questionnaire.

The main body of the questionnaire is divided into eight sections. The firm specific data is collected first so that a realistic foundation was created for participants before attempting more speculative questions. The questionnaire sections are: (refer to Appendix A)

Section 1 The Firm

Questions asked in this section include years in the travel business, firm size, annual sales volume, and outbound destinations for firm operations.

Section 2 Company Performance

This section contains questions about the firms' growth in sales, profit, marketshare and overall performance. Questions are asked about commercial advertisements, major areas of business expansion and the internet in relation to aspects of a firm's business operations.

Section 3 Strategy and Practice

This section helps respondents discuss questions such as firm ownership; the importance of outbound operations to the firm and to which destination; firm's assessment of its history in the business and its view of the future. The current competitive situation in the market place is also discussed.

Section 4 Outbound Expansion

This section is designed to focus the discussion on: outbound operations attractive to Chinese travel companies; environmental factors, firm characteristics and product features and destination images for outbound success in the Chinese market.

Section 5 Firm Capability

This section collects data on whether the firm is well equipped for Australia-bound outbound travel; the degree of uncertainty associated with it and the distinctive capabilities of the firm.

Section 6 Australian Industry Connection

In this part, questions concerning Australia-bound connections such as training, knowledge and industrial connections are included and a question on what help from the Australian government is most desirable.

Section 7 Australia-bound Demands

This section discusses the destination images of Australia in the Chinese travel industry. It also discusses what kinds of customers are most likely Australia-bound.

Section 8 Respondent Information

Age, gender and employment of respondents is asked.

5.6 Ethics and Confidentiality

According to the rules of Victoria University, all university founded research projects involving human subjects require approval from the Victoria University Human Research Ethics Committee before funding is made available. The questionnaire and other attached materials were submitted to the committee in February, 2000 for approval. Suggestions for improving the ethical standards of the survey from the committee were adopted as below:

- For the purpose of clearly informing participants about their rights and benefits in taking part in the current research, what the research is all about and what the outcome of the research is to be used for, an introductory letter is required. This letter also informs the participants to the research of their anonymity both in regard to themselves and their companies. The letter was required to be produced before the interview took place.
- A 'Consent Form for Participants' was also drafted and this letter was required to be signed by both the interviewee and the interviewer before the interview.
- For the purpose of confirmation, the Victoria University Human Research Ethics Committee's phone number and address were also made available to the participants.

As a result, ethics approval was granted in May 2000.

5.7 Data Coding and Editing

The data collected in the survey need to be converted from its human form (refer to Appendix A) into computer-friendly format. The process of coding is to assign a number to each of the possible answers in the questionnaire. To make the data entry simple, the following coding pattern was used:

- For the questions with mutually exclusive answers (choosing one of many possible answers given), a variable is assigned.
- To questions with multiple levels or with possible multiple answers, more than one variable are assigned according to the structure of the question. Variables were normally assigned to the lowest level questions of the question. For example, due to possible multiple choices (not mutually exclusive), the question below (refer to Figure 5.2) was given 23 variables such as 1.2Domestic, 1.2Inbound, 1.2Outbound, 1.2USA, 1.2Canada, etc..

1.2 What are your **major areas** of operation? Please tick ☒ the appropriate box(es).

<input type="checkbox"/> Domestic.	_____	(years).
<input type="checkbox"/> Inbound.	_____	(years).
<input type="checkbox"/> Outbound.	_____	(years).

↳ To **which countries** does your company currently have outbound operations? Please tick ☒ the appropriate boxes.

<input type="checkbox"/> America: (<input type="checkbox"/> USA; <input type="checkbox"/> Canada; <input type="checkbox"/> Others).
<input type="checkbox"/> Europe: (<input type="checkbox"/> Britain; <input type="checkbox"/> Germany; <input type="checkbox"/> France; <input type="checkbox"/> Holland; <input type="checkbox"/> Others).
<input type="checkbox"/> Pacific: (<input type="checkbox"/> Australia; <input type="checkbox"/> New Zealand)
<input type="checkbox"/> Asia: (<input type="checkbox"/> Japan; <input type="checkbox"/> Korea; <input type="checkbox"/> Taiwan; <input type="checkbox"/> HongKong; <input type="checkbox"/> Indonesia; <input type="checkbox"/> Malaysia; <input type="checkbox"/> Thailand; <input type="checkbox"/> Singapore; <input type="checkbox"/> Macau; <input type="checkbox"/> Others).

Figure 5.2 An Example of Multi-level Questions in The Questionnaire

- Data were entered according to the value in the questionnaire. Missing data were recorded as empty spaces.

- Summary statistics with frequencies and descriptives were computed for all the variables in the survey database to check for errors.

5.8 Reliability

According to Emory and Cooper (1991), the reliability of a construct means that it supplies consistent results when repeated. To test the reliability of constructs in the questionnaire, Cronbach's Coefficient Alpha is used. Cronbach Alpha is used instead of a split halves testing of means to ensure consistency of the mean response between subsections of the questionnaire sample. Because the mean response will vary between sections of the questionnaire, each section is tested separately. The Cronbach Alpha provides an effective correlation measure of reliability. The test results are listed in Table 5.2.

Table 5.2* The Cronbach Alphas for The Constructs

Constructs	Variables	Abbreviations	Cronbach Alphas
Company performance	Q2.1 Q2.2 Q2.3 Q2.4	Sales growth Profit growth Growth in marketshare Overall company performance	.7238
Desire for business expansion	Q2.8 Q1.6 Q1.2 Q1.4 Q1.7	Major areas of expansion Sales volume Number of outbound destinations Use or not use email based system Percentage of outbound travel	.8022
Internet	Q2.9.1 Q2.9.2 Q2.9.3 Q2.9.4 Q2.9.5 Q2.9.6 Q3.14	Effective communication Operational efficiency Innovation in marketing Prompt response Efficient industry link Lower communication costs Readiness for e-business	.8493
Destination importance to business	Q3.2.1 Q3.2.2 Q3.2.3 Q3.2.4 Q3.2.5 Q3.2.6 Q3.2.7 Q3.2.8	Australia Britain Canada France Germany Holland Hong Kong Indonesia	.9852

	Q3.2.9 Q3.2.10 Q3.2.11 Q3.2.12 Q3.2.13 Q3.2.14 Q3.2.15 Q3.2.16 Q3.2.17 Q3.2.18	Japan Korea Macau Malaysia New Zealand Singapore Taiwan Thailand USA Others	
Influence on strategic decisions	Q3.3.1 Q3.3.2 Q3.3.3 Q3.3.4 Q3.3.5 Q3.3.6 Q3.3.7	Key personnel's education Past experience Industry rivalry Government tourism policy Organisational structure Supporting industry links Others	.6711
The running of everyday business	Q3.5.1 Q3.5.2 Q3.5.3 Q3.5.4 Q3.5.5	CEO Deputy CEO General Manager Operations manager Other	.8709
The development of new product	Q3.6.1 Q3.6.2 Q3.6.3 Q3.6.4 Q3.6.5	CEO Deputy CEO General Manager Operations manager Other	.8778
The future of outbound market	Q3.9.1 Q3.9.2 Q3.9.3 Q3.9.4 Q3.9.5 Q3.9.6 Q3.9.7 Q3.9.8 Q3.9.9 Q3.9.10 Q3.9.11 Q3.9.12 Q3.9.13 Q3.9.14 Q3.9.15 Q3.9.16 Q3.9.17 Q3.9.18	Australia Britain Canada France Germany Holland Hong Kong Indonesia Japan Korea Macau Malaysia New Zealand Singapore Taiwan Thailand USA Others	.9869
Destination attractiveness to tourists	Q4.1.1 Q4.1.2 Q4.1.3 Q4.1.4 Q4.1.5	Australia Britain Canada France Germany	.9649

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	Q4.1.6 Q4.1.7 Q4.1.8 Q4.1.9 Q4.1.10 Q4.1.11 Q4.1.12 Q4.1.13 Q4.1.14 Q4.1.15 Q4.1.16 Q4.1.17 Q4.1.18	Holland Hong Kong Indonesia Japan Korea Macau Malaysia New Zealand Singapore Taiwan Thailand USA Others	
Factors to past outbound success	Q4.2.1 Q4.2.2 Q4.2.3 Q4.2.4 Q4.2.5 Q4.2.6	Prompt response Government regulation Low price Marketing skills Innovation Other	.8037
Attractive destination image of the past	Q4.4.1 Q4.4.2 Q4.4.3 Q4.4.4 Q4.4.5 Q4.4.6 Q4.4.7 Q4.4.8 Q4.4.9 Q4.4.10 Q4.4.11 Q4.4.12 Q4.4.13 Q4.4.14 Q4.4.15 Q4.4.16 Q4.4.17 Q4.4.18 Q4.4.19	Being different Good life style Novelty Quality built environment Clean environment Intact environment High-tech perception Highly developed cities High-tech amusement parks World-famous buildings World-famous landscape Friendly location Safe location Attractive wildlife Shopping opportunities Nightlife and entertainment Ease of getting there Quality accommodation Other	.9259
Attractive destination image of the past	Q4.5.1 Q4.5.2 Q4.5.3 Q4.5.4 Q4.5.5 Q4.5.6 Q4.5.7 Q4.5.8 Q4.5.9 Q4.5.10 Q4.5.11 Q4.5.12 Q4.5.13 Q4.5.14	Being different Good life style Novelty Quality built environment Clean environment Intact environment High-tech perception Highly developed cities High-tech amusement parks World-famous buildings World-famous landscape Friendly location Safe location Attractive wildlife	.9177

	Q4.5.15 Q4.5.16 Q4.5.17 Q4.5.18 Q4.5.19	Shopping opportunities Nightlife and entertainment Ease of getting there Quality accommodation Other	
Reasons for Australia-bound expansion	Q4.6.1 Q4.6.2 Q4.6.3 Q4.6.4 Q4.6.5 Q4.6.6 Q4.6.7 Q4.6.8 Q4.6.9 Q4.6.10 Q4.6.11	Government policies Response to demand Growth opportunities Driven by Australia-connections Driven by retailing knowledge Joint venture opportunities E-business opportunities Avoiding competition Low price Innovation Other	.9667
Important company factors for Australian expansion	Q4.7.1 Q4.7.2 Q4.7.3 Q4.7.4 Q4.7.5 Q4.7.6 Q4.7.7	Novelty Choices Scale Innovation Marketing Sophistication Other	.9727
Being prepared for Australian expansion	Q5.1 Q6.1 Q6.2 Q6.3 Q6.4	Well equipped Training in Australia Working knowledge of internet Working knowledge of Australian industry Well connected with Australian industry	.7502
Degree of uncertainty in Australia-bound travel	Q5.2.1 Q5.2.2 Q5.2.3 Q5.2.4 Q5.2.5 Q5.2.6 Q5.2.7 Q5.2.8	Market Operations Government relations Industry relations Travel products Visa procedures Traveler's destination behavior Other	.9537
Firm's distinctive capabilities	Q5.3.1 Q5.3.2 Q5.3.3 Q5.3.4 Q5.3.5 Q5.3.6 Q5.3.7 Q5.3.8 Q5.3.9	Knowledge of market innovation Skill of staff Operational efficiency Staff creativity Staff co-operation Leading change E-business Efficient communication Other	.9826
Australian government help	Q6.5.1 Q6.5.2 Q6.5.3	Marketing Australia Promoting e-business Promoting familiarity tours	.9581

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	Q6.5.4 Q6.5.5	Streamlining visa procedures Other	
The image of Australia	Q7.1.1 Q7.1.2 Q7.1.3 Q7.1.4 Q7.1.5 Q7.1.6 Q7.1.7 Q7.1.8 Q7.1.9 Q7.1.10 Q7.1.11 Q7.1.12 Q7.1.13 Q7.1.14 Q7.1.15 Q7.1.16 Q7.1.17 Q7.1.18 Q7.1.19 Q7.1.20	Being different Good life style Novelty Quality built environment Clean environment Intact environment High-tech perception Highly developed cities High-tech amusement parks World-famous buildings World-famous landscape Friendly location Safe location Attractive wildlife Shopping opportunities Nightlife and entertainment Ease of getting there Quality accommodation Healthy food Other	.9678

* please refer to the questionnaire in Appendix A and Appendix B for detail question of each variable and abbreviation.

Table 5.2 shows Cronbach's Coefficient Alpha for the major constructs. All coefficient alphas (but four tests with small set of variables: company performance [.7238]; Desire for business expansion [.7627]; Influence on strategic decisions [.6711] and Being prepared for Australian expansion [.7502]) exceed 0.8. Therefore, the dataset would appear to possess reliability (Ryan et al., 2001).

5.9 Conclusion

In this chapter, survey design, sampling method, research design, and questionnaire structure have been discussed. The content explains how the survey has been constructed, made reliable and accurate. Ethics and data coding and editing are also discussed.

CHAPTER SIX

PROFILES OF THE CHINESE TRAVEL INDUSTRY AND ITS OUTBOUND STRATEGIES

This chapter deals with the descriptive statistics of the data collected from the Chinese outbound operator's survey in China. The Chinese travel industry, its outbound operations and Australia-bound expansion, and features of market competitive strategies will be described in this chapter. The strategic weakness of the Chinese firms in the development of international travel will also be discussed here. Common characteristics and some special features of the industry will be summarised. Australia-oriented characteristics in the Chinese market/industry will also be profiled compared with other outbound destinations. Finally, Australia's competitive image will be assessed against market attractive factors to see how Australia compares in regard to travel expectations and finally some strategic options for Australian companies to enter the Chinese market will be analysed.

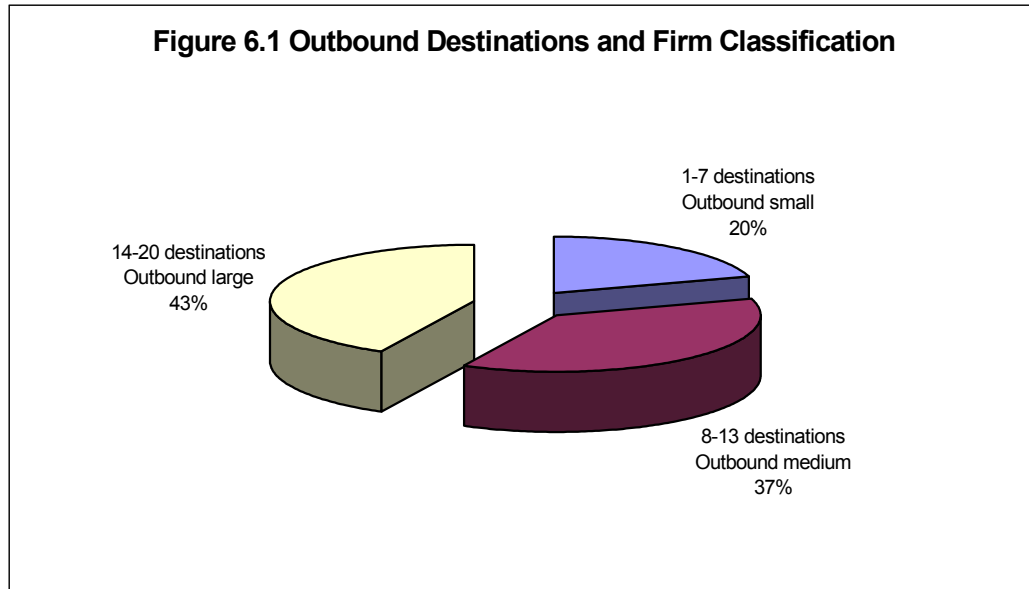
6.1 The Profile of the Sample

6.1.1 Firms

The entire sample consists of 210 companies in the Chinese travel industry. Among them, 106 firms (50.5%) were from Beijing; 67 (31.9%) from Shanghai; and 37 (17.6%) from Qingdao. The survey has shown that 73% of the firms surveyed had outbound operations, 66.2% had inbound operations and 79.5% had domestic operations. Most Chinese travel firms had multi-travel operations in domestic, inbound and outbound travel. Among the firms surveyed, 63.8% had operations in all three business areas; 18.1% of the firms operated in two of the three areas; Only 18.1% of the firms were solely domestically oriented.

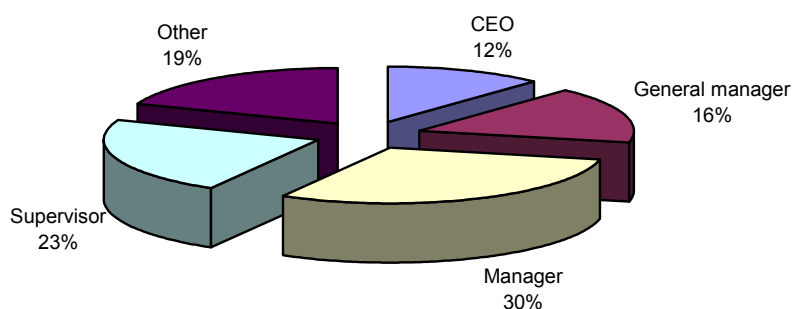
Among the Chinese firms with outbound operations, 31 firms (20.3%) had outbound operations to 1-7 destinations; 57 firms (37.3%) had outbound operations to 8-13 destinations; 65 firms (42.5%) had outbound operations to 14-20 destinations. For the

purpose of simplification firms with 1-7 outbound destinations are termed category ‘Outbound small’; 8-13 outbound destinations as category ‘Outbound medium’; and 14-20 as category ‘Outbound large’ (refer to Figure 6.1).



6.1.2 Profile of Respondents

Respondents to our survey questionnaire are mainly CEOs, general managers, managers, team leaders and supervisors, while the ‘other’ categories consist of assistants to CEOs or the GM, or assistant managers of travel companies. CEOs and general managers account for 28% of the respondents in the survey. Managers and supervisors accounted for 30% and 23% respectively, while the rest are ‘other’ categories which account for 19% (refer to Figure 6.2). Gender and age characteristics of the respondents are summarised in Table 6.1. All classes of employment are required to obtain a cross section of knowledge about company operations and all individuals despite their title felt confident in answering all parts of the questionnaire.

Figure 6.2 Positions of Survey Respondents**Table 6.1 Profile of Respondents**

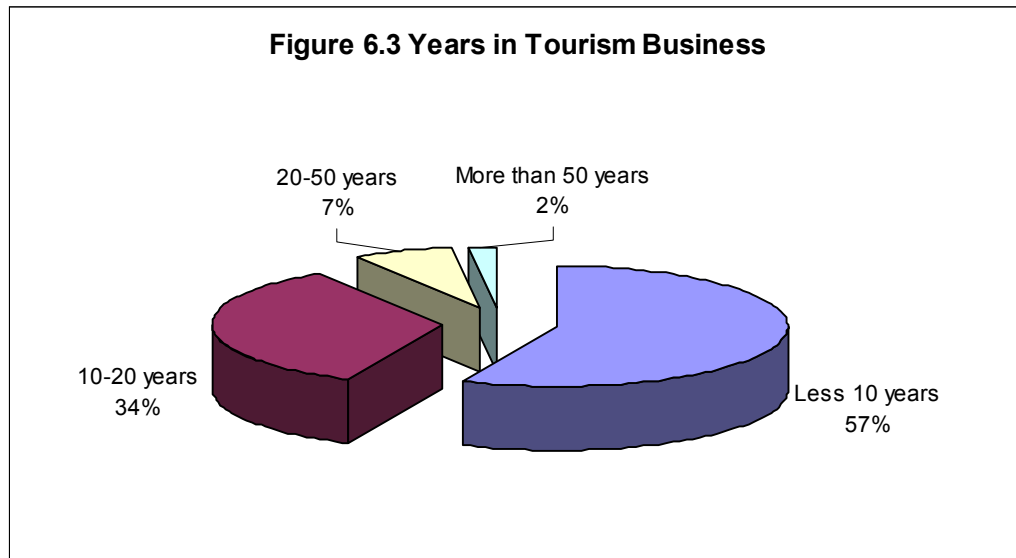
Characteristics	Categories	The number of Chinese Travel Companies	Percentage of The Industry
Age	Under 20	6	2.9%
	21-30	87	42%
	31-40	60	29%
	41-50	47	22.7%
	51-60	7	3.4%
	Over 60	0	0%
Gender	Male	134	65.7%
	Female	70	34.3%

6.2 The Chinese Tourism Industry

6.2.1 The Growth of the Industry

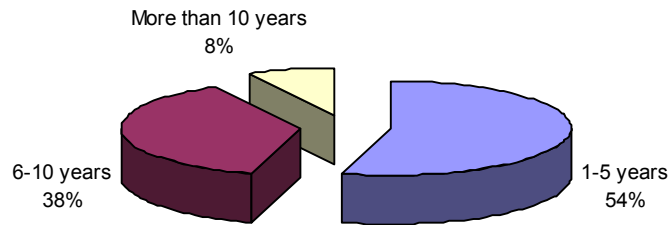
The survey of 210 travel companies indicates a fast growing travel industry with the following features: (1) The majority (56.8%) of companies were less than 10 years old; (2) 34.2% were between 10 and 20 years old; and (3) 9% were more than 20 years old, including 4 companies (2%) that were 50 years old or more (Figure 6.3).

Strategies for Entering The Chinese Outbound Travel Market



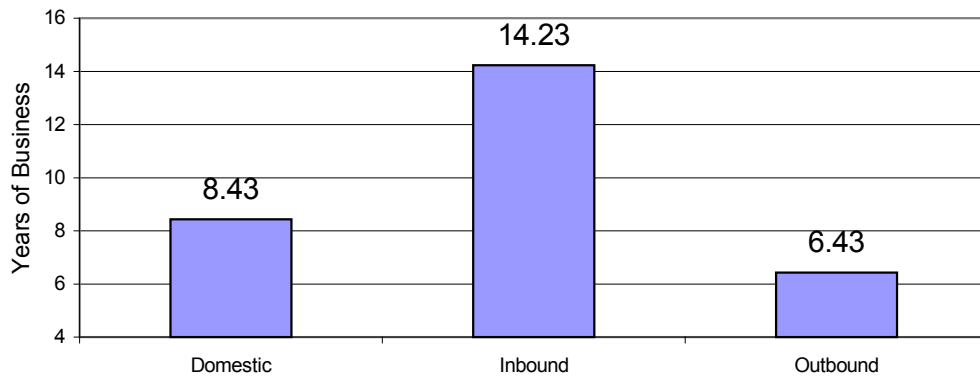
Compared with the industry as a whole, the outbound sector of the industry is even younger. Among the Chinese firms with outbound operations, 62 firms (54.4%) had 1-5 years experience in outbound operations; 43 firms (37.7%) had 6-10 years experience; only 9 firms (7.9%) had more than 10 years experience (refer to Figure 6.4).

Figure 6.4 The Chinese Outbound Operators



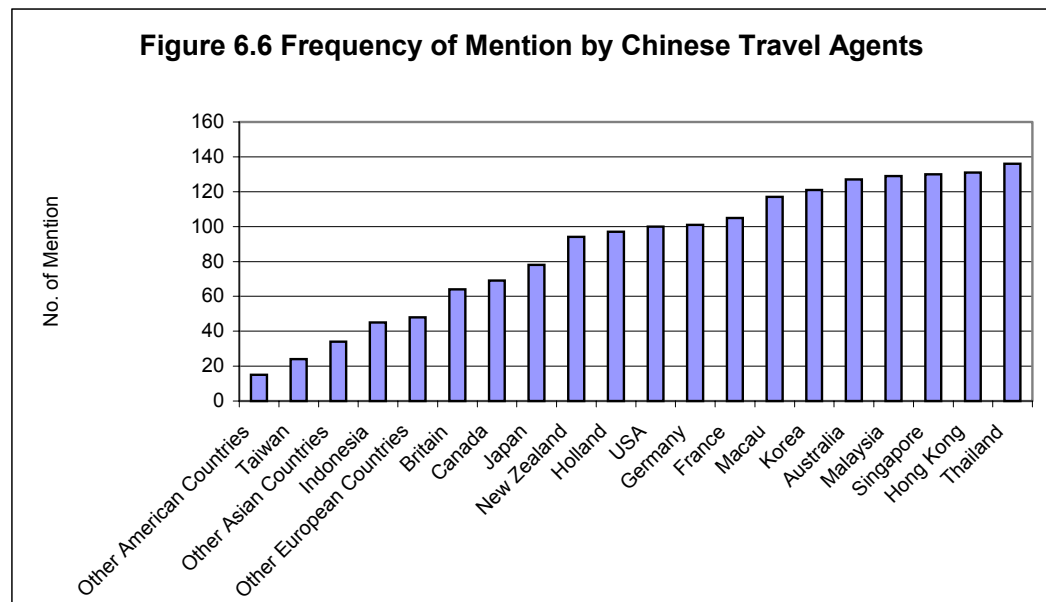
Inbound operations have the longest history among the Chinese travel companies. The survey confirms this characteristic with inbound operations having the longest period in business. Domestic and outbound operations are much younger with 8.43 and 6.43 years respectively (refer to Figure 6.5).

Figure 6.5 Average Years in Different Sectors of Tourism



6.2.2 Outbound Destinations of the Chinese Market

Among the destinations to which the Chinese firms had outbound operations, Thailand was the most frequently mentioned country, followed by Hong Kong, Singapore and Malaysia (refer to Figure 6.6).

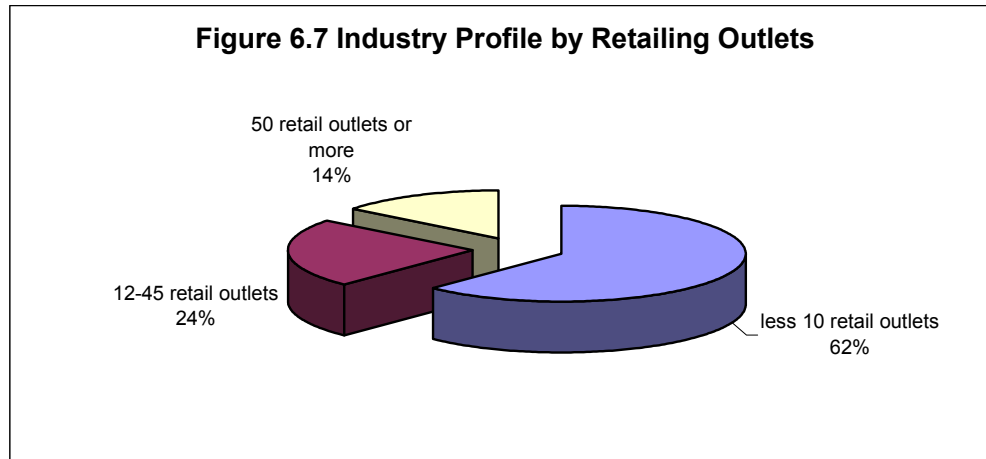


Australia was the fifth most mentioned outbound destination among all the destinations. However, among western destinations, Australia was the most frequently mentioned destination, followed by France (8), Germany (9) and the United States (10) (refer to Figure 6.6). This is a strong performance because Australia only became an ADS destination in 1998.

6.2.3 The Retailing Function of The Industry

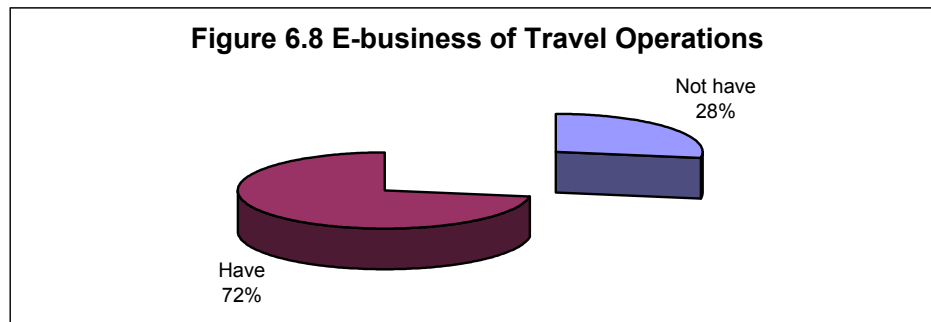
Due to the requirement of quality control and the Chinese government regulations which vest the full responsibility on travel firms who sell the products, retailing in the Chinese travel industry is basically a captive function under company control, with a competitive advantage existing for many large travel companies in China. From a

market entry point of view, this is a significant disadvantage that most foreign entrants to the Chinese market have to overcome. The survey has shown that only 14% of the firms have more than 50 retailing outlets nationwide. The majority (62.1%) of the firms have less than 10 outlets (refer to Figure 6.7). Among the firms surveyed only 15 of them have more than 100 retail outlets. Few firms in China have



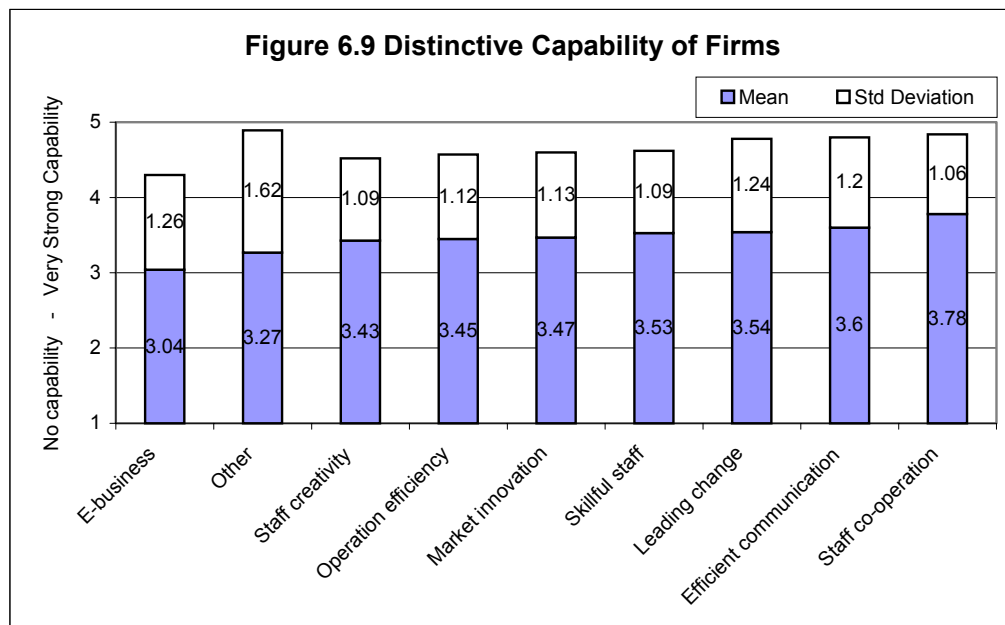
a nationwide retailing network. On average, the number of retail outlets is 24.17.

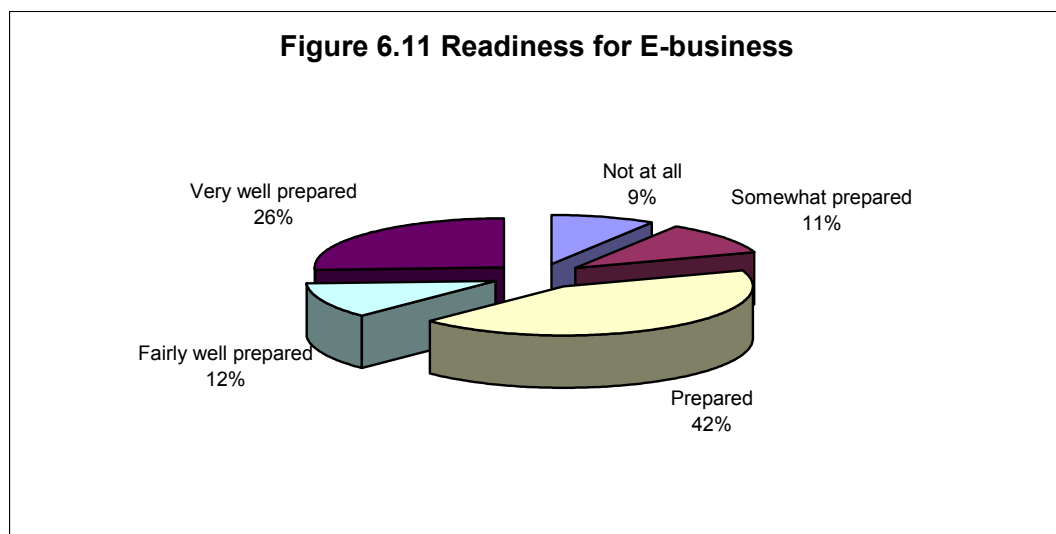
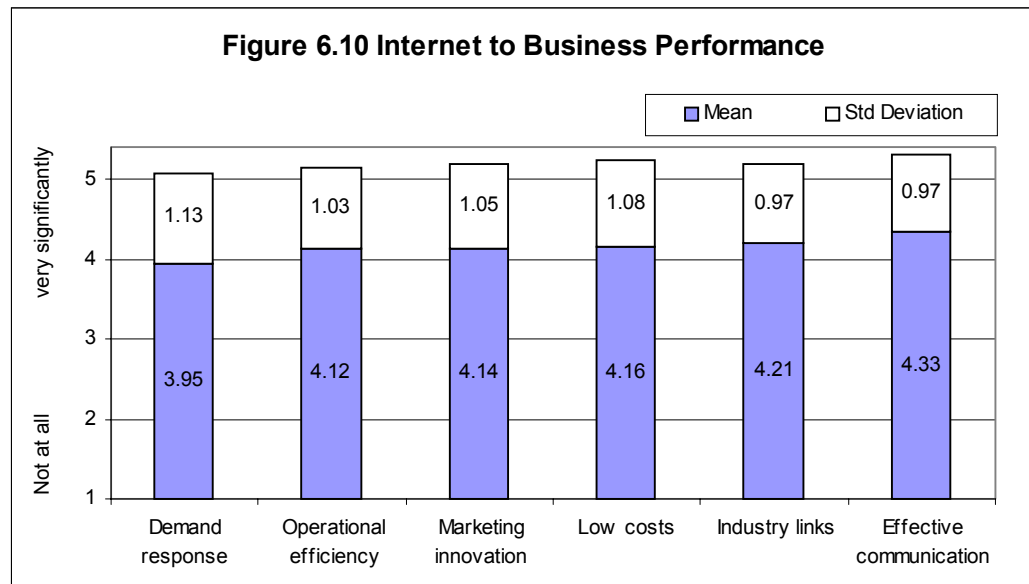
6.2.4 E-Business Systems:

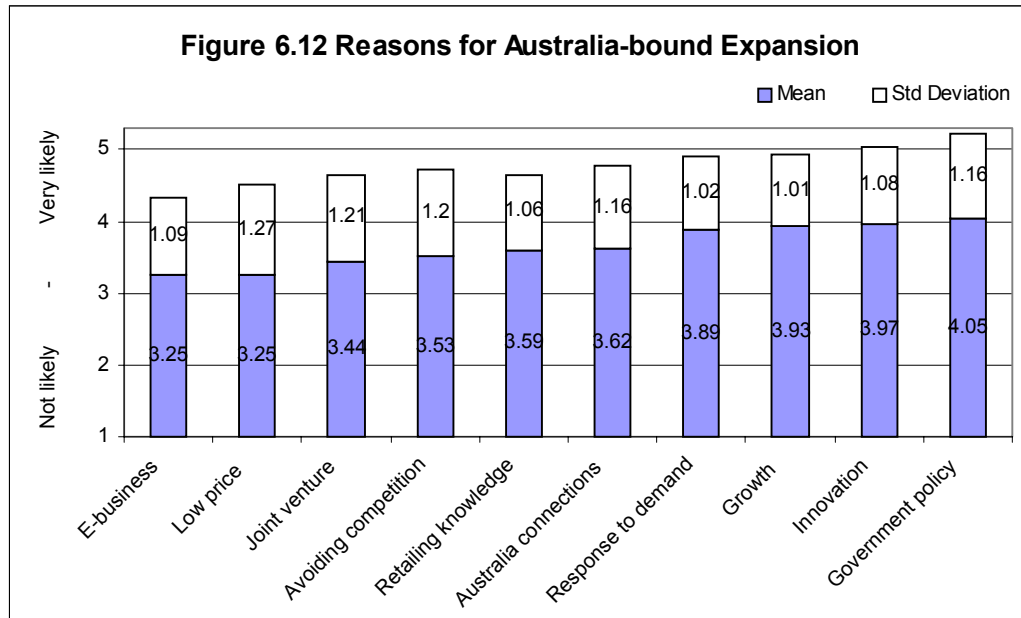


The Chinese travel industry is optimistic about the e-world. The survey has found that 72.4% of the firms used Internet or e-business systems in their travel business (refer to Figure 6.8).

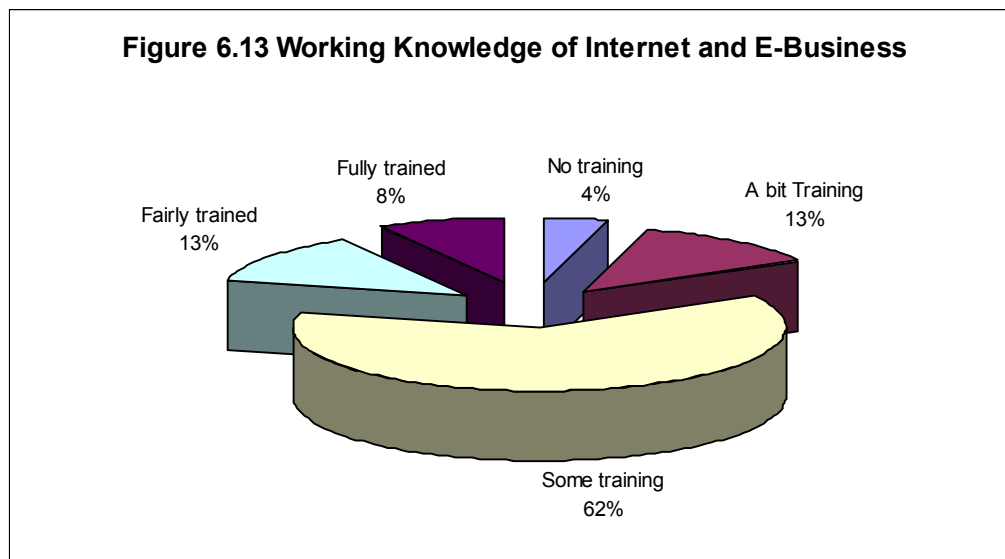
Even though the Chinese travel industry is operating in a relatively high e-world environment relative to other industries in China, the Chinese travel firms do not believe it is their distinctive capability (refer to Figure 6.9 and Question 5.3 in Appendix A). However, the industry did believe that the Internet can promote a firm's overall efficiency both at the business level and the industry level, and lower communication costs (refer to Figure 6.10 and Question 2.9 in Appendix A). The majority believe they are ready for such impacts (refer to Figure 6.11 and Question 3.14 in Appendix A), but they do not believe that currently e-business is a significant reason for Australia-bound expansion (refer to Figure 6.12 and Question 4.6 in Appendix A). The Chinese travel firms also do not believe that Australian government assistance in e-business could be a significant factor for Australia-bound growth (refer to Figure 6.61 and Question 6.5 in Appendix A).





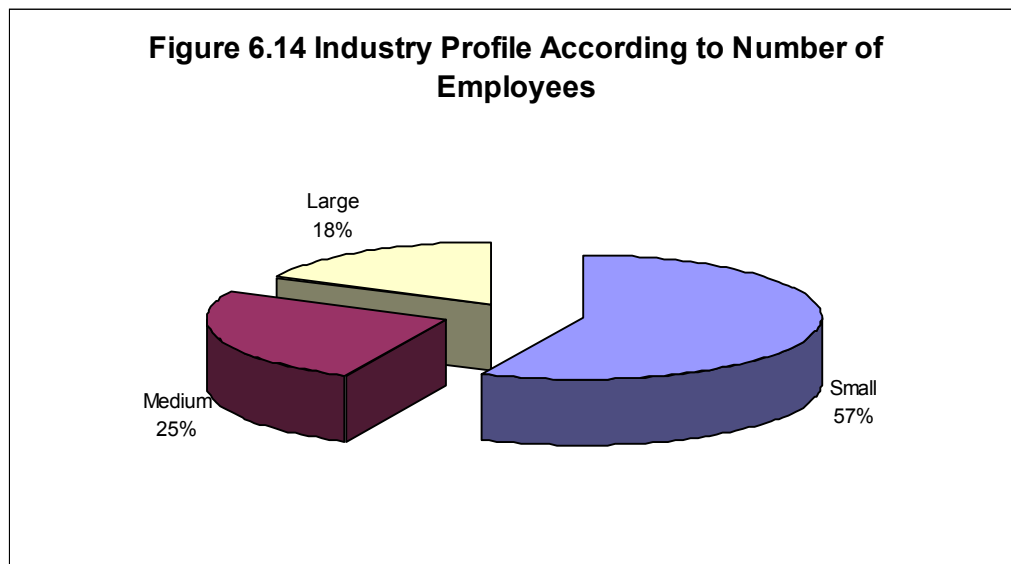


The majority of Chinese firms believe that their staff have some e-business training or no training at all. Only 20% of the companies believe that their staff are adequately trained (refer to Figure 6.13 and Question 6.2 in Appendix A).



6.2.5 Profiles of Chinese Travel Agents

The Chinese travel industry is a fragmented industry with a large number of companies of different sizes. The size of a firm can be measured using the number of employees or sales volume separately. According to the number of company employees, the majority (56.9%) of the industry is made up of small firms with less than about 80 employees. Medium sized firms with more than 80 employees but less than 250 employees account for 25.3% of the industry. Large firms with more than 250 employees are 17.8% of the industry population (refer to Figure 6.14 and Question 1.5 in Appendix A).



Sales volume is the annual sales of a company, which includes domestic, inbound and outbound sales. According to sales volume, the majority of the industry is large companies (about 65%) with more than 5 million annual sales. Small firms account for 17% with sales less than 1.25 million-yuan; medium size firms account for 18% with annual sales between 1.25 and 5 million yuan (refer to Figure 6.15). According to the data displayed in Figure 6.17, the total number of firms increased through the years (1996-1999), as more firms grew larger and many new entrants entered the travel industry. In percentage terms (refer to Figure 6.16), small firms declined

slowly, except for 1999; medium size firms increased slowly and steadily; and large firms were steady. If the sales volume diagrams (refer to Figure 6.16 and Figure 6.17) are compared with the employee diagram (refer to Figure 6.14), it is not difficult to recognise that there are a large number of inefficient firms in the industry.

Figure 6.15 Industry Profile According to Company Sales Volume

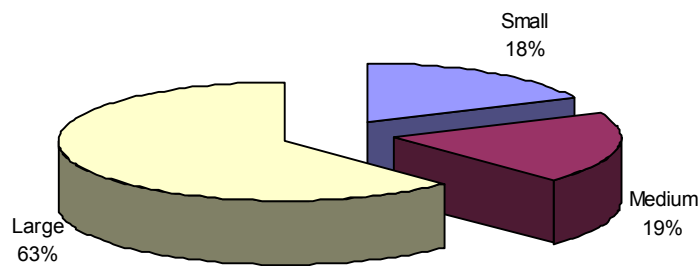
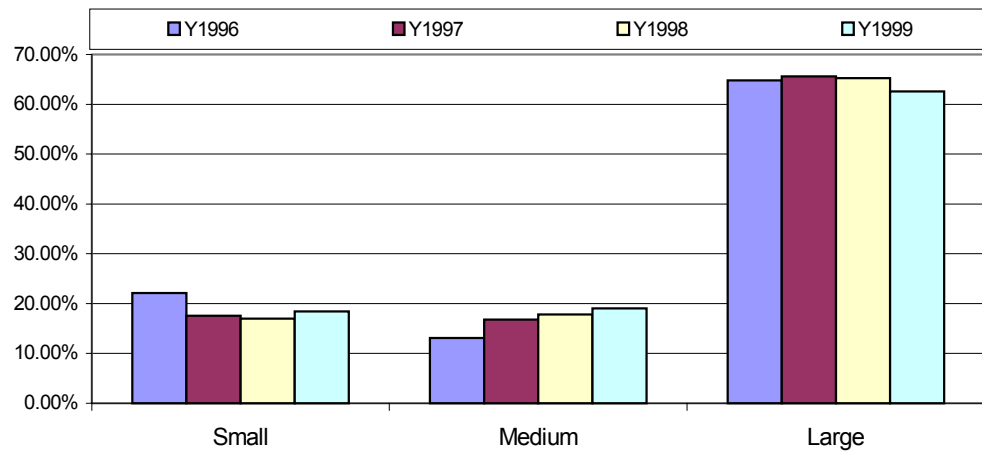
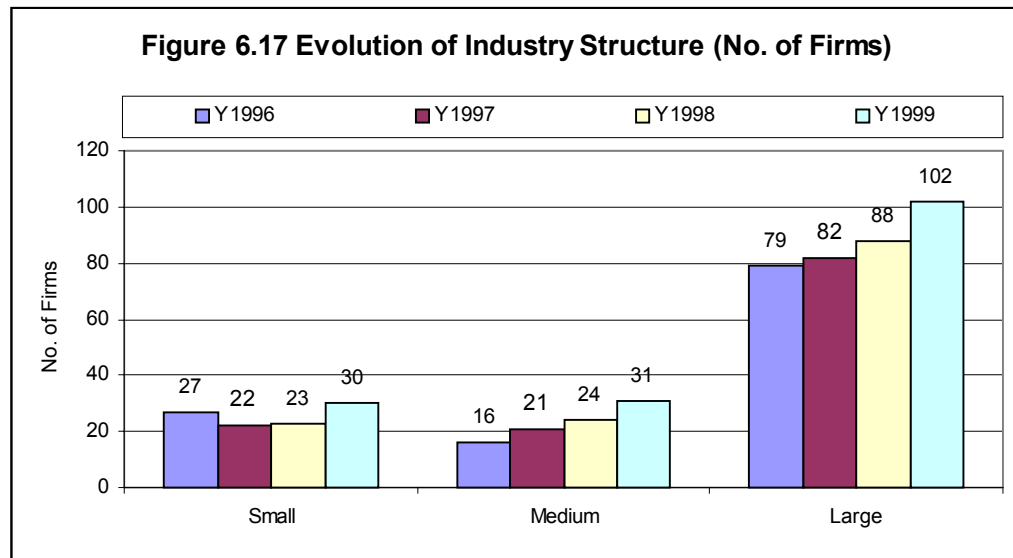


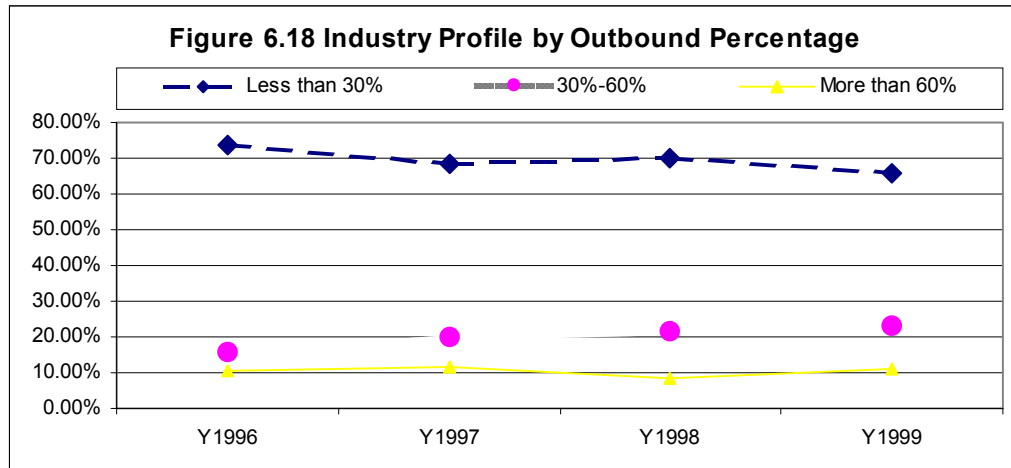
Figure 6.16 Evolution of Industry Structure (Percentage)



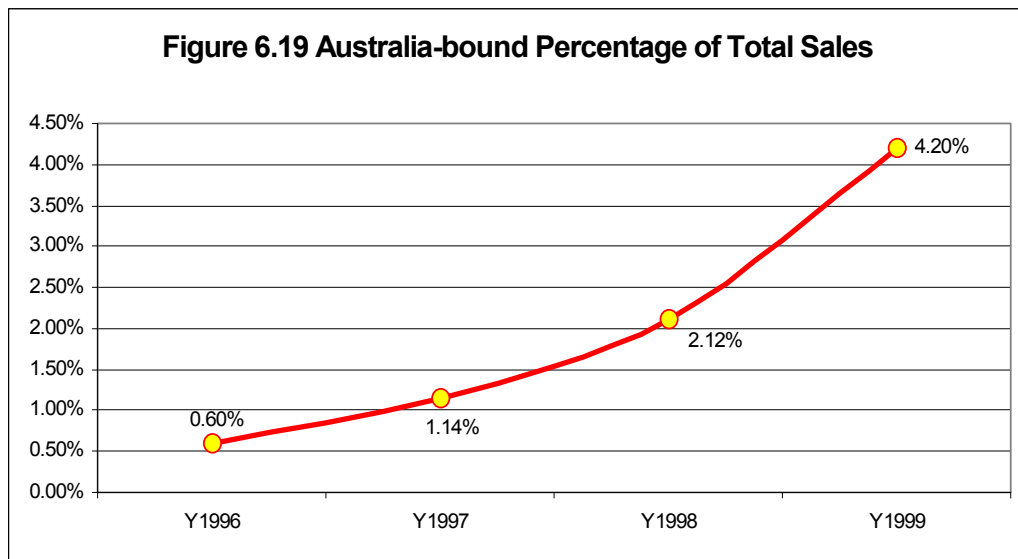


6.2.6 Profiles of Outbound Operations

For most travel agents in China, the outbound operation is only a small portion of their travel business, although it is an attractive part. According to the outbound percentage, the majority (more than half) of the industry said that their outbound operation was less than 10% of their total business, while 70% of the firms believed their outbound operation to be less than 30% of total business, and about 20% believed that it was between 30% and 60%. Only 10% believed their outbound operations to be more than 60% of their total business (refer to Figure 6.18). Also referring to Figure 6.18, companies with more than 60% outbound operations, were stable in the period between 1996 and 1999, while companies with 30%-60% outbound operations were growing and companies with less than 30% outbound operations were declining.



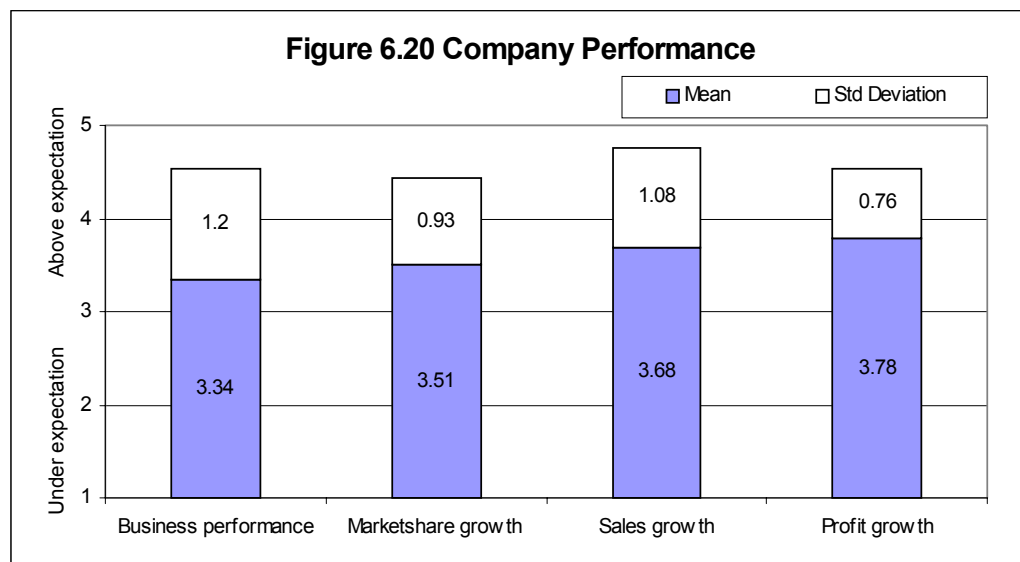
Australia outbound has been a small portion in the Chinese travel industry in the period between 1996 and 1999. However, it is a fast growing portion of the industry, having grown six times in three years from 1996 to 1999 according to the survey (refer to Figure 6.19). The ADS (Approved Destination Status) status for Australia will likely increase further the industry share of Australia-bound sales in coming years.



