

Changing Dynamics in the Tourism Industry: Chinese Tourists and Average Stay

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Introduction

The tourism sector in the Maldives has developed rapidly since its inception in the early 1970s. The sector has transformed the economic structure of the country from primarily a fishing community to a world-class service industry. While the tourism sector continues to perform well, there have been some significant changes in the dynamics of the industry. One important change is the transformation of the market composition of the tourism in the Maldives, with China becoming the single largest source market overtaking the traditional European markets. In conjunction with this, a marked change in the seasonality and average stay of the tourists has been observed. Although the number of tourists visiting the Maldives has been increasing, there has been a significant decline in the average stay of the tourists in recent years. This has important implications for the industry, in terms of earnings and capacity utilisation in the industry. In this context, it is important to study these changing dynamics in the Maldivian tourism industry and the implications of these on the industry.

This article begins with a brief review of the recent trends in tourist arrivals and an analysis of the effect of the seasonal trends in the tourism industry. This is followed by an assessment of

the changes in the average stay of tourists in the Maldives and some concluding remarks.

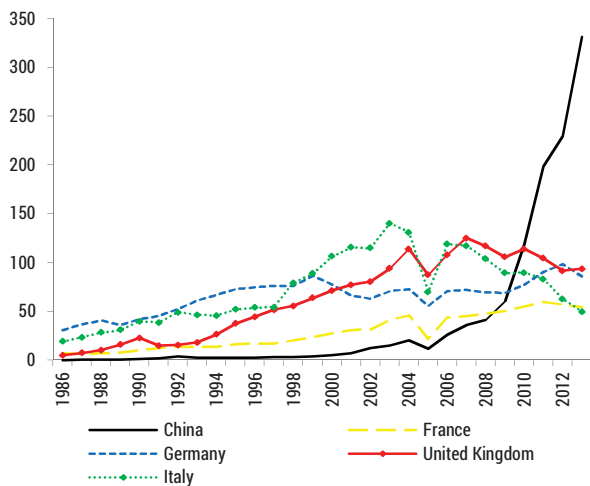
Developments in Tourist Arrivals and Market Composition

Since its inception in 1972, tourism in the Maldives has been attracted mostly by Europeans seeking the tropical “sun-and-sand” holidays. The first group of tourists to a resort came from Europe, and over the next three decades tourists from the region grew impressively with Italy, UK and Germany becoming the top markets for Maldives’ inbound tourism. However, as seen in Figure 1, the market composition has begun to change significantly since 2008, with the growth of arrivals from the major European countries stagnating as the global financial crisis contracted the economies of these countries. This period, however, coincided with a massive increase in tourists from China, which has grown exponentially since 2008. For instance, the number of tourist arrivals from China in 1998¹ was less than four thousand compared to a notable 331.7 thousand tourists from the country in 2013.

¹ Tourists from China were first recorded in 1998, whereas in previous years, they were classified under “Other Asia”. The number of tourists from China has been extrapolated for the previous years in Figure 1.

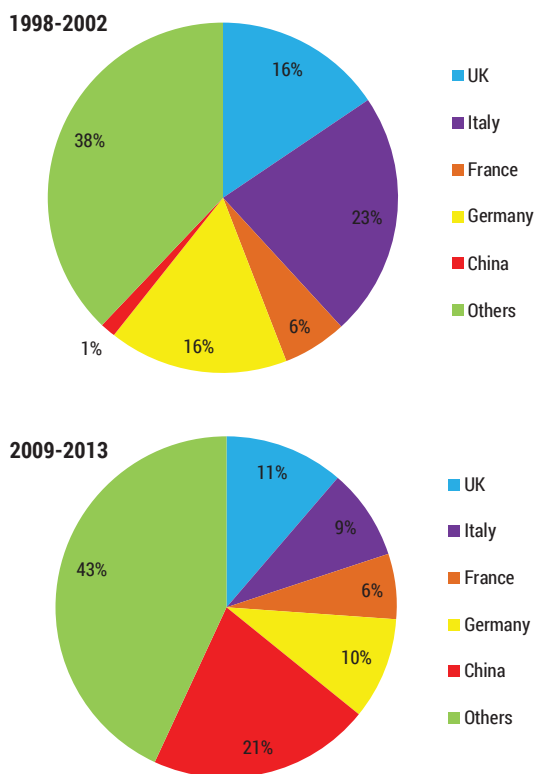
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Figure 1: Arrivals from major markets, 1986 - 2013
(in thousands)



Source: Ministry of Tourism

Figure 2: Market composition of tourist arrivals, 1998-2002 and 2009-2013



Source: Ministry of Tourism

In terms of market composition, whereas Chinese arrivals accounted for a mere 1% of total arrivals during the period 1998-2002, they constituted 21% of total arrivals during the past five years. The changes in the market composition are shown in Figure 2.

