EUROPEAN TOURISM OWNED BY CHINESE INVESTORS MORE AND MORE

Companies from China buy European hotels, airlines and travel portals more than ever before. European tourism is booming despite the economic slowdown.

A review of last year's investments in the European tourism industry revealed that Chinese companies are the ones who purchased the most hotels, airlines and travel-related portals on the continents. With its offer of 700 million euros, the Chinese hotel operator Huazhu marked the peak value of a purchase.

Thomas Cook Investment

In March 2019, the listed Fosun Tourism initially expanded its stake in the ailing tour operator Thomas Cook. Millions of euros were invested into the share purchases that made the group of billionaire Guo Guangchang the largest shareholder of the British tourism company.

The fact that the mega-bankruptcy at the end of September burdened the Shanghai company with high write-offs instead of the hoped-for takeover only briefly slowed down the Fosun managers. For an undisclosed amount, they secured the international rights to Thomas Cook from the insolvency administrator - probably also in order to expand their own travel agency chain in China under the same brand.

Other commitments of Chinese investors regarding European tourism companies were less spectacular but similarly expensive. At the beginning of December, Accor, the largest hotel operator on the continent with headquarters in Paris, sold five percent of its shares to the Huazhu Group, which had already acquired Steigenberger just a few days earlier. The French thus earned US$ 451 million and will, in turn, hold a share of around five percent in Huazhu, which should strengthen the alliance between the two hotel giants that have been in existence for five years.

It is an alliance that is already bearing fruit. Thanks to this cooperation, Huazhu has been able to open 200 budget and mid-range hotels in China to date under the Accor brands "Ibis", "Novotel" and "Mercure". Another 250 properties are to follow in the next three years.

European Hotels Are of Interest

The Chinese hotel group Jin Jiang took the direct route. At the beginning of 2019, they took over the Radisson Hotel Group - and with it more than 1400 guest houses worldwide.

With their grip on European travel and accommodation providers, China's tour operators are clearly marching against the trend. In almost all other sectors, China's drive for foreign takeovers has visibly cooled off in the past two years.

In the first half of 2019, according to the consulting firm EY, the value of Chinese acquisitions in Europe fell by 84 percent to 2.4 billion dollars. "The economic situation in China is difficult, the uncertainty is great," reports EY takeover expert Yi Sun. In addition, some Chinese companies that were active in the European M&A market in the past are currently either integrating the acquired companies or reselling them.

China lost interest in industry-related takeovers in particular, as a study by the consultancy firm PwC shows. While China, for example, was still involved in 36 percent of all deals in the transport and logistics sector in the previous year, this figure fell to 23 percent in 2019.

PwC expert Ingo Bauer believes that the trade dispute with the U.S. and the slowdown in economic growth in China are the main reasons for the decline. For 2019, Beijing reported GDP growth of only 6.1 percent - the worst figure since 1990.

But with respect to tourism, Chinese investors have different logic. Here, it is the unbroken travel boom of their own countrymen that controls their spending.

"The majority of Chinese overseas travelers today are under 30 years old," says Fosun Tourism CEO Jim Qian. "We must offer them increasingly individualized travel options - especially in the important destination in Europe."

Growing Potential of Chinese Travelers

No wonder, since the growth potential is enormous: although the number of foreign trips has increased dramatically in recent years, only ten percent of the 1.4 billion Chinese own a passport. Whereas just 57 million of them used it in 2010, by 2018 there were already 149 million Chinese trips abroad. The market research company Euromonitor expects their number to increase by another 40 percent by 2030.

Last year alone, the number of Chinese foreign travelers rose by nine percent. The country is even three percentage points above the increase in Asia as a whole and is an absolute growth driver for the global travel industry. The current economic slowdown in China has visibly not changed this.

Individual Travelers of Lower Age

In addition, there is a change in travel behavior. While ten years ago Chinese tourists came to Europe almost exclusively in groups, today almost every second person is an individual traveler. Also, Chinese visitors are getting younger and younger. For example, according to the German National Tourist Board (GNTB), 57 percent of Chinese holidaymakers in Germany in 2018 were no older than 40 and 23 percent even younger than 30.

The choice of destinations has changed this vehemently. At the top of the list are now European locations for popular TV series, but also recommendations from Chinese bloggers and influencers. Even holidays at the beach are gaining in importance.

This is one of the reasons why Fosun, after a long bidding war, acquired the traditional holiday provider Club Med in the spring 2015 - and put an impressive 939 million euros on the table.

The takeover of the French holiday icon is a prime example of China's strategy: right after the acquisition, the new owners did everything in their power to attract more tourists from their own country to the resorts. And with some success. Ten years ago, there were only 20,000 holidaymakers from China in the bays, but this figure increased tenfold by 2018.

To ensure that the Chinese succumb to the charm of the Western holiday brand, several Club Med resorts opened in their own country after the takeover. Since then, the "Sanya" on the holiday island of Hainan or the ski resort "Club Med Beidahu" has had the task of creating trust among Chinese people for holiday facilities overseas.

In order to fill the purchased capacities in the European hospitality industry, China is simultaneously making efforts to make acquisitions in sales. Thus, until the bankruptcy of Thomas Cook, Fosun built up a chain of travel agencies in its own country in a joint venture with the British. In 2018 alone, the number of bookings increased eightfold compared to the previous year, as the company announced at the time.

Access to the Airline Business

Even with the Czech state airline CSA, which was loss-making until 2014, CEFC entered the market in March 2015. Through an intermediary, China's seventh-largest private group now holds 49.9 percent of the Prague-based airline, which is a member of the Skyteam alliance alongside Air France-KLM, Delta and Korean Air.

Almost all acquisitions, however, are characterized by a striking similarity: as investors in the travel industry, the Chinese have recently often been driven by opportunities. Apart from a few exceptions, the weakness of the market meant that the objects for purchase were cheap to have - a strategy not without risk. Now it remains to be seen whether the takeovers can meet the profit expectations.

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