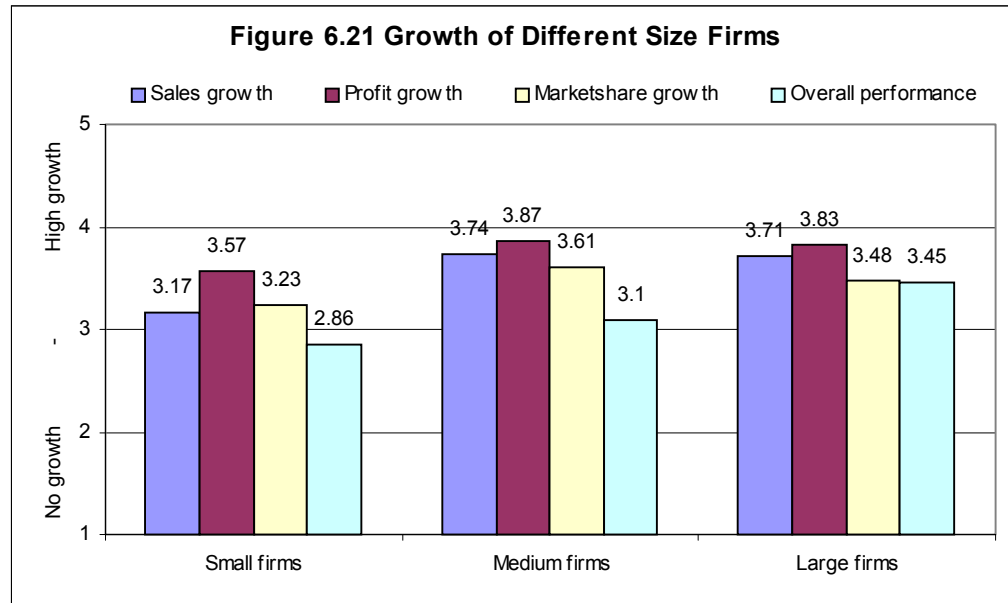
6.3 Business Performance

6.3.1 Business Growth

The survey has attempted to measure the growth aspects of companies through sales growth, profit growth, marketshare growth and overall business performance. Generally speaking, sales and marketshare of firms lie between ‘slow growth’ and ‘medium growth’. The profit growth rate was about 7-8% in 1999; while overall company performance was a little better than expected (refer to Figure 6.20).

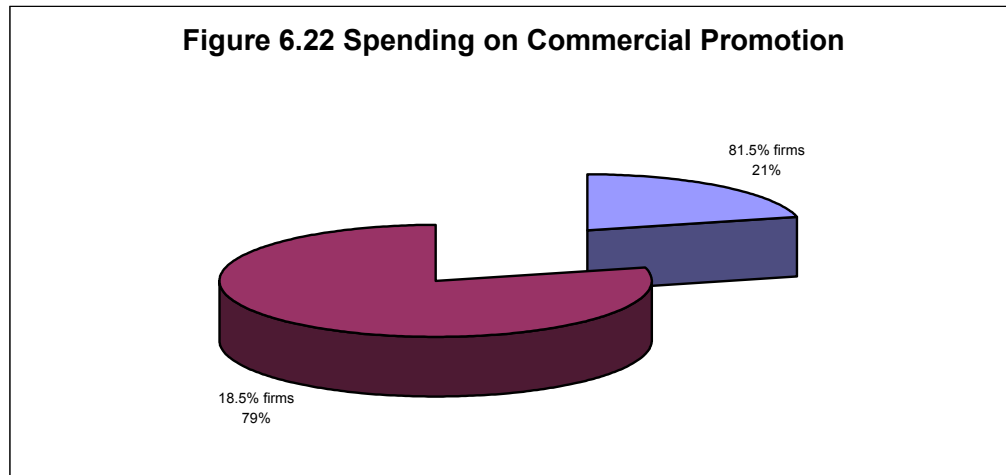


Detailed growth analysis on different sized firms reveals that growth perspectives for different size firms differ. Business performance of small firms (<1.25 million yuan) was generally worse than in other categories. Medium (between 1.25 and 5 million yuan) and large (>5 million yuan) firms performed almost equally in sales growth, profit growth and marketshare growth. However in overall performance, larger firms were generally better (refer to Figure 6.21).

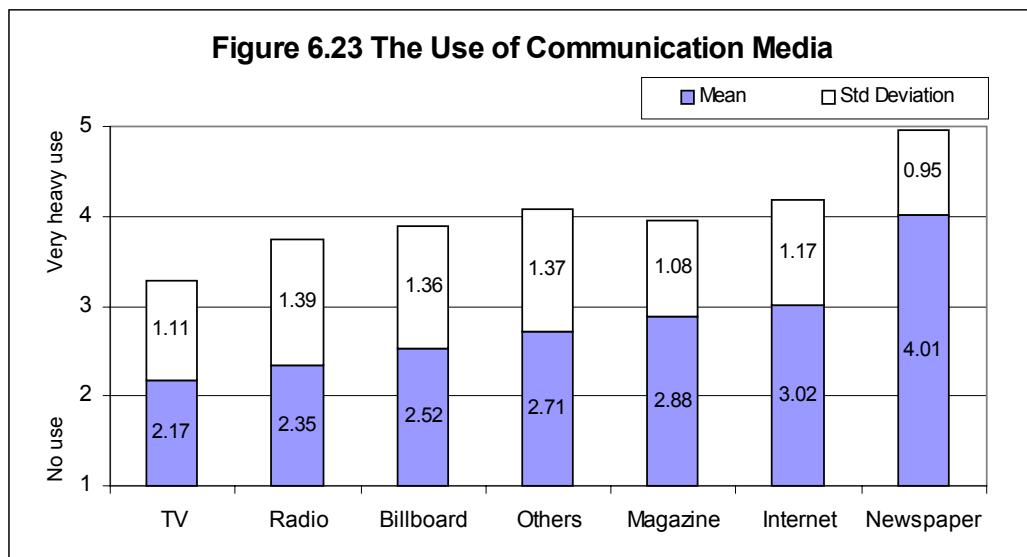


6.3.2 Advertising Performance

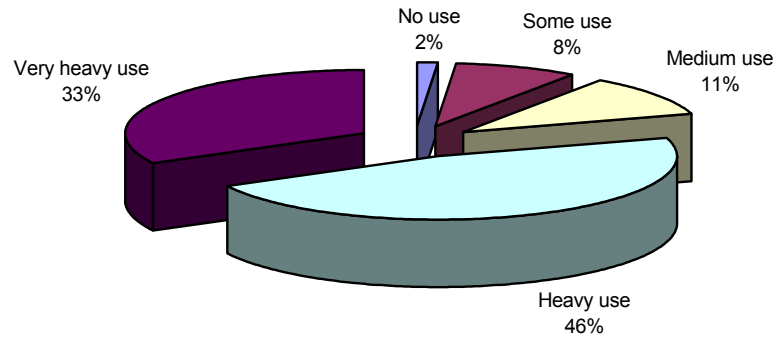
On average, Chinese travel firms spent about half a million (587,300) yuan annually on product/service promotion. There were about 100 million-yuan used by all companies in the survey for commercial promotion. However, the promotion spending was not even between all firms. The survey has revealed that about 20% of the companies in the industry spent about 80% of the total amount on advertising (refer to Figure 6.22).



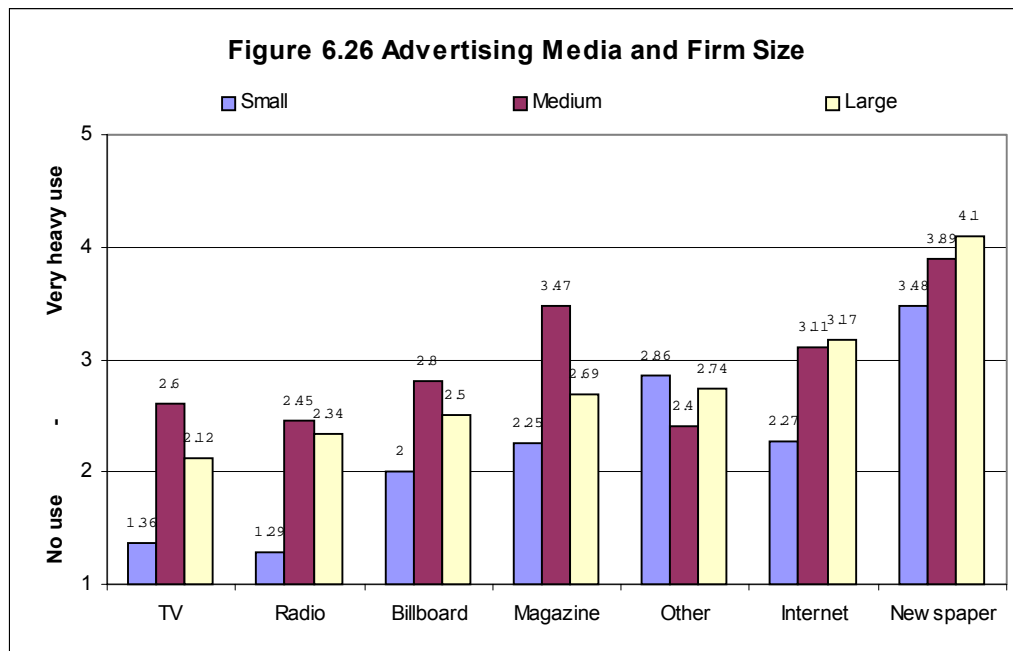
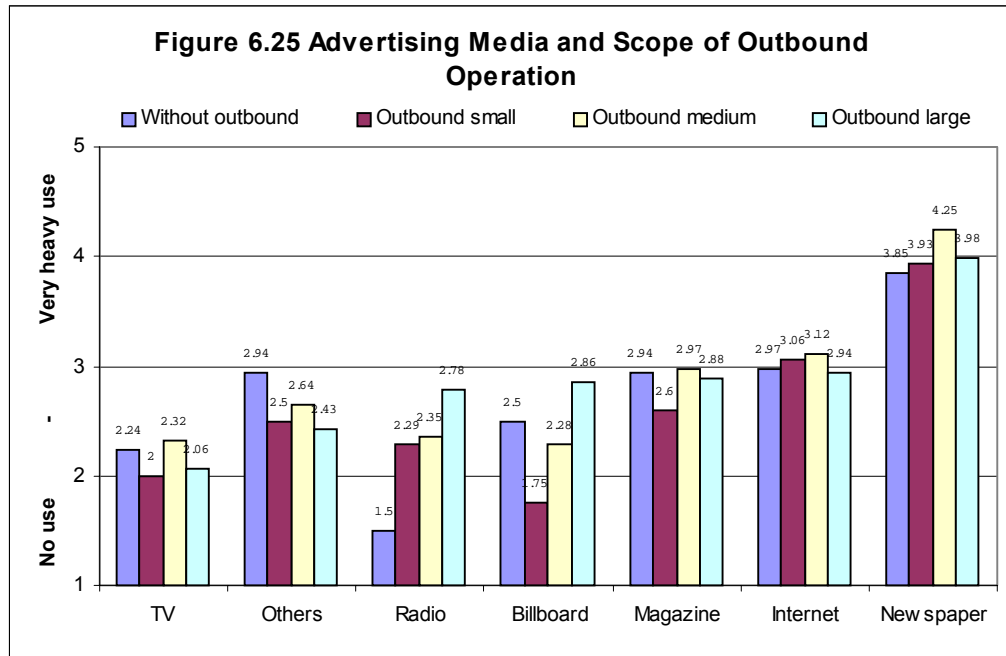
Where did all the commercial money go? Chinese travel agents mostly use newspapers in their sales promotion. TV and radio are the least used communication media by the Chinese travel industry (refer to Figure 6.23).



In newspaper advertising, 80% of the firms said they use newspapers heavily or very heavily (refer to Figure 6.24). Many local newspapers in China have a section called 'buy the excellent', where travel agents advertise very heavily.

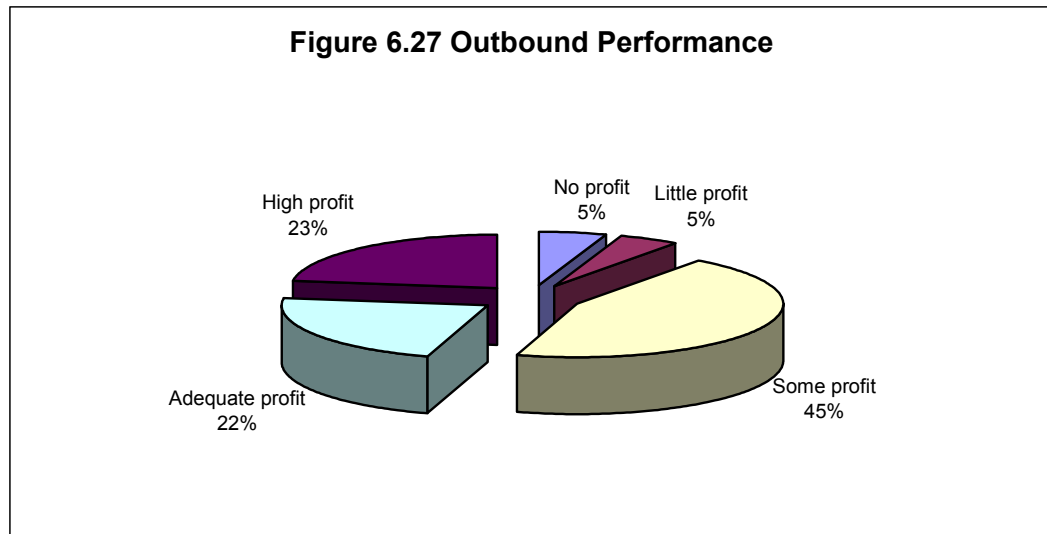
Figure 6.24 The Use of Newspaper By Travel Agents

Intra-industry analysis reveals that while most emphasis in commercial promotion is still on newspapers among firms with outbound operations (followed by internet advertising and magazines). Dividing firms into categories of without outbound, outbound small (1-7 destinations), outbound medium (8-13 destinations) and outbound large (14-20 destinations), Figure 6.25 shows different usages of media among different categories. It shows firms with a large scale of outbound operations have shifted their emphasis on radio, billboard and other categories (refer to Figure 6.25). Figure 6.26 is drawn according to firm size. It shows that medium size firms are more active than large firms.

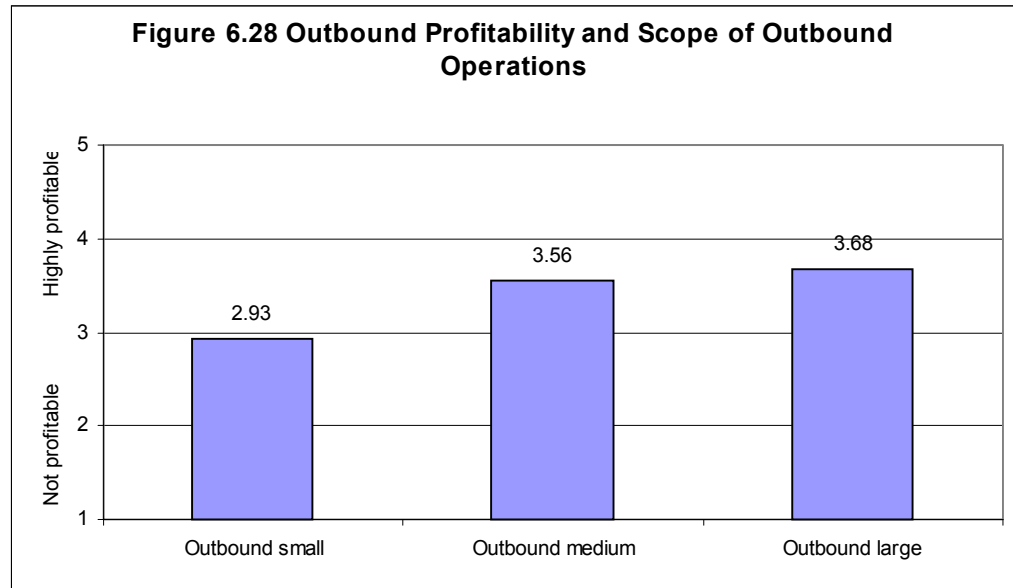


6.3.3 Outbound Performance

On average, outbound operations were rated as somewhere between ‘some profit’ and ‘adequate profit’. The survey has indicated that 45% of the industry said their outbound operation was profitable, while 22% and 23% said their operations had adequate profit and high profit respectively. Only 10% of them believed that their outbound operation showed either no profit or very little profit (refer to Figure 6.27).

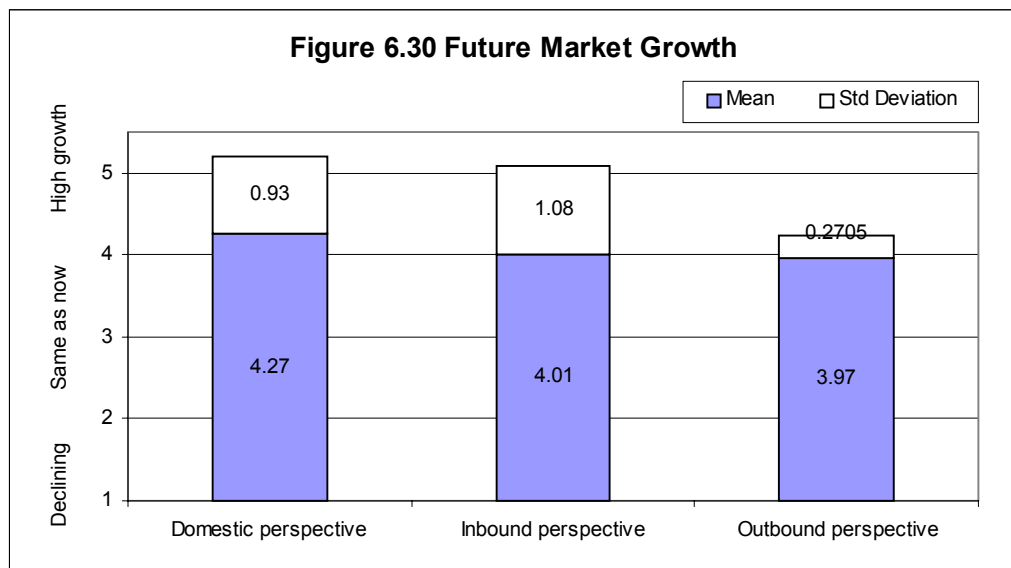
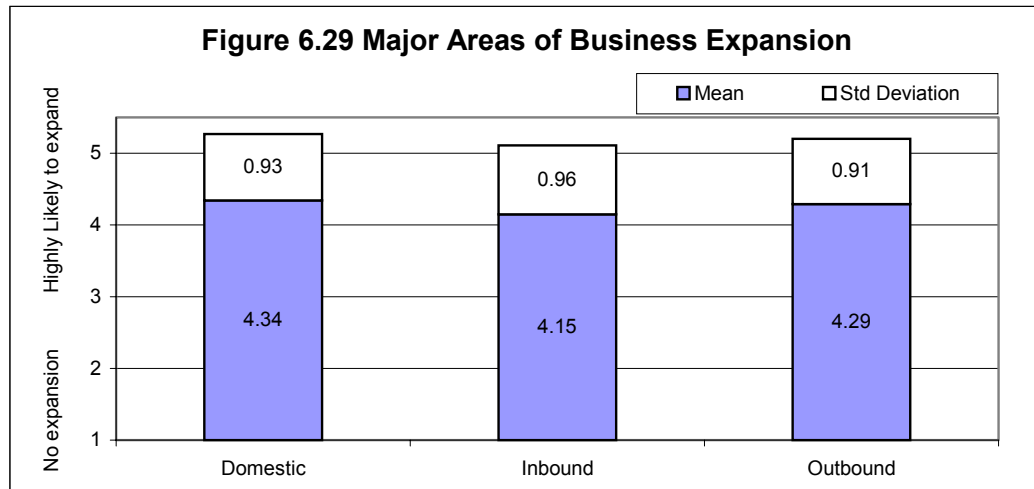


Further analysis reveals that profitability of outbound operations increases with the size of outbound operations. The more outbound destinations a firm operates to, the higher the profitability of the firm’s outbound operations (refer to Figure 6.28).



6.3.4 Future Market Expansion

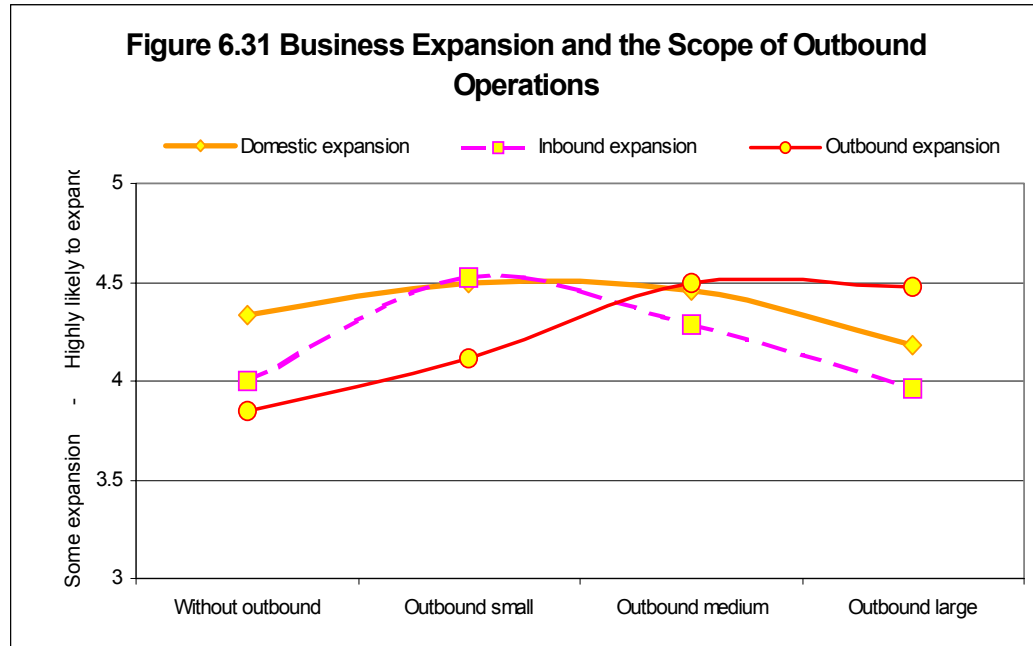
The Chinese travel industry is optimistic about the prospect of future business development in all three categories - domestic, inbound, and outbound – from both business expansion perspectives and market growth perspectives. Overall, domestic expansion was rated as the most likely to grow, followed by outbound expansion (refer to Figure 6.29). In regard to the future prospect of market growth, domestic growth looks better than inbound growth followed by outbound growth (refer to Figure 6.29 and 6.30). Although the outbound market might not grow as fast as the inbound market, the outbound market is a local market with business certainty for Chinese firms. Therefore, the perspective of outbound expansion is higher in Chinese industry than the prospective of inbound expansion because the inbound market is perceived as a more uncertain factor for business expansion (refer to Figure 6.29 and Figure 6.30). From the market entry point of view, this is a weak point for Chinese firms in their development of international tourism and a good entry point for western firms.



Intra-industry analysis demonstrates that the major areas of business expansion differ with the scale of outbound operations. Domestic tour operators are more likely to expand domestic operations. Outbound operators with a limited scale of outbound operations intend to expand their domestic and inbound operations more than their outbound operations. Generally speaking, as the scope of outbound operations increases, a firm's intentions to expand in the domestic and inbound business decline,

Strategies for Entering The Chinese Outbound Travel Market

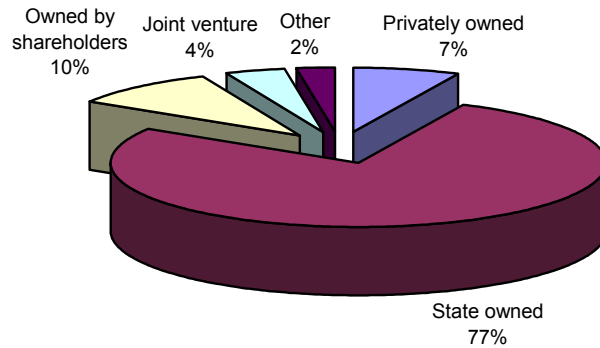
while their propensity for outbound expansion increases or at least is maintained (refer to Figure 6.31). From the viewpoint of Chinese market entry, targeting travel companies with 1-13 outbound destinations appears most promising.



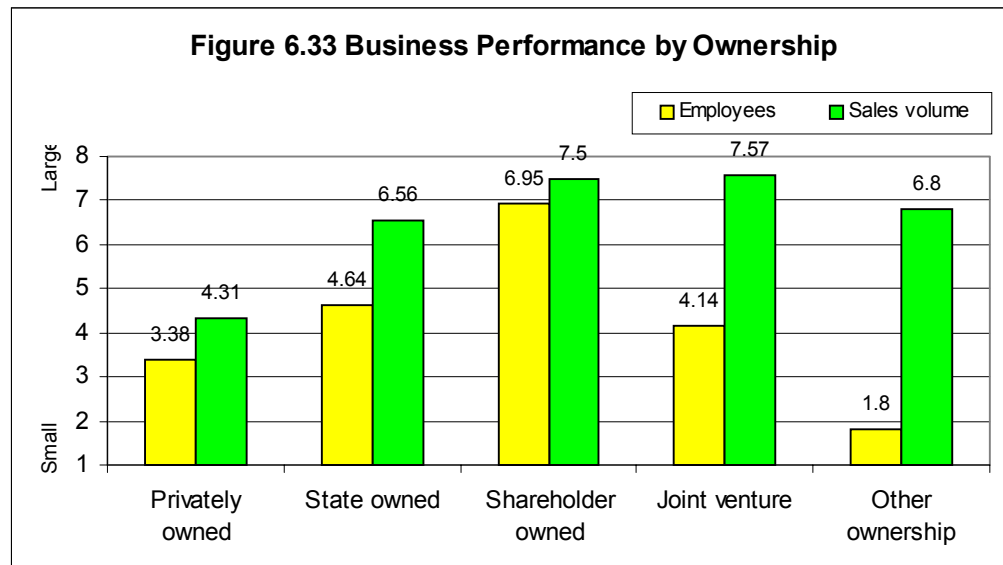
6.4 Strategic Performance

6.4.1 Ownership Structure

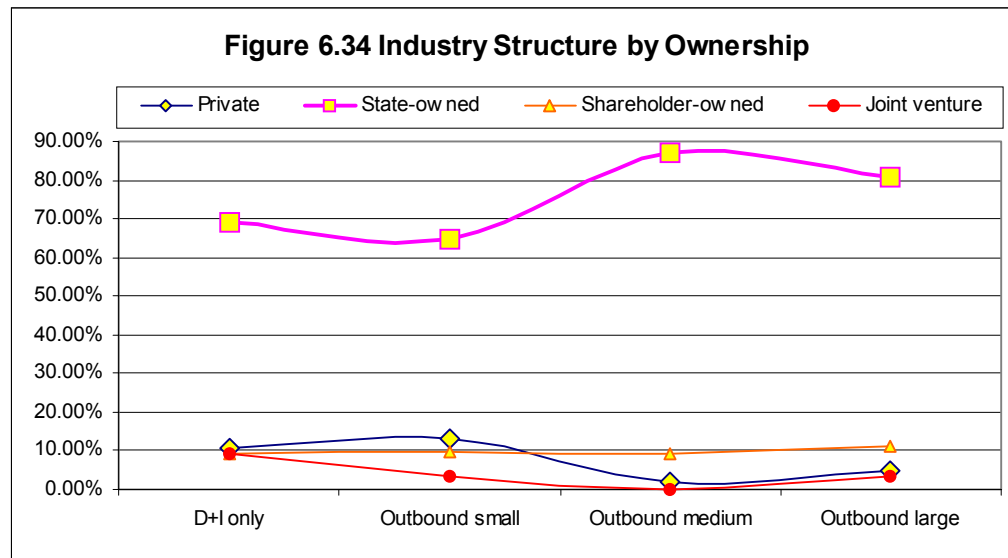
In China, the travel industry is dominated by state-owned enterprises, which account for about 77% of the industry. Private companies account for 6.9%. Shareholding companies 9.8%. Joint venture and other company types are relatively small accounting for 3.8% and 2.5% respectively (Figure 6.32).

Figure 6.32 Industry Structure by Ownership

In spite of their commanding position in the industry, state travel companies are relatively less efficient due to their relatively large employee size and relatively small sales volume. Shareholder and private companies are also inefficient. On the other hand, joint venture (and the 'other' category) companies are high performers in the industry. On average, joint venture companies had the largest annual sales record, however their average employee size was much smaller than the state and shareholder enterprises (refer to Figure 6.33). The indication here is that joint ventures are very important for the future efficiency of the Chinese travel industry.

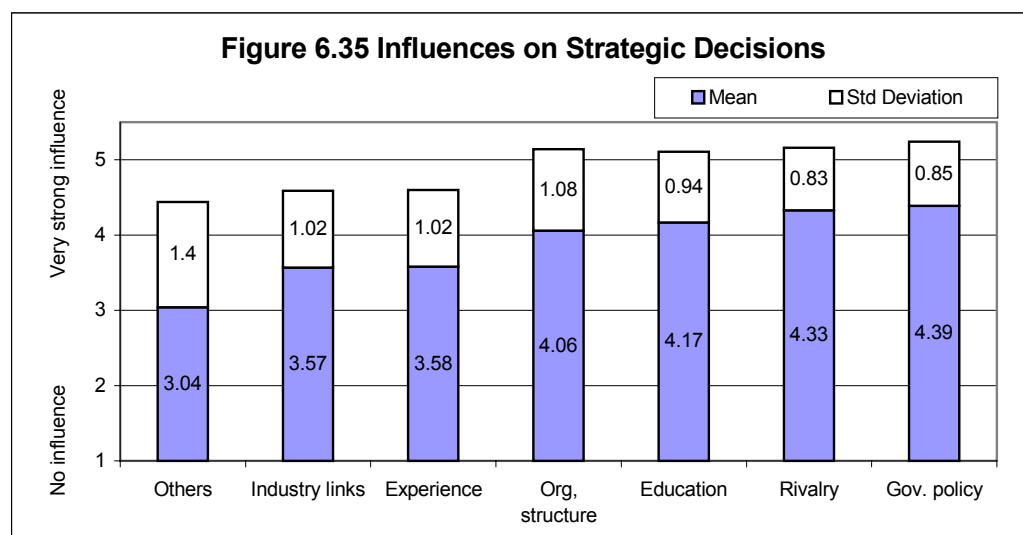


Intra-industry analysis shows the ownership structure of the industry differs with the scale and size of firms. Large firms with a large scale of outbound operations, to more foreign destinations, are more likely to be concentrated in the hands of the state. For firms with outbound operations to more than 7 destinations (Outbound medium and Outbound large categories), the state-owned firms account for more than 80%, while the private and joint venture firms account for less than 5% (refer to Figure 6.34). Excluding outbound (firms without any outbound operations) and Outbound small categories, the state-ownership is lower in percentage, while private and joint venture are much higher (refer to Figure 6.34).



6.4.2 Influences on Strategic Decisions

Strategic decisions are important mechanisms for business expansion and future development of the company and the industry. In pursuing strategic development in the tourism industry, the two most influential factors are government tourism policy and industry rivalry. Key personnel education and organisational structure also have strong influences on a firm's strategic decisions (refer to Figure 6.35).



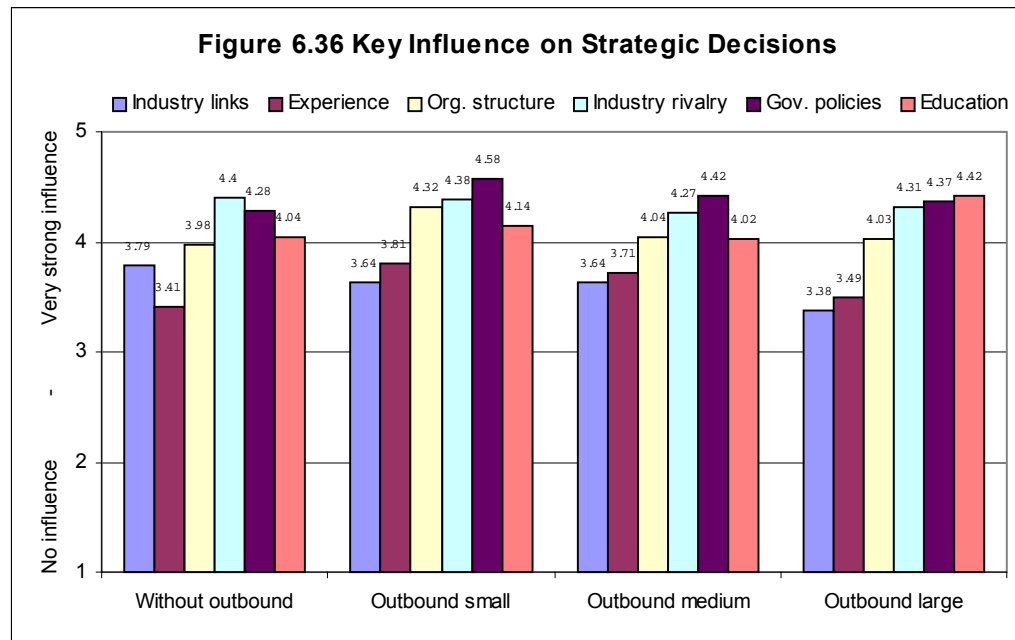
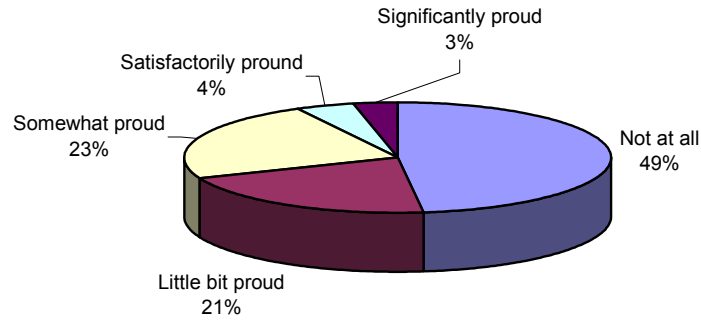


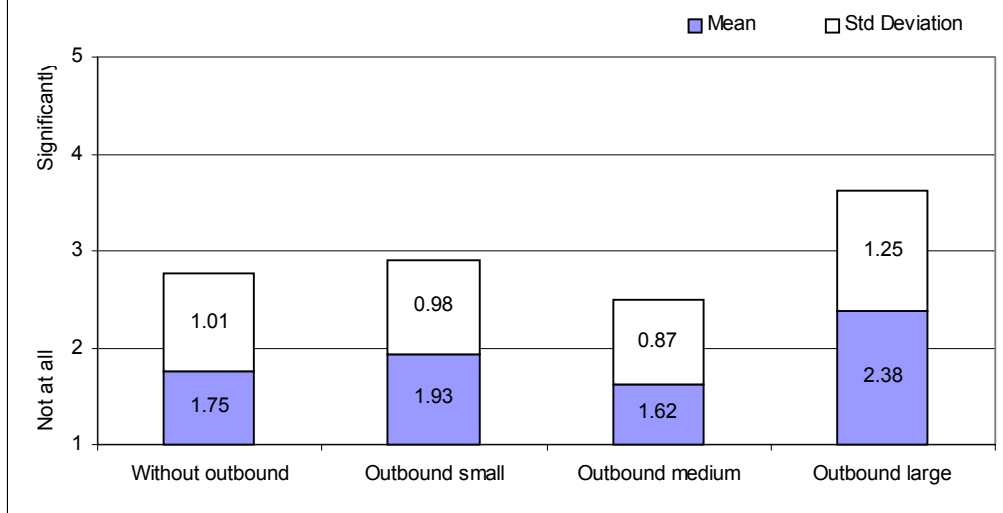
Figure 6.36 shows an intra-industry analysis. It reveals that government policies and organisational structure have more influence on a firm of Outbound small, while key personnel's education has a strong influence on firms of Outbound large.

Given the continuous update of government policies and intensified industry rivalry, the majority of the industry held a moderate view of their past experience, as well as industry links (refer to Figure 6.35). As a result, 70% of the industry were not proud of their past success. Only 7% in the industry said they were proud of themselves (refer to Figure 6.37). This also means that the Chinese travel industry is potentially dynamic and changeable. There are four reasons for this assessment:

- Chinese culture does not appreciate being self-proud.
- Past success is no guarantee to the future.
- Future competitive reality overshadows their assessment of the past.
- The future vulnerability of small firms.

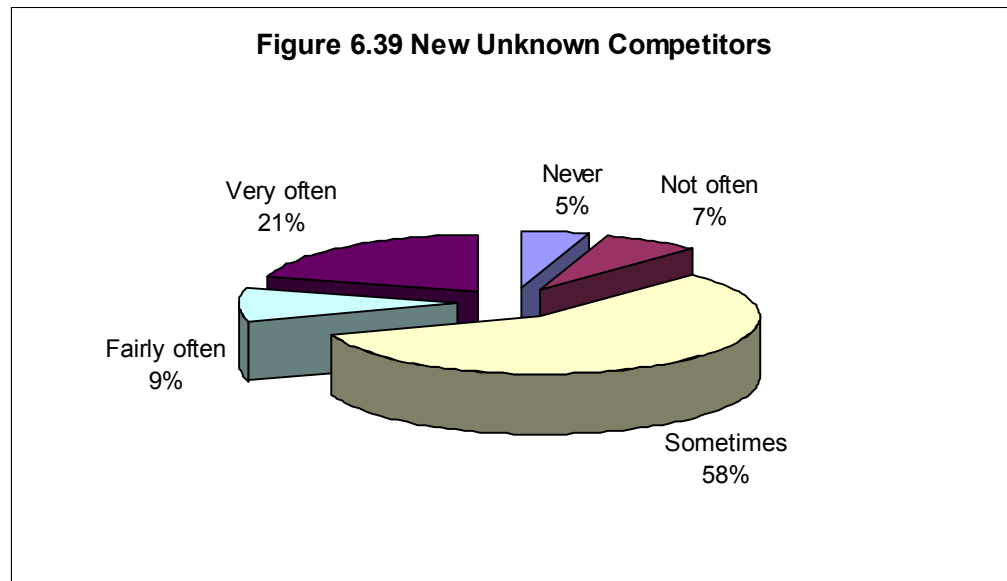
Figure 6.37 Attitude Towards towards Past Success

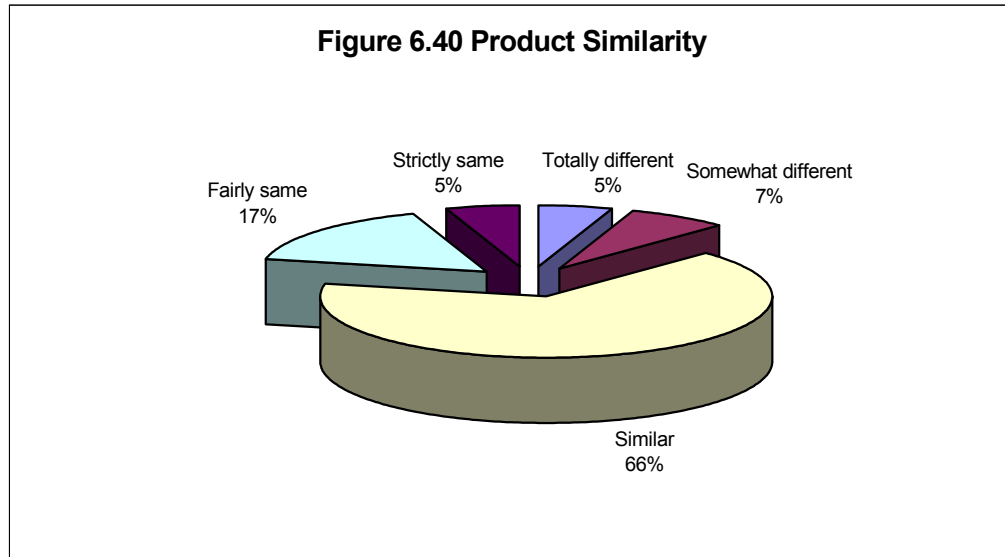
In spite of the generally humble attitude towards the past in the industry, the survey has also shown that domestic companies are the least pleased. Firms with outbound operations to more than 13 outbound destinations are the most proud (refer to Figure 6.38).

Figure 6.38 Proud of Past Success

6.4.3 Market Competitive Situation

At the industrial level, the degree of fragmentation is increasing continuously as new entrants enter the industry while existing firms grow. Figure 6.39 shows that the industry is still very dynamic. Almost 90% of the industry participants said they have met new unknown competitors. At the market level, Figure 6.40 on the other hand indicates that 90% of their travel products are similar. The strategic situation is a dynamic business environment meeting increasingly unified market demands, a situation that is a prelude to an industry shakeout in the near future. As mentioned earlier under ‘Situation I’ in Chapter Four, the competition in the Chinese travel industry will soon result in the market being “segmented on a massive scale; market competition fights on factor comparative advantage; and eventually low-cost and good quality wins.”





Market demands for low price and high quality travel products are the driving forces towards unified market segmentation. The survey has shown that about 60% of the companies mentioned that their customers' expectations were sometimes not satisfied by their travel experience (refer to Figure 6.41). About 80% of the companies said that quality problems in the market were the result of unsatisfactory operational procedures and quality control (refer to Figure 6.42). The quality problems in the current Chinese travel market often become government ammunition for further tightening the regulation of the industry, which will further increase entry barriers.

Figure 6.41 Unmet Expectations

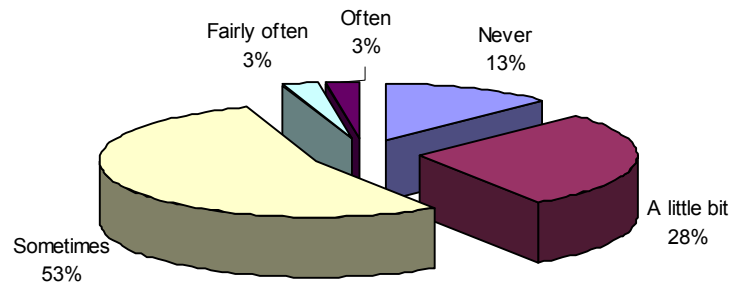
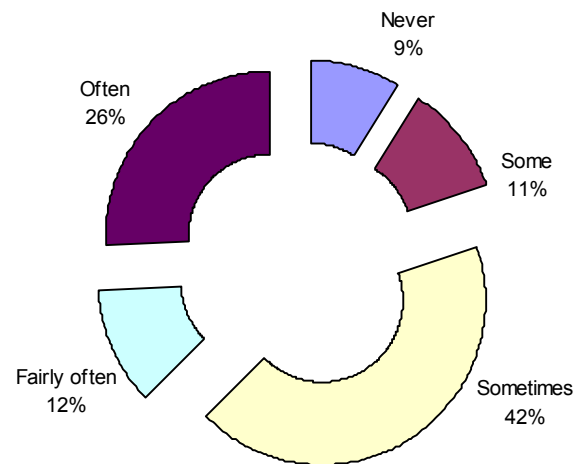


Figure 6.42 Unmet Expectations due to Operations

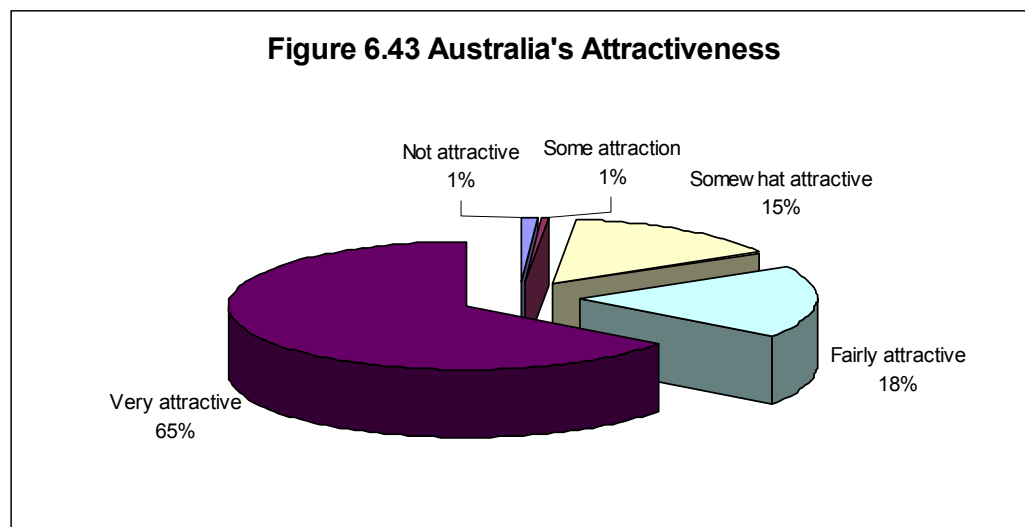


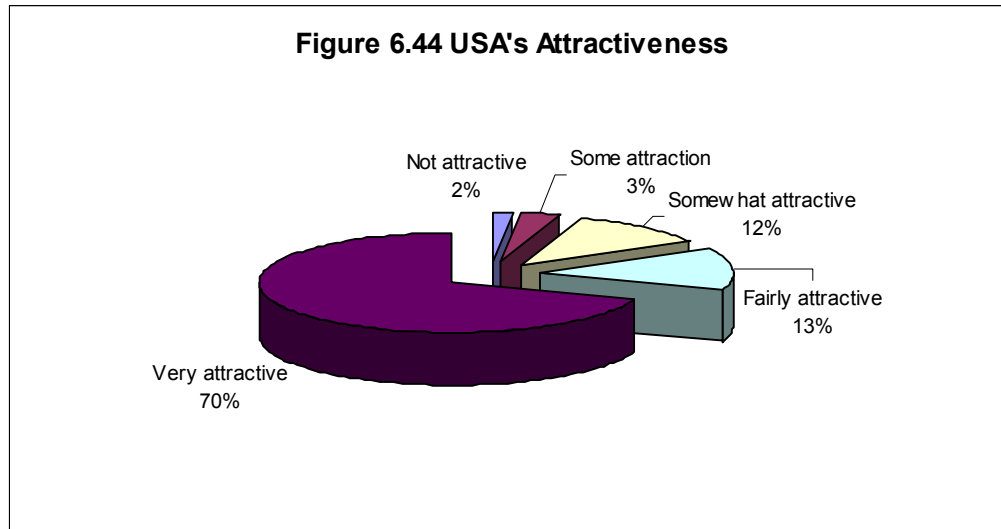
6.5 Out-bound expansion

6.5.1 Outbound Destinations

Strategies for Entering The Chinese Outbound Travel Market

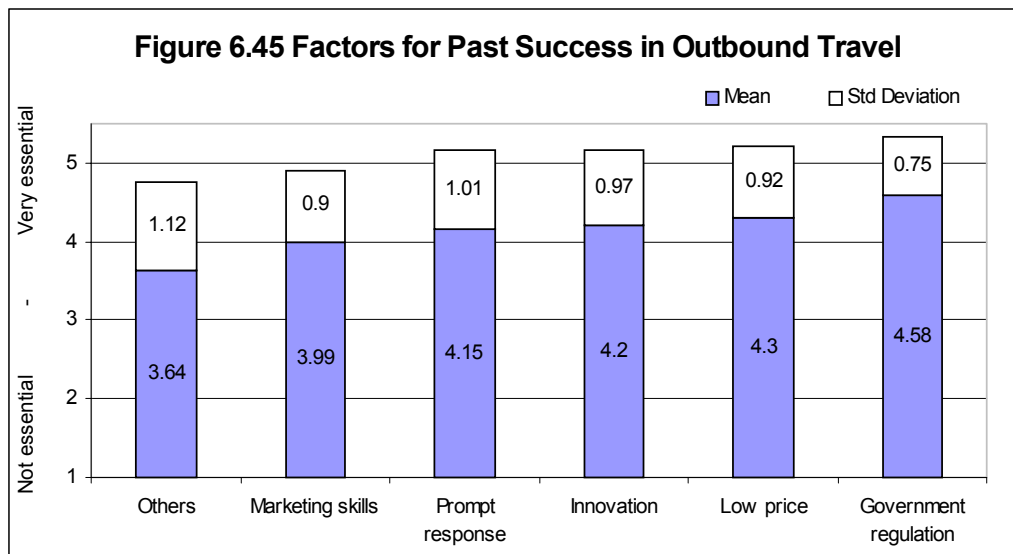
Which destination is most attractive to the Chinese market? What destination variables have attracted Chinese outbound travel? The question has been discussed previously in 6.4.2. It will be dealt with further here. The overall rating put Australia ahead of the USA. At the micro level, the survey has shown that the vast majority (98%) of the travel agents in China believe that Australia is attractive to their customers (refer to Figure 6.43). The percentage for the USA was 95% (refer to Figure 6.44). While 65% believed Australia was very attractive to their customers, 1.6% of the companies surveyed did not think that Australia was attractive enough. In comparison, 5.1% of the companies surveyed did not believe that the USA was attractive, while 69.7% believed that the USA was very attractive.



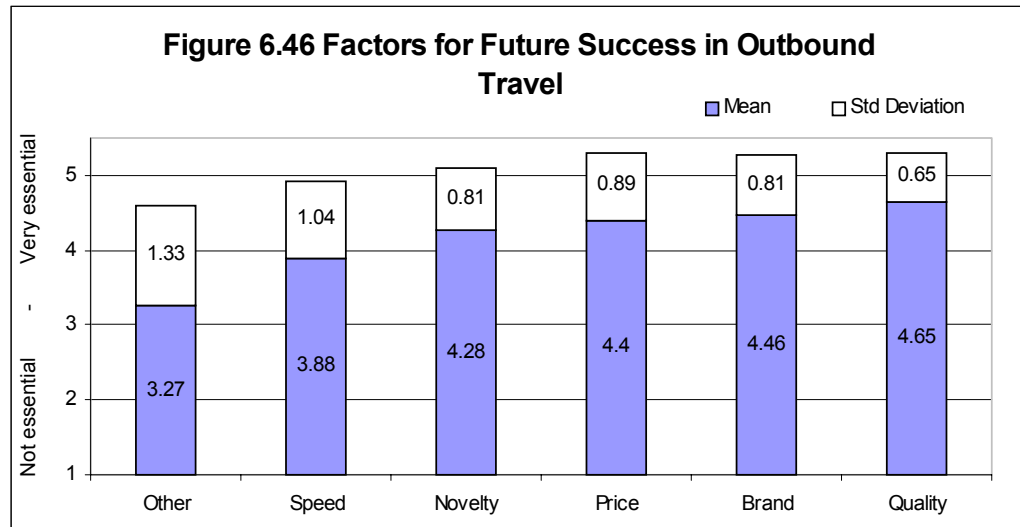


6.5.2 Factors for Outbound Success

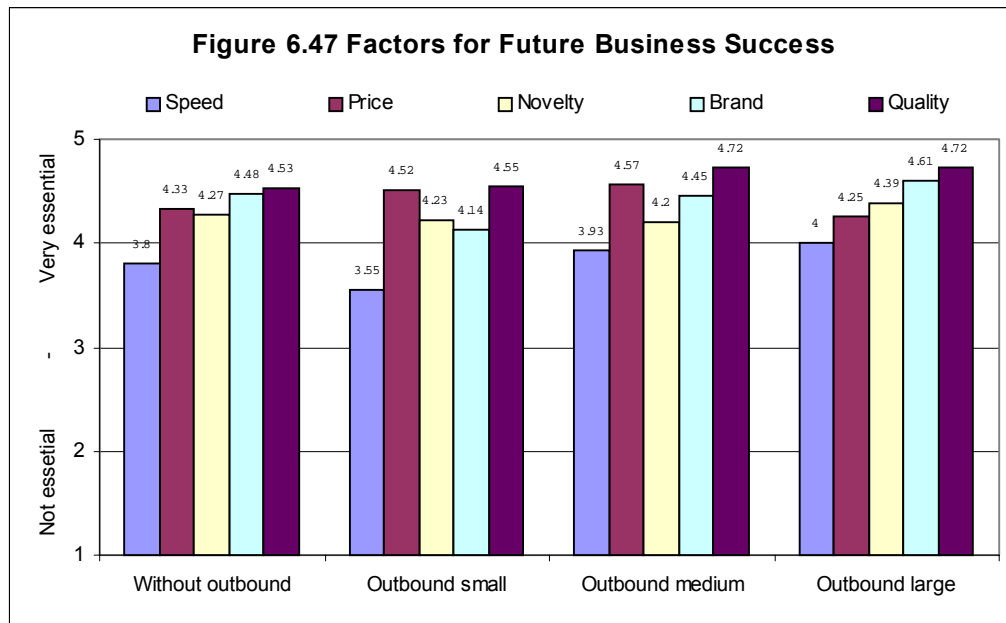
In regard to outbound success in the past, the survey has shown that ‘government regulation’ is the most essential factor (refer to Figure 6.45). ‘Low price’, ‘innovation’, ‘prompt response’ were also important factors for past success.