Seasonality

The changes in market composition of the tourism industry experienced in recent years have lessened the strong seasonality of the industry. The tourism sector in the Maldives used to have very significant peak and off-peak seasons, with tourist arrivals peaking towards the beginning of the year and at the end. Given the strong European dominance of the industry before the 2000s, the peak season coincides with the winter months in Europe especially the months from December to February which include Christmas and New Year holidays. The months of May, June and July are meanwhile traditionally off-peak months, with the lowest number of tourist arrivals during these months.

The growth in the Chinese market has lessened the seasonality in the tourism sector, as seen in Figure 3. This is indicated by several changes in the seasonal trend between the two periods, complemented by relatively small standard deviations for these changes. The small standard deviations imply that the change in seasonality has been consistent throughout the respective periods, thus being statistically significant. The analysis of seasonal factors shows two important observations in the months of August and October. August used to have a very strong seasonal factor during the early 1990s due to the large number of Italians vacationing during this period two decades ago. However, this trend has become less pronounced later on, due to the share of Italians as a percentage total tourists being relatively small. In contrast, the seasonal factor for the month of October has increased during the

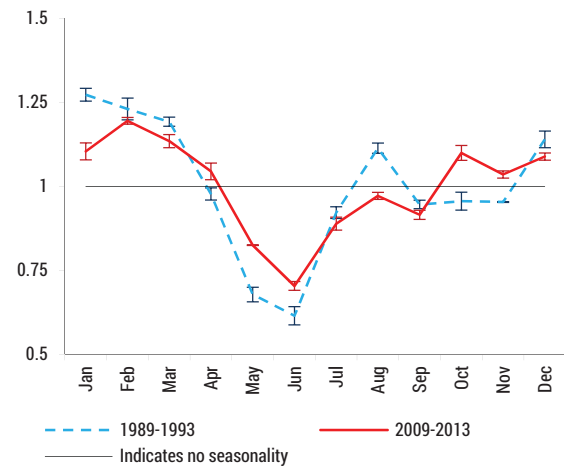
past five years due to the large influx of Chinese tourists during October. The month of October marks one of the two main holidays in China: National Day Golden Week, which is marked together with the national day of China. Chinese residents receive seven days of public holidays, and a large number of citizens usually take vacations, both abroad and within China.

The next major holiday received by Chinese residents, and celebrated all over the world by people of Chinese heritage, is the Chinese New Year holidays. As this holiday is marked based on the lunar calendar, it does not consistently fall in one month of the Gregorian calendar, but usually falls between late January and mid-February.

Although the increase in Chinese tourists to the Maldives has reduced the overall seasonality in the tourism sector, the Chinese market itself shows strong seasonality during the two holiday periods mentioned above, as seen in Figure 3. The highest seasonal factor in the Chinese market is observed in the month of February.

Another important observation from the seasonality pattern of the Chinese market is the positive increase in the seasonal factor from July to October. As this is still part of the off-peak season of the traditional tourism calendar, the high arrival of Chinese during this period could be due to low room rates and discounted packages offered in this low season. Additionally, as this period also coincides with the school vacation period for China, the high arrivals from the country between July to August could also be attributed to families taking their vacation in the summer. Figure 4 also shows that the seasonality in the Chinese market itself has lessened over the years.