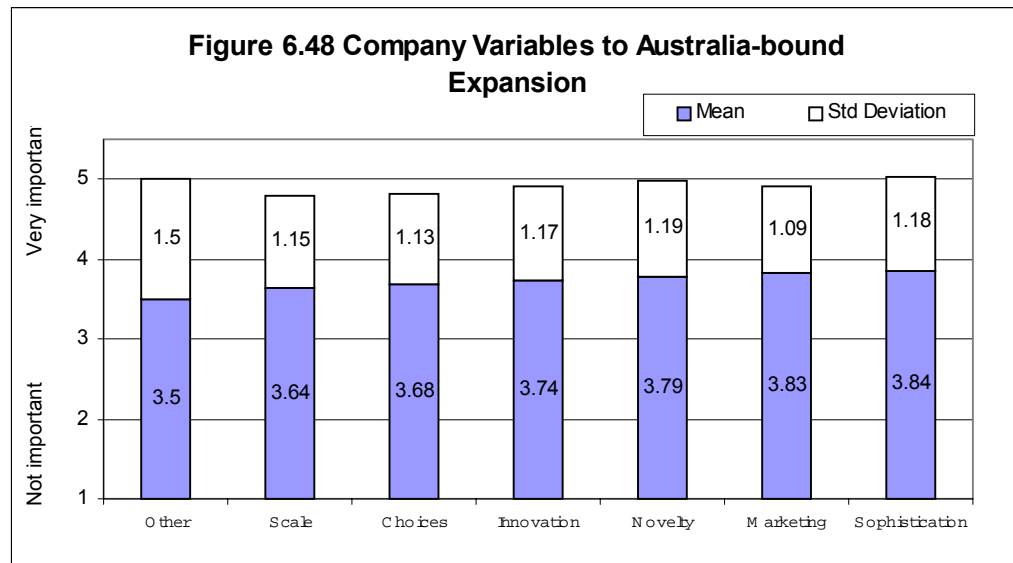
In regard to factors of future success that are under company control (refer to Figure 6.46), the survey has revealed that ‘quality’, ‘brand’, ‘price’ and ‘novelty’ are the most important elements of outbound travel.



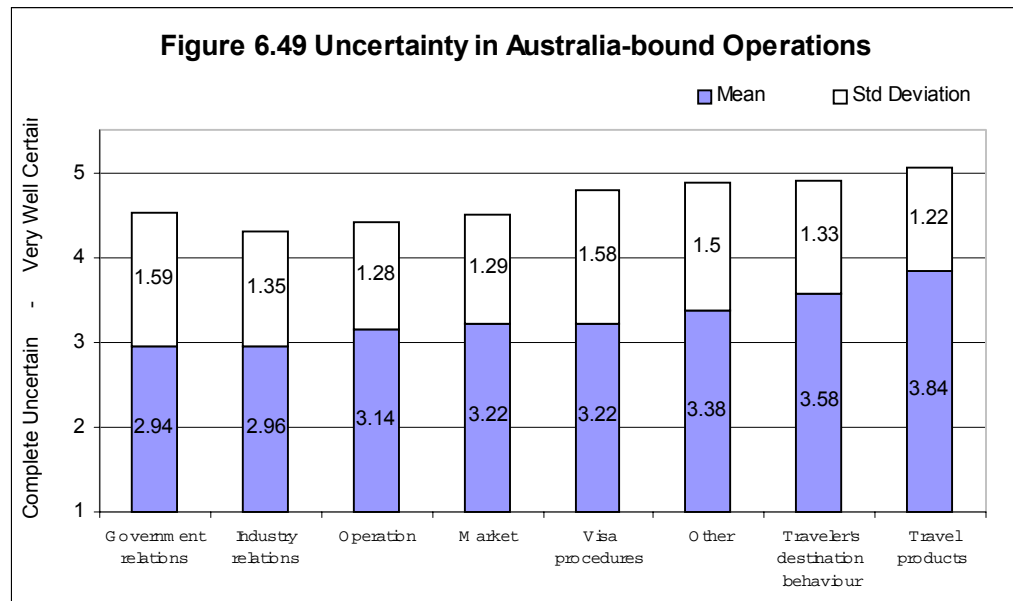
The intra-industry analysis on the survey data reveals firms with more than 13 outbound destinations believe that the future success resides in quality, brand and novelty, while firms with less than 14 outbound destinations believe the future is in quality and price. Price ranks less highly with the large outbound operators (refer to Figure 6.47).



In regard to what influences company expansion into Australia, the survey indicated that ‘government policy’, ‘innovation’ and ‘growth opportunities’ are the ones which matter most to Chinese travel companies (refer to Figure 6.12). As to how Australian expansion can serve the needs of the company, the survey found that Australian expansion creates market advantages in sophistication, marketing needs and novelty (refer to Figure 6.48). The benefits in other factors such as choice, scale and innovation are also strong.



In spite of the importance of government and industry in the development of Australia-bound expansion, the survey has demonstrated that the Chinese travel industry views government relations and industry relations as the most uncertain elements in its pursuit of Australia-bound operations. On the other hand, the survey has revealed that Australia as a category of product has become established in the Chinese travel industry (refer to Figure 6.49).



6.6 Australia-bound Firm Capability

6.6.1 Australia Outbound Operation

Confronted by Australia outbound opportunities and high market share growth, the Chinese travel industry has generally been well prepared. Most Chinese travel agents (about 70%) said they have prepared for Australian outbound operations, while 27.6% said they have specifically targeted efforts for this opportunity (refer to Figure 6.50 and Question 5.1 in Appendix A).

Figure 6.50 Readily Equipped for Australia-bound Operation

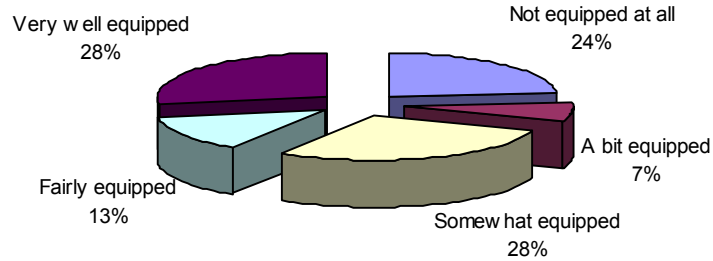
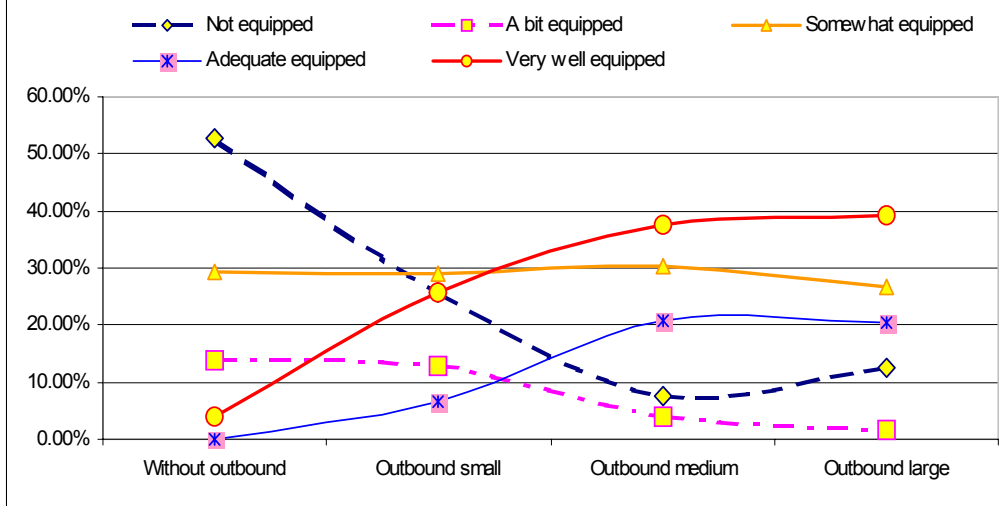


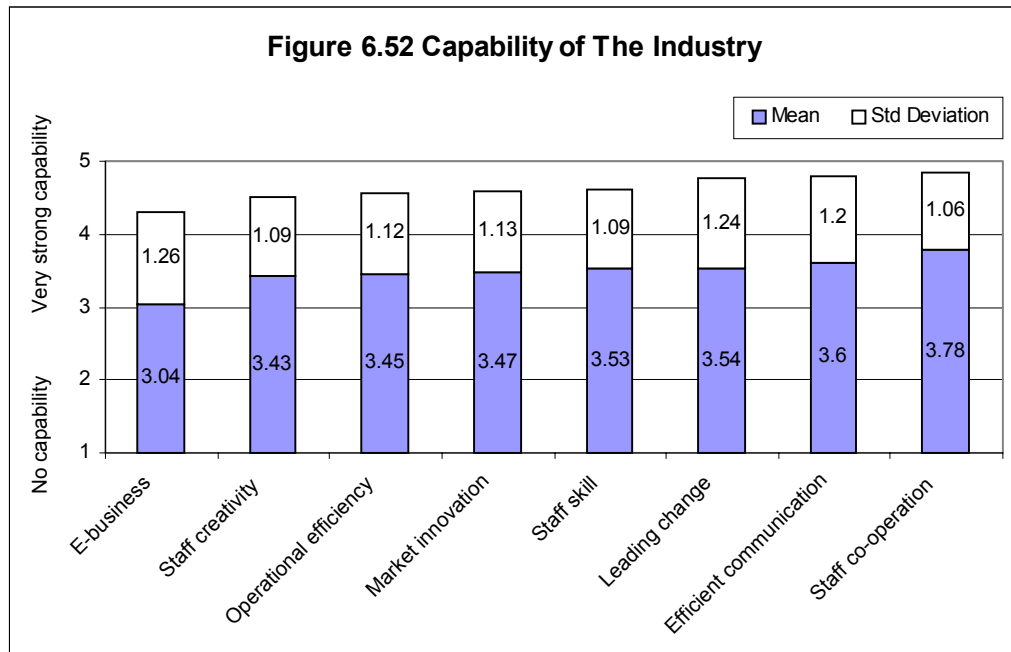
Figure 6.51 Equipped for Australia-bound Opportunity

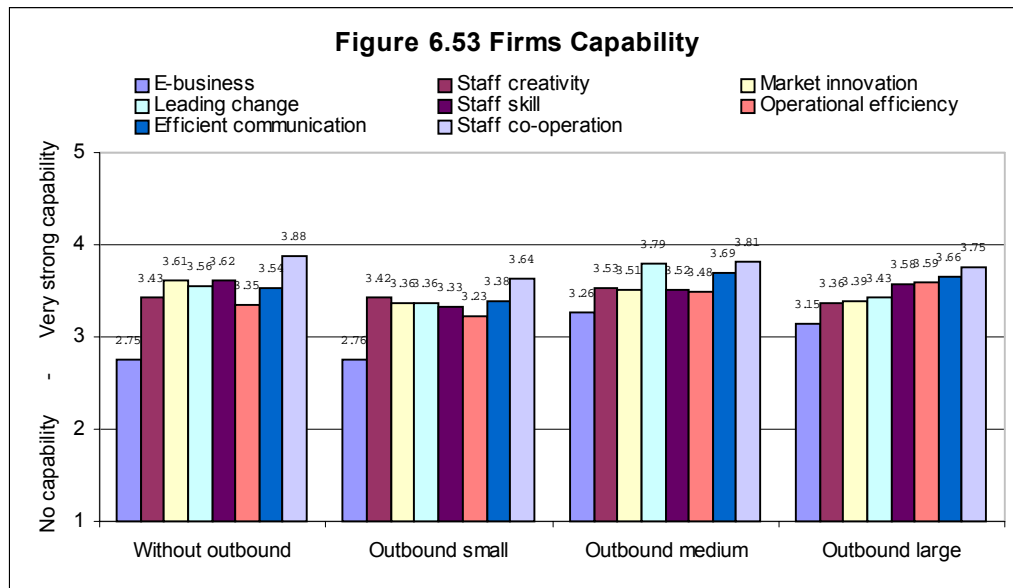


Intra-industry analysis reveals that firms with a large scale of outbound operations are generally prepared for the Australian outbound opportunity, while the domestic oriented operators are the least prepared (refer to Figure 6.51 and Question 5.1 in Appendix A).

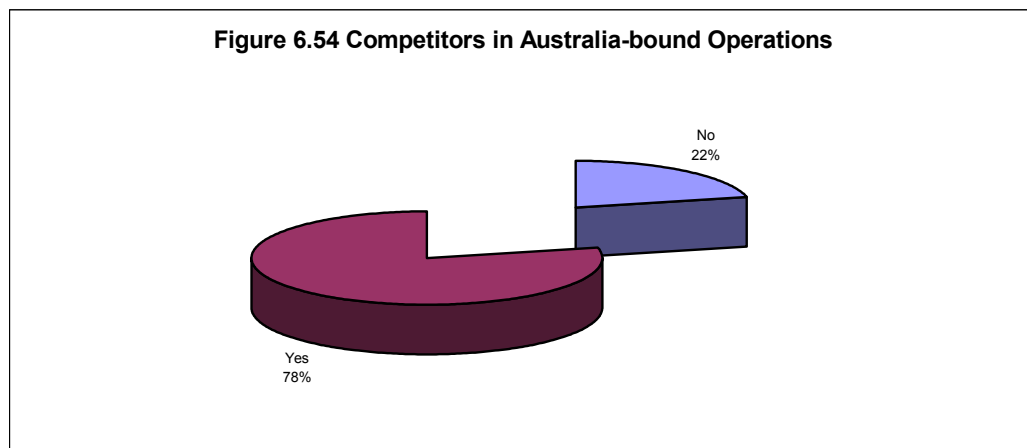
Strategies for Entering The Chinese Outbound Travel Market

In regard to the firm's internal capability in all aspects of operation, the survey results have shown that Chinese firms believe their leading capability is in 'staff co-operation' followed by 'efficient communication' between staff. E-business is regarded as the weakest capability of firms (refer to Figure 6.52). However, the author did notice, during the survey, some very efficient firms which put a lot of emphasis on e-business in their inbound operations. Intra-industry analysis reveals that firms with a medium scale of outbound operations (Outbound medium) are strong in leading change (refer to Figure 6.53 and Question 5.3 in Appendix A).



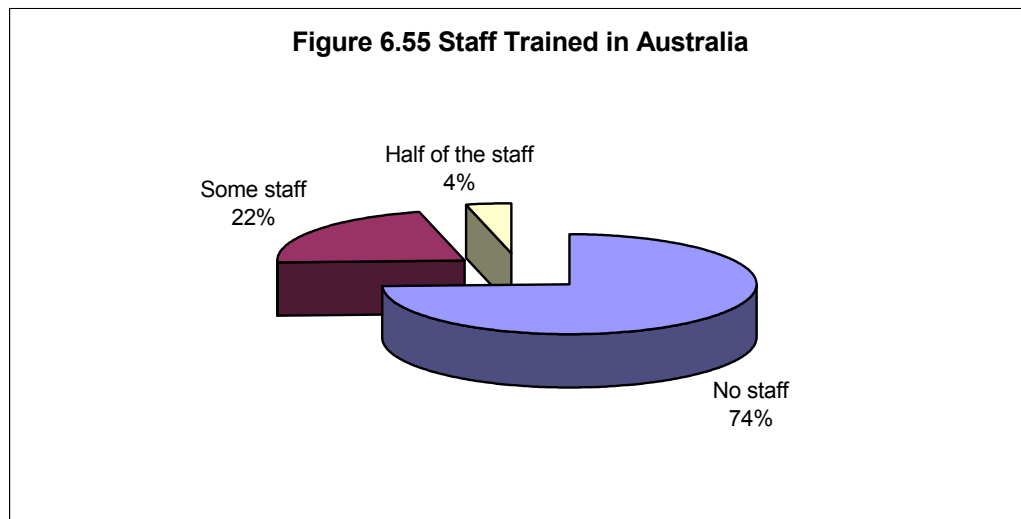


As to the competitive situation in Australia-bound operations, the majority of companies (about 80%) in the survey said they knew who their competitors were in Australian outbound competition (refer to Figure 6.54 and Question 5.4 in Appendix A).

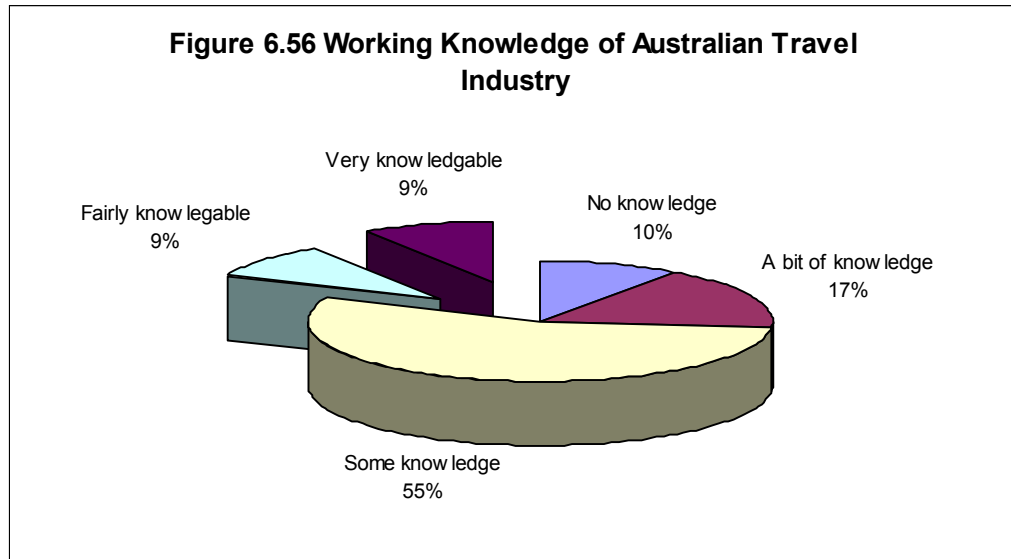


6.6.2 Australian Connection

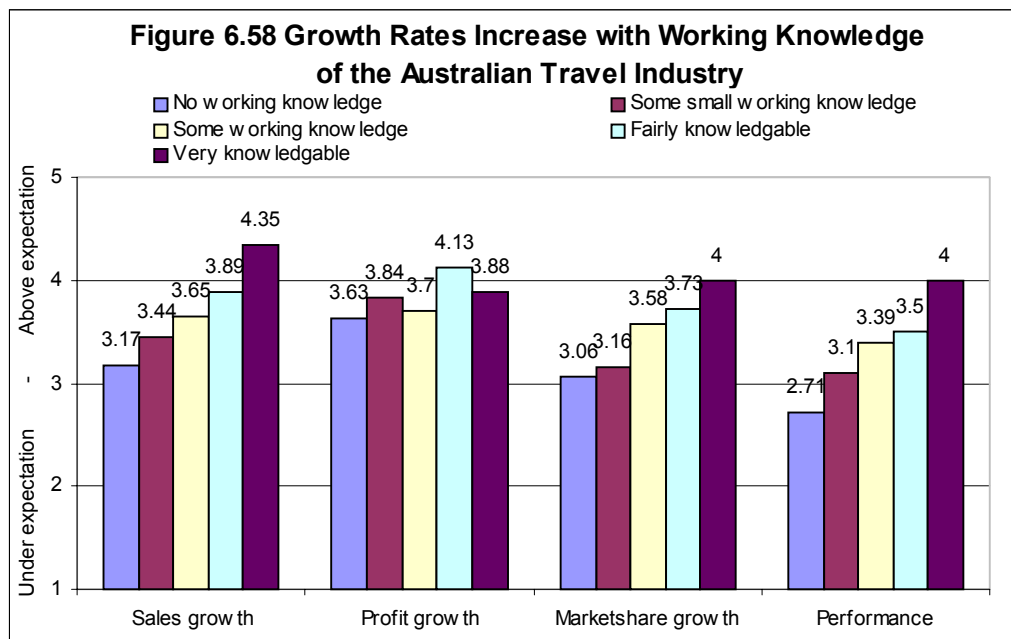
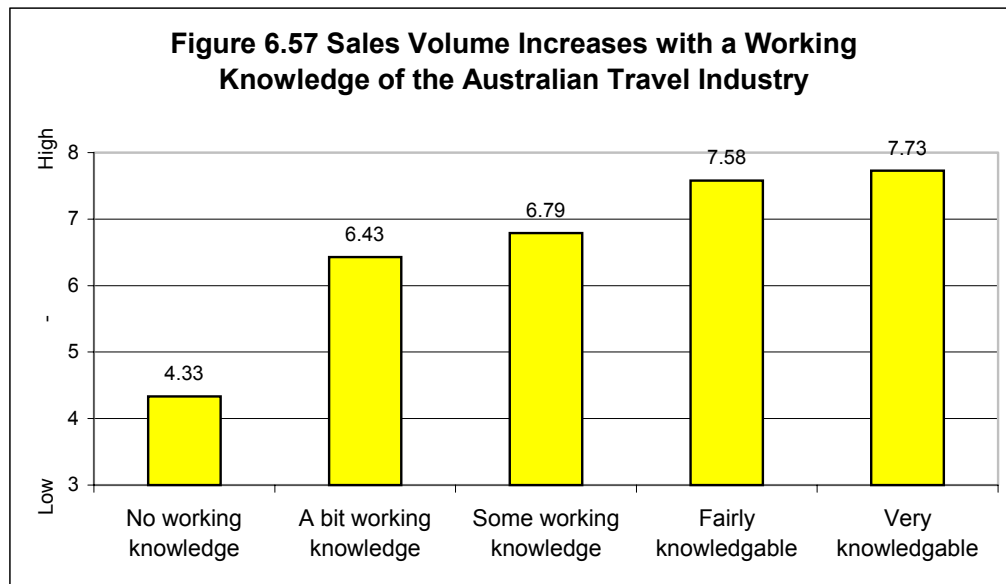
Few companies in the Chinese travel industry have Australia-trained staff or have their staff trained in Australia. The survey has found that the majority (74%) of the industry has no staff trained in Australia. While 22% of the companies said they had some staff trained in Australia, and 4% believed that half of their staff were trained in Australia (refer to Figure 6.55 and Question 6.1 in Appendix A). This could mean that some travel companies were established by returning Australian trained Chinese students.



In regard to how familiar the Chinese industry was with the Australian travel industry, the survey data have shown that only 18% of the industry believed they possessed an above adequate level of knowledge. The rest either have some working knowledge of the Australian travel industry or no knowledge at all (refer to Figure 6.56 and Question 6.3 in Appendix A).

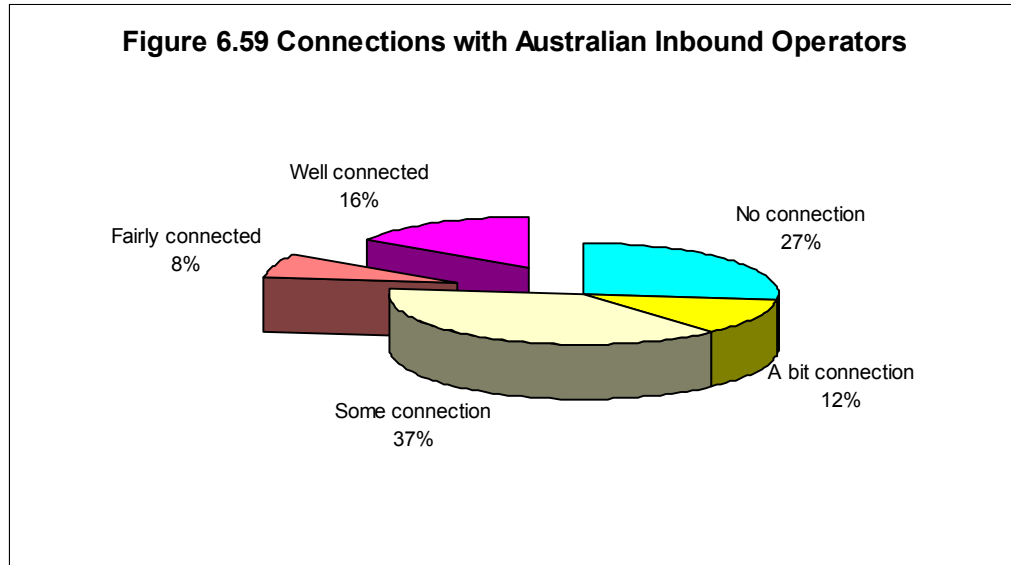


Further analysis of the survey data reveals that Australia-oriented knowledge levels have positive relations with all growth aspects of firms (refer to Figure 6.58). Figure 6.57 shows that company size increases with increasing knowledge of the Australian travel industry. This means that the larger Chinese firms have already targeted Australia outbound opportunities.

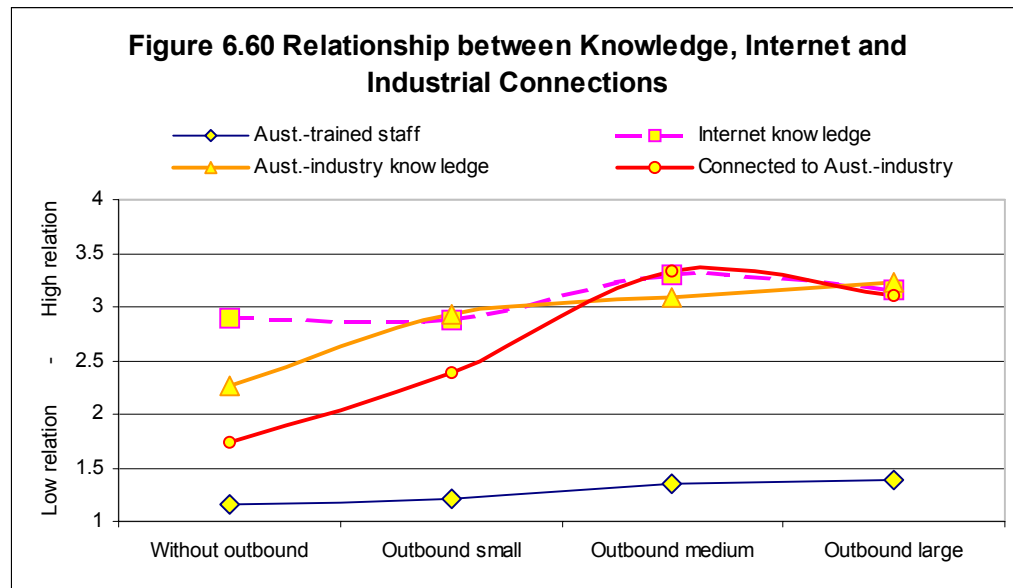


The survey has also revealed that 16% of the firms surveyed said they were very well connected with the Australian travel industry, while 8% of the firms said they were

fairly well connected with the Australian inbound operators (refer to Figure 6.59 and Question 6.4 in Appendix A).

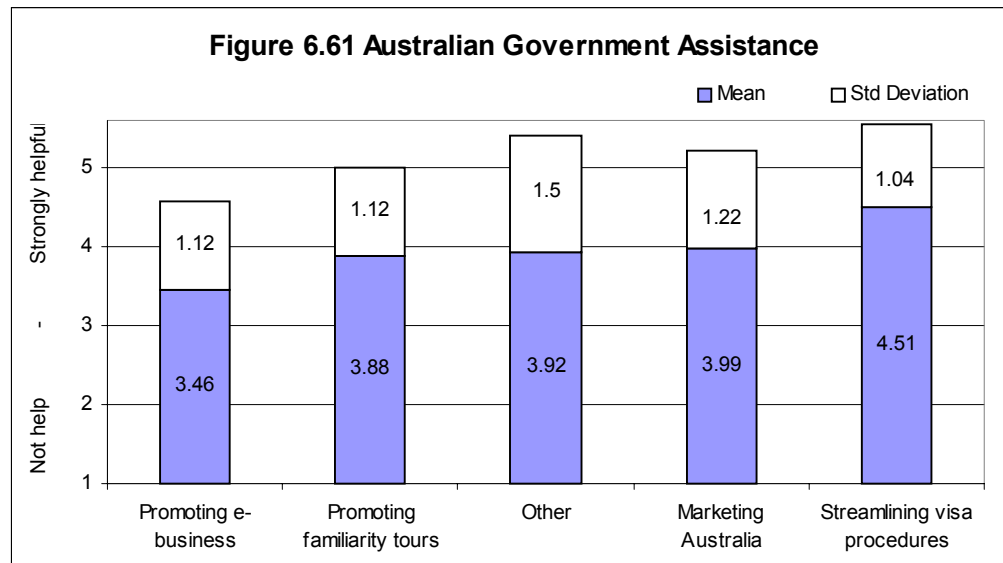


Intra-industry analysis reveals that a working knowledge of the Australian travel industry has a strong relationship with Australian industry connection for firms with more than 7 outbound destinations (refer to Figure 6.60 and Questions 6.1, 6.2, 6.3 and 6.4 in Appendix A).



6.6.3 Australian Government Assistance

Despite the great opportunities for the development of Australia outbound operations, a healthy environment to accelerate the formation of industry structure is also essential for future success. When asked about how the Australian government can help generate Australia-bound growth, almost all Chinese travel companies consistently stated that the most important area that the Australian government should assist was: ‘simplifying visa procedures’ and making it transparent and predictable. The second important area is to ‘market Australia’ as a worthwhile outbound destination, which was then followed by promoting familiarity tours (refer to Figure 6.61 and Question 6.5 in Appendix A).



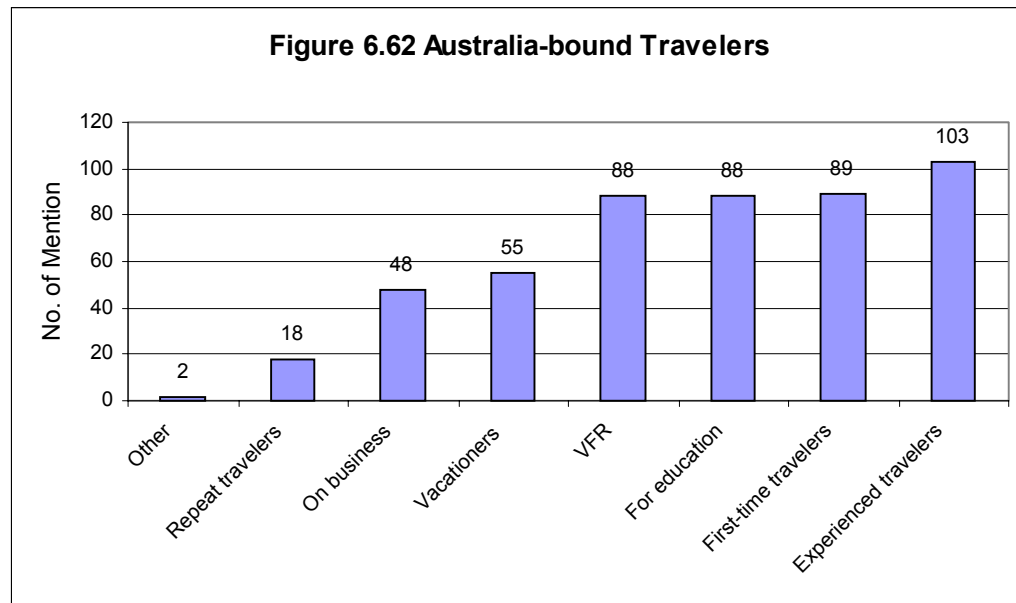
6.7 Australia-bound Demand

6.7.1 Strong Images of Australia

Australia's attractions for the Chinese travel market have been discussed in section 6.5.1. Generally speaking, Australia has strong images in areas such as 'world-famous landscape', 'world-famous buildings', 'attractive wildlife', 'clean environment', and 'being different' (refer to Figure 8.16). The development of Australian outbound travel products should be centred on these strengths.

6.7.2 Australia-bound Travelers

The questionnaire also asked what kind of traveler the Chinese travel firms are most likely to deal with in their Australian outbound operations. The most frequently mentioned Australia-bound traveler type is 'experienced travelers', followed by 'first-time travelers', 'VFR travelers', and 'travelers for education purposes'. Vacation and business travelers were also mentioned, but less frequently (refer to Figure 6.62 and Question 7.2 in Appendix A). Here, vacationer means that the traveler who has traveled to other outbound destinations before coming to Australia for a holiday.



6.7.3 Trade Online for Australia-bound Growth

Business to business (B2B) communication through internet is a fast, efficient and significant way for future business operation both internally and externally. B2B online trade has the potential to increase the future business operation efficiency in international travel and tourism. The survey has found that 93% in the Chinese travel industry believed that B2B online trade in Australian outbound tourism is useful in the future. Currently, 36% of the industry strongly believe that will be the case (refer to Figure 6.63 and Question 7.3 in Appendix A). Firms with a large scale of outbound operations believe that B2B online can help Australia-bound growth (refer to Figure 6.64 and Question 7.3 in Appendix A).

Figure 6.63 Usefulness in B2B Trade Online for Australia Outbound Operation

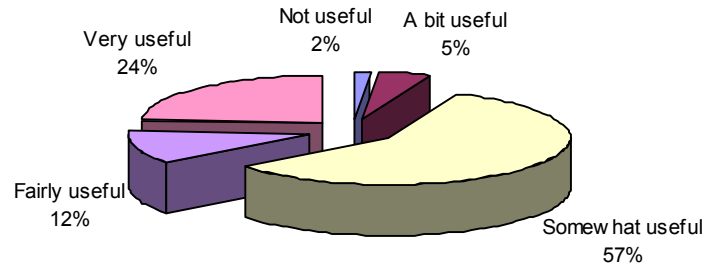
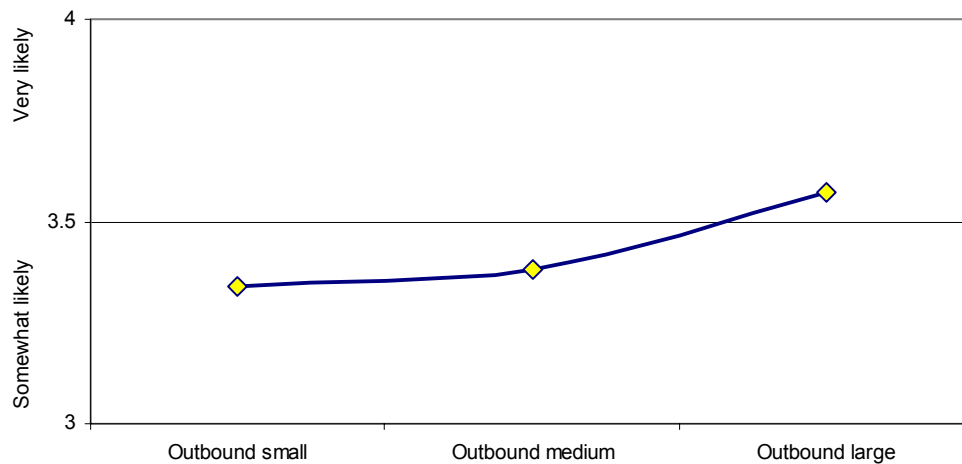


Figure 6.64 B2B Facilitating Australia-bound Growth



6.8 Conclusion

This chapter can be summarised as follows:

The Chinese tourism industry is a young industry. More than 90% of the firms are less than 20 years old. In comparison, the Chinese outbound industry is even younger. The

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majority are less than 10 years old. This means that the industry and market are still in an early growth stage of economic development. There are great potential opportunities for strategic thinking at this stage.

Business performance of the industry is above expectations. The industry grew with the market. Overall, medium and large firms outperformed small firms in all areas of assessment. According to ownership, joint venture firms are the most efficient of all categories. Shareholder and privately owned are the worst, even worse than state-owned firms (shareholder companies can still be partly owned by the state). There are more state-owned firms (percentage) with a large scale of outbound operations.

The outbound operation of the industry has grown from about 10% of total sales in 1996 to about 13.5% in 1999. About 90% of the firms said that their outbound operations were profitable, which included 22% who stated adequate profit and 23% high profit. Overall, firms with a large scale of outbound operations outperformed firms with small outbound operations in profit. The most mentioned outbound destination is Thailand, while the most mentioned western destination is Australia, which was fifth overall.

Approximately, 72% of the firms used the internet or e-business in their travel business for advertising and business communication. However, the internet is the second most used media for commercial advertisement. The most frequently used media is newspaper. Factors that were most influential on strategic decisions in the Chinese industry are Government policies, rivalry, education and organisational structure. The most distinctive capability of the Chinese industry is staff co-operation, while the least is e-business. According to the number of employees, 18% of firms can be classified as large firms with more than 250 employees, while 57% are small firms with less than 80 employees. Most firms in the Chinese travel industry are state-owned, accounting for about 77% of the total. Although Australia-bound operations are only a small portion of overall outbound business, it is growing very rapidly with 600% growth from 1996 to 1999. Overall company performance is above expectation.

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CHAPTER SEVEN

GENERAL RESEARCH FINDINGS

7.1 Industry Dynamics and Industry Structure

Introduction

In Chapter Four, the framework of the present Chinese outbound industry in Figure 4.4 has shown that the current tourism outflow from China is mainly through two key conduits –authorised and unauthorised channels. The authorised channel is comprised of authorised outbound operators in the Chinese tourism industry that are given autonomy in conducting outbound holiday operations. The survey sample contains 65 firms that belong to the authorised channel.

The unauthorised channel consists of travel agents (D+I travel agents) that are not authorised to conduct outbound holiday operations. However, this channel can arrange outbound travel for other purposes through a different authorisation process. In the survey sample, there are 145 firms that belong to this category. Do the outbound dynamics of the two channels differ significantly under the current industrial context? Four research hypotheses (hypothesis 1 to hypothesis 4) are identified in Chapter Four. In this chapter, the objective is to test these four research hypotheses for the two channels of the Chinese tourism industry by comparing the means of the two groups for firm capability; firm nature and performance; firm strategy for the future; and the firm product offering. These hypotheses are restated below:

Hypothesis 1: The industry dynamics for the two different channel operators lead to different levels of firm capability (refer to Figure 4.4). The null hypothesis to be tested is that there is no significant difference in firm capability between the two channels.

Hypothesis 2: The industry dynamics for the two different channel operators lead to different firm structure and performance (refer to Figure 4.4). The null hypothesis to be tested is that there is no significant difference in firm structure and performance between the two channels.

Hypothesis 3: The industry dynamics for the two different channel operators lead to different firm strategy for the future (refer to Figure 4.4). The null hypothesis to be tested is that there is no significant difference in firm strategy for the future between the two channels.

Hypothesis 4: The industry dynamics for the two different channel operators lead to different firm product offering (refer to Figure 4.4). The null hypothesis to be tested is that there is no significant difference in firm product offering between the two channels.

7.1.1 Strategic Profiles for The Authorised Outbound Operators and the D+I Travel Agents

In order to test the hypotheses identified above for the two channels, the relevant questions for each of the hypotheses (1-4) in the questionnaire are identified (refer to Appendix A), and a summary display of the means and t-statistic tables are listed in Table 7.0. The mean scores and independent t-tests are computed using SPSS software.

Table 7.0 Process of Test for Hypotheses 1-4.

Hypotheses to be tested	Questions to be analysed (refer to Appendix A)	Figures	Tables
Hypothesis One	<ul style="list-style-type: none"> • Q2.8: business expansion; • Q2.9: Internet potential; • Q3.3: Factor influences on strategic decisions; • Q3.7: Perceived inbound opportunity; • Q3.8: Perceived domestic opportunity; • Q4.6: Most likely reasons for Australia-bound expansion; • Q5.1: Readiness for Australia-bound operations; • Q5.3: Distinctive capability. 	Figure 7.1 Figure 7.2 Figure 7.3 Figure 7.4 Figure 7.5 Figure 7.6 Figure 7.7	Table 7.1 Table 7.2 Table 7.3 Table 7.4 Table 7.5 Table 7.6 Table 7.7
Hypothesis Two	<ul style="list-style-type: none"> • Q2.1: Sales growth; • Q2.2: Profit growth; • Q2.3: Marketshare growth; • Q2.4: Overall company performance; • Q2.7: Outbound profitability. 	Figure 7.8 Figure 7.9 Figure 7.10	Table 7.8 Table 7.9 Table 7.10
Hypothesis Three	<ul style="list-style-type: none"> • Q2.5: Money in advertising; • Q3.10: New unknown competitors; • Q3.14: Readiness for e-business; • Q4.2: Essential factors for past outbound success; • Q4.3: Characteristics essential for future market success. 	Figure 7.11 Figure 7.12 Figure 7.13 Figure 7.14 Figure 7.15	Table 7.11 Table 7.12 Table 7.13 Table 7.14 Table 7.15
Hypothesis Four	<ul style="list-style-type: none"> • Q3.11: Similarity of product; • Q3.12: Unmet expectation of travel desire; • Q3.13: Unsatisfying operational quality; • Q4.7: Important factors to Australian expansion. 	Figure 7.16 Figure 7.17 Figure 7.18	Table 7.16 Table 7.17 Table 7.18

A significance level of 95% is used to test the hypotheses. There is an assumption that the data are normally distributed. For each t-test, a table of skewness measures are provided to test for a normal distribution. The Mann-Whitney U test (rank sum test) is

used where the data does not form a normal distribution (is highly skewed). The Mann-Whitney U test is a non-parametric analysis that does not require the data to be normally distributed. Transformation of the data is not done because it is not successful in achieving a normal distribution in many cases, and it was decided that the Mann-Whitney U test could provide a single alternative test for skewed data.

The direction of the t-test and Mann-Whitney U test indicate:

- A positive t-obtained value indicates that the unauthorised channel has a significantly higher mean score.
- A negative sign indicates that the authorised channel has a significantly higher mean score.

7.1.2 Firm Capability

The objective of this section is to test Hypothesis One. The test is whether the null hypothesis can be rejected, that there are no differences in the two sub-groups of the population. T-statistics are used to test for a difference between the means of the two groups. The test is based upon 95% statistical significance.

Question 2.8: This question attempts to measure a firm's capability from its intentions for business expansion in the domestic, inbound and outbound markets. The general assumption is that firms intend to expand their current business. Table 7.1a lists the skewnesses of all three variables in Question 2.8. It shows that they are all distributed normally. Table 7.1 shows the t-tests between the authorised and unauthorised channels. The mean differences for domestic and inbound expansion between the authorised and unauthorised channels are statistically insignificant, while the mean difference in outbound expansion is statistically significant.

The conclusion is that the unauthorised channel has a significantly lower mean for expansion in outbound travel than the authorised channel. However, there appears to be little difference between the channels on the issues of domestic and inbound expansion.

Table 7.1a Normality Check on Data Distribution for Question 2.8 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q2.8	Domestic expansion	Unauthorised channel	-1.007	Normal
		Authorised channel	-.587	Normal
	Inbound expansion	Unauthorised channel	-.550	Normal
		Authorised channel	-.067	Normal
	Outbound expansion	Unauthorised channel	-.416	Normal
		Authorised channel	-1.092	Normal

Table 7.1 Mean Difference Tests on Major Areas of Expansion

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Domestic expansion	4.42	4.18	1.586*	181	.116	accept
Inbound expansion	4.23	3.96	1.723	166	.087	accept
Outbound expansion	4.2	4.48	-2.045*	183	.043	reject

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 2.9: The Internet has the potential to increase a firm's overall performance through instant information sharing between co-workers and between supporting businesses. This question assesses a firm's capability to incorporate the Internet into its operations to increase business performance. Table 7.2a shows that all data for the variables in Question 2.9 are distributed normally. Table 7.2 shows the t-tests. The differences between the two group means are insignificant at 95%.

Therefore it can be concluded that there appears to be no difference between the capacity to develop internet use between the authorised and unauthorised channels.

Table 7.2a Normality Check on Data Distribution for Question 2.9 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q2.9	Effective communication	Unauthorised channel	-1.297	Normal
		Authorised channel	-.678	Normal
	Operation efficiency	Unauthorised channel	-.876	Normal
		Authorised channel	-.579	Normal
	Market innovation	Unauthorised channel	-1.032	Normal
		Authorised channel	-.267	Normal
	Fast response to demand	Unauthorised channel	-.722	Normal
		Authorised channel	-.441	Normal
	Industry links	Unauthorised channel	-1.015	Normal
		Authorised channel	-.567	Normal
	Lowering communication cost	Unauthorised channel	-.822	Normal
		Authorised channel	-1.348	Normal

Table 7.2 Mean Difference Tests on Internet Related Business Performance.

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Effective communication	4.34	4.32	.130	171	.896	accept
Operation efficiency	4.12	4.11	.041	162	.967	accept
Market innovation	4.17	4.07	.618	171	.538	accept
Fast response to demand	3.92	4.02	-.537	163	.592	accept
Industry links	4.21	4.20	.106	157	.915	accept
Lowering communication cost	4.06	4.33	-1.564	168	.120	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 3.3: The capacity of a firm for strategic decision-making could have a strong influence on performance. This question attempts to assess how strategic factors differ for firms in the two sub-groups. Table 7.3a shows that all variables are normally distributed. Table 7.3 shows the t-test. The means differ significantly only for 'key personnel's education'. From western experience, education is a key factor in a high quality of strategic decision-making (Porter, 1990).

It can be concluded that the unauthorised channel has a distinct disadvantage in the training level of staff compared with the authorised channel.

Table 7.3a Normality Check on Data Distribution for Question 3.3 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q3.3	Key personnel's education	Unauthorised channel	-.506	Normal
		Authorised channel	-.925	Normal
	Past experience	Unauthorised channel	-.007	Normal
		Authorised channel	-.351	Normal
	Industry rivalry	Unauthorised channel	-.705	Normal
		Authorised channel	-1.259	Normal
	Government tourism policy	Unauthorised channel	-1.195	Normal
		Authorised channel	-1.118	Normal
	Organisational structure	Unauthorised channel	-.716	Normal
		Authorised channel	-.990	Normal
	Industry links	Unauthorised channel	-.432	Normal
		Authorised channel	.125	Normal

Table 7.3 Mean Difference Tests on Influences on Firm's Capability for Strategic Decisions.

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Key personnel's education	4.05	4.42	-2.740*	186	.007	reject
Past experience	3.63	3.49	.833	175	.406	accept
Industry rivalry	4.34	4.31	.224	191	.823	accept
Government tourism policy	4.41	4.37	.267	193	.790	accept
Organisational structure	4.07	4.03	.215	169	.830	accept
Industry links	3.69	3.38	1.845	153	.067	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Questions 3.7 and 3.8: A firm's perception of a market opportunity is generally proportional to its capacity to organise its factors to explore the opportunity successfully and profitably, compared with other opportunities. These questions are used to assess a firm's perceptions of the future for all inbound and domestic markets. Table 7.4 shows that the means of the two sub-groups do not differ significantly. Because the variable question 3.8 is not distributed normally (refer to Table 7.4a), a Mann-Whitney U Test (refer to Section 7.1: Data distribution) is used to replace the corresponding t-value in Table 7.4.

It can be concluded that it is likely that there is no difference in the perception of the future of the inbound and domestic markets between the authorised and unauthorised channels.

Table 7.4a Normality Check on Data Distribution for Questions 3.7 and 3.8 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q 3.7 & Q3.8	The future of inbound market	Unauthorised channel	-1.492	Normal
		Authorised channel	-1.006	Normal
	The future of domestic market	Unauthorised channel	-1.626	Nonnormal
		Authorised channel	-1.763	Nonnormal

Table 7.4 Mean Difference Tests on Firm's Capability in Perceiving Future Market

Variables	x Unauthorised channel	x Authorised channel	t-value (2- tailed)	df	Sig. (2- tailed)	Hypothesis Test
The future of inbound market	4.07	3.91	.974	199	.331	accept
The future of domestic market	4.26	4.30	Z-score** -.033	206	Asymp. Sig. ** .973	accept

Note: * Levene's test significant, therefore unequal variance t-test used. ** Data is not normally distributed, therefore Mann-Whitney U Test is used.

Question 4.6: A firm's capability can also be assessed by what changes are needed for successful competition. This question is designed to assess whether there are differences perceived in the future required for Australia-bound expansion. Table 7.5a shows that all variables in the question are normally distributed. The results show that the means of the variables between the two sub-groups do not differ significantly (refer to Table 7.5).

In conclusion, it appears likely that both the authorised and unauthorised channels see the Australian market in the same light, and have similar views on the future of competition in the Australian marketplace.

Table 7.5a Normality Check on Data Distribution for Question 4.6 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q4.6	Government policy	Unauthorised channel	-1.190	Normal
		Authorised channel	-.354	Normal
	Response to demand	Unauthorised channel	-.364	Normal
		Authorised channel	-.792	Normal
	Growth opportunity	Unauthorised channel	-.423	Normal
		Authorised channel	-.685	Normal
	Australia connections	Unauthorised channel	-.510	Normal
		Authorised channel	-.410	Normal
	Retailing knowledge	Unauthorised channel	-.299	Normal
		Authorised channel	-.025	Normal
	Joint venture	Unauthorised channel	-.446	Normal
		Authorised channel	-.328	Normal
	E-business opportunity	Unauthorised channel	.029	Normal
		Authorised channel	-.379	Normal
	Avoiding competition	Unauthorised channel	-.429	Normal
		Authorised channel	-.269	Normal
	Low price	Unauthorised channel	-.317	Normal
		Authorised channel	.009	Normal
	Innovation	Unauthorised channel	-.862	Normal
		Authorised channel	-.784	Normal

Table 7.5 Mean Difference Tests on Reasons for Australia-bound Expansion

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Government policy	4.12	3.93	1.014	164	.312	accept
Response to demand	3.92	3.85	.415	154	.679	accept
Growth opportunity	3.99	3.83	.910	149	.364	accept
Australia connections	3.63	3.61	.069	149	.945	accept
Retailing knowledge	3.63	3.53	.582	148	.562	accept
Joint venture	3.43	3.47	-.213	140	.832	accept
E-business opportunity	3.17	3.38	-1.094	132	.276	accept
Avoiding competition	3.57	3.45	.568	131	.571	accept
Low price	3.30	3.16	.637	132	.525	accept
Innovation	4.01	3.89	.638	153	.524	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 5.1: This question is designed to measure how well a firm is prepared for Australia-bound operations. It is assumed that the authorised operators have targeted capability to match markets, so that they should be better prepared than the unauthorised agents, who are less certain about whether they have a particular market goal. Table 7.6a shows that the data are normally distributed. The t-tests in Table 7.6

show that the means differ significantly between the authorised Chinese outbound operators and the D+I travel agents. The negative sign in the t-value means that the authorised channel is much better prepared for Australia bound operations than the unauthorised channel operators.

Table 7.6a Normality Check on Data Distribution for Question 5.1 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q5.1	Well equipped for Australian outbound	Unauthorised channel	.109	Normal
		Authorised channel	-.814	Normal

Table 7.6 Mean Difference Tests on Well Equipped for Australian Outbound

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Well equipped for Australian outbound	2.87	3.72	-3.880	197	.000	reject

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 5.3: This question is used to assess a firm's distinctive capabilities in its own inner business environment. Table 7.7a shows that all variables in question 5.3 are normally distributed. Table 7.7 demonstrates that the means do not differ significantly between the two channels.

In conclusion it is likely that the authorised and unauthorised operators do not differ markedly on the basis of their distinctive capabilities.

Table 7.7a Normality Check on Data Distribution for Question 5.3 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q5.3	Distinctive capability in market innovation	Unauthorised channel	-.264	Normal
		Authorised channel	-.216	Normal
	Distinctive capabilities in staff skills	Unauthorised channel	-.164	Normal
		Authorised channel	-.505	Normal
	Distinctive capabilities in operation efficiency	Unauthorised channel	-.265	Normal
		Authorised channel	-.666	Normal
	Distinctive capabilities in staff creativity	Unauthorised channel	-.265	Normal
		Authorised channel	-.428	Normal
	Distinctive capabilities in staff co-operation	Unauthorised channel	-.489	Normal
		Authorised channel	-.421	Normal
	Distinctive capabilities in leading change	Unauthorised channel	-.367	Normal
		Authorised channel	-.296	Normal
	Distinctive capabilities in e-business	Unauthorised channel	.003	Normal
		Authorised channel	-.182	Normal
	Distinctive capabilities in efficient communication	Unauthorised channel	-.439	Normal
		Authorised channel	-.736	Normal

Table 7.7 Mean Difference Tests on Firm's Distinctive Capabilities

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Distinctive capability in market innovation	3.51	3.39	.650	161	.517	accept
Distinctive capabilities in staff skills	3.51	3.58	-.428	172	.669	accept
Distinctive capabilities in operation efficiency	3.38	3.59	-1.146	160	.253	accept
Distinctive capabilities in staff creativity	3.47	3.36	.614	162	.540	accept
Distinctive capabilities in staff co-operation	3.79	3.75	.262	170	.794	accept
Distinctive capabilities in leading change	3.60	3.43	.816	158	.416	accept
Distinctive capabilities in e-business	2.98	3.15	-.785	157	.434	accept
Distinctive capabilities in efficient communication	3.57	3.66	-.464	171	.643	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Conclusion

The above analyses have shown that Chinese travel companies in both the authorised and unauthorised channels differ little in their business capabilities and Hypothesis

One is accepted. The only exception is that authorised channels tend to excel in the areas of: 'key personnel education', 'outbound expansion' and 'readiness for Australia-bound expansion'. 'Key personnel education' reflects that the authorised operators have more emphasis on staff training and the assimilation of knowledge in competition. 'Outbound expansion' and 'readiness for Australia-bound expansion', on the other hand, indicate that the authorised operators have been more organised in targeting outbound opportunities than the unauthorised firms. The lack of difference generally between the two channels indicates that the Chinese tourism industry is still at a growth (production) stage of economic development. It also indicates that the authorised outbound operators have not developed superiority in business capability despite their advantages in size of operations and government support.

7.1.3 Firm Structure and Performance

The objective of this section is to test Hypothesis Two. The null hypothesis is that there is no significant difference between the means for firm structure and performance for the two channels.

Question 2.1, 2.2 and 2.3: A firm's economic performance can be measured generally by three key performance factors (Pettigrew and Whipp, 1991): performance in sales growth, profit growth and marketshare growth. Table 7.8a shows that the variables are normally distributed. Table 7.8 displays the relevant t-tests. Table 7.8 indicates that the means of the variables for the authorised outbound operators and D+I travel agents do not differ significantly. Overall performance is similar.

In conclusion it appears likely that there is no difference between the performance of the authorised and unauthorised operators. It should be noted that it is possible that despite instructions given to the respondents and the labeling of the question categories from 1 to 5 that question 2.2 could have been interpreted in a non-regular interval scale (ordinally). Consequently the calculation of the mean for this question could be argued to be incorrect and care should be taken in accepting this mean value.

It is argued here that any misinterpretation is part of normal sampling error and taken into account in the measure of sampling variability and sample size.

Table 7.8a Normality Check on Data Distribution for Questions 2.1, 2.2 and 2.3 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q 2.1, Q2.2 and Q2.3	Sales growth	Unauthorised channel	-.780	Normal
		Authorised channel	-1.127	Normal
	Profit growth	Unauthorised channel	-.396	Normal
		Authorised channel	-.019	Normal
	Marketshare growth	Unauthorised channel	-.464	Normal
		Authorised channel	-.862	Normal

Table 7.8 Mean Difference Tests on Business Growth

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Sales growth	3.66	3.73	-.446	201	.656	accept
Profit growth	3.75	3.86	-.969	184	.334	accept
Marketshare growth	3.52	3.49	.209	199	.835	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 2.4: Under normal economic conditions, a firm's overall performance should be the result of the three key performance indicators - sales growth, profit growth and marketshare growth (refer to Question 2.1, Question 2.2 and Question 2.3). However, this logic may not be true in the current Chinese travel industry. This question is used to assess whether overall company performance between the two channels differs. Table 7.9 shows that the means of the variables for the two sub-groups differ significantly. The authorised operators consider they have a higher overall performance than D+I agents. In comparison with the previous results in questions 2.1, 2.2 and 2.3, this result demonstrates that the overall performance of companies is not determined only by the specifics of business performance but more determined by position in the industry structure, and that having the authority for organising outbound operations independently is a key structural element. Table 7.9a shows that the variable is normally distributed.

Table 7.9a Normality Check on Data Distribution for Questions 2.4 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q2.4	Overall performance of business	Unauthorised channel	-.023	Normal
		Authorised channel	.094	Normal

Table 7.9 Mean Difference Tests on Overall Company Performance

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Overall performance of business	3.21	3.61	-2.151	185	.033	reject

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 2.7: Outbound profitability of a business could depend on the nature of the business. It is reasonable to expect that the authorised outbound operators will be more profitable in their outbound operations than D+I firms, because of their larger scale of outbound operations. The statistical observation of the outbound profitability variable confirms this assumption. Table 7.10 shows a statistically significant difference between the means of the authorised outbound operators and unauthorised agents, whereby the mean for the authorised channel is significantly higher than the unauthorised channel. Table 7.10a shows the variable is normally distributed.

Table 7.10a Normality Check on Data Distribution for Questions 2.7 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q2.7	Outbound profitability of business	Unauthorised channel	-.132	Normal
		Authorised channel	-.222	Normal

Table 7.10 Mean Difference Tests on Outbound Profitability

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Outbound profitability of business	3.31	3.89	-3.566	168	.000	reject

Note: * Levene's test significant, therefore unequal variance t-test used.

Conclusion

The null hypothesis for Hypothesis Two is rejected because the means for the variables ‘overall company performance’, and ‘outbound profitability’ differ significantly between the two channels. The outbound operators attribute more of their profits to authorised operations, although their mean sales, profit and marketshare growth differ insignificantly from the D+I travel agents. This suggests that although the markets for domestic, inbound and outbound operations are almost equally profitable, the authorised outbound operators are well positioned in the Chinese tourism industry for a fast growing outbound market with better overall performance and profitability.

7.1.4 Firm Strategy for The Future

The objective of this section is to test Hypothesis Three. The null hypothesis is that there is no significant difference between the means for firm strategy for the future, between the two channels. The relevant questions to be analysed are listed in Table 7.0.

Question 2.5: In the Chinese market, one important issue is a firm’s marketing strategy. How much money a firm spends on advertising could reflect on its approach to the market economy. This question is used to assess whether advertising expenditure is significantly different between the two channels. Due to the non-normal distribution of the data (refer to Table 7.11a), a Mann-Whitney U test is used instead of a t-test. The rank sum test shows that the two channels differ significantly (refer to Table 7.11), and the authorised channel spends significantly more on advertising than the unauthorised channel.

Table 7.11a Normality Check on Data Distribution for Questions 2.5 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q2.5	How much money on advertising	Unauthorised channel	5.810	Nonnormal
		Authorised channel	3.414	Nonnormal

Table 7.11 Mean Difference Tests on Money Spent on Advertising

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
How much money on advertising	44.45	94.73	z-score -2.521**	160	Asymp. Sig. .012**	reject

Note: ** Data distribution is not normal, therefore Mann-Whitney-test is used to replace the t-test.

Question 3.10: In market competition, unique strategies often create sustainable competitive advantages. In practice, these unique strategies will result in encountering less competitive pressure or fewer surprises from new unknown competitors. Is the market a better (less competitive) market for travel agents? Question 3.10 is used to assess the competitiveness of the two sections of the industry. Table 7.12a demonstrates that data are normally distributed. Table 7.12 demonstrates that the means of the two channels do not differ significantly. Despite the Chinese outbound market growth, the strategy uniqueness of the authorised operators is at the same level as the D+I operators.

Table 7.12 Mean Difference Tests on Surprises by New Unknown Competitors

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Surprised by new unknown competitors	3.30	3.42	-.707	204	.481	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Table 7.12a Normality Check on Data Distribution for Questions 3.10 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q3.10	Surprised by new unknown competitors	Unauthorised channel	.052	Normal
		Authorised channel	.435	Normal

Question 3.14: As the Internet penetrates more and more into people's everyday life, the Internet has the potential to become a new dimension for competitive strategy. Therefore, it offers new ways for competitive uniqueness in strategy. How well are

the two channels of the Chinese travel companies prepared to use an e-business dimension? Table 7.13 indicates that the two channels do not differ significantly in their readiness for e-business. Table 7.13a shows the data are normally distributed.

Table 7.13a Normality Check on Data Distribution for Questions 3.14 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q3.14	How well prepared for e-business	Unauthorised channel	-.086	Normal
		Authorised channel	.784	Normal

Table 7.13 Mean Difference Tests on Readiness for E-business

Variables	x Unauthorised channel	x Authorised channel	t-value (2- tailed)	df	Sig. (2- tailed)	Hypothesis Test
How well prepared for e-business	3.15	3.34	-1.290	205	.199	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 4.2: This question is used to evaluate key factors which, in the view of operating firms, contribute significantly to past outbound market success. Significant differences might be expected for the means of the two channels. During the process of checking the data distribution (refer to Table 7.14a), 'government regulation' and 'innovation' have been found not to be distributed normally. Therefore, the Mann-Whitney U Test is used instead of a t-test in these cases. Table 7.14 shows that none of the listed factors in Question 4.2 demonstrate a significant difference between the two channels.

Therefore, it seems likely that both channels have viewed similar key factors as important for past success.

Table 7.14a Normality Check on Data Distribution for Question 4.2 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q4.2	Prompt response	Unauthorised channel	-.712	Normal
		Authorised channel	-1.201	Normal
	Government regulation	Unauthorised channel	-1.420	Normal
		Authorised channel	-1.658	Nonnormal
	Low price	Unauthorised channel	-1.146	Normal
		Authorised channel	-.596	Normal
	Marketing skills	Unauthorised channel	-.367	Normal
		Authorised channel	-.497	Normal
	Innovation	Unauthorised channel	-.882	Normal
		Authorised channel	-1.517	Nonnormal

Table 7.14 Mean Difference Tests on Factors for Past Outbound Success

Variables	x Unauthorised channel	x Authorised channel	t-value (2- tailed)	df	Sig. (2-tailed)	Hypothesis Test
Prompt response	4.12	4.19	-.402	169	.688	accept
Government regulation	4.55	4.64	z-score** -.632	183	Asymp. Sig.** .528	accept
Low price	4.37	4.17	1.397	184	.164	accept
Marketing skills	4.02	3.93	.591	167	.555	accept
Innovation	4.11	4.38	z-score** -1.579	171	Asymp. Sig.** .114	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

** Data distribution is not normal, therefore Mann-Whitney-test is used to replace the t-test.

Question 4.3: What characteristics of travel products are most important strategically for future market success? Table 7.15a shows that 'quality' and 'brand' are not distributed normally, so that Mann-Whitney tests are used to test the two means. Table 7.15 shows that the means for the two channels do not differ significantly on the listed factors for future market success. Both channels perceive a similar level of importance for each of the characteristics listed in Table 7.15.

Table 7.15a Normality Check on Data Distribution for Question 4.3 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q4.3	Price	Unauthorised channel	-1.174	Normal
		Authorised channel	-1.009	Normal
	Novelty	Unauthorised channel	-.545	Normal
		Authorised channel	-.823	Normal
	Quality	Unauthorised channel	-1.674	Nonnormal
		Authorised channel	-1.849	Nonnormal
	Brand	Unauthorised channel	-1.019	Normal
		Authorised channel	-1.794	Nonnormal
	Speed	Unauthorised channel	-.520	Normal
		Authorised channel	-.280	Normal

Table 7.15 Mean Difference Tests on Product Characteristics to Future Outbound Success

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Price	4.48	4.24	1.645*	189	.103	accept
Novelty	4.23	4.39	-1.233	181	.219	accept
Quality	4.62	4.72	z-score** -.707	192	Asymp. Sig.** .479	accept
Brand	4.39	4.61	z-score** -1.991	184	Asymp. Sig.** .046	reject
Speed	3.81	4.00	-1.134	158	.259	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

** Data distribution is not normal, therefore Mann-Whitney-test is used to replace the t-test.

Conclusion

The analysis in this section demonstrates that although a firm's strategy for the future differs little between the two channels for most of the variables, brand differs significantly between them. The authorised firms regard the creation of a brand name as more important strategically than the D+I travel agents. That means the authorised channel has become more sophisticated in creating strategic image for their products than the unauthorised channel.

Hypothesis Three is rejected on the basis that the authorised channel operators spend more on establishing a market brand than the unauthorised channel even though their

general strategies related to the use of the internet, key operational factors and product characteristics are similar.

7.1.5 Firm Product Offerings

The objective of this section is to test Hypothesis Four. The null hypothesis is that there is no significant difference between the means for firm product offerings, between the two channels. The relevant questions to be analysed are listed in Table 7.0.

Question 3.11: In market competition, differentiated products offer competing firms the best available means of defense. How different are the product offerings between the two channels? Table 7.16a shows that survey data are distributed normally. Table 7.16 shows the means of the two channels do not differ significantly.

In conclusion it appears that the unauthorised channel see less product similarity with their competitors than authorised channels. However, the difference is not statistically significant.

Table 7.16a Normality Check on Data Distribution for Questions 3.11 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q3.11	Travel product similarity	Unauthorised channel	-.173	Normal
		Authorised channel	-.190	Normal

Table 7.16 Mean Difference Tests on Product Similarity

Variables	x Unauthorised channel	x Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Travel product similarity	3.05	3.18	-1.116	205	.266	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 3.12, 3.13: These questions are designed to measure unmet expectations by customers. Is the unmet expectation of customers the result of the contents of the travel product or due to the unsatisfying quality of the service performed? In this aspect, the authorised outbound operators should perform much better than their counterparts in the unauthorised channel. Survey data are normally distributed for these two variables, so the t-test is adequate (refer to Table 7.17a). Table 7.17 demonstrates that the two channels do not differ significantly in the unmet expectations of their products and unmet quality of products.

Table 7.17a Normality Check on Data Distribution for Questions 3.12 and 3.13 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q3.12 & 3.13	Unmet expectation	Unauthorised channel	-.013	Normal
		Authorised channel	.011	Normal
	Travel product similarity	Unauthorised channel	-.085	Normal
		Authorised channel	-.221	Normal

Table 7.17 Mean Difference Tests on Unmet Expectation and Quality

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Unmet expectation	2.49	2.66	-1.285	202	.200	accept
Unsatisfying operation quality	3.29	3.47	-.965	200	.336	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Question 4.7: In regard to Australian expansion, what kinds of factors are most important? This question is used to assess the importance of the factors listed in Table 7.18. Table 7.18a shows that the survey data are normally distributed for all variables in the question. Table 7.18 indicates the means of the two channels do not differ significantly for all the variables the survey measured. Both channels perceive the Australian market in a similar way with regard to product factors.

Table 7.18a Normality Check on Data Distribution for Question 4.2 (refer to Appendix A).

Questions to be analysed	Variables		Skewness	Normality assessment
Q4.7	Novelty	Unauthorised channel	-.766	Normal
		Authorised channel	-.799	Normal
	Choice	Unauthorised channel	-.596	Normal
		Authorised channel	-.658	Normal
	Scale	Unauthorised channel	-.601	Normal
		Authorised channel	-.549	Normal
	Innovation	Unauthorised channel	-.734	Normal
		Authorised channel	-.698	Normal
	Marketing	Unauthorised channel	-.870	Normal
		Authorised channel	-.679	Normal
	Sophistication	Unauthorised channel	-.913	Normal
		Authorised channel	-.944	Normal

Table 7.18 Mean Difference Tests on Product Factors for Australian Expansion

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2-tailed)	Hypothesis Test
Novelty	3.81	3.76	.231	161	.817	accept
Choice	3.69	3.66	.136	159	.892	accept
Scale	3.67	3.60	.368	157	.713	accept
Innovation	3.81	3.61	.971	155	.333	accept
Marketing	3.90	3.72	1.042	160	.299	accept
Sophistication	3.85	3.82	.149	148	.882	accept

Note: * Levene's test significant, therefore unequal variance t-test used.

Conclusion

The analysis in this section demonstrates that the product strategies of the two channels and the product characteristics that they offer are similar. The two channels also share similar views about how Australia, as an outbound destination, can assist in their product development. The two channels differ little in their product offering. Therefore, hypothesis Four is accepted.

7.1.6 Conclusion

The analyses demonstrate that firms in both channels differ little in almost all aspects of firm capability, firm structure and performance, firm strategy for the future and firm product offering, with the exception of targeting their efforts to outbound operations. The small difference shown between the essential capabilities of the firms suggests that the authorised outbound operators have an advantage in the outbound industry, through a protected set of government policy barriers, and could be at risk if the government protection is removed. A large number of new entrants could successfully enter the Chinese outbound industry, and potentially lower the profit expectation and real profits of the authorised agencies.

7.2 The Future Competitiveness and Industry Dynamics

7.2.1 Competitive Strategies and Strategy Selection

The first half of this chapter has been designed to test whether there are significant differences between the two populations of Chinese travel firms (the authorised channel and the unauthorised (D+I) channel). The tests have shown that firms in the two channels have similar average scores in the four areas of industry dynamics - firm capability, firm structure and performance, firm strategy for the future and firm product offerings. It also means that the current Chinese tourism industry is not structured according to firm capability.

On the other hand, firm dynamics can influence a firm's outbound competitive factors, strengths and weaknesses, and future demand, which in turn drive industry structural change. China's WTO entry will inevitably create massive changes in Chinese government policies, including government tourism policies, and lead to deregulation in the Chinese travel industry. In such a context of change, the future industry structure can no longer be determined by government policy alone. As a result, the relations between firm dynamics and outbound competitive factors, strength/weakness, and future demand can contribute more to an understanding of the changing landscape of the Chinese travel industry, its future industry structure, and the choice of entry strategies for Australian travel companies. What are these

relationships and how significant are they? How important are these relationships to future competition in the Chinese travel industry?

The second half of Chapter Seven is designed to analyse the significance of how firm dynamics relate to outbound competitive factors, strengths and weaknesses, and future demand. From Figure 4.4 in Chapter Four, four hypotheses (numbered Hypothesis five to Hypothesis Eight) are given. They are:

Hypothesis 5: A firm's competitive factors, strengths and weaknesses, and future demand are derived from a firm's capability. The null hypothesis to be tested is that firm capability has no influence on outbound competitive factors, strengths and weaknesses, and future demand.

Hypothesis 6: A firm's nature and performance influence the firm's competitive factors, strengths and weaknesses, and future demand. The null hypothesis to be tested is that the nature of the firm and its performance has no influence on outbound competitive factors.

Hypothesis 7: A firm's strategy for the future influences the firm's competitive factors, strengths and weaknesses, and future demand. The null hypothesis to be tested is that strategy for the future has no influence on outbound competitive factors.

Hypothesis 8: A firm's product offering influences the firm's competitive factors. The null hypothesis to be tested is that product offering has no influence on outbound competitive factors.

To test the influence of industry dynamics on a firm's competitiveness in market competitive strategies and strategy selections (Hypotheses 5 to 8), Table 7.19 lists all the relevant independent and dependent variables from the questionnaire. Since the outbound competitive factors, strength and weakness, and future demand cannot be measured by one variable, multiple dependent variables have to be used to measure

firm competitiveness. Each of the hypotheses can only be tested indirectly through testing each of the dependent variables separately, in order to conclude on the overall strength of these influences.

Table 7.19 Testing Hypotheses 5-8.

Hypotheses to be tested		Outbound competitive factors, strength / weakness, future demand
Hypothesis Five: Firm capability	<ul style="list-style-type: none"> • Q1.3 Retail outlets *; • Q1.5 The number of employees; • Q1.6 Sales volume; • Q1.7 Outbound percentage. • Q5.1 How well equipped for Australia-bound operations; • Q5.3 distinctive capability; • Q5.4 Knowing competitors (categorical); • Q6.2 working knowledge of internet. 	<ul style="list-style-type: none"> • Q1.7 percentage of outbound travel; • Q2.8.3 outbound expansion; • Q4.6 reasons for Australia-bound expansion; • Q6.1 specialised travel training in Australia *; • Q6.3 working knowledge of Australian industry; • Q6.4 well connected with Australian industry.
Hypothesis Six: nature and performance	<ul style="list-style-type: none"> • Q1.4 e-business system (nature+categorical); • Q1.6 Sales volume; • Q2.1 Sales growth; • Q2.2 Profit growth; • Q2.3 Marketshare growth; • Q3.1 Firm's ownership (nature + categorical). 	
Hypothesis Seven: Strategy for future	<ul style="list-style-type: none"> • Q3.3 Factor influence; • Q3.14 Readiness for e-business; • Q4.3 Characteristics of travel products; • Q4.7 Important factors to Australian expansion; • Q5.3 distinctive capability; • Q6.2 working knowledge of internet; • Q7.3. The importance of B2B platform to Australia-bound growth. 	

Hypothesis Eight: Product offering	<ul style="list-style-type: none"> • Q1.2 The major areas of operations (Q1.2.1, Q1.2.2 *; Q1.2.3 *); • Q1.3 Retail outlets *; • Q3.11 Similarity between products; • Q3.12 Unmet expectations of products; • Q4.3 Characteristics of travel products. 	
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* the variable is not normally distributed and has been transformed using a common log to a normal distribution.

7.2.1.1 Multiple Regression Analysis

Multiple regression provides a method for studying the relationships between a set of independent variables (predictors) and a dependent variable (criterion). The relevant strength of the relationship between the set of independent variables and the dependent variable is measured by the coefficient of determination (R^2) of the multiple regression model, provided the F-test is statistically significant. Since there are multiple dependent variables in each of the hypotheses (refer to Table 7.19), the coefficients of determination for each of the dependent variables need to be summarised to determine whether the influences of the independent variables are significant in terms of competitive strategy. Therefore, for each hypothesis (refer to Table 7.19), a group of multiple regression tests as shown below are required:

$$Y_1 = \beta_{10} + \beta_{11}X_1 + \beta_{12}X_2 + \dots \dots + \beta_{1k}X_k + \epsilon_1.$$

$$Y_2 = \beta_{20} + \beta_{21}X_1 + \beta_{22}X_2 + \dots \dots + \beta_{2k}X_k + \epsilon_2.$$

$$\vdots \qquad \qquad \qquad \vdots \qquad \qquad \qquad \vdots$$

$$Y_n = \beta_{n0} + \beta_{n1}X_1 + \beta_{n2}X_2 + \dots \dots + \beta_{nk}X_k + \epsilon_n.$$

Here:

$Y_1, Y_2, \dots Y_n$ are dependent variables; $X_1, X_2 \dots X_k$ are independent variables; $\beta_{10}, \beta_{20}, \dots \beta_{n0}$ are function constants; $\beta_{11}, \beta_{12}, \dots \dots \beta_{nk}$ are slopes of independent variables; $\epsilon_1, \epsilon_2, \dots \epsilon_n$ are error variables of each multiple regression model.

Stepwise regression is used in this analysis to determine which independent variables contribute most in explaining each of the dependent variables.

Normal Distribution:

Multiple regression models require all variables on both sides of the multiple regression (dependent variable and independent variables) to be distributed normally. The normality tests on all relevant variables show that variables Q1.2.2; Q1.2.3; Q1.3; Q6.1 cannot satisfy the normality requirements of the regression. Common log transformations are applied to these variables and the results of the transformation yield normally distributed variables.

Independence of Error: In regression, the errors should be independent of the independent variables. That means that the predicted value is not related to any other predicted value or not sequenced by any variable. The Durbin-Watson statistic, a test for serial correlation of adjacent error terms, was used to test for independence of error. The statistic ranges from 0 to 4, and a value close to 2 is considered acceptable (Norusis, 1993). The Durbin-Watson statistic for the fifty-nine regression equations are all close to 2 with the lowest 1.340 and the highest 2.452.

7.2.2 Influence of Firm Capability on Competitive Strategy

Table 7.20 Hypothesis 5, Firm Capability on Competitive Strategy

Independent Variables	Dependent Variables (Outbound competitive factors, strength / weakness, future demand)
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<ul style="list-style-type: none"> • Q1.3 Retail outlets *; • Q1.5 The number of employees*; • Q1.6 Sales volume; • Q1.7 Outbound percentage; • Q5.1 How well equipped for Australia-bound operations; • Q5.3 distinctive capability; • Q5.4 Knowing competitors (categorical); • Q6.2 working knowledge of internet. 	<ul style="list-style-type: none"> • Q2.8.3 outbound expansion; • Q4.6 reasons for Australia-bound expansion; • Q6.1 specialised travel training in Australia *; • Q6.3 working knowledge of Australian industry; • Q6.4 well connected with Australian industry.
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* the variable is not normally distributed and has been transformed using a common log to a normal distribution.

Table 7.20 is the table for testing Hypothesis Five. The left column of the table consists of the full set of independent variables representing firm capability in the survey questionnaire, while on the right is the column consisting of the dependent variables representing outbound competitive factors, strength/weakness, and future demand.

Pearson's Correlation Coefficient:

Pearson's correlation coefficient is often the first step in the analysis of the relationships between dependent and independent variables. The product moment correlation is the most common approach to summarise the linear strength of association between two relevant variables. It can also help to uncover relationships between dependent and independent variables or between the independent variables (multicollinearity). Table 7.21 is the correlation coefficient matrix for Hypothesis Five. It shows that there are no particularly high correlations between the independent variables indicating multicollinearity.

Table 7.22 lists the results of the multiple regression analyses for Hypothesis Five. Three criteria are used to guide whether the results are significant:

- The F-test of the multiple regression determines whether the relationship between the dependent variable and independent variables is statistically

significant at 95%. This criterion can be used to demonstrate that a relationship is statistically significant (so that the null hypothesis is rejected).

- The second criterion is to use the coefficient of determination (R^2) to judge whether the coefficients are practically significant in inferring a strong influence on the dependent variables by the independent variables.
- The t-test is used to test the significance of each independent variable at 5% statistical significance.

Table 7.22 lists the key indicators of multiple regression for each of the dependent variables. According to the criteria above, seven dependent variables of the total fourteen are found to be statistically significant (refer to Table 7.22). Among them, five variables (Q4.6.3; Q4.6.4; Q4.6.5; Q4.6.6 and Q6.1) are found to be strongly influenced by the set of independent variables. Table 7.22 shows that about 40% of the variance in “growth opportunities”; “Australia-connections”; “retailing knowledge”; “Joint venture opportunities” and “specialised travel training in Australia” can be explained by the regression models.

Two other variables that also have very strong relationships with the set of independent variables are Q6.3 and Q6.4. For Q6.3 – ‘working knowledge of Australia travel industry’, 45% of its variation in the data ($R^2 = 0.450$) is explained by the multiple regression model. About 55% of the variation in Q6.4 – ‘well connected with Australian inbound operators’, is explained by the multiple regression model. The coefficients of determination (R^2) of these multiple regressions are not very high. However, there are a large number of multiple relationships being measured indirectly in these analyses, so that individual levels of R^2 can be expected to be low for any one relationship.

To see which independent variables are more influential on the dependent variables, forward stepwise regression is used to extract the most influential factors from the full set of independent variables regardless of initial analysis variable order. The extracted variables and their relationships with the dependent variables are listed in Table 7.23.

Nine of the fourteen independent variables have been extracted by the forward stepwise regression (refer to Table 7.23).

Table 7.23 The Relationship (+ or -) of Extracted Independent Variables and Dependent Variables

Independent Variable	Sign of Relationship	Dependent Variable
Q1.5 Business employees	-	Q4.6.2 Response to demand for Aust.-bound expansion.
	-	Q6.3 Working knowledge of Australia.
	+	Q6.1 Staff trained in Australia.
Q1.6 Sales volume, 1999	-	Q4.6.4 Australia-connections for Aust-bound expansion.
	-	Q4.6.6 Joint venture for Aust-bound expansion.
	-	Q6.1 Staff trained in Australia.
	+	Q6.3 Working knowledge of Australia.
	+	Q6.4 Well connected with Australian inbound operators.
Q1.7 Outbound percentage	+	Q6.1 Staff trained in Australia.
	+	Q6.4 Well connected with Australian inbound operators.
Q5.1 Well equipped for Aust-bound operations	+	Q4.6.1 Government policies for Aust-bound expansion.
	+	Q4.6.2 Response to demand for Aust-bound expansion.

	+	Q4.6.4 Australia-connections for Aust-bound expansion.
	+	Q6.3 Working knowledge of Australia.
Q5.3.2 Staff skills	+	Q4.6.7 E-business opportunities.
Q5.3.4 Staff creativity	+	Q2.8.3 Outbound expansion.
	+	Q4.6.5 Retailing knowledge for Aust-bound expansion.
	+	Q4.6.6 Joint venture for Aust-bound expansion.
	+	Q4.6.10 Innovation for Aust-bound expansion.
Q5.3.5 Staff co-operation	+	Q4.6.3 Growth opportunities for Aust-bound expansion.
	+	Q6.3 Working knowledge of Australia.
Q5.3.7 E-business	-	Q4.6.10 Innovation for Australia-bound expansion.
	+	Q6.1 Staff trained in Australia.
	+	Q6.4 Well connected with Australian inbound operators.
Q6.2 Working knowledge of internet and e-business	-	Q4.6.5 Retailing knowledge for Aust-bound expansion.

Conclusion

The R²-values and F-values of the multiple regression analyses demonstrate that the set of independent variables strongly influence seven dependent variables (refer to Table 7.22). Therefore, the null hypothesis is rejected. Firm capability has a strong influence on outbound competitive factors, strength/weakness, and future demand.

Table 7.23 indicates that for most of the independent variables, their influence relates positively to the competitiveness of firms. ‘Outbound percentage’ (Q1.7), ‘well equipped for Australian expansion’ (Q5.1), ‘staff skills’ (Q5.3.2), ‘staff creativity’ (5.3.4), ‘staff co-operation’ (5.3.5) and ‘E-business’ (5.3.7) positively influence the future competitiveness of firms. Three independent variables have negative relationships with the future competitiveness. They are ‘the number of business employees’ (Q5.1), ‘sales volume’ (Q1.6) and ‘working knowledge of internet and e-business’ (Q6.2).

‘The number of business employees’ (Q1.5) relates negatively to ‘response to demand for Australia bound expansion’ (Q4.6.2) and ‘working knowledge of Australia’ (Q6.3). This situation could result from the current characteristics of the Chinese economy. The Chinese outbound industry is dominated by state ownership (refer to

Chapter Six). Often state enterprises are made to employ more people than they need. More employees often reduce efficiency. As a result, their Australia-bound business expansion and working knowledge of Australia reduce.

Table 7.23 shows that firms with large sales volume and with a good working knowledge of the internet and e-business are often highly knowledgeable about Australia and well connected with Australia inbound operators. However, these characteristics of firms reduce the chances of Australia-bound expansion.

In conclusion Hypothesis Five is rejected and it is concluded that firm capability does influence competitive factors, strengths and weaknesses, and future demand.

Table 7.21 Correlation Matrix for Hypothesis Five Variables (refer to Table 7.20) of Firm Capacity with Outbound Competitive Factors

	RO	EB	SV	OP	WE	MI	SS	OE	SC	SCo	LC	E-bu	EC	KC	KE
Retail Outlets (RO)	1.000														
Employee of Business (EB)	<u>.390**</u>	1.000													
Sales Volume (SV)	<u>.285**</u>	<u>.449**</u>	1.000												
Outbound Percentage (OP)	<u>-.006</u>	<u>.148</u>	<u>.222*</u>	1.000											
Well Equipped (WE)	<u>.269**</u>	<u>.347**</u>	<u>.304**</u>	<u>.346**</u>	1.000										
DC-Market Innovation (MI)	<u>-.040</u>	<u>.202*</u>	<u>.244**</u>	<u>.165</u>	<u>.314**</u>	1.000									
DC-Staff Skills (SS)	<u>.117</u>	<u>.278**</u>	<u>.237**</u>	<u>.157</u>	<u>.291**</u>	<u>.660**</u>	1.000								
DC-Operation Efficiency (OE)	<u>.075</u>	<u>.260**</u>	<u>.201*</u>	<u>.134</u>	<u>.397**</u>	<u>.600**</u>	<u>.698**</u>	1.000							
DC-Staff Creativity (SC)	<u>-.114</u>	<u>.168*</u>	<u>.103</u>	<u>.131</u>	<u>.298**</u>	<u>.703**</u>	<u>.695**</u>	<u>.726**</u>	1.000						
DC-Staff Cooperation (SCo)	<u>.029</u>	<u>.065</u>	<u>.043</u>	<u>.178</u>	<u>.343**</u>	<u>.503**</u>	<u>.598**</u>	<u>.611**</u>	<u>.649**</u>	1.000					
DC-Leading Change (LC)	<u>.055</u>	<u>.214**</u>	<u>.211*</u>	<u>.037</u>	<u>.322**</u>	<u>.652**</u>	<u>.511**</u>	<u>.601**</u>	<u>.584**</u>	<u>.587**</u>	1.000				
DC-E-business (E-bu)	<u>.120</u>	<u>.238**</u>	<u>.296**</u>	<u>.110</u>	<u>.335**</u>	<u>.372**</u>	<u>.494**</u>	<u>.469**</u>	<u>.402**</u>	<u>.365**</u>	<u>.454**</u>	1.000			
DC-Efficient Communication (EC)	<u>.020</u>	<u>.158*</u>	<u>.111</u>	<u>-.043</u>	<u>.299**</u>	<u>.618**</u>	<u>.558**</u>	<u>.637**</u>	<u>.588**</u>	<u>.582**</u>	<u>.668**</u>	<u>.543**</u>	1.000		
Knowing Competitors (KC)	<u>.077</u>	<u>.056</u>	<u>.176*</u>	<u>.276**</u>	<u>.372**</u>	<u>.141</u>	<u>-.001</u>	<u>.001</u>	<u>-.048</u>	<u>.001</u>	<u>.053</u>	<u>.134</u>	<u>.003</u>	1.000	
Knowledge of E-business (KE)	<u>.135</u>	<u>.205**</u>	<u>.147</u>	<u>.040</u>	<u>.286**</u>	<u>.338**</u>	<u>.311**</u>	<u>.307**</u>	<u>.300**</u>	<u>.295**</u>	<u>.313**</u>	<u>.259**</u>	<u>.308**</u>	<u>.108</u>	1.000
Outbound expansion	<u>.148</u>	<u>.112</u>	<u>.077</u>	<u>.229**</u>	<u>.237**</u>	<u>.100</u>	<u>.085</u>	<u>.168*</u>	<u>.189*</u>	<u>.128</u>	<u>.180*</u>	<u>.034</u>	<u>.094</u>	<u>.105</u>	<u>.267**</u>
Government Policy	<u>.013</u>	<u>-.088</u>	<u>.191*</u>	<u>.221*</u>	<u>.247**</u>	<u>.216**</u>	<u>.164*</u>	<u>.191*</u>	<u>.269**</u>	<u>.179*</u>	<u>.184*</u>	<u>.000</u>	<u>.151</u>	<u>-.082</u>	<u>.156*</u>
Demand Response	<u>.109</u>	<u>-.057</u>	<u>.050</u>	<u>.183*</u>	<u>.276**</u>	<u>.297**</u>	<u>.341**</u>	<u>.252**</u>	<u>.301**</u>	<u>.360**</u>	<u>.282**</u>	<u>.216*</u>	<u>.274**</u>	<u>.046</u>	<u>.161*</u>
Growth Opportunities	<u>-.024</u>	<u>-.131</u>	<u>.049</u>	<u>.151</u>	<u>.176*</u>	<u>.255**</u>	<u>.288**</u>	<u>.244**</u>	<u>.335**</u>	<u>.378**</u>	<u>.294**</u>	<u>.161</u>	<u>.326**</u>	<u>.001</u>	<u>.179*</u>
Australian Connections	<u>-.076</u>	<u>-.039</u>	<u>-.107</u>	<u>.076</u>	<u>.217**</u>	<u>.238**</u>	<u>.168*</u>	<u>.139</u>	<u>.244**</u>	<u>.222**</u>	<u>.120</u>	<u>.049</u>	<u>.272**</u>	<u>-.078</u>	<u>.031</u>
Retailing Knowledge	<u>-.166</u>	<u>-.098</u>	<u>-.072</u>	<u>.054</u>	<u>.198*</u>	<u>.241**</u>	<u>.177*</u>	<u>.214*</u>	<u>.284**</u>	<u>.354**</u>	<u>.135</u>	<u>.147</u>	<u>.206*</u>	<u>.124</u>	<u>.010</u>
Joint Venture Opportunities	<u>.015</u>	<u>-.030</u>	<u>-.137</u>	<u>-.008</u>	<u>.119</u>	<u>.391**</u>	<u>.320**</u>	<u>.288**</u>	<u>.398**</u>	<u>.396**</u>	<u>.303**</u>	<u>.123</u>	<u>.280**</u>	<u>-.120</u>	<u>.167*</u>
E-business Opportunities	<u>-.014</u>	<u>.048</u>	<u>.085</u>	<u>.073</u>	<u>.243**</u>	<u>.267**</u>	<u>.433**</u>	<u>.300**</u>	<u>.319**</u>	<u>.356**</u>	<u>.233**</u>	<u>.434**</u>	<u>.302**</u>	<u>-.019</u>	<u>.274**</u>
Avoiding Competition	<u>-.096</u>	<u>.037</u>	<u>.082</u>	<u>.104</u>	<u>.208*</u>	<u>.263**</u>	<u>.293**</u>	<u>.335**</u>	<u>.296**</u>	<u>.280**</u>	<u>.284**</u>	<u>.204*</u>	<u>.210*</u>	<u>.112</u>	<u>.235**</u>
Low price	<u>-.092</u>	<u>-.013</u>	<u>-.068</u>	<u>.025</u>	<u>.152</u>	<u>.174</u>	<u>.238**</u>	<u>.163</u>	<u>.138</u>	<u>.188*</u>	<u>.103</u>	<u>.135</u>	<u>.096</u>	<u>.240**</u>	<u>.115</u>
Innovation	<u>-.104</u>	<u>-.046</u>	<u>-.017</u>	<u>.037</u>	<u>.161*</u>	<u>.323**</u>	<u>.298**</u>	<u>.283**</u>	<u>.342**</u>	<u>.384**</u>	<u>.278**</u>	<u>.152</u>	<u>.231**</u>	<u>.058</u>	<u>.069</u>
Staff trained in Australia	<u>.134</u>	<u>.154*</u>	<u>.062</u>	<u>.276**</u>	<u>.356**</u>	<u>.150</u>	<u>.160*</u>	<u>.111</u>	<u>.100</u>	<u>.192*</u>	<u>.185*</u>	<u>.155</u>	<u>.141</u>	<u>.211*</u>	<u>.042</u>
Working knowledge of Aust.	<u>.188*</u>	<u>.169*</u>	<u>.295**</u>	<u>.244**</u>	<u>.513**</u>	<u>.267**</u>	<u>.278**</u>	<u>.275**</u>	<u>.271**</u>	<u>.357**</u>	<u>.269**</u>	<u>.229**</u>	<u>.238**</u>	<u>.149</u>	<u>.458**</u>
Well connected with Australia	<u>.270**</u>	<u>.367**</u>	<u>.423**</u>	<u>.401**</u>	<u>.604**</u>	<u>.220**</u>	<u>.193*</u>	<u>.208**</u>	<u>.201*</u>	<u>.235**</u>	<u>.243**</u>	<u>.384**</u>	<u>.154*</u>	<u>.233**</u>	<u>.252**</u>

* p < .05; ** p < .01; ddd are Spearman's rho nonparametric correlation tests.

Table 7.22 The Results of Multiple Regression Analyses (stepwise) for Hypothesis Five

Dependent Variables	R ²	Adj. R ²	F	Sig.	Variables extracted by Stepwise Regression															
					Step 1				Step 2				Step 3				Step 4			
					v1	β	t	R ²	v2	β	t	R ²	v3	β	t	R ²	v4	β	t	R ²
Q2.8.3	.237	.042	1.217	.290	Q5.3.4	.244	2.1	.059												
Q4.6.1	.281	.098	1.537	.129	Q5.1	.315	2.7	.099												
Q4.6.2	.335	.152	1.834	.059	Q5.1	.380	3.2	.100	Q1.5	-.241	-2.0	.154								
Q4.6.3	.388	.220	2.311	.015	Q5.3.5	.370	3.2	.137												
Q4.6.4	.405	.248	2.574	.007	Q5.1	.406	3.4	.083	Q1.6	-.350	-3.0	.192								
Q4.6.5	.339	.165	1.943	.042	Q5.3.4	.403	3.3	.087	Q6.2	-.304	-2.5	.168								
Q4.6.6	.362	.187	2.071	.030	Q5.3.4	.533	4.8	.222	Q1.6	-.232	-2.1	.272								
Q4.6.7	.247	.028	1.126	.361	Q5.3.2	.345	2.9	.119												
Q4.6.8	.107	-.148	.418	.962	None															
Q4.6.9	.109	-.146	.426	.959	None															
Q4.6.10	.289	.098	1.513	.140	Q5.3.4	.487	3.9	.116	Q5.3.7	-.325	-2.6	.200								
Q6.1	.382	.227	2.468	.009	Q1.7	.401	3.8	.111	Q5.3.7	.295	2.8	.168	Q1.6	-.423	-3.5	.237	Q1.5	.325	2.9	.322
Q6.3	.450	.319	3.442	.000	Q5.1	.362	3.2	.203	Q5.3.5	.206	2.0	.255	Q1.6	.328	2.9	.298	Q1.5	-.282	-2.5	.357
Q6.4	.549	.442	5.137	.000	Q1.7	.411	4.4	.260	Q5.3.7	.278	2.9	.383	Q1.6	.245	2.5	.432				

The full set of independent variables are: Q1.3*; Q1.5; Q1.6; Q1.7; Q5.1; Q5.3.1; Q5.3.2; Q5.3.3; Q5.3.4; Q5.3.5; Q5.3.6; Q5.3.7; Q5.3.8; Q6.2.

* indicates the variable has been common log treated.

7.2.3 Influence of Firm Structure and Performance on Competitive Strategy

Table 7.24 Hypothesis 6, Firm Nature and Performance on Competitive Strategy

Independent Variables	Dependent Variables (Outbound competitive factors, strength / weakness, future demand)
<ul style="list-style-type: none"> • Q1.4 e-business system (nature+categorical); • Q1.6 Sales volume; • Q2.1 Sales growth; • Q2.2 Profit growth; • Q2.3 Marketshare growth ; • Q3.1 Firm's ownership (nature + categorical). 	<ul style="list-style-type: none"> • Q1.7 percentage of outbound travel; • Q2.8.3 outbound expansion; • Q4.6 reasons for Australia-bound expansion; • Q6.1 specialised travel training in Australia *; • Q6.3 working knowledge of Australian industry; • Q6.4 well connected with Australian industry.

* the variable is not normally distributed and has been transformed using a common log to a normal distribution.

Table 7.24 is the summary table for Hypothesis Six derived from Table 7.19. In the left column, the independent variables represent firm structure and performance. The right column, which is similar to Table 7.20, contains all the relevant dependent variables presenting outbound competitive factors, weakness/strength, and future demand. Table 7.25 is the Pearson correlation coefficient matrix for all the variables in Table 7.24. There are no high correlations between the independent variables indicating no multicollinearity problems.

Table 7.25 Correlation Matrix for All Variables in Hypothesis Six

	Sales volume	Sales growth	Profit growth	Marketshare growth
Sales volume 1999	1.000			
Sales growth of business	.193*	1.000		
Profit growth of business	.159*	.317**	1.000	
Marketshare growth	.103	.749**	.235**	1.000
Outbound percentage	.222*	.146	.209**	.105
Outbound expansion	.077	.016	-.007	.078
Government Policy	.191*	.053	.135	.170*
Demand Response	.050	-.038	.053	.093
Growth Opportunities	.049	.060	.077	.214**
Australian Connections	-.107	.018	.127	.115
Retailing Knowledge	-.072	-.083	.067	.017
Joint Venture Opportunities	-.137	-.035	.102	.126
E-business Opportunities	.085	.015	.110	.085
Avoiding Competition	.082	.045	.020	.121
Low price	-.068	-.127	-.009	-.072
Innovation	-.017	.010	.056	.098
Staff trained in Australia	.062	.121	.093	.180*
Working knowledge of Aust.	.295**	.256**	.088	.276**
Well connected with Australia	.423**	.160*	.018	.115

* $p < .05$; ** $p < .01$; .ddd are Spearman's rho nonparametric correlation tests.

Table 7.26 lists the key results from the multiple regression analysis on each of the dependent variables. Among the 15 dependent variables, 4 variables – Q4.6.1, Q4.6.3, Q6.3 and Q6.4 – have statistically significant relationships with the set of independent variables. The coefficients of determination are relatively insignificant in practical terms ($R^2 = 0.105, 0.093, 0.172$ and 0.194 respectively), and these influences on the dependent variable are not strong enough to justify rejection of the null hypothesis. Therefore, firm nature and performance do not influence outbound competitive factors, strength/weakness, and future demand.

Table 7.26 The Results of Multiple Regression Analyses (stepwise) for Hypothesis Six

Dependent variables	R ²	Adj. R ²	F	Sig.	Variables extracted by Stepwise Regression															
					Step 1				Step 2				Step 3				Step 4			
					v1	β	t	R ²	v2	β	t	R ²	v3	β	t	R ²	v4	β	t	R ²
Q1.7	.074	.043	2.393	.054	Q1.6	.224	2.5	.050												
Q2.8.3	.013	-.018	.427	.789	None															
Q4.6.1	.105	.075	3.465	.010	Q1.6	.213	2.4	.045												
Q4.6.2	.034	.000	.987	.418	None															
Q4.6.3	.093	.058	2.689	.035	Q2.3	.265	2.9	.070												
Q4.6.4	.083	.049	2.435	.052	Q2.2	.193	2.1	.037												
Q4.6.5	.045	.009	1.258	.291	None															
Q4.6.6	.074	.037	2.021	.097	None															
Q4.6.7	.035	-.006	.862	.490	None															
Q4.6.8	.025	-.017	.604	.660	None															
Q4.6.9	.020	-.021	.490	.743	None															
Q4.6.10	.015	-.021	.413	.799	None															
Q6.1	.033	.004	1.151	.336	None															
Q6.3	.172	.148	7.170	.000	Q2.3	.274	3.5	.101	Q1.6	.264	3.4	.169								
Q6.4	.194	.171	8.264	.000	Q1.6	.425	5.6	.181												

The full set of independent variables are: Q1.6; Q2.1; Q2.2; Q2.3.

* indicates the variable has been common log treated.

7.2.4 Influence of Firm Strategy for The Future on Competitive Strategy

Table 7.27 Hypotheses 7, Firm Strategy for The Future on Competitive Strategy

Independent Variables	Dependent Variables (Outbound competitive factors, strength / weakness, future demand)
<ul style="list-style-type: none"> • Q3.3 Factor influence; • Q3.14 Readiness for e-business; • Q4.3 Characteristics of travel products; • Q4.7 Important factors to Australian expansion; • Q5.3 distinctive capability; • Q6.2 working knowledge of internet; • Q7.3. The importance of B2B platform to Australia-bound growth. 	<ul style="list-style-type: none"> • Q1.7 percentage of outbound travel; • Q2.8.3 outbound expansion; • Q4.6 reasons for Australia-bound expansion; • Q6.1 specialised travel training in Australia *; • Q6.3 working knowledge of Australian industry; • Q6.4 well connected with Australian industry.

* the variable is not normally distributed and has been transformed using a common log to a normal distribution.

Table 7.27 is the summary table for testing Hypothesis Seven. The right column contains the same dependent variables as Table 7.24. The left column of the table contains all the relevant independent variables for the analysis of the hypothesis. These independent variables represent firm strategy for the future. Table 7.28 shows the Pearson correlation coefficient matrix of all the variables in Hypothesis Seven. The table shows no high correlations between the independent variables and therefore, no multicollinearity.

Table 7.29 shows the key indicators from the multiple regression analysis for each of the dependent variables in Hypothesis Seven. Among the 15 dependent variables, eleven have statistically significant relationships with the set of independent variables. Of these the lowest coefficient of determination (R^2) is 0.482, while the highest is 0.690. This demonstrates that 11 of the 15 dependent variables are significantly influenced by the set of independent variables.

Forward stepwise regression is used to extract the key influential independent variables for each of the dependent variables (refer to Table 7.29). Table 7.30 shows the relationships between the extracted independent variables and the dependent variables.

Table 7.30 Extracted Independent Variables (significantly) Related to the Dependent Variables

Independent Variable	Sign of Relationship	Dependent Variable
Q3.3.1 Education of key personnel	+	Q6.4 Well connected with Australian inbound operators.
Q3.3.2 Past experience	+	Q4.6.1 Government policies for Aust-bound expansion.
	+	Q6.4 Well connected with Australian inbound operators.
Q3.3.3 Industry rivalry	+	Q2.8.3 Outbound expansion.
	+	Q4.6.2 Response to demand for Aust-bound expansion.
	+	Q4.6.10 Innovation for Aust-bound expansion.
	-	Q6.4 Well connected with Australian inbound operators.
Q3.14 Well prepared for e-business	-	Q4.6.1 Government policies for Aust-bound expansion.
	-	Q4.6.2 Response to demand for Aust-bound expansion.
	-	Q4.6.3 Growth opportunities for Aust-bound expansion.
Q4.3.1 Price of travel product in the future	+	Q2.8.3 Outbound expansion.
Q4.3.2 Novelty of travel product in the future	+	Q6.3 Working knowledge of Australia.
Q4.3.4 Brand of travel product for the future	+	Q2.8.3 Outbound expansion.
	+	Q4.6.9 Low price for Aust-bound expansion.
Q4.3.5 Speed of travel product for the future	+	Q1.7 Outbound percentage.
	+	Q4.6.5 Retailing knowledge for Aust-bound expansion.
Q4.7.1 Novelty for Australian expansion	+	Q4.6.9 Low price for Aust-bound expansion.
Q4.7.2 Choices for Australian expansion	+	Q4.6.8 Avoiding competition for Aust-bound expansion.
	+	Q6.4 Well connected with Australian inbound operators.
Q4.7.3 Scale for Australian expansion	+	Q4.6.9 Low price for Aust-bound expansion.
	+	Q6.3 Working knowledge of Australia.
	+	Q6.4 Well connected with Australian inbound operators.
Q4.7.4 Innovation for Australian expansion	+	Q4.6.7 E-business opportunities for Aust-bound expansion.
	+	Q4.6.10 Innovation for Aust-bound expansion.
Q4.7.5 Marketing for	+	Q4.6.3 Growth opportunities for Aust-bound

Australian expansion		expansion.
Q4.7.6 Sophistication for Australian expansion	+	Q4.6.2 Response to demand for Aust-bound expansion.
	+	Q4.6.4 Australian connections for Aust-bound expansion.
	+	Q4.6.5 Retailing knowledge for Aust-bound expansion.
	+	Q4.6.6 Joint venture for Aust-bound expansion.
	+	Q4.6.10 Innovation for Aust-bound expansion.
	-	Q6.4 Well connected with Australian inbound operators.
Q5.3.1 Knowledge of market innovation	+	Q6.4 Well connected with Australian inbound operators.
Q5.3.2 Staff skills	+	Q4.6.2 Response to demand for Aust-bound expansion.
Q5.3.3 Operational efficiency	+	Q4.6.8 Avoiding competition for Aust-bound expansion.
	+	Q6.1 Staff trained in Australia.
Q5.3.4 Staff creativity	+	Q4.6.1 Government policies for Aust-bound expansion.
Q5.3.7 E-business	+	Q4.6.7 E-business opportunities for Aust-bound expansion.
	+	Q6.4 Well connected with Australian inbound operators.
Q5.3.8 Efficient communication	+	Q4.6.3 Growth opportunities for Aust-bound expansion.
Q6.2 Working knowledge of internet and e-business	+	Q6.3 Working knowledge of Australia.
Q7.3 The importance of B2B platform to Australia-bound growth	+	Q4.6.2 Response to demand for Aust-bound expansion.
	+	Q4.6.7 E-business opportunities for Aust-bound expansion.

Conclusion

The R^2 -values and F-values of the multiple regression analyses demonstrate that the set of independent variables strongly influence the eleven dependent variables (refer to Table 7.29). Therefore, firm strategy for the future has a strong influence on outbound competitive factors, strength/weakness, and future demand and null Hypothesis Seven is rejected.

Table 7.30 demonstrates that the majority of the independent variables for firm strategy for the future relate positively to the future competitiveness of firms. The exception is the independent variable 'well prepared for e-business'. This finding

means that firms with a high strategy for developing e-business are less likely to expand their business into Australia. This echoes the finding in section 7.8.