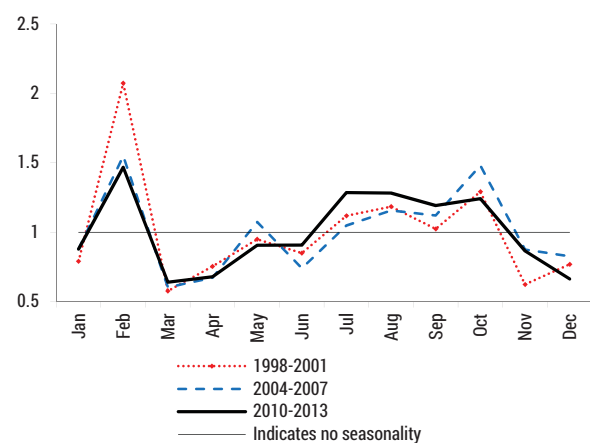
Figure 3: Seasonal factor of tourist arrivals, 1989 - 1993 and 2009-2013



Source: Ministry of Tourism

In the above graph, the total arrivals for the two have periods have been adjusted to capture only the seasonal factor. A seasonal factor of 1 describes no seasonal trend whereas a factor greater (less) than 1 implies a positive (negative) seasonal trend. For instance, a seasonal factor of 1.2 implies that tourist arrivals have increased by 20% at that particular point due to the seasonal pattern of arrivals. These numbers have then been averaged to capture the mean for the two periods. The vertical lines at each point represent the standard deviation of each seasonal factor for the month over the respective period.

Figure 4: Seasonal factor of Chinese tourist arrivals, 1998 - 2013



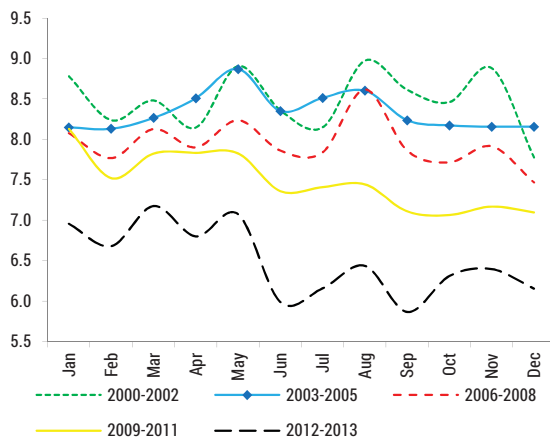
Source: Ministry of Tourism

The graph above shows mean of the seasonal factor of Chinese tourist arrivals for three different periods: 1998-2001; 2004-2007; 2010-2013.

Average Stay by Chinese Tourists

One trend that has become ubiquitous in global tourism today is that, while international trips being taken are increasing, tourists are taking shorter trips. This trend has been observed in the Maldives as well, though only becoming more marked since the late 2000s. The average stay has declined considerably by 26% from 2000 to 2013, as evident from Figure 5. In 2000, the average length of stay of a tourist was 8.4 days. On the other hand, the average stay of tourists visiting Maldives at the end of 2013, stood at 6.3 days, compared to 6.7 days and 7.0 days for 2012 and 2011, respectively. In international tourism, the shorter length of stay mainly reflects increased constraints on time. In Maldives, the reduction in the duration of stay of tourists in recent years has coincided with the rapid growth in the Chinese market, showing a strong negative correlation between the two. This is also supported by the results obtained from the Maldives Visitor Profile Survey 2013 conducted by Ministry of Tourism, Arts and Culture, which shows that an overwhelming majority of Chinese tourists (87%) spent 4-5 days in Maldives, in stark contrast to most European tourists spending up to seven days in the country.

Figure 5: Evolution of average stay 2000 – 2013
(in days)



Source: Ministry of Tourism

Conclusion

The rapid increase in tourists from China in recent years has transformed the market composition of the Maldivian tourism market, with the country accounting for the single largest share of tourist arrivals into the Maldives. In addition to diversifying the tourist source markets, the expansion of the Chinese market has brought significant changes to the industry dynamics such as seasonality and the average stay of tourists. With regard to seasonality, the patterns of traditional “peak” and “off-peak” seasons of the tourism calendar have softened

due to the emergence of a different seasonal patterns ascribed to the Chinese tourists. This has significant implications for the local tourism industry regarding variables such as foreign exchange earnings and employment, as this can diminish the negative effects to the economy of being largely dependent on an industry that traditionally observed a strong seasonality.

While this article summarises the recent developments in the tourism industry and the effect on average length of stay by tourists with respect to the massive influx of tourists from China, the effects of this on factors such as earnings, need to be studied more in-depth, to fully understand such dynamics. Such research can assist in more effective policy making in areas related to tourism marketing and national planning to further develop and enhance the vibrancy of the tourism sector in the Maldives.

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