Table 7.28 Correlation Matrix for All Variables in Hypothesis Seven

	Ed	PE	IR	GP	OS	IL	ER	Pr	Nov	Qu	Br	Sp	NAE	CAE	SAE	IAE	MAE	SA	B2B
Education (Ed)	1.000																		
Past experience (PE)	.132	1.000																	
Industry rivalry	.289**	.317**	1.000																
Government policy (GP)	.294**	.294**	.288**	1.000															
Organisation structure (OS)	.272**	.211**	.286**	.204**	1.000														
Industry links (IL)	.122	.150	.170*	.235**	.404**	1.000													
E-business readiness (ER)	.181*	.041	.050	.087	.134	.164*	1.000												
Price to outbound (Pr)	.056	.197*	.055	.051	.110	.067	.122	1.000											
Novelty to outbound (Nov)	.194*	.060	-.014	.079	.075	.219**	-.081	.183*	1.000										
Quality to outbound (Qu)	.304**	.088	.187*	.124	.244**	.175*	.079	.270**	.472**	1.000									
Brand to outbound (Br)	.136	.094	.124	.204**	.178*	.175*	.110	.072	.401**	.502**	1.000								
Speed to outbound (Sp)	.238**	.077	.154	.087	.097	.342*	.076	.176*	.604**	.477**	.520**	1.000							
Novelty to Aust. Exp	.202*	.270**	.286**	.046	.007	.177*	.094	.017	.080	.144	-.061	.100	1.000						
Choice to Aust. Exp	.248**	.226**	.282**	.203**	.023	.313**	.194*	.108	.227**	.160*	-.011	.332**	.731**	1.000					
Scale to Aust. Exp	.205*	.218**	.342**	.249**	.055	.279**	.185*	.087	.050	.092	.073	.230**	.624**	.708**	1.000				
Innovation to Aust. Exp.	.179*	.229**	.324**	.155	.107	.284**	.087	.024	.222**	.088	.089	.262**	.638**	.714**	.755**	1.000			
Marketing to Aust. Exp.	.169*	.266**	.220**	.239**	.002	.225**	.115	.106	.154	.108	.103	.154	.645**	.683**	.712**	.751**	1.000		
Sophistication to Aust. Exp.	.235**	.210*	.360**	.150	.068	.173*	.150	-.003	.166*	.077	.115	.216*	.611**	.670**	.612**	.738**	.794**	1.000	
B2B platform	.315**	.091	.183*	.071	.152	.222**	.088	.030	.264**	.189**	.199**	.166*	.198*	.192*	.195*	.259**	.143	.209*	1.000
Outbound percentage	.090	-.062	.085	.029	.131	.095	.141	.057	.197*	.136	-.010	.237*	.032	.233**	.186*	.118	.153	.044	-.049
Outbound expansion	.117	.152	.143	.043	.088	.074	.073	.295**	.089	.228**	.177*	.192*	.053	.208*	.205*	.070	.160	.110	-.010
Government Policy	-.048	.186*	.050	.063	.002	.189*	-.074	-.059	.009	.049	.039	.096	.119	.177*	.270**	.174*	.184*	.135	-.067
Demand Response	.153	.145	.178*	.160	.104	.246**	.055	.027	.205*	.091	.092	.253**	.278**	.391**	.383**	.417**	.395**	.434**	.261**
Growth Opportunities	.082	.118	.220**	-.015	.055	.153	-.050	.034	.117	.158	.081	.266**	.249**	.281**	.317**	.299**	.348**	.339**	.125
Australian Connections	.008	.143	.035	.093	-.080	.089	-.040	.075	.164*	.124	-.005	.201*	.273**	.338**	.258**	.283**	.304**	.380**	.115
Retailing Knowledge	.047	.218**	.153	.155	.096	.182*	.095	.120	.218**	.166*	.094	.289**	.353**	.388**	.433**	.425**	.428**	.450**	.109
Joint Venture Opportunities	.054	.015	.099	.130	.119	.089	.039	-.019	.138	.054	.038	.214*	.189*	.305**	.338**	.353**	.318**	.415**	.123
E-business Opportunities	.080	-.025	.086	-.027	.022	.154	.130	-.044	.065	.071	.029	.186*	.333**	.460**	.375**	.371**	.367**	.400**	.296**
Avoiding Competition	.085	.220*	.042	-.012	-.117	.149	.067	.067	.063	.138	-.049	.125	.468**	.491**	.449**	.441**	.461**	.451**	.102
Low price	.039	.190*	.087	.073	-.055	.219*	.078	.137	.174*	.131	.066	.267**	.489**	.494**	.443**	.362**	.406**	.367**	.161
Innovation	.134	.272**	.234**	.044	-.010	.179*	.064	.091	.219**	.225**	.041	.252**	.611**	.595**	.581**	.615**	.605**	.578**	.243**
Staff trained in Australia	.131	-.001	.116	-.021	.001	.063	.154*	.119	.071	.156*	.001	.110	.049	.121	.102	.061	.020	.042	.081
Working knowledge of Aust.	.098	.169*	.054	.013	.051	.073	.244**	.063	.182*	.206**	.072	.195*	.172*	.255**	.234**	.119	.106	.064	.073
Well connected with Australia	.128	.153*	.031	.018	.069	.121	.254**	.160*	.072	.232**	.074	.225**	.209**	.390**	.332**	.223**	.218**	.137	.006

* $p < .05$; ** $p < .01$; ddd are Spearman's rho nonparametric correlation tests.

Strategies for Entering The Chinese Outbound Travel Market

Table 7.29 The Results of Multiple Regression Analysis (stepwise) for Hypothesis Seven

Dependent variables	R ²	Adj. R ²	F	Sig.	Variables extracted by Stepwise Regression														
					Step 1			Step 2			Step 3			Step 4			Step 5		
					v1/v6	β /t	R ²	v2/v7	β /t	R ²	v3/v8	β /t	R ²	v4/v9	β /t	R ²	v5/v10	β /t	R ²
Q1.7	.418	.056	1.156	.326	Q4.3.5	.413/3.8	.171												
Q2.8.3	.353	.041	1.132	.338	Q4.3.4	.274/2.8	.092	Q3.3.3	.229/2.3	.141	Q4.3.1	.228/2.3	.192						
Q4.6.1	.482	.252	2.096	.008	Q3.3.2	.296/3.3	.114	Q3.14	-.394/-4.3	.206	Q5.3.4	.346/3.7	.313						
Q4.6.2	.484	.247	2.043	.010	Q4.7.6	.309/3.3	.228	Q5.3.2	.280/3.0	.314	Q7.3	.226/2.6	.364	Q3.14	-.208/-2.4	.397	Q3.3.3	.182/2.0	.425
Q4.6.3	.532	.314	2.439	.002	Q4.7.5	.359/3.8	.181	Q5.3.8	.377/3.9	.267	Q3.14	-.285/-3.1	.341						
Q4.6.4	.400	.134	1.502	.092	Q4.7.6	.429/4.5	.184												
Q4.6.5	.535	.325	2.544	.001	Q4.7.6	.404/4.1	.229	Q4.3.5	.212/2.2	.269									
Q4.6.6	.565	.369	2.878	.000	Q4.7.6	.441/5.0	.266	Q5.3.1	.302/3.4	.352									
Q4.6.7	.590	.392	2.978	.000	Q5.3.7	.385/4.4	.260	Q4.7.4	.299/3.4	.366	Q7.3	.236/2.7	.418						
Q4.6.8	.479	.236	1.969	.014	Q4.7.2	.423/4.4	.267	Q5.3.3	.243/2.5	.317									
Q4.6.9	.544	.332	2.560	.001	Q4.7.1	.333/3.0	.247	Q4.3.4	.222/2.5	.310	Q4.7.3	.230/2.1	.343						
Q4.6.10	.690	.546	4.774	.000	Q4.7.4	.465/4.9	.487	Q4.7.6	.279/2.9	.547	Q3.3.3	.170/2.2	.572						
Q6.1	.410	.130	1.463	.110	Q5.3.3	.278/2.7	.077												
Q6.3	.593	.417	3.376	.000	Q6.2	.451/5.2	.202	Q4.3.2	.328/3.8	.338	Q4.7.3	.189/2.2	.371						
Q6.4	.558	.367	2.927	.000	Q5.3.7	.210/2.2	.171	Q4.7.3	.197/1.5	.240	Q4.7.6	-.392/-3.5	.287	Q3.3.1	.237/2.7	.321	Q3.3.2	.201/2.4	.354
					Q3.3.3	-.272/-2.9	.386	Q5.3.1	.274/2.6	.420	Q4.7.2	.313/2.3	.452						

The full set of independent variables are: Q3.3.1; Q3.3.2; Q3.3.3; Q3.3.4; Q3.3.5; Q3.3.6; Q3.14; Q4.3.1; Q4.3.2; Q4.3.3; Q4.3.4; Q4.3.5; Q4.7.1; Q4.7.2; Q4.7.3; Q4.7.4; Q4.7.5; Q4.7.6; Q5.3.1; Q5.3.2; Q5.3.3; Q5.3.4; Q5.3.5; Q5.3.6; Q5.3.7; Q5.3.8; Q6.2; Q7.3.

* indicates the variable has been common log transformed.

7.2.5 Influence of Firm Product Offering on Competitive Strategy

Table 7.31 Hypotheses 8, Firm product offering on Competitive strategy

Independent Variables	Dependent Variables (Outbound competitive factors, strength / weakness, future demand)
<ul style="list-style-type: none"> • Q1.2 The major areas of operations (Q1.2.1, Q1.2.2*, Q1.2.3*); • Q1.3 Retail outlets*; • Q3.11 Similarity between products; • Q3.12 Unmet expectations of products; • Q4.3 Characteristics of travel products. 	<ul style="list-style-type: none"> • Q1.7 percentage of outbound travel; • Q2.8.3 outbound expansion; • Q4.6 reasons for Australia-bound expansion; • Q6.1 specialised travel training in Australia*; • Q6.3 working knowledge of Australian industry; • Q6.4 well connected with Australian industry.

* the variable is not normally distributed and has been transformed using a common log to a normal distribution.

Table 7.31 is the summary table for testing Hypothesis Eight. The right column of the table contains the same variables as the previous tables. The left column contains all the relevant independent variables in the questionnaire representing firm product offering. Table 7.32 shows the Pearson correlation coefficients for all the variables in Hypothesis Eight and indicates no multicollinearity between the independent variables.

Table 7.33 shows the key indicators from the multiple regression analysis for Hypothesis Eight. Among the 15 dependent variables, six have statistically significant relationships with the set of independent variables. Among them the lowest coefficient of determination (R^2) is 0.321, while the highest is 0.448. This indicates that 6 of the 15 dependent variables are significantly influenced by the set of independent variables.

Table 7.33 shows the stepwise regression extraction of the independent variables. Table 7.34 shows the relationships between the extracted variables and the dependent variables.

Table 7.34 Extracted Independent Variables Relate to Dependent Variables

Independent Variable	Sign of Relationship	Dependent Variable
Q1.2.1 Years in domestic travel	+	Q6.1 Staff trained in Australia.
Q1.2.3 Years in outbound travel	+	Q1.7 Outbound percentage.
Q1.3 Number of retail outlets	-	Q1.7 Outbound percentage.
Q3.11 Similarity between products	-	Q6.3 Working knowledge of Australia.
Q3.12 Unmet expectations of products	-	Q4.6.2 Response to demand for Aust-bound expansion.
	-	Q4.6.4 Australian connections for Aust-expansion.
	-	Q4.6.6 Joint venture for Aust-bound expansion.
	-	Q4.6.7 E-business opportunities for Aust-bound expansion.
	-	Q4.6.8 Avoiding competition for Aust-bound expansion.
Q4.3.3 Quality of travel products for the future	+	Q2.8.3 Outbound expansion.
	+	Q4.6.4 Australian connections for Aust-expansion.
Q4.3.4 Brand of travel products for the future	-	Q4.6.4 Australian connections for Aust-expansion.
Q4.3.5 Speed of travel products for the future	+	Q1.7 Outbound percentage.
	+	Q4.6.3 Growth opportunities for Aust-bound expansion.
	+	Q4.6.4 Australian connections for Aust-expansion.
	+	Q4.6.5 Retailing knowledge for Aust-bound expansion.
	+	Q4.6.9 Low price for Aust-bound expansion.
	+	Q4.6.10 Innovation for Aust-bound expansion.
	+	Q6.3 Working knowledge of Australia.

Conclusion

The R^2 -values and F-values of the multiple regression analyses demonstrate that the set of independent variables strongly influence six of the dependent variables (refer to Table 7.33). Therefore, firm product offering has a strong influence on outbound competitive factors, strength/weakness, and future demand and null Hypothesis Eight is rejected.

Table 7.34 shows that ‘years of travel business’ both in domestic and outbound (Q1.2), quality of travel products (Q4.3.3) and the speed of product innovation (Q4.3.5) relate positively to the future competitiveness of firms and Australia. The survey results show that the number of retail outlets negatively influence the outbound

percentage. This could be due to the fact that the greater the number of outlets, the more domestic tourists relative to outbound tourists that the operator will handle. The similarity between products (Q3.11) and unmet expectation of products (Q3.12) will reduce the likelihood for business expansion to Australia. This means that reduction in the similarity between Australian products and the products of other destinations, and reduction in unmet expectations of Australian products are key factors for increasing the competitiveness of firms and Australia.

7.32 Correlation Matrix for All Variables in Hypothesis Eight

	YTB	YDT	YIT	YOT	RO	PS	UE	Pr	No	Qua	Bra	Spe
Years in tourism business (YTB)	1.000											
Years in domestic travel (YDT)	<u>.721**</u>	1.000										
Years in inbound travel (YIT)	<u>.953**</u>	<u>.280**</u>	1.000									
Years in outbound travel (YOT)	<u>.663**</u>	<u>.300**</u>	<u>.643**</u>	1.000								
Retail outlets (RO)	<u>.396**</u>	<u>.309**</u>	<u>.355**</u>	<u>.360**</u>	1.000							
Product similarity (PS)	<u>.069</u>	<u>.101</u>	<u>.178*</u>	<u>.109</u>	<u>.048</u>	1.000						
Unmet expectations (UE)	<u>.035</u>	<u>.122</u>	<u>.104</u>	<u>.125</u>	<u>.088</u>	<u>.195**</u>	1.000					
Price to future outbound (Pr)	<u>.068</u>	<u>.143</u>	<u>-.050</u>	<u>.037</u>	<u>-.004</u>	<u>.161*</u>	<u>.119</u>	1.000				
Novelty to future outbound (No)	<u>-.022</u>	<u>-.003</u>	<u>-.121</u>	<u>-.140</u>	<u>.130</u>	<u>-.159*</u>	<u>.027</u>	<u>.183*</u>	1.000			
Quality to future outbound (Qua)	<u>.061</u>	<u>.012</u>	<u>-.057</u>	<u>.066</u>	<u>.128</u>	<u>-.125</u>	<u>.072</u>	<u>.270**</u>	<u>.472**</u>	1.000		
Brand to future outbound (Bra)	<u>.164*</u>	<u>.066</u>	<u>.110</u>	<u>.002</u>	<u>.243**</u>	<u>-.156*</u>	<u>-.089</u>	<u>.072</u>	<u>.401**</u>	<u>.502**</u>	1.000	
Speed to future outbound (Spe)	<u>-.035</u>	<u>.036</u>	<u>-.126</u>	<u>-.166</u>	<u>.160</u>	<u>-.103</u>	<u>-.033</u>	<u>.176*</u>	<u>.604**</u>	<u>.477**</u>	<u>.520**</u>	1.000
Outbound percentage	<u>.203*</u>	<u>.142</u>	<u>.156</u>	<u>.142</u>	<u>-.006</u>	<u>.088</u>	<u>.081</u>	<u>.057</u>	<u>.197*</u>	<u>.253**</u>	<u>-.010</u>	<u>.237*</u>
Outbound expansion	<u>.028</u>	<u>.115</u>	<u>-.047</u>	<u>.021</u>	<u>.148</u>	<u>-.011</u>	<u>.083</u>	<u>.295**</u>	<u>.089</u>	<u>.228**</u>	<u>.177*</u>	<u>.192*</u>
Government Policy	<u>.029</u>	<u>.102</u>	<u>.042</u>	<u>-.115</u>	<u>.013</u>	<u>-.162*</u>	<u>-.101</u>	<u>-.059</u>	<u>.009</u>	<u>.049</u>	<u>.039</u>	<u>.096</u>
Demand Response	<u>.038</u>	<u>.095</u>	<u>.046</u>	<u>-.084</u>	<u>.109</u>	<u>-.074</u>	<u>-.166*</u>	<u>.027</u>	<u>.205*</u>	<u>.091</u>	<u>.092</u>	<u>.253**</u>
Growth Opportunities	<u>-.145</u>	<u>.054</u>	<u>-.160</u>	<u>-.116</u>	<u>-.024</u>	<u>-.101</u>	<u>-.046</u>	<u>.034</u>	<u>.117</u>	<u>.158</u>	<u>.081</u>	<u>.266**</u>
Australian Connections	<u>-.079</u>	<u>.129</u>	<u>-.182</u>	<u>-.136</u>	<u>-.076</u>	<u>-.057</u>	<u>-.167*</u>	<u>.075</u>	<u>.164*</u>	<u>.124</u>	<u>-.005</u>	<u>.201*</u>
Retailing Knowledge	<u>-.133</u>	<u>.104</u>	<u>-.189</u>	<u>-.136</u>	<u>-.166</u>	<u>-.032</u>	<u>-.039</u>	<u>.120</u>	<u>.218**</u>	<u>.166*</u>	<u>.094</u>	<u>.289**</u>
Joint Venture Opportunities	<u>-.068</u>	<u>.138</u>	<u>-.144</u>	<u>-.138</u>	<u>.015</u>	<u>-.132</u>	<u>-.174*</u>	<u>-.019</u>	<u>.138</u>	<u>.054</u>	<u>.038</u>	<u>.214*</u>
E-business Opportunities	<u>-.056</u>	<u>-.048</u>	<u>-.099</u>	<u>-.080</u>	<u>-.014</u>	<u>-.148</u>	<u>-.138</u>	<u>-.044</u>	<u>.065</u>	<u>.071</u>	<u>.029</u>	<u>.186*</u>
Avoiding Competition	<u>-.072</u>	<u>-.004</u>	<u>-.036</u>	<u>-.007</u>	<u>-.096</u>	<u>-.104</u>	<u>-.125</u>	<u>.067</u>	<u>.063</u>	<u>.138</u>	<u>-.049</u>	<u>.125</u>
Low price	<u>-.165</u>	<u>-.063</u>	<u>-.097</u>	<u>-.020</u>	<u>-.092</u>	<u>-.024</u>	<u>-.136</u>	<u>.137</u>	<u>.174*</u>	<u>.131</u>	<u>.066</u>	<u>.267**</u>
Innovation	<u>-.097</u>	<u>.043</u>	<u>-.058</u>	<u>.006</u>	<u>-.104</u>	<u>-.140</u>	<u>-.130</u>	<u>.091</u>	<u>.219**</u>	<u>.225**</u>	<u>.041</u>	<u>.252**</u>
Staff trained in Australia	<u>.192*</u>	<u>.206**</u>	<u>.130</u>	<u>.242*</u>	<u>.134</u>	<u>-.020</u>	<u>.066</u>	<u>.119</u>	<u>.071</u>	<u>.156*</u>	<u>.001</u>	<u>.110</u>
Working knowledge of Aust.	<u>.064</u>	<u>-.022</u>	<u>-.192*</u>	<u>-.080</u>	<u>.188*</u>	<u>-.169*</u>	<u>-.037</u>	<u>.063</u>	<u>.182*</u>	<u>.206**</u>	<u>.072</u>	<u>.195*</u>
Well connected with Australia	<u>.281**</u>	<u>.101</u>	<u>.120</u>	<u>.236**</u>	<u>.270**</u>	<u>-.046</u>	<u>.033</u>	<u>.160*</u>	<u>.072</u>	<u>.232**</u>	<u>.074</u>	<u>.225**</u>

* p < .05; ** p < .01; ddd are Spearman's rho nonparametric correlation tests.

Table 7.33 The Results of Multiple Regression Analysis (stepwise) for Hypothesis Eight

Dependent variables	R ²	Adj. R ²	F	Sig.	Variables extracted by Stepwise Regression															
					Step 1				Step 2				Step 3				Step 4			
					v1	β	t	R ²	v2	β	t	R ²	v3	β	t	R ²	v4	β	t	R ²
Q1.7	.448	.314	3.327	.002	Q4.3.5	.401	3.6	.121	Q1.2.3*	.411	3.5	.200	Q1.3*	-.408	-3.5	.350				
Q2.8.3	.271	.119	1.789	.079	Q4.3.3	.269	2.2	.072												
Q4.6.1	.205	.026	1.146	.348	None															
Q4.6.2	.355	.204	2.350	.021	Q3.12	-.424	-3.5	.180												
Q4.6.3	.264	.089	1.503	.163	Q4.3.5	.286	2.2	.082												
Q4.6.4	.399	.249	2.658	.011	Q4.3.3	.285	2.2	.092	Q3.12	-.367	-3.2	.197	Q4.3.4	-.496	-3.5	.277	Q4.3.5	.399	2.6	.361
Q4.6.5	.296	.124	1.721	.099	Q4.3.5	.330	2.6	.109												
Q4.6.6	.389	.217	2.254	.031	Q3.12	-.401	-3.1	.161												
Q4.6.7	.327	.146	1.808	.084	Q3.12	-.312	-2.4	.098												
Q4.6.8	.229	.006	1.028	.442	Q3.12	-.309	-2.2	.095												
Q4.6.9	.428	.262	2.583	.015	Q4.3.5	.382	2.9	.146												
Q4.6.10	.254	.071	1.390	.211	Q4.3.5	.269	2.1	.072												
Q6.1	.235	.060	1.340	.233	Q1.2.1	.325	2.6	.106												
Q6.3	.321	.183	2.321	.020	Q3.11	-.344	-3.0	.182	Q4.3.5	.285	2.5	.256								
Q6.4	.217	.058	1.362	.218	None															

The full set of independent variables are: Q1.2.1; Q1.2.2*; Q1.2.3*; Q1.3*; Q3.11; Q3.12; Q4.3.1; Q4.3.2; Q4.3.3; Q4.3.4; Q4.3.5.

* indicates the variable has been common log treated.

7.2.6 Conclusion

Table 7.34 summarises the results of the tests on Hypotheses Five to Eight. The table shows that firm capability, nature and performance, strategy for the future and product offering do impact on outbound competitive factors, strength/weakness, and future demand. So that firms with different industry dynamics will differ in market competitiveness and they will choose different competitive strategies for outbound expansion. Consequently, the Chinese travel industry structure will change to cater to the differences in industry dynamics that will develop after WTO entry.

Table 7.35 Summary of The Results of Hypotheses Tests

Hypotheses to be tested	Hypothesis 5	Hypothesis 6	Hypothesis 7	Hypothesis 8
Result	rejected	accepted	rejected	rejected

From the previous analyses, there are several factors that influence the future outbound competitiveness of firms and of Australia as a destination. Firstly, the current and future capability of the internet will reduce Australia's competitiveness in the Chinese outbound market. Secondly, product similarity with other destinations and unmet expectations of Australian products will also reduce Australia's competitiveness.

CHAPTER EIGHT

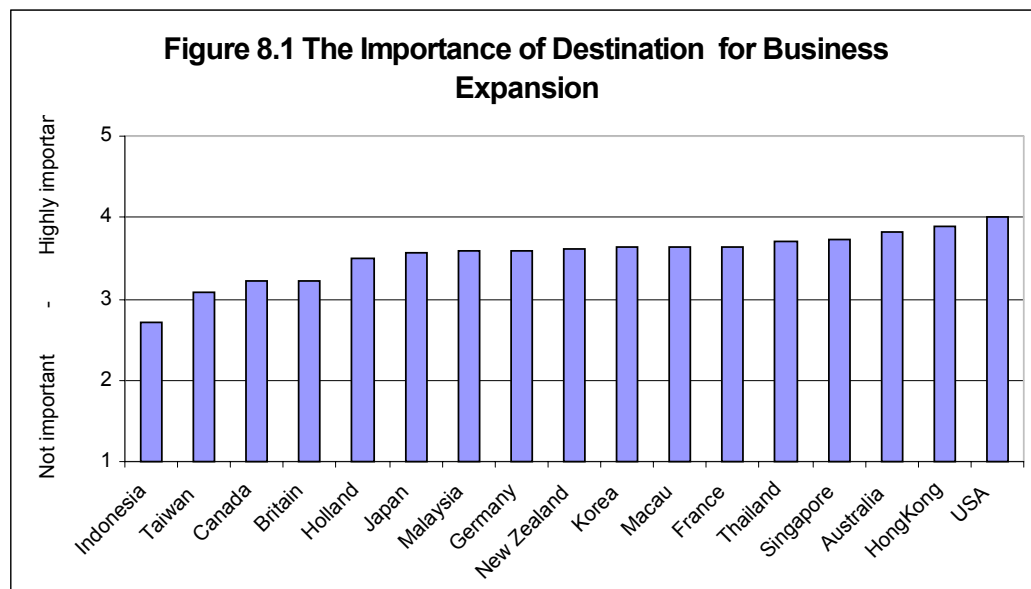
EVALUATION OF OUTBOUND DESTINATIONS AND THE MARKET POSITION OF AUSTRALIA

8.1 Introduction

In this chapter, two general hypotheses are tested (refer to Chapter 4). They are:

Hypothesis 9: Australia is in a less favourable market position to attract Chinese outbound travel relative to other destinations.

Hypothesis 10: Australia has no unique market image in China that can be identified and used by Australian operators to shape their particular entry strategies.

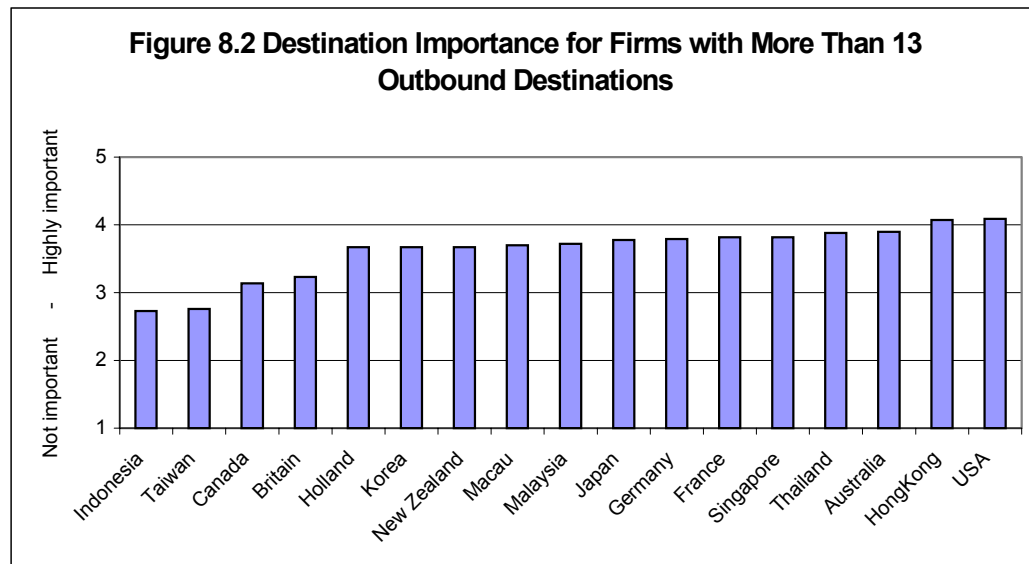


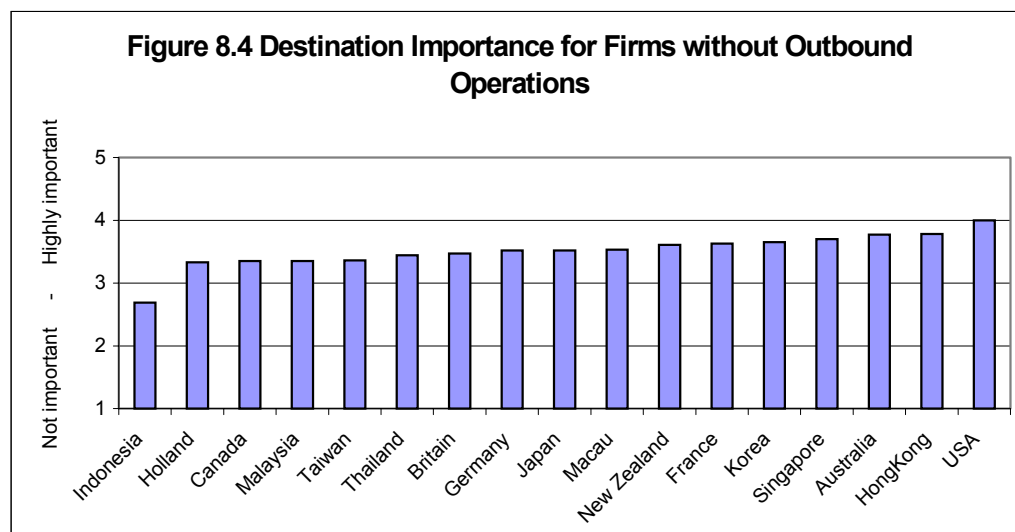
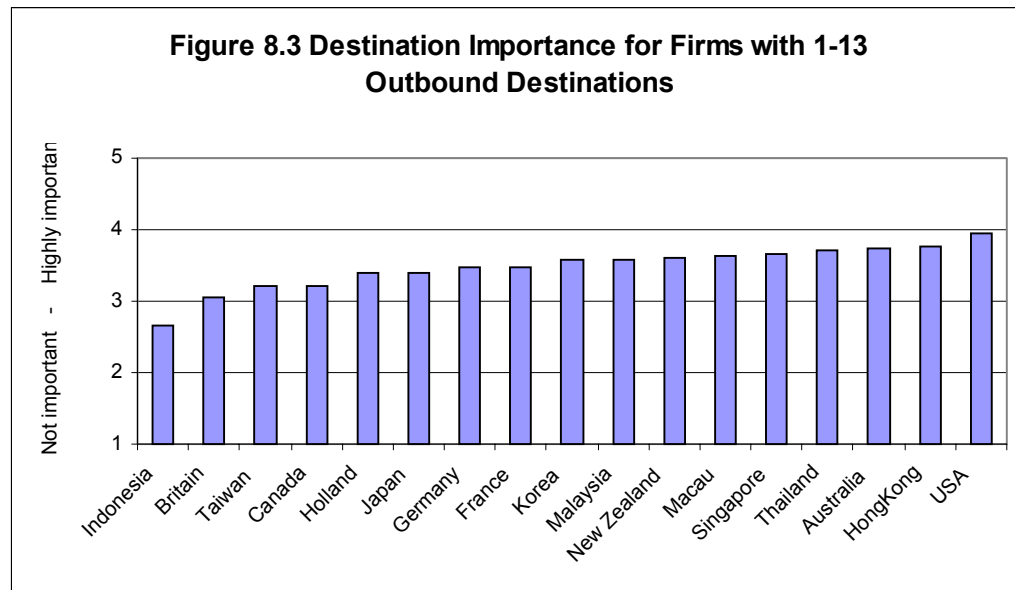
8.2 Evaluation of Outbound Destinations

Strategies for Entering The Chinese Outbound Travel Market

8.2.1 Destination Importance to Outbound Expansion:

According to the survey data (Question 3.2 in Appendix A) displayed in Figure 8.1, Australia, together with Hong Kong and the USA, is one of the most important destinations for Chinese firms' future outbound expansion, while Indonesia, Taiwan, Canada and Britain are the least important destinations for outbound expansion. Intra-industry analysis on firms with different sizes of outbound operations has shown that Australia, Hong Kong and the USA are consistently at the top, while Indonesia and Taiwan are consistently at the bottom (refer to Figures 8.2, 8.3 and 8.4). The importance of outbound destinations between the top and the bottom rankings varies between firms with and without outbound operations. For example, Thailand was ranked the fourth most important destination for firms with outbound operations, while it was ranked the twelfth important destination for firms without outbound operations.





The survey statistics have shown that firms with or without outbound operations all perceived Australia, Hong Kong and the USA as the most important destinations for their businesses (refer to Figures 8.1~8.4). At the other end of the scale, Indonesia was consistently the least important destination for the industry. Interestingly for the

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large outbound operators (Figure 8.2) New Zealand ranks eleventh but for non-outbound operators it ranks seventh.

8.2.1.1 Interdependency Analysis of Destination Importance

Besides individual consideration of destination importance to business expansion, Principal Component Analysis (PCA) can be used to reduce the large number of destination variables to a smaller number by indicating which variables (destinations) belong together (Emory and Cooper, 1991) in sampling space. Essentially, PCA analysis creates a new generic set of variables (Principal Components) by combining the original variables with similar properties (linear relationship).

According to Zikmund (1999:586), "... the researcher's purpose is to discover the basic structure of a domain and to add substantive interpretation to the underlying dimensions. Factor analysis accomplishes this by combining these questions to create new, more abstract variables called components. In general, the goal of PCA is parsimony: to reduce a large number of variables to as few dimensions or constructs as possible." In each analysis the method of rotation is Varimax. This choice has been made in order to maximise the difference between the components.

The practical reasons for clustering of the destinations are:

- Determining destinations that may be substitutes for each other. For example, destinations which inspire common travel enjoyment and desire for the Chinese market.
- Determining destinations that are suitable for particular product and business development.
- Determining destinations that are perceived to have similar economic development, culture, language and life-style.
- Determining destinations that are perceived to have the same government policy orientation.

Table 7.2 and Figure 7.5 show the results of the PCA. There are four groups of outbound destinations.

- Cluster 1: Australia, Britain, Canada, France, Germany, Holland, New Zealand and USA.
- Cluster 2: Hong Kong, Korea, Macau, Malaysia, Singapore and Thailand.
- Cluster 3: Japan.
- Cluster 4: Indonesia and Taiwan.

Japan is a single destination cluster (as identified by the PCA), which has strong connections to both Western and Asian destinations. It is normally regarded as an Asian destination by the industry and the market. However, the analysis suggests that Japan is a separate target for business expansion (refer to Table 8.1, Figure 8.5) to the rest of Asia.

Table 8.1 Rotated Component Matrix for Destination Importance to Business Expansion

	Principal Component		
	1	2	3
Australia	.734	.316	.171
Britain	.713	.308	.425
Canada	.666	.167	.549
France	.931	.201	.117
Germany	.922	.249	.114
Holland	.875	.241	.196
Hong Kong	.378	.806	.02962
Indonesia	.291	.284	.756
Japan	.552	.505	.352
Korea	.289	.842	.148
Macau	.184	.903	.193
Malaysia	.297	.818	.211
New Zealand	.649	.432	.296
Singapore	.269	.833	.224
Taiwan	.160	.181	.838
Thailand	.163	.798	.197
USA	.748	.250	.132

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

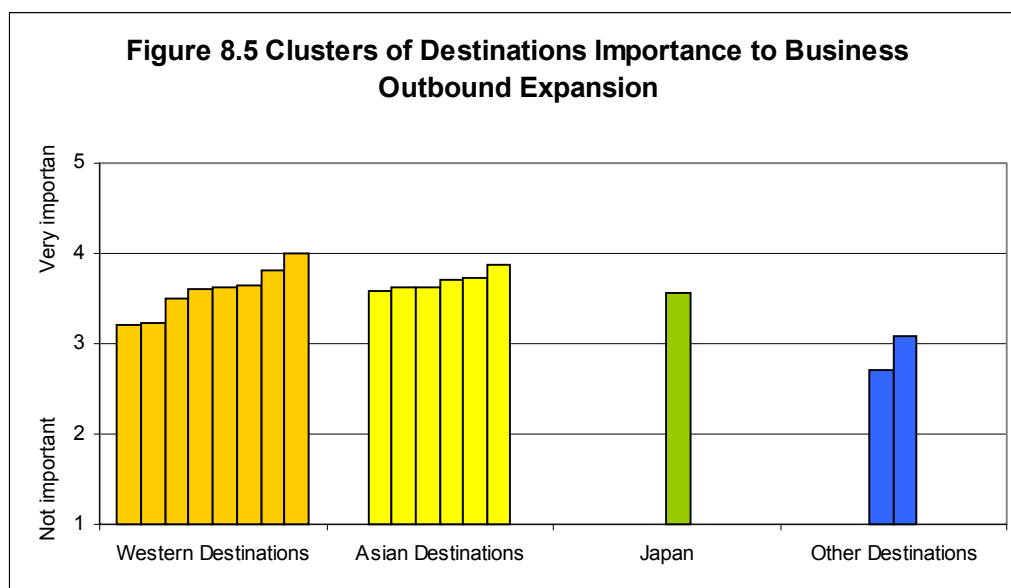


Table 8.2 shows that component 1 (Western cluster) explained about 34.2 % of the variance, while component 2 (Asian Cluster) explained about 30.5 % of the variance. The third component explained about 6.6 % of the variance. All three principal components were selected on the basis of an eigenvalue of greater than one and together they explained 78% of the total variance in destination importance to business expansion. Clearly, the western cluster was more important to the Chinese travel business' outbound expansion, while Indonesia and Taiwan are the least important.

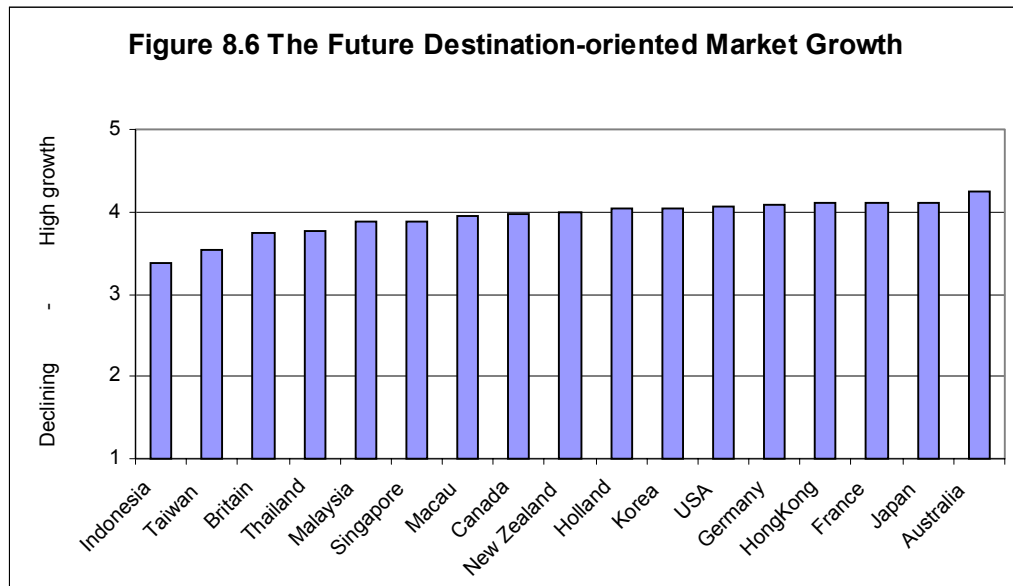
Table 8.2 Variance of Destination Importance to Business Expansion Explained

Component	Initial Eigenvalues	Rotated Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	10.010	34.219	34.219
2	2.130	30.452	64.671
3	1.126	6.626	78.041

Extraction Method: Principal Component Analysis

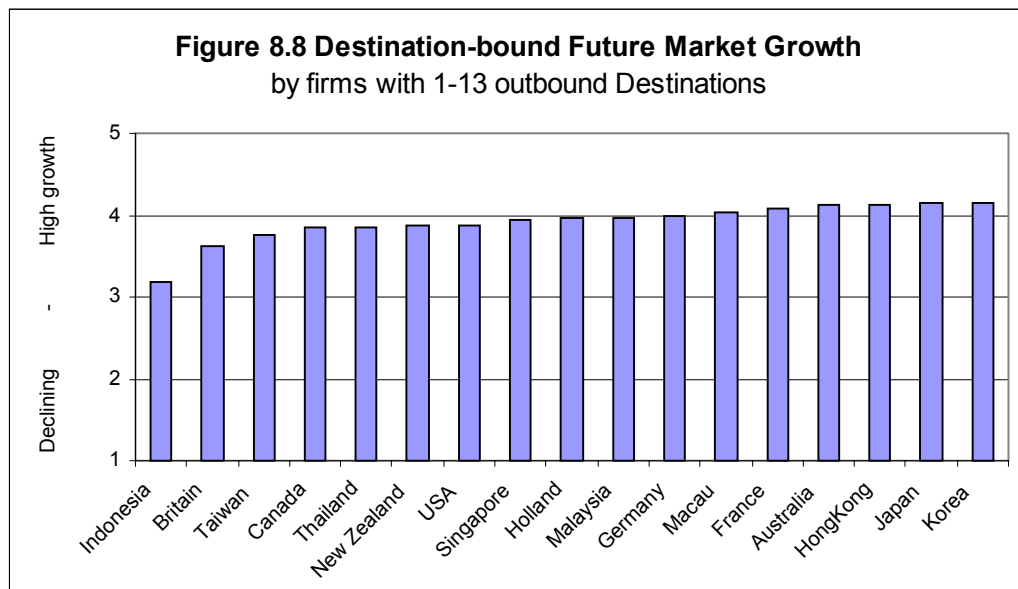
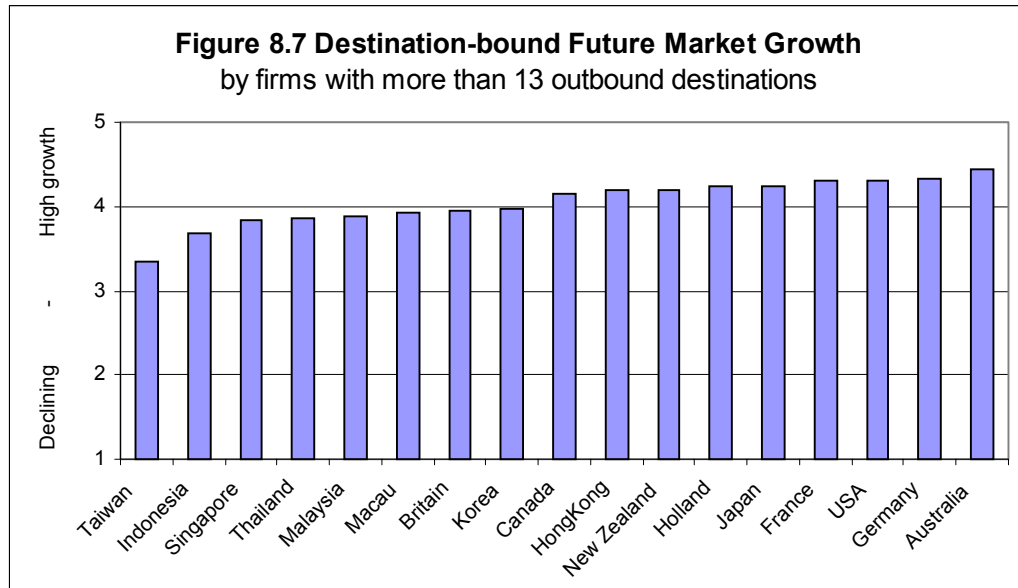
Rotation: Varimax

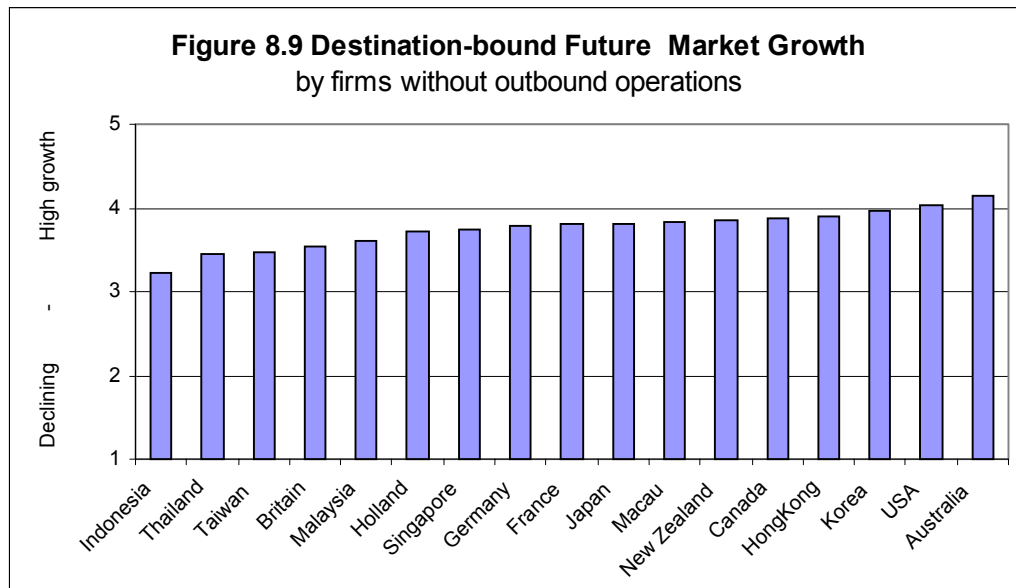
8.2.2 The Future Chinese Market for Outbound Destinations:



In regard to future Chinese outbound market growth (Question 3.9 in Appendix A), the survey statistics place Australia in the most favorable position of all outbound destinations (refer to Figure 8.6). Australia outperforms Hong Kong, France, Germany, Japan and the USA to be the most favorite destination for future Chinese market growth.

The prospective future market growth for Australia was perceived most highly by firms with a large number of outbound operations and firms without outbound operations. For firms with small and medium numbers of outbound operation, the perception of high market growth is Korea, Japan and then Hong Kong ahead of Australia. Thailand used to be a very popular outbound destination in the Chinese market. However, the analysis has shown that its position in the future Chinese market is not looking good, ranking fourteenth in Figure 8.6, and lowly with all firm sizes.





8.2.2.1 Interdependency Analysis of Destination-bound Market Growth

The PCA (Table 8.3) on destination-bound market growth has demonstrated that outbound destinations cluster in a similar manner to destination importance for business expansion (refer to section 8.2.2). The clusters divide generally between Western and Asian destinations with three groups (refer to Figure 8.5):

- Cluster 1: Hong Kong, Korea, Macau, Malaysia, Singapore and Thailand.
- Cluster 2: Australia, Britain, Canada, France, Germany, Holland, New Zealand and USA.
- Cluster 3: Japan and Taiwan.

Again Japan is separated from Asia as a separate group, this time with Taiwan. Indonesia seems to have almost equal loading on each of the clusters. This means that Indonesia stands alone apart from any obvious grouping, suggesting that it is probably not a viable destination for future market growth from the perspective of the Chinese industry.

Table 8.3 Rotated Component Matrix for the Future of the Chinese Outbound Market

	Component		
	1	2	3
Korea	.713	.244	.355
Macau	.879	.179	.303
Malaysia	.858	.266	.223
New Zealand	.540	.613	.07767
Singapore	.843	.305	.07779
Taiwan	.153	.184	.864
Thailand	.802	.332	.111
USA	.09243	.726	.379
Australia	.430	.652	.0624
Britain	.300	.646	.408
Canada	.228	.703	.422
France	.274	.865	.198
Germany	.297	.863	.217
Holland	.299	.889	.08828
Hong Kong	.839	.246	.09554
Indonesia	.440	.461	.419
Japan	.464	.353	.572

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

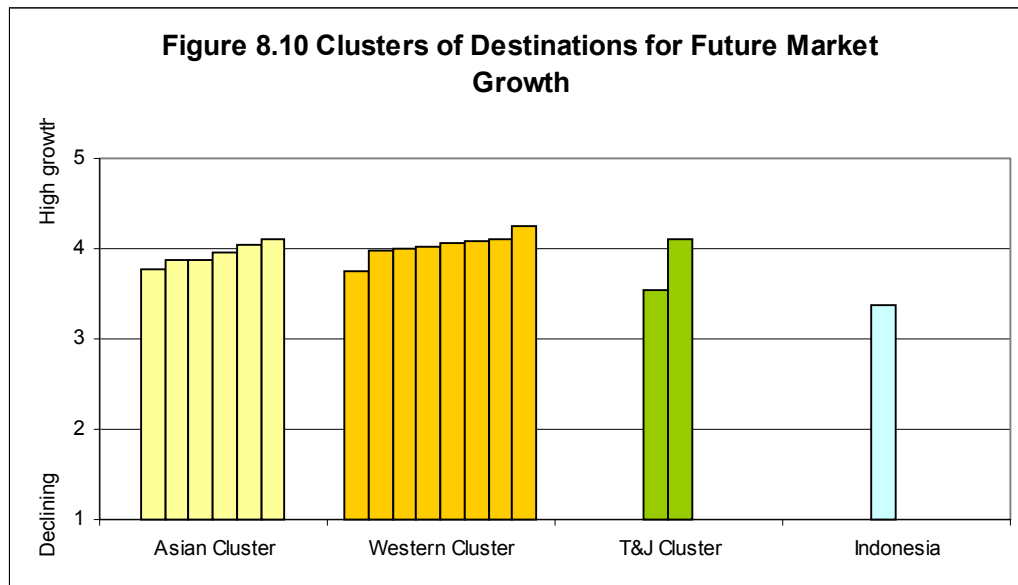


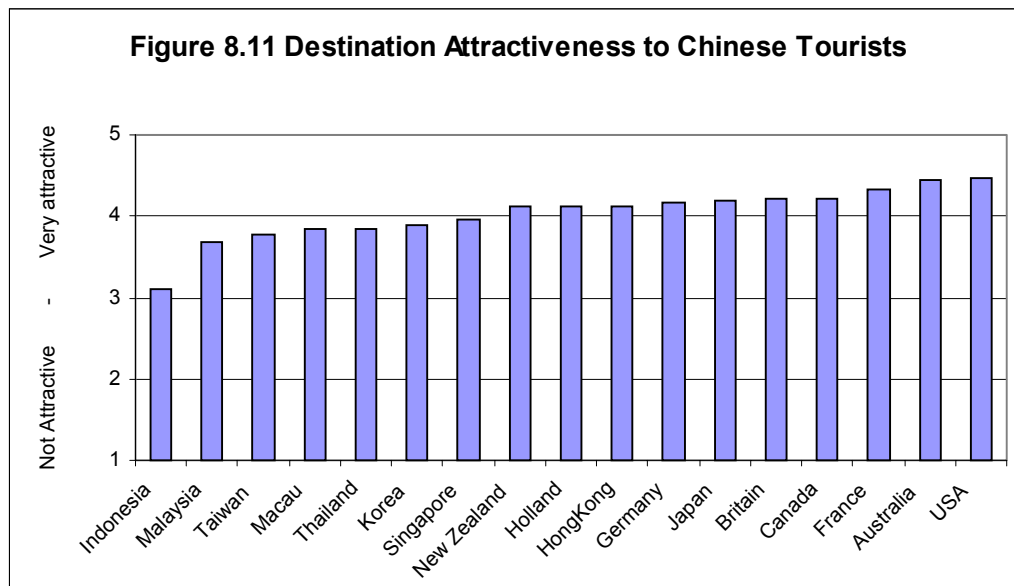
Table 8.4 shows the variance explained by the three rotated principal components with eigenvalues greater than one. It shows that component 1 (Asian cluster) explains about 32% of variance, while Component 2 (Western cluster) explains about 31% of the variance of future Chinese outbound growth. This means that the current Chinese outbound market growth is essentially dominated by both the Asian cluster (refer to Table 7.6) and the Western cluster, together explaining 63% of the variance. The third component (Japan and Taiwan) explains 13% of the variance.

Table 8.4 Variance of Destination Oriented Market Growth Explained

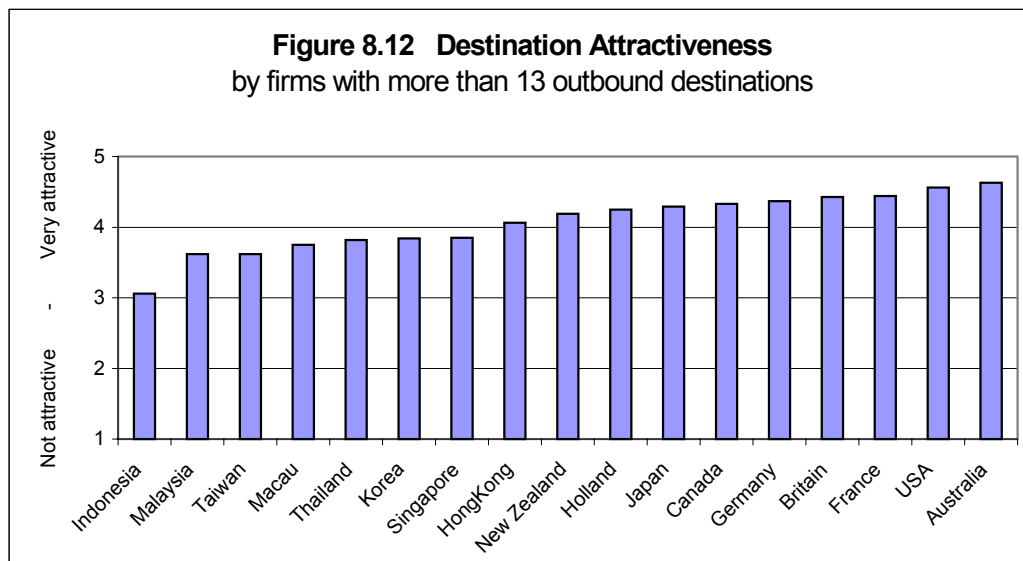
Component	Initial Eigenvalues	Rotated Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	9.889	31.681	31.681
2	1.897	31.280	62.961
3	1.054	12.569	75.530

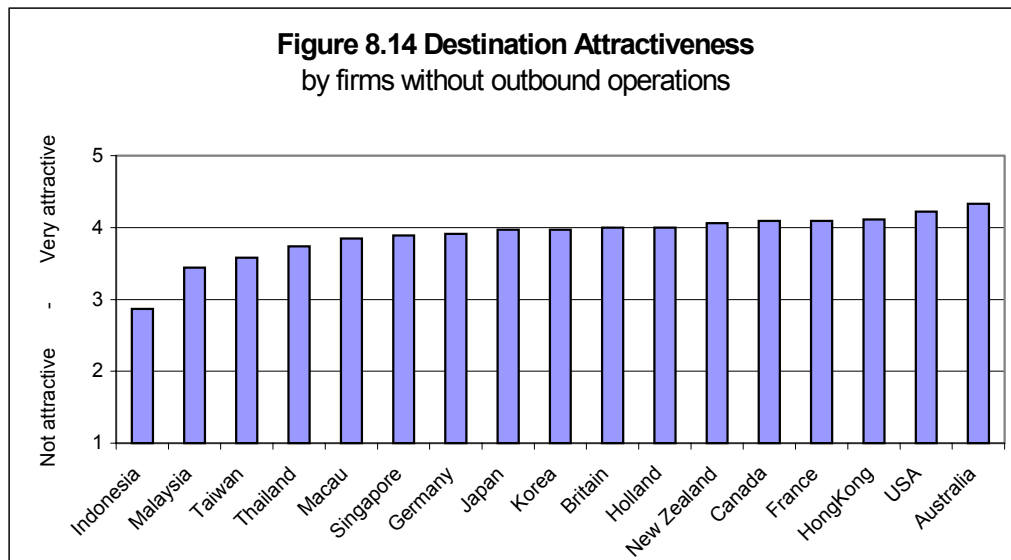
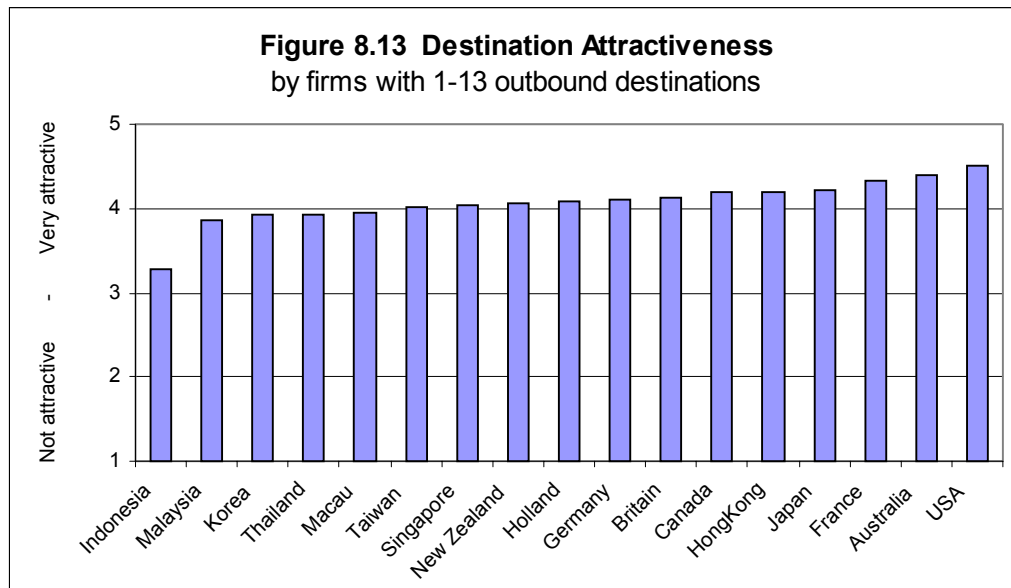
Extraction Method: Principal Component Analysis

8.2.3 Destination Attractiveness to Chinese Tourists



In regard to destination attractiveness for Chinese tourists (Question 4.1 in Appendix A), Australia and the USA were the leaders based on the mean measures (Figure 8.11), followed by other western countries, Hong Kong and Japan. Despite the overall USA lead over Australia, firms with a large number of outbound destinations and firms without outbound operations perceive that Australia is more attractive to their customers than the USA (refer to Figure 8.12 and Figure 8.14). The other characteristic that can be observed in Figures 8.11 to 8.14 is that western destinations are more attractive to Chinese tourists, while Asian destinations are much less attractive. Indonesia and Malaysia are destinations which have the least interest for Chinese tourists.





8.2.3.1 Interdependency Analysis of Destination Attractiveness

Table 8.5 shows the results of a PCA analysis on the destination attractiveness variables. Two principal components were extracted that divide between the west and east:

Strategies for Entering The Chinese Outbound Travel Market

- Cluster 1: Australia, Britain, Canada, France, Germany, Holland, New Zealand and USA.
- Cluster 2: Hong Kong, Korea, Macau, Malaysia, Singapore and Thailand.

Indonesia, Taiwan and Japan have almost equal loading in both clusters. This means that these three destinations are indeterminate in their attractiveness to Chinese tourists. Table 8.6 provides a breakdown of the statistics for the two clusters and shows that the western cluster can explain about 35% of the variance in destination attractiveness. The Asian cluster can explain about 31% of the variance. Western destinations are the most attractive destinations, followed by Asian destinations. Indonesia is the least attractive destination (refer to Figure 8.15).

Table 8.5 Rotated Component Matrix for Destination Tourist Attractiveness

	Component	
	1	2
Australia	.745	.258
Britain	.842	.128
Canada	.825	.168
France	.817	.228
Germany	.780	.221
Holland	.874	.163
Hong Kong	.225	.780
Indonesia	.481	.432
Japan	.533	.520
Korea	.233	.810
Macau	.153	.899
Malaysia	.179	.880
New Zealand	.699	.235
Singapore	.248	.812
Taiwan	.406	.509
Thailand	.126	.857
USA	.727	.180

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

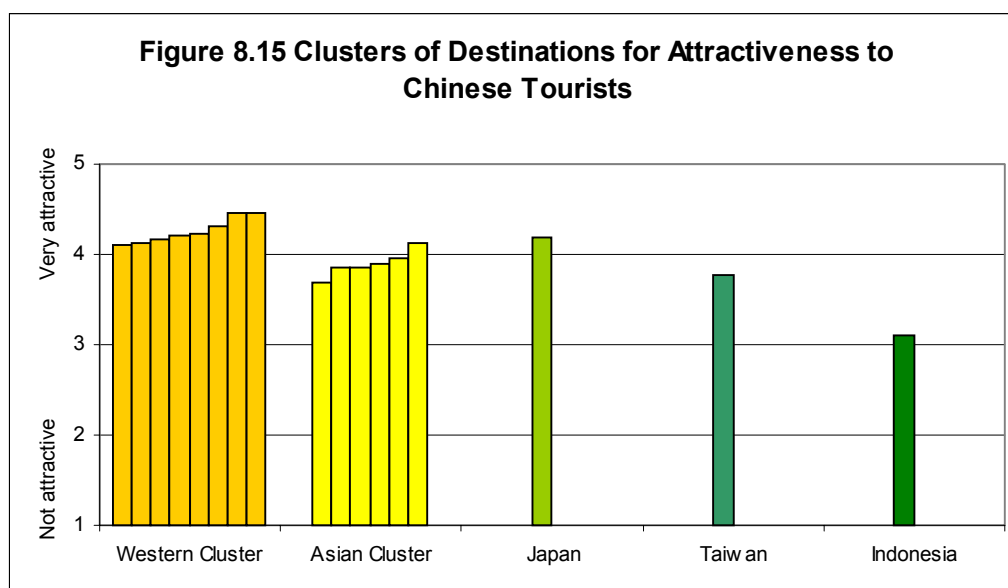


Table 8.6 Variance of Destination Attractiveness Explained

Component	Initial Eigenvalues	Rotated Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	8.513	34.820	34.820
2	2.689	31.077	65.897
3	.933		
4	.859		
5	.734		

Extraction Method: Principal Component Analysis

8.3 Evaluation of The Market Position of Australia

The two hypotheses mentioned at the beginning of this chapter can be partly tested in this section from the results of the destination attractiveness analysis.

8.3.1 Destination Attractiveness Analysis:

What are the consumer market oriented destination features that attract Chinese tourists? To analyse destination attractiveness for Chinese tourists, the destination features are sorted into 18 destination variables. The analysis of these variables is conducted in three ways:

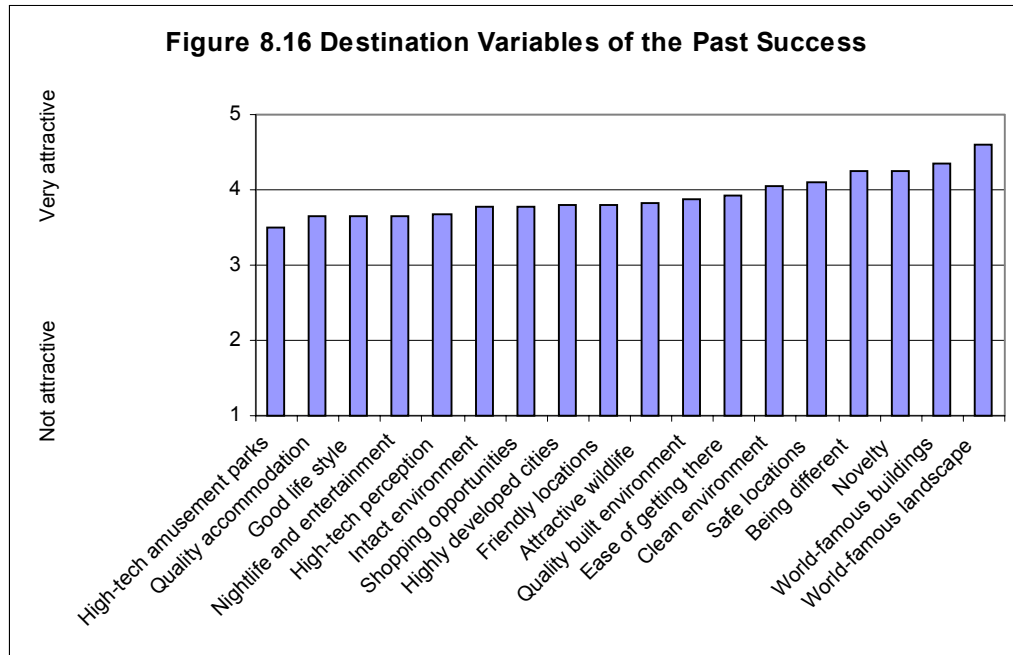
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- The attractive destination features for past success (refer to Question 4.4 in Appendix A);
- The attractive destination features for future success (refer to Question 4.5 in Appendix A), and;
- The attraction images of Australia (refer to Question 7.1 in Appendix A).

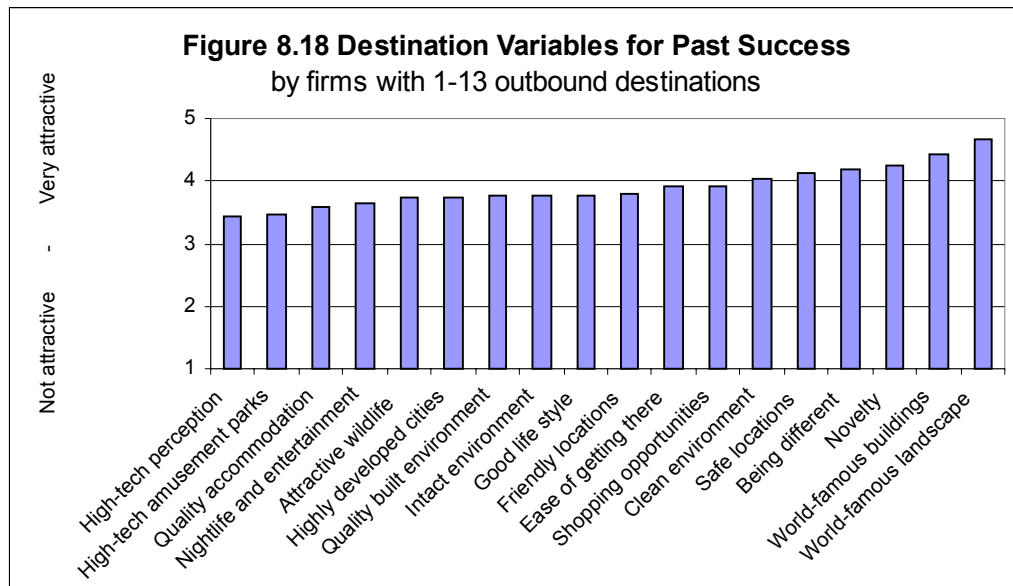
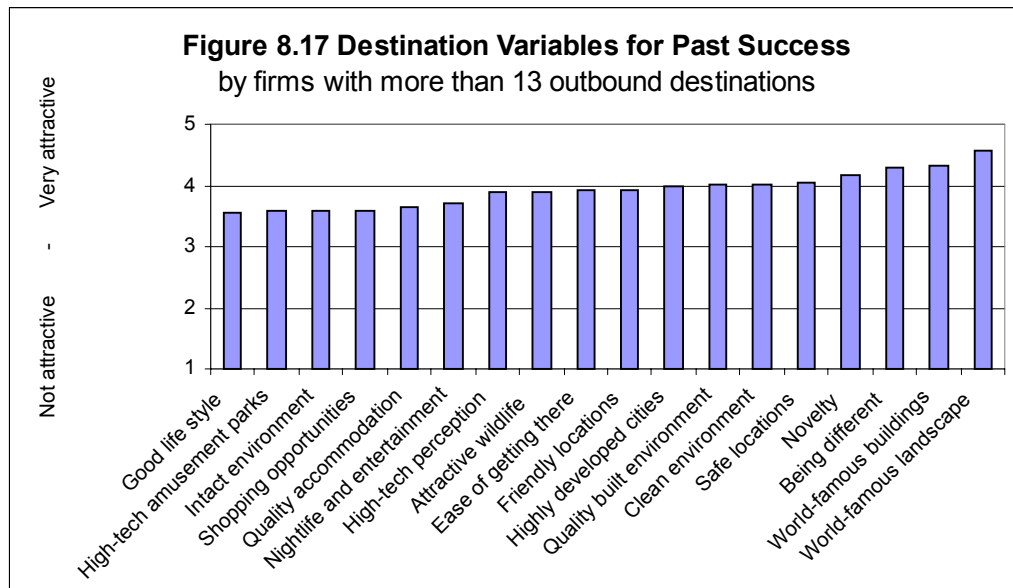
The 18 destination variables are:

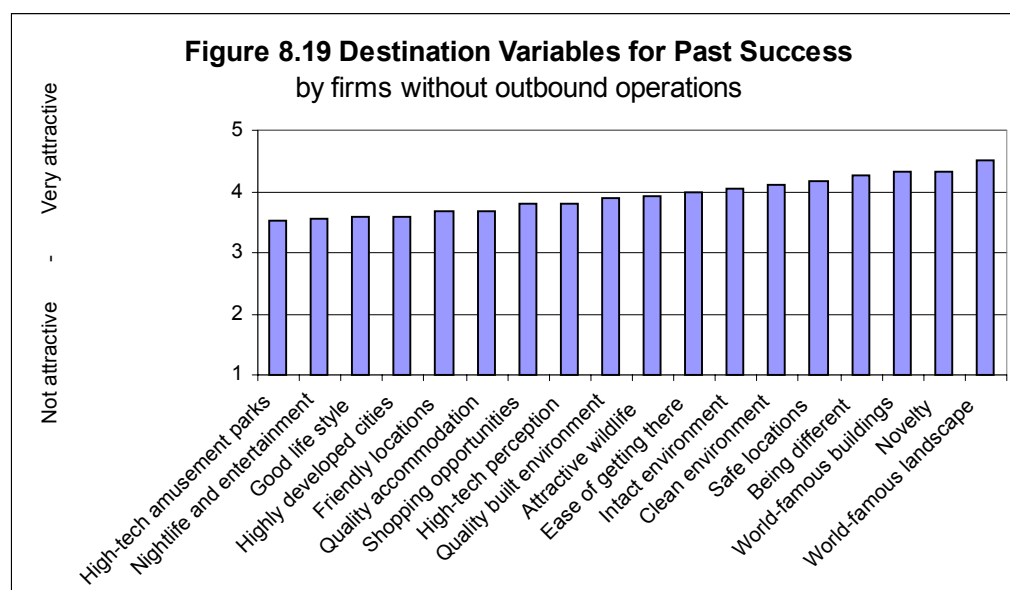
1. Being different
2. Good life style
3. Novelty
4. Quality built environment
5. Clean environment
6. Intact environment
7. Perception of high technology
8. Highly developed cities
9. Developed amusement park
10. World famous building
11. World famous landscape
12. Friendly location
13. Safe location
14. Attractive wildlife
15. Shopping opportunities
16. Nightlife and entertainment
17. Ease of getting there
18. Quality accommodation

8.3.2 Destination Variables of Past Success



The initial interest of travel in the emerging Chinese market is based upon tradition. The inspiration for travel may be the pursuit of the ultimate experience through landscape or “marvellous” architecture. In current travel practice, world-famous landscapes and world famous buildings are the most sought after locations to visit and are at the top of a travelers’ wish list. The survey confirms these characteristics of Chinese travel practice. Figure 8.16 shows that world famous landscapes have been the top destination feature for Chinese outbound travel in the past, followed by world famous buildings, then being different and novel. These factors relate strongly to the history of Chinese travel discussed in Chapter Two and strongly suggest current travel has an historical base.





This perception is consistent with the sub-groups (refer to Figures 8.17 to 8.19) within the target population. High-tech amusement parks, nightlife and entertainment and quality accommodation were the least important destination variables for past market success.

8.3.2.1 Clustering of Destination Variables

Table 8.7 shows the results of the PCA analysis on the destination variables for past success. Five groups of variables were discovered. These generic system variables (Clusters) are illustrated below. These clusters can be named ‘Good life’ (Cluster 1), ‘Nightlife and shopping’ (Cluster 2), ‘Safe and easy’ (Cluster 3), ‘City feeling’ (Cluster 4) and ‘Back to nature’ (Cluster 5). An eigenvalue cut-off of one is used to determine the number of components to be rotated

Cluster 1: Being different, Good life style, Novelty, Quality built environment and Clean environment.

Cluster 2: World famous landscape, Shopping opportunities and Nightlife and entertainment.

Cluster 3: Friendly location, Safe location, Ease of getting there and Quality accommodation.

Cluster 4: Perception of high technology, Highly developed cities, Developed amusement park and World famous building.

Cluster 5: Intact environment and Attractive wildlife.

Table 8.7 Rotated Component Matrix of Destination Variables for Past Success

	Component				
	1	2	3	4	5
1. Being different	.485	.482	-.05724	-.286	-.07533
2. Good life style	.700	.168	.04496	.239	.00055
3. Novelty	.807	.09049	.03542	.429	.194
4. Quality built environment	.683	.05078	.05611	.429	.194
5. Clean environment	.736	.127	.102	.203	.265
6. Intact environment	.222	.202	.127	.04368	.818
7. Perception of high technology	.294	.04505	.109	.678	.272
8. Highly developed cities	.221	.130	.135	.762	-.03790
9. Developed amusement park	.02438	.412	.104	.563	.441
10. World famous building	-.04687	.485	.170	.542	-.09693
11. World famous landscape	.123	.630	.131	.235	.214
12. Friendly locations	.03487	-.03376	.864	.251	.08743
13. Safe locations	.00594	-.02152	.864	.102	.216
14. Attractive wildlife	.02509	.304	.310	.129	.740
15. Shopping opportunities	.196	.724	.176	.121	.178
16. Nightlife and entertainment	.151	.747	-.00286	.111	.305
17. Ease of getting there	.09072	.328	.729	-.08592	.08440
18. Quality accommodation	.135	.481	.592	.267	.06789

Extraction Methods: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 8.8 Explained Variance of Destination Variables of Past Success

Component	Initial Eigenvalues	Rotated Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	5.957	14.865	14.865
2	2.195	14.800	29.666
3	1.499	14.600	44.266
4	1.351	12.605	56.871
5	1.056	10.119	66.989

Extraction Method: Principal Component Analysis

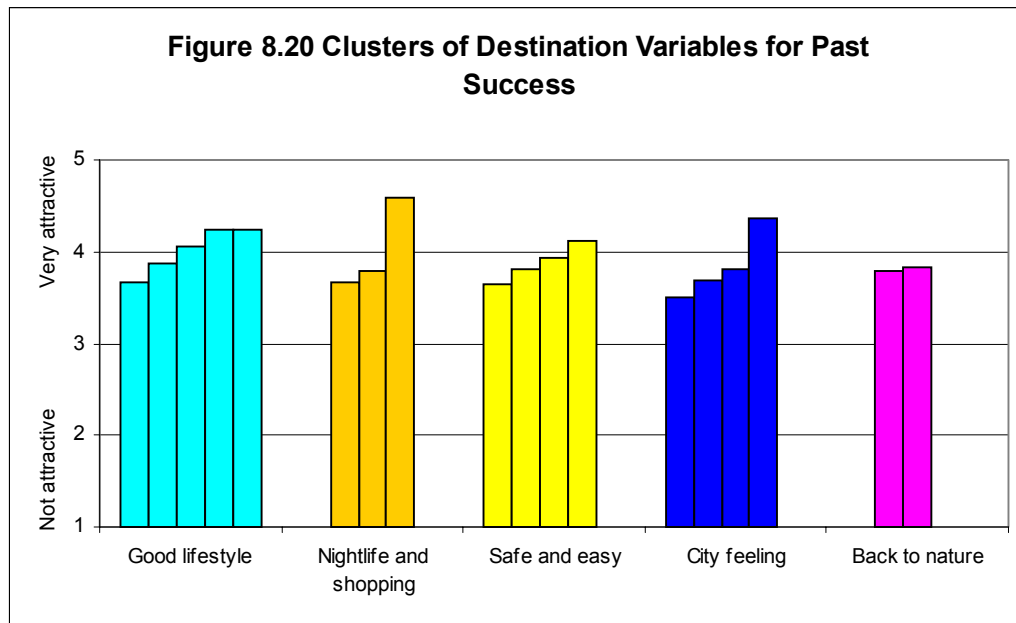
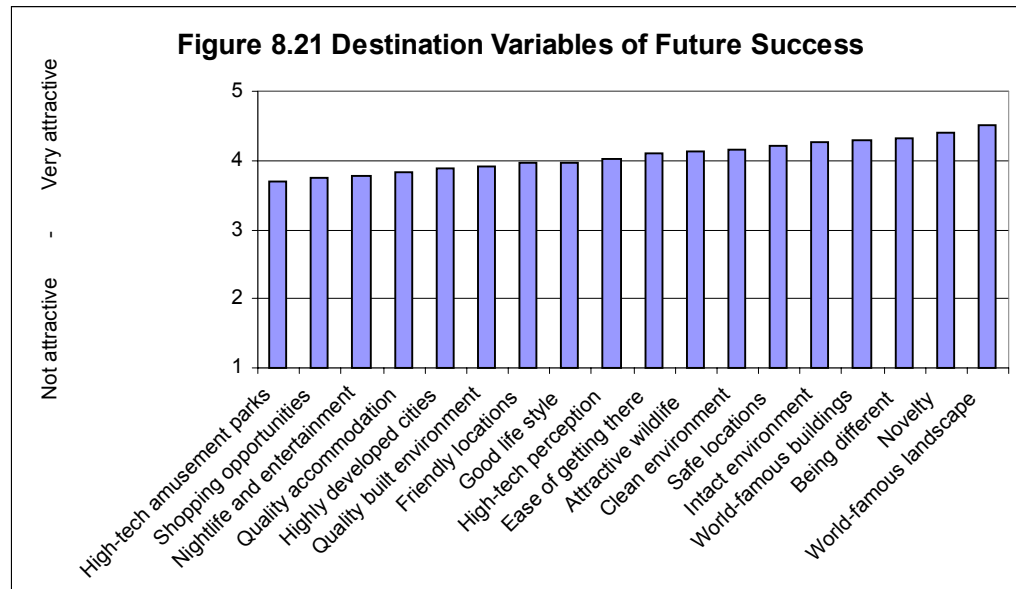


Table 8.8 shows that “good lifestyle” was the most overall concept variable for past success. It explains 15% of the variance. “Nightlife and shopping” as second, also explaining 15%, as does “Safe and Easy”, the third component. All five components together can explain about 67% of the variance of the destination variables of past success. City Feeling, the fourth component explains 13% and Back to Nature 10%.

The significant point to note is that the variables when presented in comparison with one another to represent images of destinations (components) have changed location to some degree from the individual analysis. For example, entertainment and nightlife is now the highest loading variable in component 2 and is also now more important as an image variable (refer to Figure 8.20) than as an individual motivator of past success from Figure 8.16 where it ranked fifteenth.

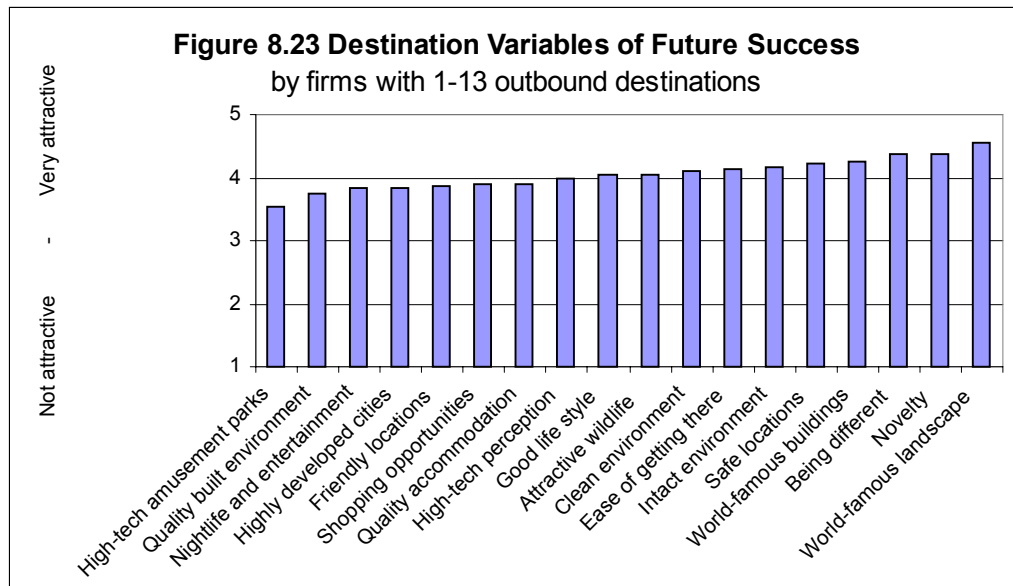
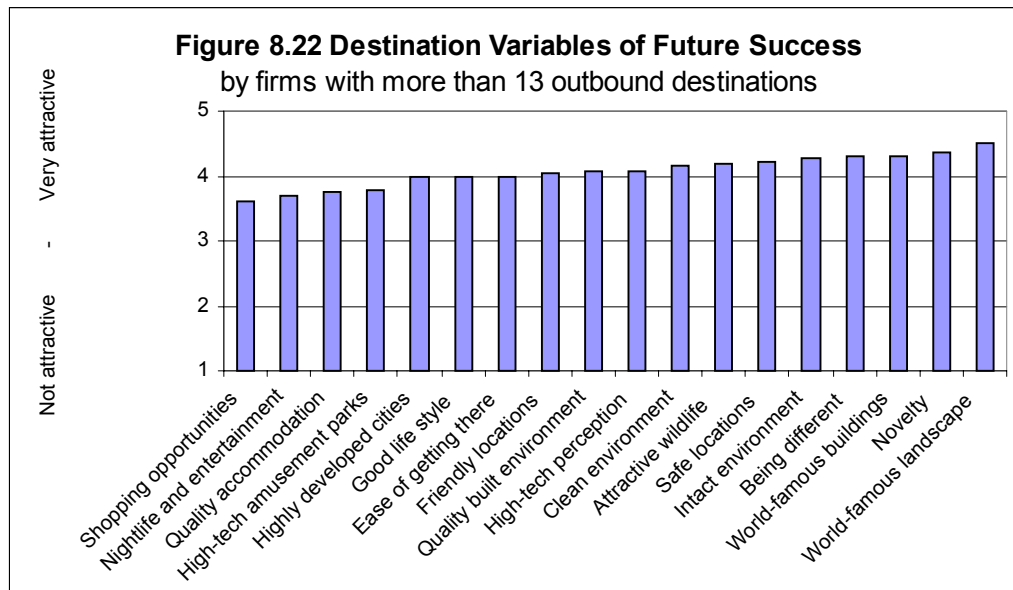
8.3.3 Destination Variables of the Future

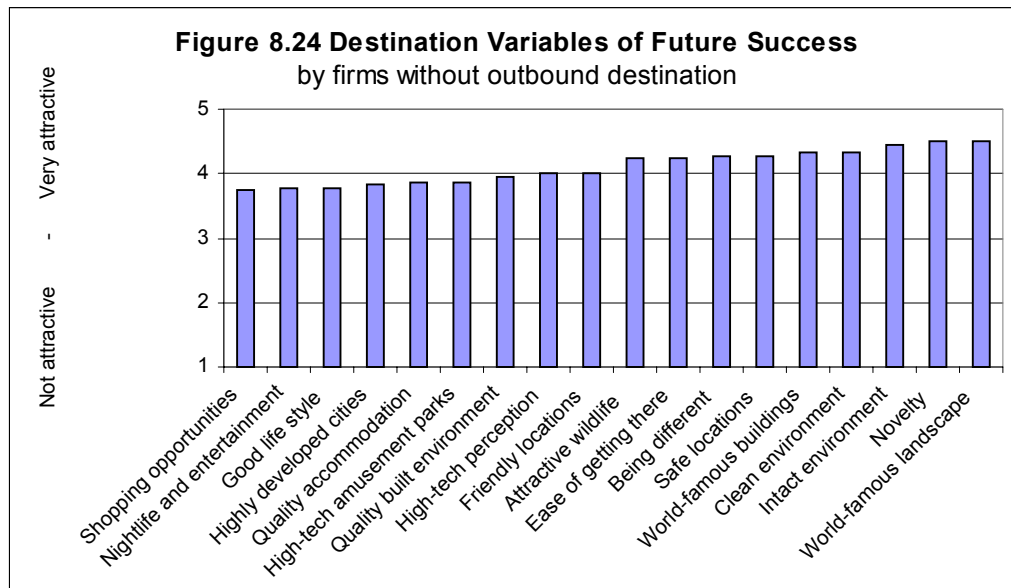
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What are the future needs for destination variables in the Chinese market? Will the changing market needs create different demands for destination variables? According to the survey, the future demands for destination variables are both continuations of the past and a changing future. Figure 8.21 shows the means for each variable. In comparison with Figure 8.16, it shows that while ‘world famous landscape’ is still in the leading position of all variables, followed by ‘being different’, ‘novelty’ and ‘world-famous building’, ‘intact environment’ and ‘clean environment’ improve their positions, while shopping opportunity has lowered its position. This demand change reflects the fact that the Chinese population has become increasingly aware of the environment and that a large variety of international products have become increasingly available in China, reducing the attractiveness of overseas shopping.

Figures 8.22 to 8.24 show that the change for the future is consistent with the sub-groups within the target population.





8.3.3.1 Clustering of Destination Variables of Future Success

Table 8.9 shows the results of the PCA analysis on destination variables of future success. Five groups of destination variables are identified. The themes of the groupings are roughly the same as above – ‘Safe and easy’ (Cluster 1), ‘Nightlife and city’ (Cluster 2), ‘Back to nature’ (Cluster 3), ‘Sightseeing’ (Cluster 4), and ‘Good lifestyle’ (Cluster 5), although the contents have changed somewhat. Again the component cut-off score is an eigenvalue of one.

Cluster 1: Friendly location, Safe location, Ease of getting there and Quality accommodation. (safe and easy)

Cluster 2: Quality built environment, Perception of high technology, Highly developed cities, Developed amusement park, Shopping opportunities and Nightlife and entertainment. (city and shopping)

Cluster 3: Clean environment, Intact environment and Attractive wildlife. (Back to nature)

Cluster 4: World famous building and World famous landscape. (Sightseeing)

Cluster 5: Being different, Good life style and Novelty. (Good life)

Table 8.9 Rotated Component Matrix of Destination Variables of Future Success

	Component				
	1	2	3	4	5
1. Being different	-.210	.00327	.334	.394	.508
2. Good life style	.299	.320	.07357	.122	.673
3. Novelty	.244	.00356	.05302	.00395	.783
4. Quality built environment	.276	.627	.241	-.08206	.401
5. Clean environment	.268	.387	.559	.163	.212
6. Intact environment	.188	.05237	.849	.178	.05492
7. Perception of high technology	-.01497	.681	.502	.179	.107
8. Highly developed cities	-.00818	.678	.00919	.264	.386
9. Developed amusement park	.163	.574	.365	.399	.01746
10. World famous building	.217	.309	.131	.733	.227
11. World famous landscape	.222	.101	.178	.862	.02710
12. Friendly locations	.726	.177	.307	.147	.248
13. Safe locations	.788	.03835	.272	.162	.183
14. Attractive wildlife	.245	.122	.804	.06124	.07738
15. Shopping opportunities	.243	.594	.05356	.469	-.04596
16. Nightlife and entertainment	.391	.749	-.00322	.02382	-.08124
17. Ease of getting there	.794	.170	.149	.176	-.01822
18. Quality accommodation	.821	.289	.04365	.08446	.231

Extraction Methods: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

From Table 8.9, we can see that ‘safe and easy’ is the most significant destination image (component), followed by ‘nightlife and city’ and ‘back to nature’. By comparing Figure 8.21 and Table 8.9, it can be noticed that the significance of the individual variables is quite different to the total image represented by the variables. For component one, ‘quality accommodation’ and ‘ease of getting there’ are the most important variables (Cluster 1) of destination. However, as individual variables, they are only in fifteenth and ninth position in the overall ranking of importance. ‘High-tech amusement park’, ‘Shopping opportunities’ and ‘nightlife and entertainment’ are the least important individual variables. However, as parts of an interrelated image variable (component), they belong to the second most important component (Cluster 2) – ‘nightlife and city’.

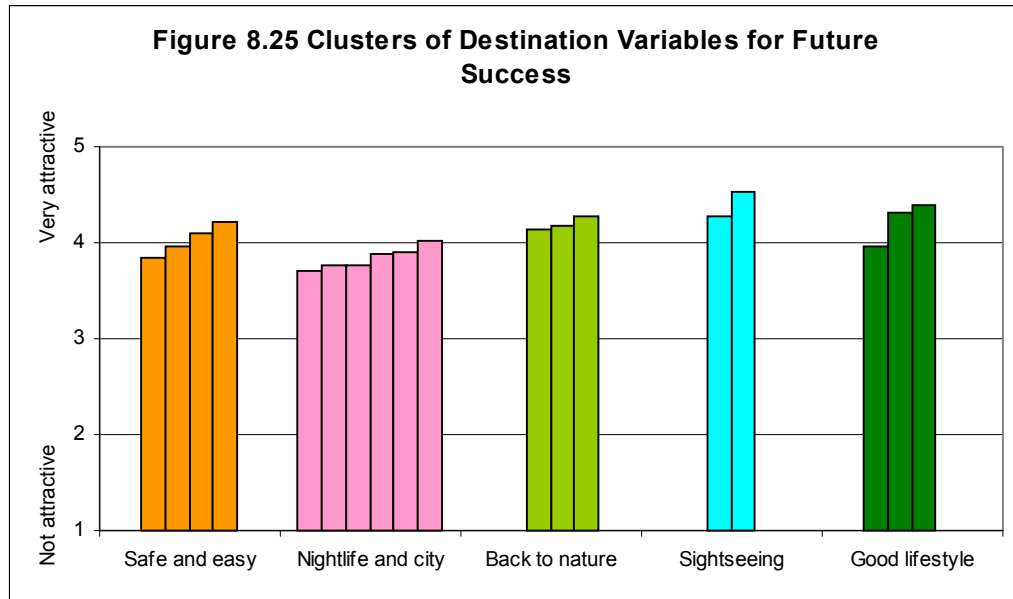
Table 8.10 Explained Variance of Destination Variables of Future Success

Component	Initial Eigenvalues	Rotated Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	7.137	17.917	17.917
2	1.737	17.115	35.031
3	1.465	13.804	48.835
4	1.315	11.588	60.423
5	1.131	10.610	71.033

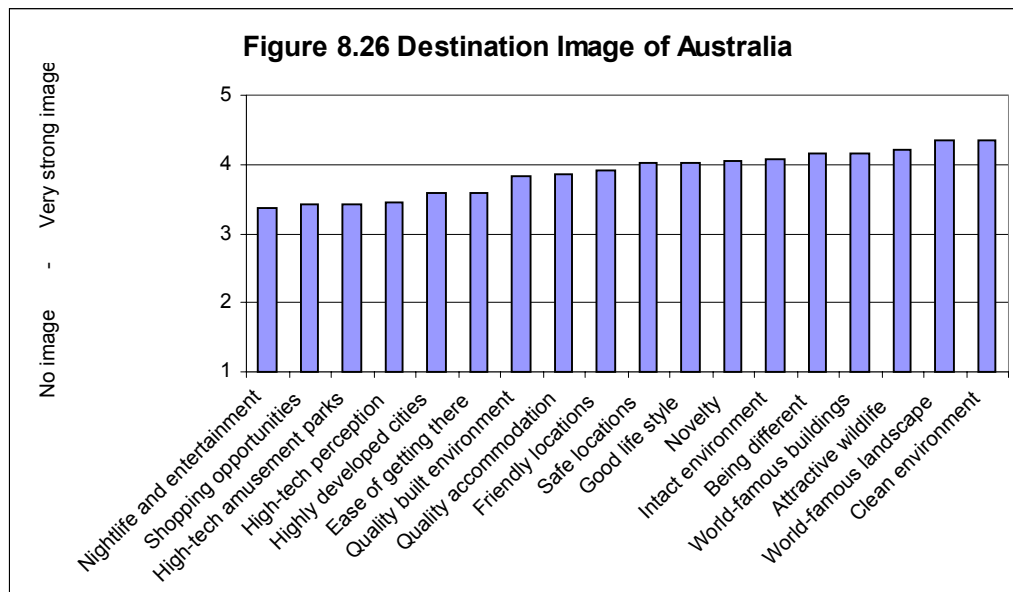
Extraction Method: Principal Component Analysis

Table 8.10 shows the percentage of variance explained by the components. It shows that the most important component is ‘safe and easy’, which explains about 18% of the variance, followed by ‘nightlife and city’ and ‘back to nature’. The total variance explained of 71% is reasonably equally divided among the five components.

By Comparing Table 8.10 with Table 8.8, it may be observed that market demand has changed from the past to the present. In the past, ‘good lifestyle’, ‘nightlife and shopping’ and ‘safe and easy’ explain the most variance of the destination variables in the Chinese outbound market. ‘City feeling’ and ‘back to nature’ are minor destination factors. In the future, ‘safe and easy’ will be the first component for the Chinese outbound market, followed by ‘nightlife and city’ and ‘back to nature’. ‘Sightseeing’ and ‘good lifestyle’ will become minor destination factors (refer to Figure 8.25). Such market changes could have strategic impacts on destination countries such as Australia (refer to Figure 8.25 and Table 8.12).

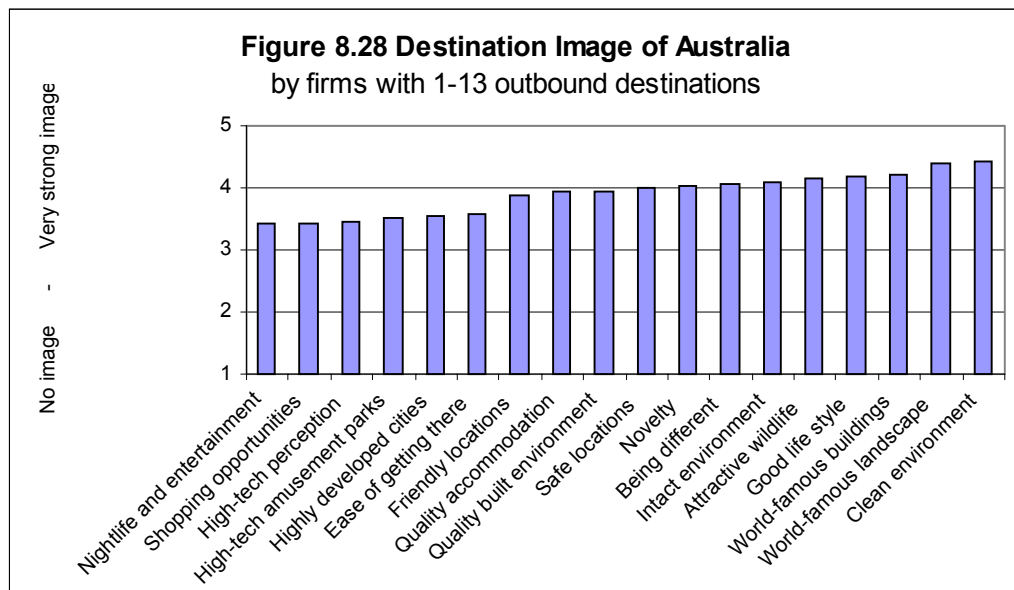
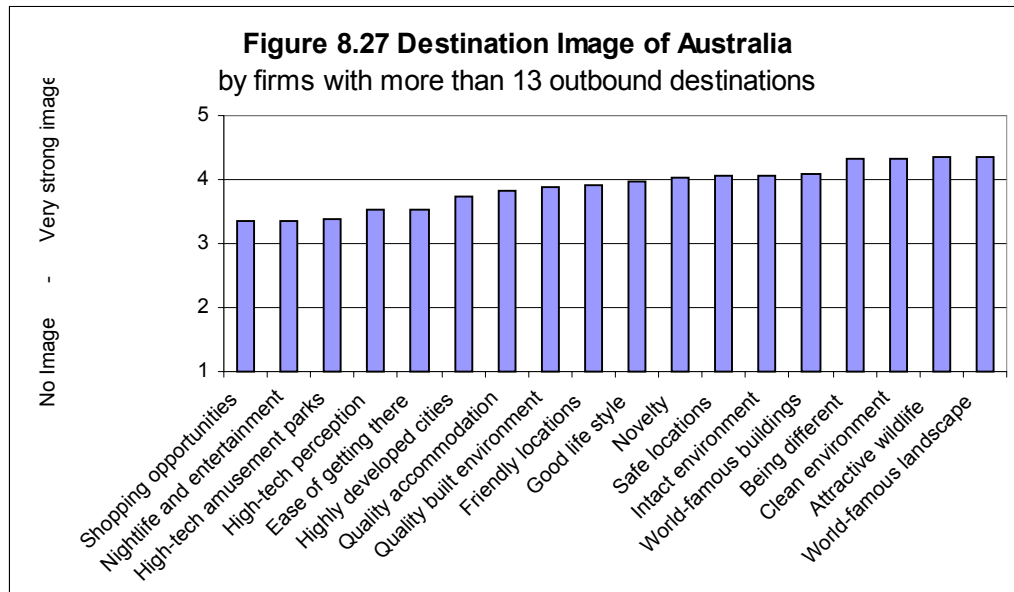


8.3.4 Market Image of Australian:

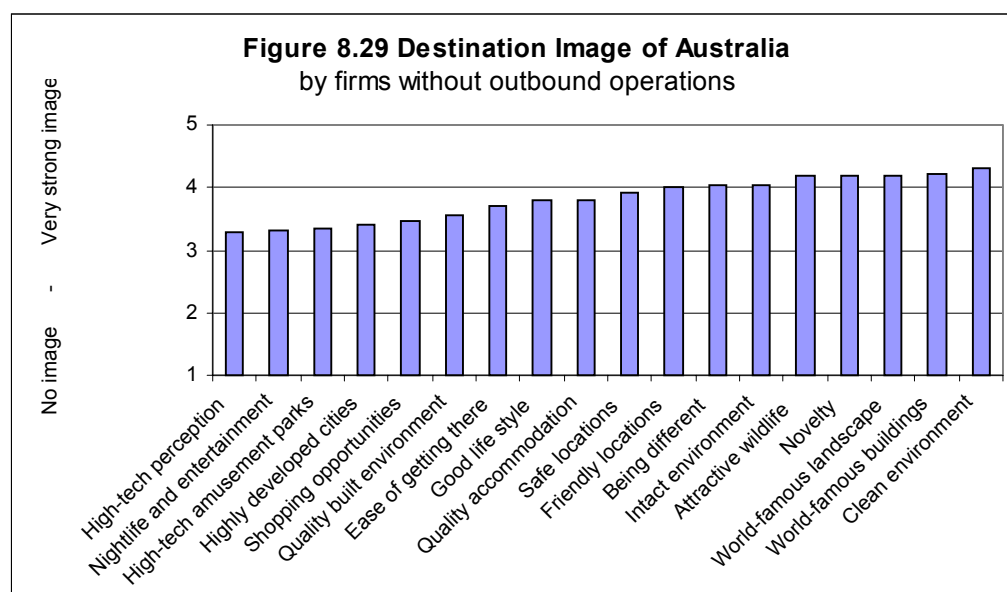


What is the Chinese market image of these destination variables for Australia? Figure 8.26 lists the means for the Australian destination variables. It shows that Australia is

strong on 'clean environment' and 'world famous landscape', followed by 'attractive wildlife', 'world famous buildings' and the feeling of 'being different'.



Figures 8.27 to 8.29 have shown that Australia is seen by the industry to be an outbound destination that is famous, fresh and authentic and this feeling is consistent across all sub-groupings within the target population. Firms with a large number of outbound operations perceived Australia more as an authentic destination, while firms with a small and medium number of outbound operations or firms without outbound operations prefer to look at Australia as a place which is famous and fresh (refer to Figures 8.27 to 8.29).



8.3.4.1 Clustering of Destination Variables

Table 8.11 shows the results of the PCA analysis. In the table there are three clusters:

- Famous, fresh and authentic for cluster 1 (as mentioned in section 8.4);
- Nightlife and convenient for cluster 2 and;
- City life for cluster 3.

In Table 8.11, ‘world-famous building’ and ‘world famous landscape’ are almost equally important on component 1 and component 3, while ‘friendly location’ is equally important to all three components.

Cluster 1: Being different, Good life style, Novelty, Clean environment, Intact environment, World-famous building, World famous landscape, Friendly location, Safe location and Attractive wildlife.

Cluster 2: Shopping opportunities, Nightlife and entertainment, Ease of getting there, Quality accommodation, Friendly location and Healthy food.

Cluster 3: Quality built environment, Perception of high technology, Highly developed cities, Developed amusement park, Friendly location, World-famous building and World famous landscape.

Table 8.11 Rotated Component Matrix on the Australian Successful Destination Characteristics

	Component		
	1	2	3
1. Being different	.664	.207	.09110
2. Good life style	.562	.290	.238
3. Novelty	.564	.05754	.549
4. Quality built environment	.512	.133	.664
5. Clean environment	.711	.01128	.380
6. Intact environment	.657	.176	.120
7. Perception of high technology	.123	.374	.799
8. Highly developed cities	.05146	.445	.785
9. Developed amusement park	.126	.434	.638
10. World famous building	.422	.335	.492
11. World famous landscape	.584	.107	.517
12. Friendly locations	.491	.400	.454
13. Safe locations	.545	.366	.390
14. Attractive wildlife	.788	.223	-.07223
15. Shopping opportunities	.205	.777	.346
16. Nightlife and entertainment	.142	.852	.182
17. Ease of getting there	.140	.810	.210
18. Quality accommodation	.408	.636	.366
19. Healthy food	.350	.726	.202

Extraction Methods: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

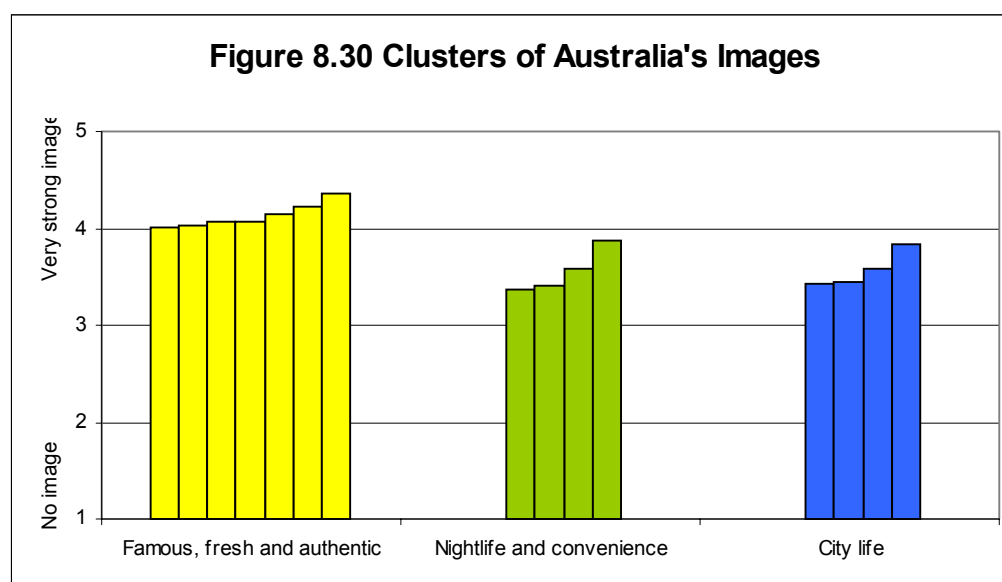
Table 8.12 Explained Variance of Destination Variables of Australia

Component	Initial Eigenvalues	Rotation Sums of Squared Loadings	
	Total	% of Variance	Cumulative %
1	9.201	22.934	22.934
2	1.901	21.531	44.465
3	1.218	20.379	64.845

Extraction Method: Principal Component Analysis

Table 8.12 shows the Eigenvalues and explained variance for the components. It shows that the three components (famous, fresh and authentic) with eigenvalues equal to or greater than one divide the total explained variance of 65% almost equally.

As an outbound destination Australia is rated highly for (Figure 8.26 and Table 8.11) Attractive wildlife, Clean environment, Being different, Intact environment, World famous landscape, Novelty, Good life style, Safe location, Friendly location and World-famous buildings. These variables are also the most important variables among the components. This could mean that Australia has the right market image that is strongly supported by the destination's comparative factor advantage.



8.3.5 Relating Australia Destination Variables to The Past and The Future

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In this section, the Australian destination variables (refer to Question 7.1 in Appendix A) are related to the variables of past success (refer to Question 4.4 in Appendix A) and that of future success (refer to Question 4.5 in Appendix A) through the measure of Pearson correlation. If an Australian destination variable has a higher coefficient with the same variable of past success than the future, it could be interpreted that the variable is not well positioned for the expected future changes. On the other hand, if the coefficient of an Australian destination variable and the same variable of the future has a higher value, this means that the Australian destination variable positions well for the expected future change in the Chinese outbound market. Table 8.13 displays the Pearson correlation table between Australia's destination variables and the market desired destination variables for the past and the future.

Table 8.13 shows the Pearson correlation coefficients between the corresponding variables in Questions 4.4, 4.5 and 7.1 (refer to Appendix A). It shows that the value of the Pearson coefficient of 'novelty' is lower for the future (refer to Table 8.13). This indicates that the Chinese market will increasingly discover Australia as a less novel place to visit than before. The Pearson correlation coefficients for 'being different', 'good life style', 'quality environment', 'clean environment', 'friendly location', 'safe location' and 'attractive wildlife' increase for the future. These Australian destination variables are positively related to the trends of Chinese market development. These variables certainly contribute to a feeling of 'famous, fresh and authentic', which is most attractive and distinctive to the Chinese outbound market.

Table 8.13 also shows that the values of the rest of the variables in the table have little change.

Table 8.13 Market Trends of Australian Destination Variables

Australia's Destination Variables of	Australian Correlates with the Past	Australian Correlates with the Future	Assessment
---	--	--	-------------------

Being different	.185*	.342**	✓
Good life style	.051	.352**	✓
Novelty	.390**	.287**	✗
Quality environment	.347**	.510**	✓
Clean environment	.238**	.351**	✓
Intact environment	.251**	.283**	○
High-tech perception	.332**	.382**	○
Highly developed cities	.332**	.400**	○
Developed amusement park	.409**	.422**	○
World famous building	.384**	.430**	○
World famous landscape	.357**	.365**	○
Friendly location	.301**	.410**	✓
Safe location	.367**	.474**	✓
Attractive wildlife	.276**	.374**	✓
Shopping opportunities	.371**	.382**	○
Nightlife and entertainment	.327**	.366**	○
Ease of getting there	.360**	.341**	○
Quality accommodation	.364**	.372**	○

✓ means increase in correlation coefficient for the future; ○ means little change in correlation coefficient for the future; ✗ means decrease in correlation coefficient for the future.

* Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed).

8.3.6 Comparison of Variables between Australia and Other Destinations

What key destination variables will attract Chinese tourists to each of the listed destinations in the questionnaire (refer to Appendix A)? The answer to this question requires the use of a forward stepwise multiple regression with destination attractiveness to Chinese tourists in Question 4.1 (refer to Appendix A) as the dependent variable and destination variables for past success (refer to Question 4.4 in Appendix A) and destination variables for future success (refer to Question 4.5 in Appendix A) as independent variables. In this way, the most important destination variables for each destination's attractiveness can be extracted. Table 8.14 lists the most influential destination variables of the past for each outbound destination's attractiveness. Table 8.15 shows the most influential destination variables for the future for each outbound destination's attractiveness.

Table 8.14 shows the key past destination variables in the Chinese market for Australia are 'Attractive wildlife' and 'Being different'. However, the variable of 'being different' will be replaced by 'Clean environment' and 'Highly developed cities' in the future. For the USA, while the key destination variables for the past are 'World famous landscape' and 'Being different', these factors will be replaced by 'Clean environment' and 'Shopping opportunities' in the future (refer to Table 8.14 and Table 8.15).

Another part of the comparison between Table 8.14 and Table 8.15 is that the most important shared destination variable of western destinations is 'being different' in the past. However it will be replaced by 'clean environment' as the most important variable in the future. For Asian destinations, the dominating variables for the past are 'quality accommodation' and 'highly developed cities'. The future dominant variables will be 'highly developed cities' and 'attractive wildlife'.

Table 8.14 Extracted Key Destination Variables for The Past for Each Destination

Outbound Destination	Extracted Key Variables				
	Variable 1/ t-value	Variable 2/ t-value	Variable 3/ t-value	R²	F-value
Australia	Attractive wildlife/3.600	Being different/2.939		.176	12.371
Britain	Quality accommodation/2.961	Being different/2.251		.136	7.844
Canada	Being different/4.119	High-tech perception/2.807	Friendly location/2.179	.232	10.773
France	Being different/3.144	Quality accommodation/2.613		.152	9.654
Germany	Quality accommodation/2.626	Being different/2.071		.107	6.367
Holland	Quality accommodation/3.536	Being different/2.888		.189	11.854

Hong Kong	Ease of getting there/1.507	Shopping opportunities/2.379	Friendly location/2.368	.212	9.353
Indonesia	Quality accommodation/4.970			.198	24.699
Japan	Quality accommodation/3.614	Highly developed cities/2.009		.179	11.637
Korea	Developed amusement park/3.513	Friendly location/2.401		.185	12.036
Macau	Ease of getting there/3.464	Developed amusement park/3.155	Intact environment/-2.109	.199	8.587
Malaysia	Quality accommodation/3.646	Highly developed cities/3.321	High-tech perception/-2.065	.210	9.371
New Zealand	Quality accommodation/2.904	Being different/2.438		.135	8.355
Singapore	Quality accommodation/3.117	Highly developed cities/3.071		.203	13.601
Taiwan	World famous building/3.218	Ease of getting there/2.708		.185	11.216
Thailand	Quality accommodation/4.012	Highly developed cities/3.925	High-tech perception/-2.707	.252	11.672
USA	World famous landscape/2.955	Being different/2.935		.159	10.457

Table 8.15 Extracted Key Destination Variables for the Future for Each Destination

Outbound Destination	Extracted Key Variables				
	Variable 1/ t-value	Variable 2/ t-value	Variable 3/ t-value	R ²	F-value
Australia	Clean environment/2.060	Attractive wildlife/2.933	Highly developed cities/2.540	.266	12.655
Britain	Clean environment/3.355	Novelty/2.285		.231	13.824
Canada	Attractive	Highly	Clean	.295	13.674

	wildlife/3.504	developed cities/2.199	environment/ 2.189		
France	Clean environment/ 3.748	Being different/2.864		.225	14.673
Germany	Clean environment/ 5.839			.254	34.088
Holland	Clean environment/ 5.150	Being different/2.468		.299	20.655
Hong Kong	Highly developed cities/4.107	Attractive wildlife/3.354		.257	16.616
Indonesia	Clean environment/ 2.061	Highly developed cities/2.666	Attractive wildlife/2.076	.267	10.665
Japan	Highly developed cities/3.388	Attractive wildlife/2.792	Novelty/2.076	.262	11.495
Korea	Highly developed cities/3.750	Attractive wildlife/3.187		.222	14.405
Macau	Highly developed cities/4.924	Attractive wildlife/2.506		.263	17.628
Malaysia	Highly developed cities/7.421	Shopping opportunities/ -2.763	Attractive wildlife/2.399	.393	21.335
New Zealand	High-tech perception/3.885	Novelty/2.654		.208	12.983
Singapore	Highly developed cities/4.722	Attractive wildlife/2.205		.238	15.797
Taiwan	Attractive wildlife/3.006	Highly developed cities/2.967		.183	10.515
Thailand	Highly developed cities/7.780	Quality accommodation/ -2.973	Ease of getting there/2.029	.401	21.405
USA	Clean environment/ 2.969	Shopping opportunities/ 2.352		.181	11.416

8.4 Conclusion

The analyses in this chapter demonstrate that:

Hypothesis 9 is rejected because:

- The ranking of world markets places Australia, together with the USA and Hong Kong as consistently high in their potential for Chinese outbound travel. Australia is one of the most attractive destinations in the Chinese market (refer to sections 8.2.1; 8.2.2 and 8.2.3).
- Factor analysis puts Australia in the western destination component that is different from the eastern destination components. The Western cluster of countries dominates destination importance and destination attractiveness for the Chinese travel industry, while the Asian cluster has an advantage in current market growth (refer to sections 8.2.1; 8.2.2 and 8.2.3).

Hypothesis 10 is rejected because:

- The Factor analyses demonstrate that the clusters of the destination variables for future market success will be different from what was successful in the past. Australia's unique destination image of 'famous, fresh and authentic' stands well in the current Chinese market and also suits the future direction.
- Correlation analysis shows that Australia has positive correlation coefficients for seven destination variables. The indication of the increased relationship between Australian travel factors and Chinese market preference means that the current Australia-bound success in the Chinese market will continue strongly into the future.

Finally, linear regression was used to extract the most influential destination variables for each outbound destination and the destination variables are analysed for the past and for the future. In the future, the image of 'safe and easy' will become the most influential factor, replacing the dominating image of 'good life' from the past.

The analyses in this Chapter has demonstrated that compared with other outbound destinations, Australia is in a relatively strong market position to attract Chinese outbound travel (hypothesis 9). Australia is perceived by the Chinese travel industry as ‘famous, fresh and authentic’ and Australian inbound operators should use this image to enhance their operations (hypothesis 10). Factor analysis in this chapter also demonstrates that Australia belongs to the western cluster.

In terms of overall perceived image the markets divide clearly between East and West while Japan falls ambiguously between both groups. The ADS (approved destination status) policy in Chinese outbound operations and low price could be the reasons behind the Asian cluster’s advantage in market growth. However, the western destinations (cluster) are more important overall to outbound business expansion and more attractive to Chinese tourists. These advantages are potentially important to both market and industry developments and can be explored by western destinations through building a presence in the Chinese outbound industry. In terms of exploring the Chinese outbound market, China’s accession to the WTO has offered western destinations enhanced opportunity for entry.

CHAPTER NINE CONCLUSIONS, RECOMMENDATIONS AND LIMITATIONS

9.1 Introduction

This research has set out to explore the potential entry strategies available for foreign firms to enter the Chinese outbound travel market. Entry strategy development is a particular competitive situation within the Chinese outbound industry. Porter (1990) states that industry structure is significant in international competition because it creates differing requirements for success in different industries. As the Chinese outbound industry is a new industry, viable options for entering into the industry are limited and require adequate and careful consideration. Consequently, successful entry strategy must grow out of a sophisticated understanding of the structure of the industry and how it is changing (Porter, 1990).

To create strategic understanding for entering the Chinese market, a conceptual framework (refer to Figure 4.4) for the current Chinese outbound industry structure was developed in Chapter Four. This conceptual framework set out the structure for the analysis of current and future competition in the Chinese outbound industry, and the basis on which the industry will evolve. The framework is based upon an historical analysis of travel in China (Chapter Two) and is a description of the current industry structure. The relationship illustrated by the framework between the key factors (government policy, industry structure, industry dynamics, future competitive factors, Australia's position, entry strategy and future industry structure) will greatly contribute to a dynamic understanding of the Chinese outbound industry and consequently successful entry strategy. The framework has subsequently been tested by the analysis of data collected from an outbound operators survey in China (refer to Chapter 5 to 8).

The objective of this final chapter is to summarize the research findings and make conclusions about the possible entry strategies that may be available to firms for entering the Chinese outbound market from both Australia and other places.

9.2 Overview of Previous Chapters

Firm profitability, industry structure, competition and competitive strategy are closely linked with each other in the study of market competition. Among these factors, industry structure (Porter, 1980) is the key to integrating the others to create successful competitive strategy. However, industry structure evolves with time and under the strong influence of market competition, which is then influenced collectively by strategies industry participants pursue. On the other hand, industry structure also impacts on the development of market demand. It promotes market demand in its existing product orientation at the expense of newly created opportunities. Research on industry structure in relation to competitive strategy and competitive advantage can provide Australian firms with a better understanding and better strategy for entering the Chinese outbound market. The aims of this research have been to investigate the nature and development of the Chinese outbound industry, to map out the evolving picture of industry structure, and to identify business opportunities and strategies for Australian travel operators. The following are the summary notes on the proposition and conclusions from chapters 1 to 8.

In Chapter One, the development of the Chinese outbound industry since 1983 is examined. Conditions for the development, the resulting industry structure and perspectives for future changes are discussed and previous research examined. Chapter one concludes that although the market is still in an infant stage of development, it is growing rapidly in size, value and sophistication, and can be a rewarding market for Australia. It identifies that sustainable competitive advantage to Australia lies with Australian travel operators successfully penetrating the Chinese outbound industry.

Chapter Two reviews the 4,000-year history of travel in China and the recent development of the Chinese tourism industry. Throughout Chinese history, travel was clearly an integral part of the Chinese people's social and professional life. For scholars, royal families, traders and Buddhists, travel was vital. Historical evidence shows that rapid growth in travel and tourism in Chinese history is strongly associated with economic prosperity and social stability.

Currently, rapid economic growth and social stability in China has laid a new foundation for history to repeat itself. A fast growing outbound market resurgence in China can have positive impacts on Australia and the Australian travel and tourism industry.

Chapter Three reviews the theories of competitive advantage in association with different stages of economic development and the changing nature of competition since the late 1980s. It analyses the relationship of industry structure, competitive strategy and competitive advantage. It also examines the differences between strategic thinking in the west and the east, and the new challenges that face competitors in the context of global competition. The chapter concludes that the best strategy in competition is "win without fighting", which requires targeting competitor's weakness with one's own strengths. In practice, this logic often results in collaborating with competitors to win in international competitive situations.

Chapter Four classifies the market development of an economy into two typical stages of competition – Situation I (when industry and industry structure lead the evolution of the growing marketplace) and Situation II (when the experience and expectation of the increasingly sophisticated marketplace guide evolution of industry and industry structure). It then examines the current Chinese industry development and determines that Chinese market competition is still at an early stage of market development (Situation I). After detailed examination of the ways the industry has developed (also refer to Figure 9.1), the chapter conceptualises a framework for the Chinese outbound industry structure (Figure 4.4).

In Figure 4.4, three key relationships are subsequently identified as the bases for empirical investigation. They are:

- The relation between ‘channels and industry dynamics’;
- The relation between ‘industry dynamics and future outbound competitiveness’;
- ‘Australia’s unique advantages and market position among other destinations’;

Consequently, ten hypotheses are formulated to test the above relationships.

After the survey design, questionnaire design, and sampling methodology are explained in Chapter Five, Chapter Six provides a descriptive overview of the Chinese outbound industry and its associated characteristics.

In Chapter Seven and Chapter Eight analysis of the survey data is conducted to test the hypotheses in Chapter Four. Chapter Seven tests the first two of the three relations identified in Figure 4.4.

- To test the differences in industry dynamics of the two channels, authorised and unauthorised agencies: The objective is to determine whether the two channels differ significantly in industry dynamics. The survey data shows that the two channels have similar industry dynamics.
- To test the influence of industry dynamics on outbound competitiveness: The survey data shows that future competitiveness of firms will be strongly influenced by ‘firm capability’, ‘strategy for the future’, and ‘product offering’.

In Chapter Eight, two hypotheses are tested to determine Australia’s unique advantages in the Chinese outbound market.

- The first evaluates Australia’s market position among other outbound destinations, such as the USA and Hong Kong. The tests are conducted on destination importance to outbound expansion of firms, the future Chinese market to outbound destinations and destination attractiveness to Chinese tourists. The survey results indicate that Australia is in a strong position in all cases.

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- The second evaluates Australia's image in the Chinese outbound market. The analyses have shown that the attractive images of outbound destinations preferred by the Chinese market will evolve in the future. This means that what was successful in the past is not what will be successful in the future. However, Australia is well positioned for these changes. The key destination variables of Australia for the past were 'attractive wildlife' and 'being different', while for the future the key destination variables for Australia are 'clean environment', 'attractive wildlife' and 'highly developed cities'.

9.3 Overview of Market Competition and WTO Obligations

The Chinese outbound industry started officially in the early 1990s with a few outbound destinations. Australia joined the list of official outbound destinations in 1998 to become the first western nation to do so. At this stage, the Chinese outbound industry is still purely a Chinese operated industry with enormous entry barriers, especially at the retail level (similar to car industry, refer to Panitchpakdi et al. 2002: 177). No foreign firm has been given permission to directly operate in the Chinese outbound market either independently or as a joint venture partner.

However, China's accession to the WTO erodes many of these protective barriers and increases the volume of China's international trade and tourism. According to The World Bank, China's exports will jump to 6.3% of world trade by 2005 with WTO membership. Without WTO membership, its share of world trade would only increase modestly to around 4.5% (Ianchovichina et al., 2000: 30-31). The following are the WTO challenges, and major characteristics, of the Chinese outbound industry:

1. The Challenge of The World Trade Organisation (WTO):

China's accession to the WTO in September 2001 means that the WTO has become a dominant environmental factor in the evolution of Chinese government policies, competition policies, market competition and industry structure (Panitchpakdi et al. 2002). As a result, China's WTO entry will mean that policy barriers in the Chinese outbound industry have to be lowered drastically before 2005, and the Chinese

outbound market will soon be open entirely for domestic and international competition. The major challenges of the Chinese outbound industry under China's WTO membership are:

- The first industrial practice to be abolished following China's ascension into the WTO will be ADS (Approved Destination Status). As pointed out in Chapter One, ADS is essentially a practice of restricting market access, by the selection of industry players, by the selection of destination countries and inbound operators at the destinations. According to "WTO Principles as they relate to China" (Panitchpakdi et al., 2002: 180-181), ADS is a disguised non-tariff protectionism (similar to quotas, licensing requirements, permits or notification requirements) limiting outbound travel operations from China.
- The second industrial practice in question is the "restriction on retailing". Currently, foreign travel companies are restricted to running a wholesale business only. They have to sell their tourism products through independent Chinese companies (retailers). As a result, foreign companies have been fenced off from direct participation in market competition. Since the principle of non-discrimination is a prerequisite for China's ascension into the WTO, restrictions on retailing and distribution have to be phased out entirely after accession, removing another significant competitive barrier (refer to Appendix E).
- The third industrial practice in question is the "trade-balancing requirement". WTO rules clearly show that tying an enterprise's imports to its exports or its foreign-exchange requirements (refer to Appendix E) is prohibited among WTO members. Therefore, the current trade-balancing requirement tying a tourism company's inbound operations to outbound operations is against the spirit of WTO trade arrangement.

The key sections which impact on the Chinese outbound industry are:

- In the US-China agreement (refer to Appendix C): Right to import and distribution; Distribution and related services; and State-owned and state-invested enterprises.

- In the sino-EU agreement (refer to Appendix D): Services-distribution; Services-tourism.
- WTO principles as they relate to China (refer to Appendix E).

2. Government policy characteristics:

- The authorisation of outbound operators in the Chinese market is currently controlled by CNTA (China National Tourism Administration). CNTA monitors outbound activities of these firms and determines whether the conditions of outbound operation are satisfactory. This authorisation power of CNTA will no longer be valid after 2005 according to WTO rules.
- The Chinese consumer protection and quality control regulations require individual companies selling travel products to be answerable for problems that arise later. These regulations will continue to exist after China's WTO entry.
- The Chinese government requires outbound travel operators in the Chinese market to offset their outbound operations (hard currency spending) with inbound operations (hard currency earning). This is the key reason why all outbound operators are current inbound operators at the same time. This requirement gives rise to opportunities for some foreign entrants who can or already generate a large inflow of foreign tourists to China. This policy will be abolished after China's accession to the WTO (refer to Appendix E).
- A non-immigration policy of outbound destination governments is also a strong characteristic influencing competition in the Chinese outbound market. Under this policy, outbound operators in China need to control the quality of their outbound tourists closely to stay in the competition, because the special privilege of a visa convenience is awarded to individual companies, and can only be controlled at company level. This policy is unlikely to be abolished after China's WTO entry, provided that it is not perceived to be an issue for international trade.

3. Market competition characteristics:

- Compared to the western system, the most distinctive market characteristic of the Chinese outbound industry is that there is no independent retailing network. This characteristic is the result of combined efforts of the above mentioned government policies (refer to Chapter Four). From the viewpoint of competition, the current retailing network is apparently a market protective barrier which creates competitive advantage of economic scale for incumbent Chinese outbound operators under the threat of foreign entrants. It is hard for foreign firms to enter the Chinese market without a platform of independent retailing channels in China. In other words, entry under current industry conditions requires foreign firms to increase their vertical integration and therefore increase their size and financial commitment.
- The current Chinese industry structure favours ADS destinations. The most suitable destinations for the Chinese outbound industry are Thailand, Hong Kong, Singapore, Malaysia and Australia. These features may be the result of past protective policies of the Chinese government. However, the ADS influence on the structure of the Chinese outbound industry could create long-term competitive advantages for ADS destinations. The destination life cycle in the Chinese market, if managed properly, can last for decades. For example, Thailand is still the most promoted destination of the industry after a decade of presence in the market.

Theoretically, the relationships between market, industry and business under a normal market competitive situation can be summarised in Figure 9.1, where there are four ways for a business to grow. Figure 9.1 demonstrates that different market situations and different industry structures create different styles of growth for businesses. Given the current economic situation in China where market growth is the major factor for business growth (refer to Situation I in Chapter Four), the dominant pattern the Chinese outbound industry will follow is new customers (growing market) plus old products (established industry structure) for the growth of currently established businesses (the second from the top). That is, current industry structure will act as a conduit to channel market growth to established destinations in the first instance. Low price and standardisation are the keys for a business to satisfy this market demand.

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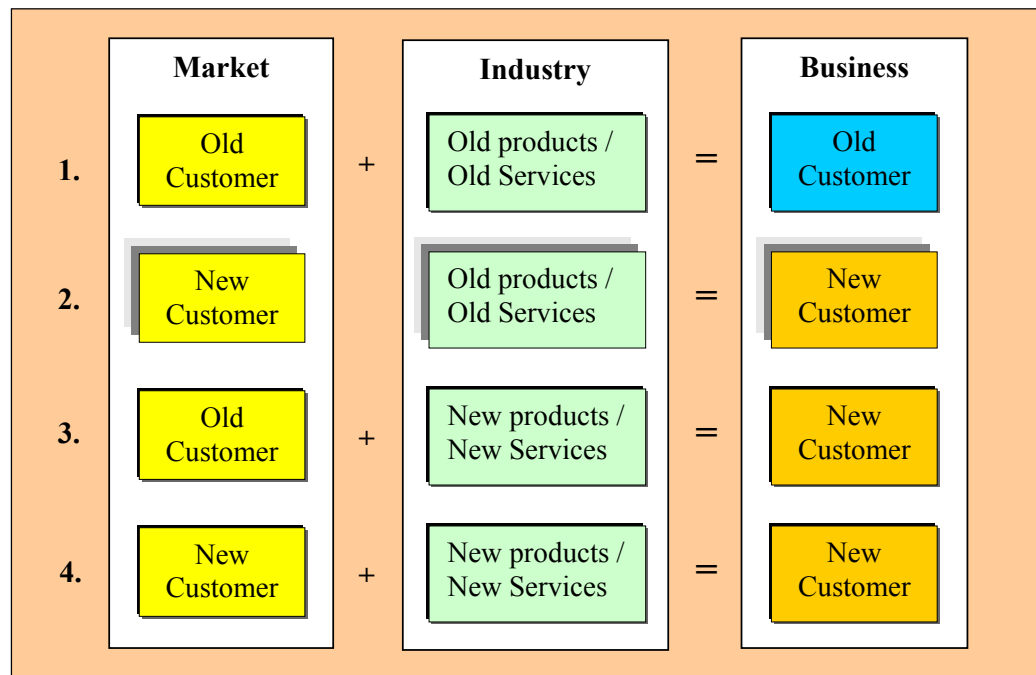


Figure 9.1 Growth Model for Firms and Industry

After years of ground breaking work (of taking advantage of ADS) by the Australian government to coordinate outbound policies with the Chinese authorities, Australia-bound policy has been set and Australia-bound industry structure has begun to take shape. Australia-bound operations from China will accelerate in the coming years. The survey has confirmed Australia's number one position in future market growth (refer to Figure 8.5). With the working knowledge of the Australian travel industry already integrated into the Chinese outbound industry structure, this growth is highly likely to ensue (refer to Figure 6.58). The main objective for Australian companies will be (Figure 9.1) to move the emphasis from equation four – new customers plus new products to new business growth, to equation two – the major market situation for the Chinese market (refer to Situation I in Chapter Two). Equation one refers to maintaining old business under the current industry structure. Equation three refers to a competitive market situation (refer to Situation II in Chapter Two) when new

products are created to reposition a firm's business in the changing industry structure for new growth.

9.4 Main Conclusions from the Hypotheses

The foci of these research hypotheses are entry strategy. They are about the investigation of the competing forces of economics and their relationships with the structural evolution of the Chinese outbound industry.

9.4.1 Current relationship between industry dynamics and outbound industry structure

Figure 4.3 and Figure 4.4 in Chapter Four demonstrate that government policies on outbound tourism have played a major role in the formation of the Chinese outbound industry. Do factors such as firm capability, nature and performance, strategy for the future and product offering (industry dynamics) influence the structure of the outbound industry under the current economic situation in China? Generally speaking, a firm's industry dynamics and its position in industry structure are mutually influential on each other in the evolutionary process of industry structure. Are these influences significant in the current Chinese outbound industry? To test, four hypotheses are proposed in Chapter Four.

Hypothesis One:

According to the test results of Hypothesis One (refer to Chapter Seven), only three out of 36 questions on firm capability were found to have statistically significant differences between the two channels (authorised and unauthorised agencies). The other 33 survey questions were found to be statistically similar. Therefore, the firm capabilities of the two channels are similar. The explanations of the statistically significant results are:

- Authorised outbound firms are more interested in outbound expansion (Q2.8.3) because they have been given reduced government barriers in this hotly pursued business.

- Consequently, they are more prepared for the next hot spot of business expansion – Australia-bound expansion (Q5.1).
- Authorised outbound firms are generally large firms and large firms are more likely to recognise education (Q3.3.1) as a key factor in future competitive success.

However, the overwhelming similarity between the two channel's other 33 questions suggests that both channels have similar capabilities.

Hypothesis Two:

Hypothesis Two tests firm structure and performance for the two channels on five survey questions. In two out of the five questions, the differences between the two channels were found to be statistically significant. Therefore in general terms, the firm structure and performance of the two channels differs to some degree. Authorised outbound firms were found to be more profitable in their outbound operations. They were also found to be more confident in their overall business performance. These findings are in direct support of Porter's (2001) statement "some competitive advantages arise because of differences in operational effectiveness, but the most sustainable advantage comes from occupying a unique competitive position" in the structure of the industry. Consequently, these findings are not surprising as the authorised firms benefit not only from operating efficiency in their outbound activities (due to larger scale and fewer barriers), but also from the growth momentum in that segment of the Chinese travel market and less competition in that segment of the industry due to high entry barriers and fewer competitors. Naturally these firms can achieve higher profit from their outbound operations than the unauthorised firms. Therefore, a favourable industry structure contributes to the overall performance of the authorised channel.

Hypothesis Three:

Hypothesis Three tests 'the strategy for the future' on thirteen questions. Only two out of the thirteen questions resulted in rejection of the null hypotheses. In general terms,

the two channels have a similar ‘strategy for the future’. The authorised outbound operators were found to spend more on advertising (Q2.5), and they also believe more in the importance of ‘brand’ (Q4.3.4).

Hypothesis Four:

Hypothesis Four tests product offering and the test results show that none of the null hypotheses for these questions are rejected. This means that there is no difference in product offering between the two channels. There are a great variety of products but little differentiation. All the products follow the same basic product design. The only difference is the way the product is marketed (refer to Hypothesis three).

Interpreting The Test Results of Hypotheses 1-4:

In the above analyses, the independent variables are the authorised and unauthorised channels of the Chinese outbound industry. The dependent variables are firm capability, firm’s nature and performance, strategy for the future, and product offering. These four variables are composite variables that can further be reduced to 63 question variables. Tests were conducted at question variable level and then summarised to composite variable level and then industry dynamics level.

At the question variable level, only 7 out of 63 question variables reject their null hypotheses. The minimal differences existing between the two channels indicate that the current Chinese outbound industry structure is not the result of competing economic forces. It is the result of government outbound policy (refer to Appendices C and D). Therefore, government policies (both Chinese and Australian) play a major role in the formation of the structure of the Chinese outbound travel industry.

At the composite variable level, the ‘firm nature and performance’ variable rejects its null hypothesis indicating that outbound industry structure does influence the nature of a firm’s profitability. For example, the profits in outbound operations are much higher in the case of authorised firms. The favourable position of the authorised firms

in the outbound section of the Chinese travel industry determines that their overall performance is much higher.

9.4.2 Future relationship between industry dynamics and outbound competitiveness of firms

How will the factors of industry dynamics influence the future competitiveness of firms or the future structure of the industry? Hypotheses five to eight are proposed (refer to Chapter Four) to test the second relationship of industry dynamics and future industry structure. In these hypotheses, the dependent variables are firm outbound competitive factors, strength/weakness, and future demand. The independent variables are firm capability, nature and performance, strategy for the future, and product offerings. Since the relationship is about the future, statistical methods with predictive power are required. A multiple regression model is chosen for these tests due to their dynamic power for predictive relationship construction.

For the purpose of analysis, 15 question variables in the survey questionnaire are identified as dependent variables (refer to Table 7.19). In combination, these variables represent outbound competitive factors, strength/weakness, and future demand. There are 14 independent variables for Hypothesis Five, 6 for Hypothesis Six, 28 for Hypothesis Seven, and 11 for Hypothesis Eight.

Hypothesis Five:

Among the 14 dependent variables, seven are found to be statistically significant with the full set of firm capability variables. Since their R^2 values range between .339 and .549, these relationships are practically significant. Therefore, the null hypothesis for Hypothesis Five is rejected and it is concluded that industry structure is influenced by firm capability. Seven of the fourteen dependent variables are found to be significantly related to the independent variables: growth opportunities (Q4.6.3), Australian connections (Q4.6.4), retailing knowledge (Q4.6.5), joint venture opportunities (Q4.6.6), staff trained in Australia (Q6.1), working knowledge of Australian travel industry (Q6.3), and well connected with Australian inbound

operations (Q6.4). This shows that Australia-bound industry structure is strongly influenced by firm capability. Among the various capabilities, staff capability in skills, creativity and co-operation is the key capability for future competitiveness (refer to Table 7.23).

Hypothesis Six:

The multiple regression analysis shows that 4 of the 15 dependent variables are statistically significant. However, due to the small R^2 values ($<.194$), the relationships between these variables are regarded as weak in practical terms. Therefore, the null hypothesis for Hypothesis Six is accepted and it is concluded that the influence of firm nature and performance variables on the future competitiveness of firms is of little importance. The future outbound (including Australia-bound) industry structure is not influenced significantly by firm nature and performance, even though the current outbound industry structure strongly influences firm performance in outbound operations (refer to Hypothesis Two and Table 9.1).

Table 9.1 Mean Difference Tests on Q1.7 and Q2.8.3

Variables	\bar{x} Unauthorised channel	\bar{x} Authorised channel	t-value (2-tailed)	df	Sig. (2- tailed)	Hypothesis Test
Outbound percentage 1999	2.80	3.71	-2.265	142	.025	reject
Outbound expansion	4.2	4.48	-2.045*	183	.043	reject

Note: * Levene's test significant, therefore unequal variance t-test used.

Hypothesis Seven:

Among the 15 dependent variables, 11 were found to be statistically significant. These dependent variables are also related to 'strategy for future' with large R^2 values ($0.482 \leq R^2 \leq 0.690$). Therefore, the null hypothesis for Hypothesis Seven is rejected and it is concluded that industry structure is influenced by future strategy planning. The 11 dependent variables are government policies (Q4.6.1), response to demand (Q4.6.2), growth opportunities (Q4.6.3), retailing knowledge (Q4.6.5), joint venture opportunities (Q4.6.6), e-business opportunities (Q4.6.7), avoiding competition

(Q4.6.8), low price (Q4.6.9), innovation (Q4.6.10), working knowledge of Australia (Q6.3), and well connected with Australia (Q6.4). This means that Australia-bound industry structure is strongly influenced by industry players' strategy for the future. This also demonstrates that making Australia a strategic destination for the Chinese outbound operators (strategy for the future) contributes significantly to the formation of an Australia-bound industry structure.

Hypothesis Eight:

In the tests for Hypothesis Eight, six of the 15 dependent variables are found to be related significantly to the independent variables, with high R^2 values ($0.321 \leq R^2 \leq 0.448$). Consequently, the null hypothesis for Hypothesis Eight is rejected and product offering is concluded to influence the future competitiveness of firms. The six significant dependent variables are: outbound percentage (Q1.7), response to demand (Q4.6.2), Australia-connections (Q4.6.4), joint venture opportunities (Q4.6.6), low price (Q4.6.9), and working knowledge of Australia (Q6.3). These results demonstrate that Australia-bound industry structure and outbound percentage is strongly influenced by product/service offering.

Interpreting The Test Results of Hypotheses 5-8:

In the above analyses, the composite variable 'outbound competitive factors, strength/weakness, and future demand' was found to strongly relate to firm capability (Hypothesis Five), strategy for the future (Hypothesis Seven) and product offering (Hypothesis Eight). However, its relationship to firm nature and performance (Hypothesis Six) was not strong.

By comparing the test results of Hypotheses 1-4 with that of Hypothesis 5-8, an interesting and significant conclusion can be reached. While 'firm structure and performance' is significantly influenced by industry structure, its influence on industry structure is not significant (refer to Hypothesis 2 and Hypothesis 6). At the

question variable level, this means that the outbound profitability and overall performance of firms results primarily from industry structure. On the other hand, the other three composite variables (firm capability, strategy for future, product offering), which are not the results of outbound industry structure, will contribute greatly to the future competitiveness of firms and therefore the creation of industry structure. This means the focus of entry strategy should be upon generating firm capability in Australia-bound operations, strengthening Australian product offering in the Chinese market and promoting Australia as a strategic destination for the future, while firm nature and performance of the past should be ignored.

9.4.3 Australia's unique market position amidst other outbound destinations

What will be the perception of Australia as an outbound destination by the Chinese market and industry? How attractive is Australia? Could its attractiveness be presented on a measured scale? Two hypotheses are proposed in Chapter Four to test this third relationship. The methods chosen for these tests are average score ranking, Principal Component Analysis (PCA), Pearson's correlation coefficients and multiple stepwise regression.

Hypothesis Nine:

From the viewpoint of destination importance to business expansion of firms (Q3.2), Australia is ranked third after the USA and Hong Kong. As for destination-oriented future Chinese market growth (Q3.9), Australia is ranked first, followed by Japan and France. The USA is ranked sixth. In regard to destination attractiveness to Chinese tourists (Q4.1), the USA is ranked first, followed closely by Australia. The PCA analysis on the above three questions shows that Australia is perceived as one of the western destinations which are more attractive to Chinese tourists than the cluster of Asian destinations (refer to Figure 8.15).

Comparing the two key clusters of destinations – Western destinations and Asian destinations – Western destinations rank ahead of Asian destinations in both 'destination importance to business expansion' (refer to Figure 8.5) and 'destination

attractiveness to Chinese tourists' (refer to Figure 8.15). However, the Asian cluster is ahead of the western in 'future market growth' (refer to Figure 8.10). The difference between the two clusters can be explained by the current industry structure (refer to Figure 9.1). Due to the presence of established Asian destinations in the Chinese outbound industry structure, future market growth to the Asian cluster is stronger, in spite of its disadvantages in 'destination importance to business expansion' (refer to Figure 8.5) and 'destination attractiveness to Chinese tourists' (refer to Figure 8.15). In general terms, the Western cluster lacks an established presence in the current Chinese industry structure.

The same story describes the difference between Australia and the USA. The USA is ranked in number one position for both 'destination importance to business expansion' (refer to Figure 8.1) and 'destination attractiveness to Chinese tourists' (refer to Figure 8.11). However, USA-oriented business (market) growth is only ranked sixth overall (refer to Figure 8.6). Australia, on the other hand, is ranked number one in future market growth (refer to Figure 8.6), despite that it is disadvantaged in the other two areas. This difference can be explained by the industry structure advantage which Australia enjoys over the USA. This is chiefly a result of the benefit gained by Australia from the ADS program. As indicated in Figure 9.1, business growth is a result of both market and industry structure. The lack of a demand specific structure for the USA hinders its market growth.

On the other hand, the Australian initiative to coordinate outbound operations with the Chinese authorities has generated a favourable government response, and therefore created a favourable outbound structure in the Chinese industry. Consequently the China survey finds that Australia-oriented market growth is in number one position supported by high destination attractiveness (ranked second).

Hypothesis Ten:

Apart from a destination analysis derived from a comparison of the individual outbound destinations, destinations can also be analysed by comparison between

destination elementary images that are not specific. Destination images can be identified as key contributors to market success. Eighteen destination image variables have been identified and placed into the survey questionnaire. Question 4.4 collects data on what images create past market success, while Question 4.5 collects data on images for future market success. Question 7.1 collects data on what image Australia has in the Chinese outbound market. Analysis methods for these three questions are average score ranking, PCA analysis, multiple stepwise regression and Pearson correlation analysis.

The average score ranking on Question 4.4 has put ‘world-famous landscape’, ‘world-famous buildings’, ‘novelty’ and ‘being different’ as the most important destination variables for past market success (refer to Figure 8.16). It may be noted that these variables can be identified to follow from the history of Chinese travel development (refer to Chapter 2). As to the most important destination variables for future market success, ‘world-famous landscape’, ‘novelty’, ‘being different’ and ‘world-famous buildings’ are still the top ranking individual variables with minor changes in ranking order (refer to Figure 8.21). This suggests that what created market success in the past will still be the destination images for future market success.

However, the PCA analysis reveals that these 18 variables when analysed together can be clustered into 5 summary variables for past success (refer to Table 8.7 and Figure 8.20) – ‘good life’, ‘nightlife and shopping’, ‘safe and easy’, ‘city feeling’ and ‘back to nature’. In summary, ‘good life’ which contains being different, good life-style, novelty, quality built environment and clean environment becomes the top ranking variable, while ‘world-famous landscape’ and ‘world-famous buildings’ become of lesser significance. For future success (refer to Table 8.9 and Figure 8.25), five similar summary variables are achieved by the PCA analysis. They are ‘safe and easy’, ‘nightlife and city’, ‘back to nature’, ‘sightseeing’ and ‘good life’. However, the order of importance has changed from that for past success. The ‘Safe and easy’ variable has moved to the first position from third. ‘Nightlife and city’ remains in second position. ‘Back to nature’ moves to third position from fifth. These changes

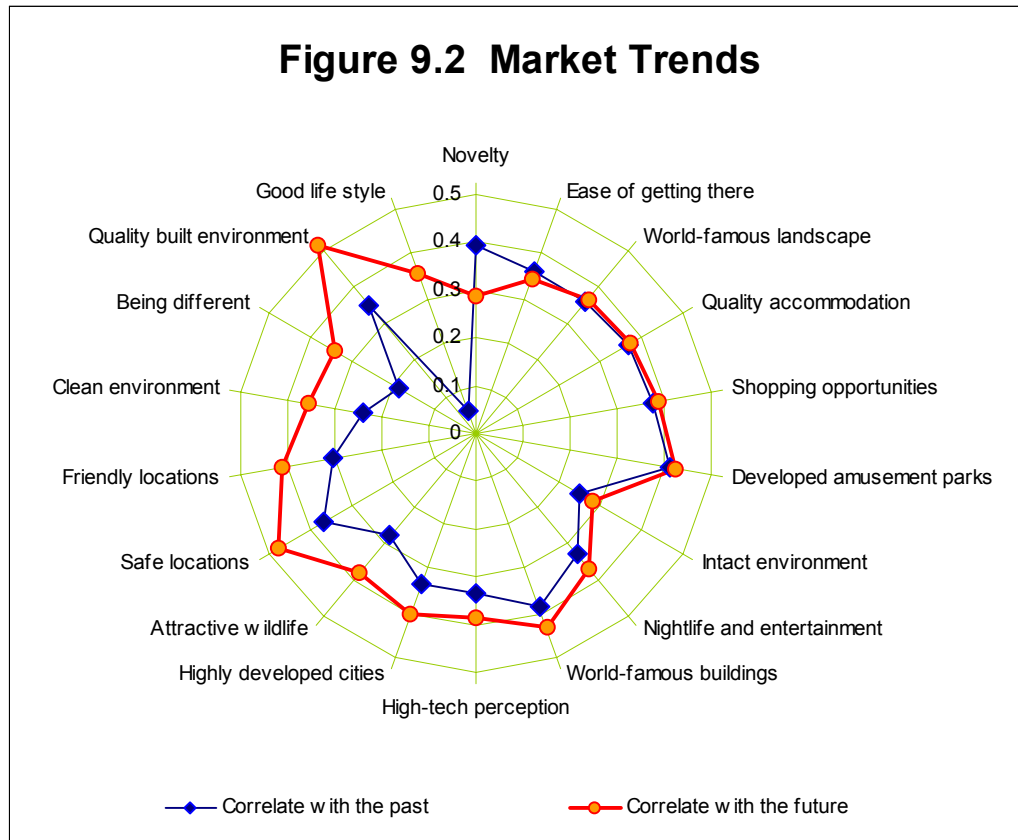
demonstrate that the future Chinese outbound market will be more concerned with destination safety and convenience. ‘Back to nature’ also becomes a more significant influential factor.

What image does Australia hold in the Chinese outbound market in terms of individual destination variables? The survey shows that the most attractive individual elements are ‘clean environment’, ‘world-famous landscape’, ‘attractive wildlife’, ‘world-famous buildings’ and ‘being different’ (refer to Figure 8.26). The PCA analysis groups the individual variables into three summary variables: ‘famous, fresh and authentic’, ‘nightlife and convenience’ and ‘city life’ (refer to Table 8.11 and Figure 8.30). The dominant feature of Australia as an outbound destination is ‘famous, fresh and authentic’.

As individual elements, ‘world-famous landscape’ and ‘world-famous buildings’ are always among the top ranking elements (refer to Q4.4, Q4.5 and Q7.1, and Zhou, King and Turner, 1988). This is an interesting finding from the historical past where traditionally and historically travel related to these factors (refer to Chapter 2). Since these two elements are indispensable elements of almost every outbound destination, their importance has been reduced during the systemic evaluation of the full set of destination variables. As a result, ‘world-famous landscape’, ‘world-famous buildings’ will play a much lesser role in future market success. Overall, the future market success will dwell on ‘safe and easy’, ‘nightlife and city’ and ‘back to nature’. Such changes favour Australia as a destination.

Table 8.13 measures the correlation (Pearson’s) between future market demand and Australian destination images, and past market demands and Australian destination images. It shows that Australian destination variables respond well to future demand changes of the Chinese outbound market (refer to Figure 9.2 and Section 8.3.5). Using attractiveness of destination as the dependent variables in each analysis (refer to Q4.1), attractive destination variables in the past (Q4.4) and in the future (Q4.5) as independent variables, multiple stepwise regression has extracted ‘attractive wildlife’

and ‘being different’ as the most influential Australian destination variables for past market success. However, for the future, the most attractive Australian destination variables are ‘clean environment’, ‘attractive wildlife’ and ‘highly developed cities’.



9.5 Entry Strategies

Entry into the Chinese outbound market is significant at two different levels – the destination level and tourism business level. It is very likely that entry will be played out at these two levels at this early development stage of the Chinese economy. Therefore, governments (Chinese and destination) and travel companies are key factors in entry strategies. It is essential to recognise that WTO entry has no role to

play at the destination entry level. However, WTO rules at the business strategy level are essential once a nation has become an outbound destination in the Chinese market.

9.5.1 Entry At the Destination Level

At the destination level, both Chinese and destination governments play essential roles in creating Chinese outbound market opportunities. From the viewpoint of Australia as a destination or the Australian government, entry into the Chinese outbound market is significant in comparison with other international destinations. Australia is the first western country to co-ordinate outbound travel policies with Chinese authorities to make outbound travel to Australia a business reality (ADS status for Australia and also refer to Chapter 1). As a result, Australia-bound working knowledge and travel operations have been established in the current Chinese outbound industry and specialised industry structure has been created.

Through creating a distinctive government relationship, Australia has created early mover advantage in the industry over other outbound destinations. The survey data have shown that the current Chinese outbound industry structure favours ADS destinations (refer to Figure 6.6). Among the 20 outbound destinations surveyed, the seven current ADS destinations (namely: Thailand, Hong Kong, Singapore, Malaysia, Australia, Korea and Macau) all occupy top positions on the list (refer to Figure 6.6).

9.5.2 Entry At the Business Level

Entry into the Chinese outbound industry is an important strategic decision for entry by foreign firms. It carries the hope of business growth, economies of scale and increased scope, risk diversification, higher return for investment, market expansion, and enhanced profitability. However, entry also carries an enormous amount of uncertainty because the Chinese outbound market/industry represents a brand new environment that is progressively changeable and potentially discontinuous.

Ansoff (1987) believes that foreign organisations generally lack the necessary information about themselves in the context of the new environment they are entering.

Therefore, historical organisational dynamics are no longer sufficient for coping with the new opportunities and new threats. In terms of entry into the Chinese outbound industry, entrants have to take into consideration different market situations in China and cast them into their business configuration. Porter (1980:229) pointed out that “Formulation of strategy in emerging industries must cope with the uncertainty and risk of this period of an industry’s development. The rules of the competitive game are largely undefined, the structure of the industry unsettled and probably changing, and competitors hard to diagnose.”

One strategic uncertainty facing entry firms is how to choose entry directions from among many imperfectly perceived alternatives. Porter (1980) believes that two principles are vital for helping individual businesses identify attractive strategies for entry and make entry profitable:

- Firstly, “the economics of entry rests on some fundamental market forces that are operating whenever entry occurs. If these market forces work perfectly, in the economist’s sense, then no entry decision can ever yield an above-average return on investment. This startling statement is the key to analysing the economics of entry – finding industry situations in which the market forces are not working perfectly” (Porter, 1980:340).
- Secondly, “strategy cannot be formulated without some form of explicit or implicit understanding of how the structure of the industry will evolve” (Porter 1980:234). Porter (1980:183) said, “The evolutionary processes are a tool for predicting industry changes. Each evolutionary process is the basis of a key strategic question.”

To foreign entry firms, the nature of competition in the Chinese outbound industry is demonstrated in two barriers: 1. government policy barrier; 2. distribution barrier. The government policy barrier controls who is in the industry and who is out. These policies have often discriminated against foreign companies in the past. However, these unfair policies have to be eliminated soon after China’s accession to the WTO.

Currently, the Chinese outbound industry is essentially a domestic industry under government policy protection. Without these policies, the industry will go global.

For example, entry into the Chinese outbound market by individual Australian travel firms is very limited due to restricted viable entry platforms. Despite there being significant destination advantages for Australian travel firms who enter the Chinese outbound travel market (refer to Chapter 8), the dominant form of entry is subcontracting land operations from the major Chinese outbound operators. Therefore, Australian travel firms currently have no direct influence on the evolution of the Chinese outbound industry structure. The most likely Australian influence is to support Chinese outbound operators' Australia-bound capability, strategic orientation and product offerings (refer to Chapter Seven).

The four identified market entry forms (non-independent entry, independent entry, retailing channel entry and entry after established independent retailing channel) are not applicable under the government is pre-WTO regulations.

9.5.3 International Competition

International competition in the Chinese outbound industry will occur after China's accession to the WTO. China's WTO entry will make it compulsory for China to lift its outbound industry protection policies and to allow international entrants to enter. In that sense, the nature of competition in the Chinese outbound industry will shift from domestic to international competition, from political to economic competition. This phase of competition in the Chinese outbound industry will see all sorts of entry strategies become possible. As a result, strategic uncertainty of entry will increase (refer to section 3.3.3 International Competition and Deregulation) for the following reasons:

- A large number of new entrants (both domestic and international) will be attracted to the deregulated industry;
- No established rules of competition or the rules of competition are potentially changeable;

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- No dominant product configuration, and a wide variety of “strategic approaches to product/market positioning, marketing, servicing and so on” (Porter, 1980:217) creating customer confusion;
- Erratic product quality (product does not match intention) which deters market growth;

At this stage, the industry constraints in which competitive advantages and disadvantages can be created are:

- Government policies – consumer protection policy; financial responsible policy and non-immigration policy,
- Economic forces.

In this uncertain period for the travel industry, Porter believes scenario building is a useful tool for forecasting in an emerging industry. Porter (1980:234) said, “The device of scenarios is a particularly useful tool in emerging industries. Scenarios are discrete, internally consistent views of how the world will look in the future, which can be selected to bound the probable range of outcomes that might feasibly occur.” Under the WTO rules for market competition, the most distinctive feature of the Chinese outbound industry is “no independent retailing network”. Therefore, two scenarios of entry strategy are developed accordingly.

9.5.4 Scenarios for Competitive Strategies

First Scenario: The first scenario is that the industry continues its current trends of development. That is, “retailing networks being owned by large travel companies” grow larger and become the competitive advantage of firms in the Chinese outbound travel market. The current indication for this scenario is very strong at the industrial level. In the first instance, this scenario of industry development is confined by government policies. Later, it becomes an overriding strategic choice by which large Chinese travel companies can shape industry structure. Most Chinese outbound operators advocate this style of business development, because this is where their

competitive advantage dwells. Through this choice, firms can try to set the rules of the game in areas like product offering, strategy for the future, and firm capability.

According to King and Choi's research (1999), this scenario of travel development is also evidenced in other Asian countries such as Korea. On the other hand, the Korean experience also shows that by creating first mover advantage (economic advantage) around the constraints set in the emerging stage of the industry, the existing large travel firms can influence the evolution of industry structure by deterring the development of an independent retailing network in the tourism industry. Once the industry structure is set, it can last as long as its economic advantage is not overcome. This also explains why the tourism industry structure in Asian countries differs from that in western countries.

- *Independent entry:* Under this scenario, independent entry by Australian firms is very costly. The industry structure of this scenario determines that the capital investment by independent entrants is large. It requires the independent entrants to build inbound operations to offset their outbound operations, to control any potential immigration practice in its outbound operations and to set up a compensation service for customers that complain. Therefore, an independent entry strategy can only be used by very large foreign travel companies. The methods of entry can be either internal development or acquisition.

According to Porter (1990), sustaining and improving competitive position ultimately requires that a firm develop its internal capability in areas important to competitive advantage. In the long term, global leaders rarely if ever rely on a partner for assets and skills essential to competitive advantage in their industry. Consequently, independence is always a long-term goal but would be difficult to achieve in China in the short-term.

- *Non-independent Entry:* Non-independent entry (joint venture, long-term supply agreements, and other kinds of inter-firm relationships) will be popular for small and

medium travel firms due to the low cost of entry. However, most forms of non-independent entry are transitional devices, therefore, they carry substantial costs in strategic and organisational terms. Moreover, seeking benefits from another company without owning it could create potential conflicts of interest at some stage. Consequently, organisations need to select their partners carefully in spite of major advantages in minimising costs; improving competitive position and in organisational learning.

Joint venture (equity) as a major form of entry has been analysed in Chapter Seven. The survey shows that joint venture firms operate most efficiently in the current industrial context (refer to Figure 6.33). There is also a reasonable demand for joint venture activities by firm's involved in Australia-bound expansion (refer to Figure 6.12). Additionally in a deregulated environment, business demand for joint ventures will be high after China's WTO entry. The survey shows that joint venture opportunities will positively relate to staff creativity, and a firm's sophistication and knowledge of market innovation. This opportunity will negatively relate to firm size (sales volume) and unmet expectations in Australia-bound travel (refer to Table 7.22, Table 7.29 and Table 7.33).

Second Scenario: The second scenario is that retailing networks are independent of travel companies, and become a significant competitive force in the tourism industry. That also means that the current trends of development will discontinue and industry structure will be changed or significantly modified. This change requires the government policies mentioned above to become obsolete, and services dealing with complaints industrialised. It may also require some unusual events such as industry-wide recession or economy-wide recession, when the logic of business changes from the economics of profit-making to the economics of survival. During recession periods, it will make sense for the large travel companies to discard their captive retailing network, giving independent retailing a chance to grow. Of these two scenarios, the first scenario is more suitable for the initial stage of outbound development from China and the second is more suitable for a mature stage of

Chinese outbound industry development. The implication of these two scenarios for industry development is “the possibility that a firm may have to compete initially with a strategy it ultimately does not want to follow or participate in market segments it plans to drop out of in the long run” (Porter, 1980:231).

An independent retailing channel makes a lot sense for the entry strategies of many small and medium sized Australian (foreign) travel firms. However, it is hard to judge when this will be an opportunity. When it does occur it will be particularly important for Australia where the travel companies are relatively smaller, and dependent upon high servicing levels. From an Australian tourism industry strategic point of view, it is desirable for an independent retailing channel to develop as early as possible. Retailing channel entry also requires further changes in government consumer protection policy. Such entry could also be in the form of joint venture entry or independent entry.

9.6 Contribution to Knowledge

These research results have made significant contributions to the understanding of the Chinese outbound industry and theory of competitive advantage. The research has developed a comprehensive conceptual framework for the Chinese outbound industry. This framework combines the current development of the Chinese outbound industry with a broad spectrum of competitive theories to create a dynamic model. The model takes both the influence of government policies and competing forces of economics into consideration in the evolution of Chinese outbound industry structure.

The research shows that there will be fundamental shifts in the competitive landscape of the Chinese outbound industry in the future. In today’s competitive terms, the Chinese outbound industry structure is mainly determined by government outbound policies. However, in the future competition will shift to the competitive forces of economics, in terms of firm capability, strategy for the future and product offerings

Through empirical testing, the framework has crystallised the influential factors and relationships within the Chinese outbound industry in regard to the evolution of the industry. As a result, it has been a useful tool for firms to envision their roles and to understand their efforts in the evolving structure of the industry, and to create competitive advantage by perceiving or discovering new and better ways to compete in the industry. The empirically tested framework can help a firm to innovate in product design, in process configuration, in marketing, in distribution, and in the conception of competition. Therefore, the model can be used to generate sound entry strategies for Australian (foreign) companies.

According to Porter (1990), two central concerns underlie the choice of a competitive strategy – industry structure and position. The third contribution of the framework is that it defines and establishes a general understanding of the structure of the Chinese outbound industry and positions that firms can take to compete in the industry both profitably and sustainably. The empirical tests have demonstrated that future barriers are built around specialized skills, channel access, brand reputation and economies of scale. It demonstrates the competitive position of a firm in an industry is not only determined by the competitive environment of the industry, but also shaped by the competing firm.

9.7 Research Limitations and Outlook

This research is a pioneering first step in the investigation of relationships between industry structure, structural evolution and the formation of competitive strategy in the fast growing Chinese outbound travel industry. The research has created concrete understanding of this emerging industry in developing successful entry strategies. During the research process, opportunities for further research are also perceived.

- So far, research has confined itself to the competing reality of Chinese outbound operators. There are always possibilities that “firms in other markets may be able to perceive opportunities to change industry structure better than existing firms”

(Porter, 1980:182). Therefore, further research into the inbound operators in Australia and their link to China outbound operations is required.

- Despite recognition of the government's role in the development of the Chinese outbound industry by this research, the main focus of this investigation is the competing forces of economics in the evolution of the Chinese outbound industry structure. However, it would be very interesting and useful to examine more closely the factors that govern the development of Chinese policy. Such research would be more of a social/political nature.
- A limitation in this study was that interviews for this survey were conducted between June and August in 2000. These months are peak seasons for tourism business in China when most CEOs of the industry are extremely busy and willing to place less effort in answering a questionnaire. As a result, the quality of the finished questionnaire is less than what would be achieved if the survey were conducted between February and May.
- The survey with hindsight could have incorporated more questions to distinguish between the different forms of joint venture operations. Given that it is now known that joint venture operations are the most likely strategies for market penetration, the different types of joint venture needs greater study.

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APPENDIX A

English Questionnaire







Chinese Outbound Operators Survey

for the Research Project
“Strategies for Entering the Chinese Outbound Travel Market”
by Wenbin Guo
Victoria University

Please return the completed questionnaire in the reply paid envelope 

**School of Applied Economics
Faculty of Business
Victoria University**

 **P.O. Box 14428 MCMC Melbourne
Victoria 8001**
 **attention: Wenbin Guo**

 (613) 9688 4743 or 9216 8013
 (613) 9688 4888 or 9216 8117

⌘ All Survey Information Strictly Confidential ⌘

Instructions

- ☺ Please answer all questions, even if some appear similar. If uncertain about some answers, please make the best estimate.
- ☺ If you find you are unable to answer some questions, please complete the rest of the survey.
- ☺ China in this study refers to the People's Republic of China.
- ☺ If you wish to give further information on any of the questions, please use the space around the question or in the space given at the end of the questionnaire.
- ☺ The questionnaire should take you approximately 20 minutes to complete.
- ☺ On completion, please return the questionnaire in the reply paid envelope within 10 days, or hand back to the interviewer.
- ☺ Please rest assured that your information is strictly confidential. No information will be released in a way that would enable any firm or person to be identified.
- ☺ If you have any queries about the questionnaire, please do not hesitate to contact:

Mr. Wenbin Guo ☎ (613) 9216 8013; 📠 (613) 9216 8117;

💻 wenbinguo@hotmail.com.

or

Dr Lindsay Turner ☎ (613) 9688 4743; 📠 (613) 9688 4888;

💻 Lindsay.Turner@vu.edu.au.

- ☺ If you have any concerns about the manner in which this research has been conducted, please contact the Human Research Ethics Committee at the following address:

😊 **The Secretary, Office for Research, Victoria University,**

📁 **6 Geelong Road, Footscray, Victoria 3011.**

☎ (613) 9688 4710 📠 (613) 9687 2089.

- ☺ Please attach a copy of your business card/address if you wish to have a summary of the results of this research.



**Your Business Card
Here**

1.1 How long has your company been **in the tourism business**? _____(years).

1.2 What are your **major areas** of operation? Please tick ☒ the appropriate box(es).

- ☐ Domestic. _____ (years).
☐ Inbound. _____ (years).
☐ Outbound. _____ (years).



To **which countries** does your company currently have outbound operations?
 Please tick ☒ the appropriate boxes.

- ☐ America: (☐USA; ☐Canada; ☐Others).
☐ Europe: (☐Britain; ☐Germany; ☐France; ☐Holland; ☐Others).
☐ Pacific: (☐Australia; ☐New Zealand)
☐ Asia: (☐Japan; ☐Korea; ☐Taiwan; ☐HongKong; ☐Indonesia;
☐Malaysia; ☐Thailand; ☐Singapore; ☐Macau; ☐Others).

1.3 How many retail outlets does your company operate or franchise in China?
 _____.

1.4 Is your company using an **email based business system**? Please tick ☒ the appropriate box.

- ☐ No. ☐ Yes.

1.5 How many **employees** currently work in your company (including part time)?

Please tick ☒ the most appropriate answer.

- | | | |
|--------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 1-20 | <input type="checkbox"/> 81-100 | <input type="checkbox"/> 251-300 |
| <input type="checkbox"/> 21-40 | <input type="checkbox"/> 101-150 | <input type="checkbox"/> 301-400 |
| <input type="checkbox"/> 41-60 | <input type="checkbox"/> 151-200 | <input type="checkbox"/> 401-500 |
| <input type="checkbox"/> 61-80 | <input type="checkbox"/> 201-250 | <input type="checkbox"/> > 500. |

1.6 What was your company's total (domestic and international) **sales volume** in the following years? Please tick ☒ the appropriate box(es) under each year.

	RMB (Yuan)	1996	1997	1998	1999
1.	Less than 500,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	500,001-1000,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	1000,001-1,250,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	1,250,001-2,500,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	2,500,001-3,750,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	3,750,001-5M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	5,000,001-10M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	10,000,001-20M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	More than 20M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.7 What was the **percentage of outbound travel** out of total company sales in the following years? Please specify.

	Percentage	1996	1997	1998	1999
1.	Less than 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	10% - 20%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	20% - 30%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	30% - 40%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	40% - 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	50% - 60%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	60% - 70%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	70% - 80%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	80% -100%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.8 Please specify the **Australia-bound** percentage of total company sales in the following years (guesses welcome).

1996	1997	1998	1999
%	%	%	%

SECTION 2 COMPANY PERFORMANCE

2.1 How do you describe the current **sales growth** of your company? Please tick ☒ the appropriate box.

Declining	Same as last year	Slow	Medium	Fast
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.2 How do you describe the current **profit growth** of your company? Please tick ☒ the appropriate box.

< 0%	0%	1-5%	5-10%	> 10%
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.3 How would you describe the **growth in marketshare** of your company? Please tick ☒ the appropriate box.

Declining growth	No growth	Slow growth	Medium growth	Fast growth
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.4 In your opinion is the **overall company performance** in 1999 consistent with what you expected in 1998? Please tick ☒ the appropriate box.

Significantly under expectation	As expected	Significantly above expectation
1	2	3
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.5 Approximately **how much money** is spent on advertising in China? _____ (yuan).

2.6 What **advertising medium** does your company use? Please tick ☒ the appropriate boxes.

	No use	Some use	Medium use	Heavy use	Very Heavy use
	1	2	3	4	5
<input type="checkbox"/> TV	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> News paper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Internet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Magazine	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Radio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Billboard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other 其他	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

2.7 In your company is outbound travel a **profitable part** of your businesses? Please tick ☒ the appropriate box.

Not profitable			Some profit		Highly profitable
1	2	3	4	5	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.8 What are the **major areas of expansion** in your travel business? Please tick ☒ the most appropriate answer.

	No expansion		Some expansion		Highly likely to expand
	1	2	3	4	5
<input type="checkbox"/> Domestic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Inbound	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Outbound	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.9 How can you use **the internet** to increase your company's overall performance? Please tick ☒ the appropriate boxes.

	Not at all		Sometimes		Very significantly
	1	2	3	4	5
<input type="checkbox"/> Effective medium for communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Operational efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Innovation in marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Prompt response to demand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Efficient links to supporting industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Lower communication costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 3 STRATEGY AND PRACTICE

3.1 What is **the ownership** of your company? Please tick ☒ the appropriate box.

- | | |
|---|---|
| <input type="checkbox"/> Privately owned; | <input type="checkbox"/> State owned; |
| <input type="checkbox"/> Owned by shareholders; | <input type="checkbox"/> Joint venture; |
| <input type="checkbox"/> Other | |

Please specify:

3.2 How important is it for your company to develop the following out-bound travel? Please tick ☒ the appropriate boxes.

	Not important		Some importance		Highly important
	①	②	③	④	⑤
<input type="checkbox"/> Australia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Britain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Canada	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> France	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Germany	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Holland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> HongKong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Korea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Macau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Malaysia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> New Zealand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Singapore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Taiwan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Thailand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> USA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()

3.3 What is the **degree of influence** on your company's strategic decisions of the following factors? Please tick ☒ the appropriate box(es).

No influence	Some influence	Very strong
-----------------	-------------------	----------------

					influence
	①	②	③	④	⑤
<input type="checkbox"/> Education of key personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Past experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Industry rivalry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Government tourism policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Organisational structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Supporting industry links	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

3.4 Is the company **proud of its past success**? Please tick ☒ the appropriate box.

Not at all		Somewhat		Significantly
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.5 How much does each of the following **key personnel** preside over the **running of everyday business** in your company? Please tick ☒ the appropriate boxes.

	0%	25%	50%	75%	100%
	①	②	③	④	⑤
<input type="checkbox"/> CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Deputy CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> General Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Operations Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

3.6 How much does each of the following **key personnel** preside over **new product development** in your company? Please tick ☒ the appropriate boxes.

	0%	25%	50%	75%	100%
	①	②	③	④	⑤
<input type="checkbox"/> CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Deputy CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> General Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Operations Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

3.7 How do you perceive **the future of inbound markets** in 5 years from now for this company? Please tick ☒ the appropriate box.

Declining		Same as now		High growth
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.8 How do you perceive **the future of domestic markets** in 5 years from now for this company? Please tick ☒ the appropriate box.

Declining		Same as now		High growth
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.9 How do you perceive **the future of outbound markets** in 5 years from now for this company? Please tick ☒ the appropriate boxes.

	Declining		Same as now		High growth
	①	②	③	④	⑤
<input type="checkbox"/> Australia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Britain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Canada	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> France	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Germany	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Holland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> HongKong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Korea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Macau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Malaysia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> New Zland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Singapore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Taiwan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Thailand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> USA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()

3.10 How often is your company surprised by **new unknown competitors**? Please tick ☒ the appropriate box.

Never		sometimes		Very often
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.11 How **similar** are the travel products of your company to those of your competitors? Please tick ☒ the appropriate box.

Totally different		Similar		Strictly same
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.12 Have your customers complained about **unmet expectations** in your travel operations? Please tick ☒ the appropriate box.

Never		Sometimes		Often
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.13 How often is a complaint of unmet expectation related to operational procedures of your company? Please tick ☒ the appropriate box.

Never		Sometimes		Often
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.14 How well prepared is your company for **e-business**? Please tick ☒ the appropriate box.

Not prepared at all		Prepared		Very well prepared
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 4 OUT-BOUND EXPANSION

4.1 How **attractive to your tourists** is travelling to each of the following countries? Please tick ☒ the appropriate box(es).

Not attractive	Some attraction	Very attractive
-------------------	--------------------	--------------------

	①	②	③	④	⑤
<input type="checkbox"/> Australia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Britain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Canada	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> France	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Germany	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Holland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> HongKong	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Indonesia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Japan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Korea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Macau	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Malaysia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> New Zealand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Singapore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Taiwan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Thailand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> USA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.2 How essential is each of the **following factors** to **past outbound market success**? Please tick ☒ the appropriate box(es).

	Not essential		Somewhat essential		Very essential
	①	②	③	④	⑤
<input type="checkbox"/> Prompt response	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Government regulation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Low price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Marketing skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.3 What **characteristics** of travel products are likely to be essential to future outbound market success within the next 5 years? Please tick ☒ the appropriate box(es).

	Not essential		Somewhat essential		Very essential
	①	②	③	④	⑤
<input type="checkbox"/> Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Novelty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Brand name		<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>					
<input type="checkbox"/> Speed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.4 What **images** of outbound destinations were most attractive **in the past**? Please tick ☒ the appropriate box(es).

	Not attractive		Somewhat attractive		Very attractive
	①	②	③	④	⑤
<input type="checkbox"/> Being different	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Good life style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Novelty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality built environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Clean environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Intact environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Perception of high technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Highly developed cities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Developed amusement parks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous buildings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous landscape	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Friendly locations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Safe location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Attractive wildlife	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Shopping opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Nightlife and entertainment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Ease of getting there	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality of accommodation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.5 What **images** of outbound destinations are likely to be attractive **in the next 5 years**? Please tick ☒ the appropriate box(es).

	Not attractive		Somewhat attractive		Very attractive
	①	②	③	④	⑤
<input type="checkbox"/> Being different	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Good life style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Novelty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/> Quality built environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Clean environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Intact environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> High-tech perception	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Highly developed cities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> High-tech amusement parks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous buildings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous landscape	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Friendly locations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Safe location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Attractive wildlife	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Shopping opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Nightlife and entertainment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Ease of getting there	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality of accommodation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()			

4.6 What are the most likely **reasons for your company to have Australia-bound expansion?** Please tick ☒ the appropriate box(es).

	Not likely		Somewhat likely		Very likely
	①	②	③	④	⑤
<input type="checkbox"/> Government policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Response to demand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Growth opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Driven by Australia-connections	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Driven by retailing knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Joint venture opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> E-business opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/> Avoiding competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Low price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.7 How important are the following in regard to Australian expansion for your company? Please tick ☒ the appropriate box(es).

	Not important		Somewhat important		Very important
	1	2	3	4	5
<input type="checkbox"/> Novelty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Choices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Scale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Sophistication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

SECTION 5 FIRM CAPABILITY

5.1 How well equipped is your company for Australia-bound travel operations? Please tick ☒ the appropriate box.

Not equipped at all		Somewhat equipped		Very well equipped
1	2	3	4	5

☐ ☐ ☐ ☐ ☐

5.2 What is **the degree of uncertainty** in Australia-bound travel? Please tick ☒ the appropriate box(es).

	Completely uncertain		Somewhat uncertain		Very well certain
	①	②	③	④	⑤
<input type="checkbox"/> Market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Government relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Industry Relations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Travel products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Visa procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Traveler's destination behavior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

5.3 How do you describe your company's **distinctive capabilities**? Please tick ☒ the appropriate box(es).

	No capability		Moderate capability		Very strong capability
	①	②	③	④	⑤
<input type="checkbox"/> Knowledge of market innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Skills of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Operational efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Staff creativity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Staff co-operation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Leading Change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> E-business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Efficient communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Others ➤	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

5.4 Have you a clear idea who are **your main competitors** in the Australia-bound market?

☐ No;

☐ Yes

➤

Please name company.

SECTION 6 AUSTRALIAN-INDUSTRY CONNECTION

6.1 What percentage of your staff receive **specialised travel training in Australia**?
Please tick ☒ the appropriate box.

0%	25%	50%	75%	100%
①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.2 How well trained is your staff in a **working knowledge** of internet and e-business? Please tick ☒ the appropriate box.

No training		Some training		Fully trained
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.3 Have your staff a **working knowledge** of the Australian travel industry? Please tick ☒ the appropriate box.

No knowledge		Some knowledge		Very knowledgeable
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.4 Is your company **well connected** with Australian inbound operators? Please tick ☒ the appropriate box.

No connection		Some connection		Well connected
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.5 How could the **Australian Government** help generate Australia-bound growth? Please tick ☒ the appropriate boxes.

	No help		Some help		Strongly helpful
	1	2	3	4	5
<input type="checkbox"/> Marketing Australia	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Promoting e-business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Promoting familiarity tours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Streamlining visa procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

SECTION 7 AUSTRALIA-BOUND DEMANDS

7.1 What is **the general image of Australia** in China? Please tick ☒ the appropriate boxes.

	No image		Some image		Very strong image
	1	2	3	4	5
<input type="checkbox"/> Being different	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Good life style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/> Novelty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality built environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Clean environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Intact environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> High-tech perception	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Highly developed cities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> High-tech amusement parks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous buildings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> World-famous landscape	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Friendly locations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Safe location	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Attractive wildlife	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Shopping opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Nightlife and entertainment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Ease of getting there	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Quality of accommodation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Healthy food	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other ↗	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()			

7.2 Australia-bound customers are most likely to be: Please tick ☒ the appropriate boxes.

- | | |
|---|--|
| <input type="checkbox"/> First-time outbound travelers; | <input type="checkbox"/> Experienced outbound travelers; |
| <input type="checkbox"/> Repeat travelers to Australia; | <input type="checkbox"/> On vacation; |
| <input type="checkbox"/> VFR; | <input type="checkbox"/> On official business; |
| <input type="checkbox"/> For education purposes; | |
| <input type="checkbox"/> Other ↗ | |

Please specify:

7.3 Do you believe that creating B2B net platform (doing business online) can facilitate Australia-bound growth? Please tick ☒ the appropriate box.

Not
likely

Somewhat
likely

Very
likely

①	②	③	④	⑤
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION 8 RESPONDENT INFORMATION

8.1 Age

- | | | |
|--------------------------------------|-----------------------------------|-------------------------------------|
| <input type="checkbox"/> Under 20; ① | <input type="checkbox"/> 21-30; ② | <input type="checkbox"/> 31-40; ③ |
| <input type="checkbox"/> 41-50; ④ | <input type="checkbox"/> 51-60; ⑤ | <input type="checkbox"/> Over 60. ⑥ |

8.2 Sex

- | | |
|----------------------------------|------------------------------------|
| <input type="checkbox"/> Male; ① | <input type="checkbox"/> Female. ② |
|----------------------------------|------------------------------------|

8.3 Position in the company

- ☐ Chief Executive Officer / Managing Director; ① ☐ Senior Manager; ②
☐ Manager; ③ ☐ Supervisor / Team Leader; ④
☐ Other ⑤

Please specify:

FURTHER COMMENTS

If there are any comments you would like to contribute to this survey regarding the questionnaire or the topic, please do so here. ⑤

APPENDIX B

Chinese Version of The Questionnaire







中国旅游公司调研问卷

科研项目
中国旅游市场竞争策略
澳大利亚维多利亚大学
郭文斌

请用以提供的信封 将完成的问卷十日内寄出，或交给采访人。

**School of Applied Economics
Faculty of Business
Victoria University**

 **P.O. Box 14428 MCMC Melbourne
Victoria 8001**
 **attention: Wenbin Guo**

 (613) 9688 4743 or 9216 8013
 (613) 9688 4888 or 9216 8117

问卷中所有信息绝对保密

填写说明

- ☺ 即使有些问题很相似，也请尽力回答所有问题。如有问题很难回答，请做一个猜测。
- ☺ 如果你认为其中的一些问题无法回答，请答完剩余的问题。
- ☺ 中国是指中华人民共和国。
- ☺ 如果你希望能提出更多建议，请用问题周围的空间或问卷后面的空间。
- ☺ 回答问卷大约需要二十分钟。
- ☺ 答完问卷后请用以提供的信封将完成的问卷十日内寄出，或交给采访人。
- ☺ 问卷中的信息是绝对不外漏的，只做科研参考。请放心。
- ☺ 如果你有疑问的话，请与郭文斌 或 Dr Lindsay Turner 联系。

Mr. Wenbin Guo ☎ (613) 9216 8013; 📠 (613) 9216 8117;
💻 wenbinguo@hotmail.com.

or

Dr Lindsay Turner ☎ (613) 9688 4743; 📠 (613) 9688 4888;
💻 Lindsay.Turner@vu.edu.au.

- ☺ 如果你对问卷有疑问的话，请与下面的地址联系。

☺ **The Secretary, Office for Research, Victoria University,**
📁 **6 Geelong Road, Footscray, Victoria 3011.**
☎ **(613) 9688 4710** 📠 **(613) 9687 2089.**

- ☺ 如果你对科研的结论有兴趣，请将您的名片留下。



请留下业务名片

1.1 您的公司做旅游生意有多久了?

_____ (年).

1.2 您公司的旅游主要涉及哪些方面? 请在你认为正确的 ☐ 中划钩。

- ☐ 国内游 _____ (年).
- ☐ 入境游 _____ (年).
- ☐ 出境游 _____ (年).

出境旅游地有那些呢? 请在你认为正确的 ☐ 中划钩。

- America: (☐ 美国; ☐ 加拿大; ☐ 其它).
- Europe: (☐ 英国; ☐ 德国; ☐ 法国; ☐ 荷兰; ☐ 其它).
- Pacific: (☐ 澳大利亚; ☐ 新西兰)
- Asia: (☐ 日本; ☐ 南韩; ☐ 台湾; ☐ 香港; ☐ 印尼; ☐ 马来西亚; ☐ 泰国;
☐ 新加坡; ☐ 澳门; ☐ 其它).

1.3 您公司在国内大约有多少销售网点?

_____ (个).

1.4 您公司使用电子信件商务系统吗? 请在你认为正确的 ☐ 中划钩。☐ 否.☐ 是.1.5 您公司中有多少雇员 (包括临时工)? 请在你认为正确的 ☐ 中划钩。

- | | | |
|--------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 1-20 | <input type="checkbox"/> 81-100 | <input type="checkbox"/> 251-300 |
| <input type="checkbox"/> 21-40 | <input type="checkbox"/> 101-150 | <input type="checkbox"/> 301-400 |
| <input type="checkbox"/> 41-60 | <input type="checkbox"/> 151-200 | <input type="checkbox"/> 401-500 |
| <input type="checkbox"/> 61-80 | <input type="checkbox"/> 201-250 | <input type="checkbox"/> > 500. |

1.6 您公司的年营业额是多少? 请在你认为正确的 ☐ 中划钩。

	人民币	1996	1997	1998	1999
1.	< 50 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	50 万元以上 -100 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	100 万元以上 -125 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	125 万元以上 -250 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	250 万元以上 -375 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	375 万元以上 -500 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	500 万元以上 -1000 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	1000 万元以上 -2000 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	> 2000 万元	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.7 和您公司的总营业额相比, 出境游的比例是多少? 请在你认为正确的 ☐ 中划钩。

百分比	1996	1997	1998	1999
-----	------	------	------	------

1.	< 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	10%以上 - 20%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	20%以上 - 30%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	30%以上 - 40%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	40%以上 - 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	50%以上 - 60%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	60%以上 - 70%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	70%以上 - 80%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	80%以上 -100%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1.8 和您公司的总营业额相比，澳大利亚游的比例是多少？

1996	1997	1998	1999
%	%	%	%

2.1 您认为你公司的销售状况如何? 请在你认为正确的 □ 中划钩。

有所下降	与去年相同	增长缓慢	增长适中	增长较快
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.2 您认为你公司的利润状况如何? 请在你认为正确的 □ 中划钩。

< 0%	0 -1%	1-5%	5-10%	> 10%
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.3 您认为你公司的市场份额是否在增加? 请在你认为正确的 □ 中划钩。

不如去年	与去年相同	增长缓慢	增长适中	增长较快
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.4 您认为你公司一九九九年的运营状况是否达到了一九九八期待的目标? 请在你认为正确的 □ 中划钩。

没有达到预期目标	达到预期目标	比预期目标要好
1	2	3
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.5 您公司大约在广告上一年花多少钱?

_____ (万元).

2.6 您公司主要的广告手段是什么? 请在你认为正确的 □ 中划钩。

	没用	用一点	用 有些	用的 较多	很有用处
	1	2	3	4	5
<input type="checkbox"/> 电视	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 报纸	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 因特网	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 杂志	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 收音机	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 广告牌	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

2.7 在您公司中, 出国游的利润是否较高? 请在你认为正确的 □ 中划钩。

没利润	有些利润	利润较高
1	2	3
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

☐ ☐ ☐ ☐ ☐

2.8 您公司将来需要发展方向是什么？请在你认为正确的 ☐ 中划钩。

	不需要发展		需要发展		需要大力发展
	1	2	3	4	5
<input type="checkbox"/> 国内游	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 入境游	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 出境游	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2.9 您公司是否认为利用因特网对提高公司的运营效益有利？请在你认为正确的 ☐ 中划钩。

	没有		有些		大有利处
	1	2	3	4	5
<input type="checkbox"/> 高效通讯工具	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高运营效益	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高市场营销 的创新	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高对市场需 求的反应	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高关连企 业间通讯速度	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 降低通讯成本	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

第三部分：策略与实践

3.1 您公司的拥有权是那一类？请在你认为正确的 ☐ 中划钩。

- ☐ 私有企业;
☐ 上市公司;
☐ 其它 ↓

- ☐ 国有企业;
☐ 合资企业;

请说明:

3.2 下列出境旅游地对您公司重要吗? 请在你认为正确的 ☐ 中划钩。

	不重要		重要		非常重要
	1	2	3	4	5
<input type="checkbox"/> 澳大利亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 英国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 加拿大	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 法国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 德国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 荷兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 香港	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 印尼	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 日本	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 南韩	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 澳门	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 马来西亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新西兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新加坡	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 台湾	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 泰国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 美国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

3.3 下列因素对您公司的竞争策略有何重要影响? 请在你认为正确的 ☐ 中划钩。

	没有影响		有些影响		巨大影响
	1	2	3	4	5
<input type="checkbox"/> 高级职员受教育成度	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 公司以往的经历	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 市场竞争力度	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 政府旅游政策	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 企业体制	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 关连企业间联系	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()					

3.4 您公司是否对过去的成绩很满足? 请在你认为正确的 ☐ 中划钩。

不满足

有些满足

很满足

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.5 下列公司主要职员用在公司日常事务中的时间大约是多少? 请在你认为正确的 ☐ 中划钩。

	0%	25%	50%	75%	100%
	1	2	3	4	5
<input type="checkbox"/> 总裁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 副总裁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 总经理	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 常务经理	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

3.6 下列公司主要职员用在公司新产品开发中的时间大约是多少? 请在你认为正确的 ☐ 中划钩。

	0%	25%	50%	75%	100%
	1	2	3	4	5
<input type="checkbox"/> 总裁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 副总裁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 总经理	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 常务经理	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

3.7 您认为你公司今后五年内, 入境游的前景如何? 请在你认为正确的 ☐ 中划钩。

不好		没有变化		发展很快
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.8 您认为你公司今后五年内, 国内游的前景如何? 请在你认为正确的 ☐ 中划钩。

不好		没有变化		发展很快
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.9 您认为你公司今后五年内, 境外游的前景如何? 请在你认为正确的 ☐ 中划钩。

	不好		没有变化		发展很快
	1	2	3	4	5
<input type="checkbox"/> 澳大利亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 英国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 加拿大	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 法国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 德国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 荷兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 香港	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 印尼	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 日本	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 南韩	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 澳门	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 马来西亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/> 新西兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新加坡	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 台湾	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 泰国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 美国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

3.10 您公司是否常常发现不知名的竞争对手来挖你公司的市场？请在你认为正确的 ☐ 中划钩。

从来没有		有时候		常常发生
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.11 您的产品是否与你们竞争对手的产品很相近？请在你认为正确的 ☐ 中划钩。

完全不同		有些相同		完全一样
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.12 您的顾客是否抱怨你公司的产品没有达到他们的预期目标？请在你认为正确的 ☐ 中划钩。

从来没有		有时候		常常发生
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.13 是否这些抱怨与旅游路途上服务水平直接有关？请在你认为正确的 ☐ 中划钩。

没有		有时有关		直接有关
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3.14 您公司是否以对电子信件商务系统有所准备？请在你认为正确的 ☐ 中划钩。

没有准备		有所准备		准备充分
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

第四部分：国外游

4.1 下列境外旅游地是否对你公司的顾客有吸引力？请在你认为正确的 ☐ 中划钩。

	没有 1	2	有些 3	4	很有吸引力 5
<input type="checkbox"/> 澳大利亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 英国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 加拿大	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 法国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 德国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 荷兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 香港	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 印尼	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 日本	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 南韩	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 澳门	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 马来西亚	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新西兰	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新加坡	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 台湾	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 泰国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 美国	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.2 下列因素是否对以前中国国外游市场有重要影响？请在你认为正确的 ☐ 中划钩。

	没有 1	2	有些 3	4	很有影响 5
<input type="checkbox"/> 服务及时	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 政府法规	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 价格竞争	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 市场营销技能	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 产品创新	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.3 是否下列旅游产品要素对今后五年内中国国外游市场有重要影响？请在你认为正确的 ☐ 中划钩。

	没有 1	2	有些 3	4	很有影响 5
<input type="checkbox"/> 价格	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 创新	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 质量	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 品牌	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 产品创新速度	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.4 哪些下列国外旅游地的形象要素对过去中国旅游市场有吸引力？请在你认为正确的 ☐ 中划钩。

	没有		有些		很有吸引力
	1	2	3	4	5
<input type="checkbox"/> 不同感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 生活舒适	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新颖	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高质量建成环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 环境清洁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 原始生态环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高技术环境感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高度发展的城市	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 建成的娱乐园	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名建筑	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名风景区	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 友好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 安全	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 野生动植物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 购物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 夜间娱乐环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 方便直达	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 居住条件好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(
)					

4.5 哪些下列国外旅游地的形象要素对今后五年中国旅游市场有吸引力? 请在你认为正确的 ☐ 中划钩。

	没有		有些		很有吸引力
	1	2	3	4	5
<input type="checkbox"/> 不同感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 生活舒适	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新颖	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高质量建成环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 环境清洁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 原始生态环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高技术环境感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高度发展的城市	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 建成的娱乐园	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名建筑	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名风景区	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 友好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 安全	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 野生动植物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 购物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 夜间娱乐环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 方便直达	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 居住条件好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(
)					

4.6 下列哪 些因素能促使您公司开发澳大利亚游? 请在你认为正确的 ☐ 中划钩。

	可能性不大 1	2	有可能 3	4	很有可能 5
<input type="checkbox"/> 政府法规	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 满足市场需求	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 发展机遇	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 与澳大利亚有广泛的企业 间联系	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 有澳大利亚 游的销售知识	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 合资企业机遇	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 发展电子 商务的机遇	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 避免低价战	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 发展低价产品	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 发展创新产品	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

4.7 下列因素对您公司发展澳大利亚游有何影响？请在你认为正确的 ☐ 中划钩。

	没有影响 1	2	有些影响 3	4	影响巨大 5
<input type="checkbox"/> 独特性	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 增加产品和旅 游地的种类	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 增加旅游规模	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 发展创新产品	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高公司的知名度	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 提高公司和 产品的档次	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

第五部分：公司优势

5.1 您公司是否已对发展澳洲游做好了准备？请在你认为正确的 ☐ 中划钩。

还没有		做了些准备		以准备好
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5.2 开发澳洲游方面有哪些因素不确定？请在你认为正确的 ☐ 中划钩。

	不确定		有点不确定		确定
	1	2	3	4	5
<input type="checkbox"/> 市场因素	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 运营因素	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 政府法规	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 企业与工会的关系	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 旅游产品	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 签证程序	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 游客的目的地行为	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()			

5.3 您认为你公司的独特优势在哪儿？请在你认为正确的 ☐ 中划钩。

	没有优势		有些优势		优势巨大
	1	2	3	4	5
<input type="checkbox"/> 市场创新知识	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 职工的技能	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 运营高效	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 职工创新能力	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 职工间的相互配合	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 领导市场新潮流能力	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 电子商务能力	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高效交往能力	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
()			

5.4 您公司在开发澳洲游方面有竞争对手吗？请在你认为正确的 ☐ 中划钩。

- ☐ 否；
☐ 是 ↓

请写.

第六部分：与澳洲旅游工业的关系

6.1 您公司雇员中有多少人在澳大利亚受过旅游培训？请在你认为正确的 ☐ 中划钩。

0% 25% 50% 75% 100%

1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.2 您公司的雇员是否都有因特网和电子商务系统的知识? 请在你认为正确的 ☐ 中划钩。

没有		有一些		有较好的知识
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.3 您公司的雇员是否有有关澳大利亚旅游业的知识? 请在你认为正确的 ☐ 中划钩。

没有		有一些		有较好的知识
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.4 您公司是否和澳大利亚入境游公司有密切联系? 请在你认为正确的 ☐ 中划钩。

没有联系		有一些联系		联系密切
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6.5 您认为澳大利亚政府可为你公司发展澳大利亚游做些什么? 请在你认为正确的 ☐ 中划钩。

	没有帮助		有些帮助		帮助很大
	1	2	3	4	5
<input type="checkbox"/> 做澳大利亚广告	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 开发和倡导电					
子商务体系	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 倡导旅游公					
司业务游	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 加快并简化					
签证手续	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(
)					

第七部分：澳洲游

7.1 澳大利亚在中国市场中的印象是什么? 请在你认为正确的 ☐ 中划钩。

没有印象

有些印象

印象很深

	1	2	3	4	5
<input type="checkbox"/> 不同感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 生活舒适	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 新颖	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高质量建成环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 环境清洁	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 原始生态环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高技术环境感	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高度发展的城市	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 高科技娱乐园	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名建筑	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 国际著名风景区	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 友好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 安全	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 野生动植物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 购物环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 夜间娱乐环境	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 方便直达	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 居住条件好	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 健康食品	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> 其它 ↓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

()

7.2 澳大利亚游的顾客大多是哪几类? 请在你认为正确的 ☐ 中划钩。

- | | | |
|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> 首次国外游者; | <input type="checkbox"/> 多次国外游者; | <input type="checkbox"/> 往马来澳者; |
| <input type="checkbox"/> 来澳休假者; | <input type="checkbox"/> 访亲探友者; | <input type="checkbox"/> 来澳做生意者; |
| <input type="checkbox"/> 来澳求学者; | <input type="checkbox"/> 其它 ↓ | |

请写:

7.3 您认为开发和应用电子商务体系是否可能促进澳大利亚游的发展? 请在你认为正确的处理 ☐ 中划钩。

不可能		有可能		可能性很大
1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

第八部分: 答卷人

8.1 年龄

- | | | |
|---------------------------------|---------------------------------|---------------------------------|
| <input type="checkbox"/> < 20; | <input type="checkbox"/> 21-30; | <input type="checkbox"/> 31-40; |
| <input type="checkbox"/> 41-50; | <input type="checkbox"/> 51-60; | <input type="checkbox"/> > 60. |

8.2 性别

☐ 男;

☐ 女.

8.3 在公司中的职位

☐ 总经理;

☐ 高级经理;

☐ 经理;

☐ 项目经理;

☐ 其它 ↓

请写:

建议

如果您想多发表一些意见，请建议如下



APPENDIX C

Summary of US-China Bilateral WTO Agreement

Summary of US-China Bilateral WTO Agreement

AGRICULTURE

The Agreement would eliminate barriers and increase access for US exports across a broad range of commodities. Commitments include:

- Significant cuts in tariffs that will be completed by January 2004. Overall average for agricultural products will be 17.5% and for US priority products 14% (down from 31%).
- Establishment of a tariff-rate quota [TRQ] system for imports of bulk commodities, e.g., wheat, corn, cotton, barley, and rice, that provides a share of the TRQ for private traders. Specific rules on how the TRQ will operate and increased transparency in the process will help ensure that imports occur. Significant and growing quota quantities subject to tariffs that average between 1-3%.
- Immediate elimination of the tariff-rate quota system for barley, peanut oil, sunflower-seed oil, cottonseed oil, and a phase-out for soybean oil.
- The right to import and distribute products without going through a state-trading enterprise or middleman.
- Elimination of export subsidies on agricultural products. China has also agreed to the elimination of Sanitary and Phytosanitary Standards (SPS) barriers that are not based on scientific evidence.

INDUSTRIAL PRODUCTS

China would lower tariffs and eliminate broad systemic barriers to US exports, such as limits on who can import goods and distribute them in China, as well as barriers such as quotas and licenses on US products.

TARIFFS

- Tariffs cut from an average of 24.6% to an average of 9.4% overall and 7.1% on US priority products.

- China will participate in the Information Technology Agreement (ITA) and eliminate all tariffs on products such as computers, telecommunications equipment, semiconductors, computer equipment, and other high-technology products.
- In the auto sector, China will cut tariffs from the current 80-100% level to 25% by mid-2006, with the largest cuts in the first years after accession.
- Auto parts tariffs will be cut to an average of 10% by mid-2006.
- In the wood and paper sectors, tariffs will drop from present levels of 12-18% on wood and 15-25% on paper down to levels generally between 5% and 7.5%.

China will also be implementing the vast majority of the chemical harmonization initiative. Under that initiative, tariffs will be at 0, 5.5 and 6.5% for products in each category.

ELIMINATION OF QUOTAS AND LICENSES

WTO rules bar quotas and other quantitative restrictions. China has agreed to eliminate these restrictions with phase-ins limited to five years.

- China will eliminate existing quotas upon accession for the top US priorities (e.g. fiber optic cable). It will phase out remaining quotas, generally by 2002, but no later than 2005.
- Quotas will grow from current trade levels at a 15% annual rate in order to ensure that market access increases progressively.
- Auto quotas will be phased out by 2005. In the interim, the base-level quota will be \$6 billion (the level prior to China's auto industrial policy), and this will grow by 15% annually until elimination.

RIGHT TO IMPORT AND DISTRIBUTE

Trading rights and distribution are among the top concerns for US manufacturers and agricultural exporters. At present, China severely restricts trading rights (the right to import and export) and the ability to own and operate distribution networks. Under the

Agreement, trading rights and distribution services will be progressively phased in over three years. China will also open up sectors related to distribution services, such as repair and maintenance, warehousing, trucking and air courier services.

SERVICES

China has made commitments to phase out most restrictions in a broad range of services sectors, including distribution, banking, insurance, telecommunications, professional services such as accountancy and legal consulting, business and computer related services, motion pictures and video and sound recording services. China will also participate in the Basic Telecommunications and Financial Services Agreements.

GRANDFATHERING

China will grandfather the existing level of market access already in effect at the time of China's accession for US services companies currently operating in China. This will protect existing American businesses operating under contractual or shareholder agreements or a license from new restrictions as China phases in their commitments. [This means that any benefits companies currently enjoy will remain in effect.]

DISTRIBUTION AND RELATED SERVICES

China generally prohibits foreign firms from distributing products other than those they make in China, or from controlling their own distribution networks. Under the Agreement, China has agreed to liberalize wholesaling and retailing services for most products, including imported goods, throughout China in three years. In addition, China has agreed to open up the logistical chain of related services such as maintenance and repair, storage and warehousing, packaging, advertising, trucking and air express services, marketing, and customer support in three to four years.

TELECOMMUNICATIONS

China now prohibits foreign investment in telecommunications services. For the first time, China has agreed to permit direct investment in telecommunications businesses. China will also participate in the Basic Telecommunications Agreement. Specific commitments include:

- Regulatory Principles: China has agreed to implement the pro-competitive regulatory principles embodied in the Basic Telecommunications Agreement

(including interconnection rights and independent regulatory authority) and will allow foreign suppliers to use any technology they choose to provide telecommunications services.

- China will gradually phase out all geographic restrictions for paging and value-added services in two years, mobile voice and data services in five years, and domestic and international services in six years.
- China will permit 50% foreign equity share for value-added and paging services two years after accession, 49% foreign equity share for mobile voice and data services five years after accession, and for domestic and international services six years after accession.

INSURANCE

Currently, only two US insurers have access to China's market. Under the agreement:

- China agreed to award licenses solely on the basis of prudential criteria, with no economic-needs test or quantitative limits on the number of licenses issued.
- China will progressively eliminate all geographic limitations within three years. Internal branching will be permitted consistent with the elimination of these restrictions.
- China will expand the scope of activities for foreign insurers to include group, health and pension lines of insurance, phased in over five years. Foreign property and casualty firms will be able to insure large-scale commercial risks nationwide immediately upon accession.
- China agreed to allow 50% ownership for life insurance. Life insurers may also choose their own joint-venture partners. For non-life, China will allow branching or 51% ownership on accession and wholly owned subsidiaries in two years. Reinsurance is completely open upon accession (100%, no restrictions).

BANKING

Currently foreign banks are not permitted to do local currency business with Chinese clients (a few can engage in local currency business with their foreign clients). China imposes severe geographic restrictions on the establishment of foreign banks.

- China has committed to full market access in five years for US banks.
- Foreign banks will be able to conduct local currency business with Chinese enterprises starting two years after accession.
- Foreign banks will be able to conduct local currency business with Chinese individuals from five years after accession.
- Foreign banks will have the same rights (national treatment) as Chinese banks within designated geographic areas.
- Both geographic and customer restrictions will be removed in five years.
- Non-bank financial companies can offer auto financing upon accession.

SECURITIES

China will permit minority foreign-owned joint ventures to engage in fund management on the same terms as Chinese firms. By three years after accession, foreign ownership of these joint ventures will be allowed to rise to 49%. As the scope of business expands for Chinese firms, foreign joint-venture securities companies will enjoy the same expansion in scope of business. In addition, 33% foreign-owned joint ventures will be allowed to underwrite domestic equity issues and underwrite and trade in international equity and all corporate and government debt issues.

PROFESSIONAL SERVICES

China has made strong commitments regarding professional services, including the areas of law, accounting, management consulting, tax consulting, architecture, engineering, urban planning, medical and dental services, and computer and related services. China's commitments will lead to greater market access opportunities and increased certainty for American companies doing business in China.

MOTION PICTURES, VIDEOS, SOUND RECORDINGS

China will allow the 20 films to be imported on a revenue-sharing basis in each of the three years after accession. US firms can form joint ventures to distribute videos, software entertainment, and sound recordings and to own and operate cinemas.

PROTOCOL PROVISIONS

Commitments in China's WTO Protocol end working Party Report establish rights and obligations enforceable through WTO dispute-settlement procedures. We have agreed on key provisions relating to antidumping and subsidies, protection against import surges, technology-transfer requirements, and offsets, as well as practices of state-owned and state-invested enterprises. These rules are of special importance to US workers and business.

China has agreed to implement the TRIMs Agreement upon accession, eliminate and cease enforcing trade and foreign exchange balancing requirements, as well as local content requirements, refuse to enforce contracts imposing these requirements, and only impose or enforce laws or other provisions relating to the transfer of technology or other know-how if they are in accordance with the WTO agreements on protection of intellectual-property rights and trade-related investment measures.

These provisions will also help protect American firms against forced technology transfers. China has agreed that, upon accession, it will not condition investment approvals, import licenses, or any other import approval process on performance requirements of any kind, including: local content requirements, offsets, transfer of technology, or requirements to conduct research and development in China.

ANTIDUMPING AND SUBSIDIES METHODOLOGY

The agreed protocol provisions ensure that American firms and workers will have strong protection against unfair trade practices including dumping and subsidies. The US and China have agreed that we will be able to maintain our current antidumping methodology (treating China as a non-market economy) in future antidumping cases.

This provision will remain in force for 15 years after China's accession to the WTO. Moreover, when we apply our countervailing duty law to China we will be able to take the special characteristics of China's economy into account when we identify and measure any subsidy benefit that may exist.

PRODUCT-SPECIFIC SAFEGUARD

The agreed provisions for the protocol package also ensure that American domestic firms and workers will have strong protection against rapid increases of imports.

To do this, the Product-Specific Safeguard provision sets up a special mechanism to address increased imports that cause or threaten to cause market disruption to a US industry. This mechanism, which is in addition to other WTO Safeguards provisions, differs from traditional safeguard measures. It permits the United States to address imports solely from China, rather than from the whole world, that are a significant cause of material injury through measures such as import restrictions. Moreover, the United States will be able to apply restraints unilaterally based on legal standards that differ from those in the WTO Safeguards Agreement. This could permit action in more cases. The Product-Specific Safeguard will remain in force for 12 years after China accedes to the WTO.

STATE-OWNED AND STATE-INVESTED ENTERPRISES

The Protocol addresses important issues related to the Chinese government's involvement in the economy. China has agreed that it will ensure that state-owned and state-invested enterprises will make purchases and sales based solely on commercial considerations, such as price, quality, availability and marketability, and that it will provide US firms with the opportunity to compete for sales and purchases on non-discriminatory terms and conditions.

China has also agreed that it will not influence these commercial decisions (either directly or indirectly) except in a WTO-consistent manner. With respect to applying WTO rules to state-owned and state-invested enterprises, we have clarified in several ways that these firms are subject to WTO disciplines:

- Purchases of goods or services by these state-owned and state-invested enterprises do not constitute "government procurement" and thus are subject to WTO rules.
- We have clarified the status of state-owned and state-invested enterprises under the WTO Agreement on Subsidies and Countervailing Measures. This will

help ensure that we can effectively apply our trade law to these enterprises when it is appropriate to do so.

TEXTILES

China's protocol package will include a provision drawn from our 1997 bilateral textiles agreement, which permits US companies and workers to respond to increased imports of textile and apparel products. This textile safeguard will remain in effect until December 31, 2008, which is four years after the WTO Agreement on Textiles and Clothing expires.

Source: www.uschina.org/public/two/ustr/generalfacts.html

APPENDIX D

The Sino-EU Agreement on China's Accession to the WTO: Results of the Bilateral Negotiation

The Sino-EU Agreement on China's Accession to the WTO: Results of the Bilateral Negotiations

The following is an overview of the results achieved by the EU in addition to the Sino-US accord. Some of the issues covered did not form part of that agreement, while others had already been the subject of negotiations between China and other partners, but have been further improved by the EU. In both cases, the list below is confined to commitments which were secured explicitly by the European Union.

INDUSTRIAL GOODS

IMPORT TARIFFS

As for specific EU priorities not covered by China's previous bilateral agreements, these were concentrated on 150 specific products varying from gin to building materials. On these EU-specific priorities, an additional reduction of 40% on top of earlier offers was obtained (the tariff average falling from 18.6% to 10.6%). Tariffs on all spirits will be aligned to a level of 10%. There will be no difference in the treatment of whiskey, cognac, gin, etc. The presently applied tariff level is still at 65%. Tariffs on key cosmetics products will come down to a level of 10% (currently up to 30%). This implies good prospects for a sector which already exports up to EU 7 billion worldwide.

On leather and leather articles, negotiations focused on 13 specific products which account for 60% of total EU exports in this sector. China agreed a reduction on these products from 20-25% to 10%.

On textiles, China made some further improvements to the previous offer. China's textiles tariffs are very close to the levels of the EU and far lower than almost all other textile-exporting countries.

Tariffs on five particular footwear products which account for more than 70% of EU footwear exports will be reduced from 25% to 10%.

Marble/building stones are popular articles in China's enormous construction market. On the five most important products, tariffs will also be reduced from 25% to 10%. On ceramics, China agreed to reduce tariffs on 11 key products from 24.5 - 35% to

10-15%. And tariffs on six particular glass products will be reduced from 24.5% to 5%.

On 52 particular products in the important machinery and appliances sector, which accounts for 26% of total EU exports, tariffs will be cut to 5-10% from levels up to 35%.

- Quotas: China's quota on Europe's fertilizer exports will be liberalized upon accession, and restrictions in place this year will be immediately relaxed.
- State Trading: Liberalization of import monopolies on oil and fertilizer — China has agreed to open the crude- and processed-oil sectors, as well as fertilizer, to private traders through a process of gradual liberalization. This means that firms will no longer be obliged to go exclusively through China's state importers when shipping oil and fertilizer to China. These sectors are the most significant domains where a state import monopoly has been in place.

Liberalization of export monopoly on silk — EU firms will be able to buy raw silk directly from Chinese producers (who make 70% of the world total). Until now all purchases had to go through state export channels. This will bring substantial benefits to the EU's numerous manufacturers of ties, scarves and other high-value silk garments and accessories.

- Motor Vehicles: The EU and China agreed on a range of improvements for EU firms which produce cars, vans and trucks in China. For those who have invested in joint-venture manufacturing operations (or will do so in the future), there are three key points:
 - all restrictions regarding the class and models of vehicle produced will be lifted within two years, leaving the car-maker free to make such decisions on a purely commercial basis;
 - provincial authorities alone will be able to approve investments in the sector up to \$150 million (ceiling raised from \$30 million), substantially reducing red tape for car manufacturers;
 - for the manufacture of engines, China's joint-venture requirement will be removed, allowing wholly foreign-owned production.

AGRICULTURE

- **Market Access (Tariffs and Tariff Quotas):** Improvements have been made on the tariffs on products such as rape oil (from 85% to 9%), pasta (from 25% to 15%), butter (from 30% to 10%), milk powder (from 25% to 10%), mandarins (from 40% to 12%), wine (from 65% to 14%), olives (from 25% to 10%) and wheat gluten (from 30% to 18%).
- **Sanitary and Phytosanitary Measures:** The EU and China signed an SPS Agreement that will provide for compliance by China with the WTO's SPS Agreement, as well as resolving a number of bilateral SPS trade frictions. This agreement will be supplemented by subsequent agreements with individual EU Member States, to be concluded before China's formal entry into the WTO.

SERVICES

- **Telecommunications:** The telecommunications offer has been considerably enhanced. China will open its mobile telephony market two years ahead of schedule, which is a crucial change in this fast-developing industry. For the first time, foreign operators will be permitted to establish as of accession (with a 25% share). This will rise to 35% one year after accession and 49% three years after accession. China has agreed to allow operations between Chinese cities (where the biggest business is located, covering more than 75% of current traffic) and not to restrict them to activity within each city. The liberalization of domestic leased circuit services will allow joint-venture foreign telecom operators to create their own network (independent from the existing one) and sell their capacity to clients in China. The EU has also obtained provisions to allow more competitors in the international corporate communications market. This will notably enable user companies (usually large corporations) to obtain better rates and services. Finally, China and the EU have agreed to a satisfactory settlement concerning the mobile investments of EU telecommunication companies (France Telecom, Siemens/Deutsche Telekom and Telecom Italia) in the second Chinese carrier, China Unicom.
- **Insurance:** Seven new licenses, five for life and two for non-life business, will be immediately provided to EU companies, and two more companies will be able to establish in another city (sub-branches). This will substantially increase the EU presence in China, as only four firms are currently in the market. Effective management control has been negotiated for foreign participants in life-insurance joint ventures, through choice of partner, and a legal guarantee of freedom from any regulatory interference in privately negotiated contracts, on a

50-50 equity basis. Foreign insurers will see their scope of business advanced by two years in life and non-life activities, selling the same products as their Chinese competitors. This includes health, pension and group insurance in life, and all non-life activities except for statutory insurance. Geographically, access of foreign insurers to Shenzhen and Foshan has also been accelerated. Brokers (insurance intermediaries) will have access to the Chinese market through cross-border and local establishment for the first time. Upon accession, they will be able to establish on a 50-50 equity basis (with effective management control as indicated above). Foreign majority will be allowed within three years, and within five years there will be no equity restrictions. They will be able to undertake large-scale commercial risk and reinsurance business, which is the bulk of the brokerage market.

- **Distribution:** China has agreed to lift the specific 5050 joint-venture restriction applicable to large retail stores (removing the 20,000 square meter size limit), as well as that for virtually all retail operations with more than 30 outlets in China. Until now, if a retailer had wished to open more than 30 outlets, a 50-50 equity limit was applicable. In a country the size of China, this was obviously a very restrictive provision.
- **Banking:** The banking offer has also been improved. Distributors and other non-financial institutions will be able to give credit facilities for the purchase of all motor vehicles, rather than just cars. China has also agreed to allow foreign banks in the city of Zhuhai to advance their operations in local currency. Zhuhai, which is just off Macau, holds several EU banks.
- **Securities:** China and the EU have agreed to establish a regulatory dialogue on the development of the securities market in China. The EU welcomes the opportunity to contribute its expertise to the expansion of the Chinese securities market.
- **Dredging:** On accession, dredging activities related to infrastructure construction are open to foreign firms.
- **Tourism:** The tourism offer has been extended from holiday services to also cover corporate travel business. The establishment requirements for travel agencies and tour operators have been eased to the benefit, in particular, of SMEs (small and medium-sized enterprises) specialized in the Chinese market. The capital requirement will be gradually reduced to the same level as that applied to Chinese firms. The minimum turnover requirement has also been further reduced by 20% (down to \$40 million).

- **Construction:** The joint-venture requirement has been relaxed to allow foreign majority on accession. Within three years, wholly foreign-owned enterprises will be permitted to carry out projects financed by foreigners (including those funded by the IMF, World Bank etc.) and Chinese-funded projects where Chinese construction firms justify the need for international assistance.
- **Legal Services:** Foreign law firms will be able, for the first time, to offer services on Chinese law. In particular they will be able to provide information to their clients on the Chinese legal environment. Concerning other activities in Chinese law (representations before the courts etc.), the arrangements with local law firms have been improved by allowing foreign firms directly to instruct individual Chinese lawyers in these firms. This will allow foreign firms to create a direct link with a Chinese lawyer of their choice, which may in practice be equivalent to full employment. Improvements have also been obtained on the prior experience requirements for lawyers—prior experience will no longer have to be consecutive, and the requirement for all lawyers, other than the chief representative, has been reduced from three to two years. Finally, it has been recognized for the first time that solicitors (although not members of a bar) will also be covered by the agreement.
- **Accountancy:** Accountants will be able to provide taxation and management consultancy services under the same conditions as accounting services, and will no longer be required to partner.
- **Architects:** Architects will now have an extended access on a cross-border basis, by allowing them to provide scheme design services.
- **Market Research:** The Chinese Decree imposing extremely burdensome requirements that might affect the confidentiality of market research reports will be substantially amended. Reports will no longer be pre-examined by Chinese authorities before being given to the client, but firms will merely have to send copies of questionnaires (not of the replies and results) to the authorities.
- **Grandfathering:** Protection of existing EU investments has been assured, even where they are on terms which exceed those available after China's accession.

HORIZONTAL ISSUES

- **Government Procurement:** China has agreed to full transparency and non-discrimination (MFN) in government purchases.
- **Trade-distorting Investment-related Measures:** The EU and China have agreed on commitments similar to those included in the Sino-US agreement, but

also incorporating an obligation to eliminate industrial export subsidies, and offset requirements in the civil aircraft sector.

- National Treatment: This is a basic GATT obligation. China has now given specific commitments to phase out legislation that gives unfair advantages to domestic producers in the field of pharmaceutical pricing, after-sales services of imported goods, chemical-import registration requirements, control of imported boilers, and retail of imported cigarettes and spirits. In some cases, China will have one or two years to make her legislation WTO-compliant.

Source: www.europa.eu.int/comm/trade/bilateral/china/res.pdf

APPENDIX E

WTO Principles As They Relate to China

WTO PRINCIPLES AS THEY RELATE TO CHINA

(Panitchpakdi et al., 2002: 180-181)

National Treatment:

Once goods have cleared customs, there can be no discrimination against foreign goods, in terms of taxation or other treatment. Laws and regulations cannot favour local goods at the expense of foreign ones.

Ban on Quantitative Restriction on Imports and Exports:

The WTO aims to make import duties the only form of trade restriction. This makes the process more predictable and more transparent.

Transparency:

Publication: Laws, regulations, administrative rules and judicial decisions related to trade must be published promptly so that governments and traders can become acquainted with them. Government measures that will result in increased burdens should be officially published before they are enforced. These must be administered in a “uniform, impartial and reasonable manner”.

Review Process: There must be a review process (such as courts or administrative tribunals) to review objectively (and, if necessary, correct) administrative actions related to customs matters.

Information Availability: A national point for inquiries, which can respond to questions from other members regarding technical regulations, standards and conformity-assessment procedures, will be established.

60-day Notification Period: The WTO must be notified at least 60 days before the adoption of new technical measures and procedures if they are not the same as international standards and may have a significant effect on the trade of other WTO members.

Local-government Compliance: The central government must take “reasonable measures” (defined as “serious, persistent and convincing efforts”) to ensure that local governments comply with WTO rules.

Subsidies: Export subsidies and import-substitution subsidies are banned altogether. Subsidies to state-owned enterprises ended in 2000.

What's Prohibited:

Discrimination against goods or services from another member country or a domestic producer. Measures requiring local sourcing are out. So too are trade-balancing requirements, which require that an enterprise's imports are tied to its exports or its foreign-exchange requirements.

China has agreed not to require technology-transfer agreements, local content or production offsets.