The Future of Tourism and Hospitality in the Artificial Intelligence (AI) Era

*Leapfrogging into cashless tourism*
Wolfgang Georg Arlt

*What can OTAs learn from online consumer comments about weekend getaway packages?*
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*Perception of risk & trust and tourists’ acceptance of eTourism technologies: A synthesis of academic literature*
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Multilingual but cashless –
How technological development is changing the Chinese outbound tourism

Prof. Dr. Wolfgang Georg Arlt FRGS FRAS
COTRI China Outbound Tourism Research Institute
Introducción COTRI

COTRI es el instituto de investigación y consultoría líder en el mercado turístico de viajeros chinos, y coopera con todas las principales organizaciones turísticas internacionales y chinas.

COTRI ofrece servicios a clientes en todo el mundo desde 2004 como una institución independiente de investigación y consultoría, liderada por Prof. Dr. Wolfgang Georg Arlt FRGS FRAS.

Oficinas se encuentran en Hamburg/Germany y Beijing/China, con una red global de socios en todas las continentes.

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COTRI’s founder and director

- First visit to People’s Republic of China in 1978
- 1991-1999 owner of Inbound Tour Operator China -> Europe with offices in Beijing and Berlin
- Since 2004 COTRI founder and director
- Professor for International Tourism Management at West Coast University of Applied Sciences Germany (Heide)
- Visiting professor at universities in China, UK and New Zealand
- Fellow Royal Geographical Society (London)
- Fellow Royal Asiatic Society (London)
- Research Fellow Japanese Society for the Promotion of Science (Tokyo)
- Board member PATA Pacific Asia Travel Association (Bangkok)
- Vice President Western Europe ITSA International Tourism Studies Association (Beijing/Greenwich)
- Fellow of International Association of China Tourism Studies (Guangzhou)
- Member of UNWTO Expert Panel (Madrid)
- Member of Expert Committee World Tourism Cities Federation (Beijing)

Prof. Dr. Wolfgang Georg Arlt
FRGS FRAS
Leapfrogging into cashless tourism

Prior to the emergence of mobile payment apps in China, the country was primarily a cash-based society. However today, apps like Alipay and WeChat are transforming China into a cashless society where transactions are commonly carried out via the phone in your pocket.
Leapfrogging into cashless tourism

Paying for things in China
(an expat guide)

Using Alipay
1. Open the Alipay app
2. Click either “Scan” or “Pay”
   - Scan QR code or
   - Have your QR code scanned

Using WeChat
1. Open the WeChat app
2. Click the “+” in upper-right corner
3. Click “Scan QR Code” or “Money” to be scanned

And what about me?

www.china-outbound.com 2018
Leapfrogging into cashless tourism

www.china-outbound.com
Leapfrogging into cashless tourism

Chinese travellers represent the largest international outbound tourism source market in the world. In the year 2017, 145 million border crossings from Mainland China took place, more than half of them going beyond “Greater China”. (COTRI)

Chinese outbound travellers used to be happy if tourism service providers, retailers and ATMs accepted Unionpay credit cards.
Leapfrogging into cashless tourism

Chinese travellers now are demanding strongly the acceptance of mobile payment freeing them from money exchange and danger of pickpocket thefts.

If shops and service providers do not accept AliPay or WeChat Pay, a growing number of them will try to find another business offering this service.

Accepting mobile payment has developed from an extra service to a necessity.
Chinese travellers and Chinese technology have started to influence global tourism. Thanks to Chinese demand almost all 3+ star hotel rooms offer free water cooker facilities globally, while ice dispensers disappear outside the USA.

Alipay is quickly moving to international markets, repeating the leapfrogging process in many countries in Asia and Africa. Alipay is already available in 110 countries. WeChat Pay can now be connected to an international credit card.

Within the next five years Alipay and WeChat Pay will probably become the standard form of payment at least outside of OECD countries.

The acceptance of Alipay is quickly moving from being an extra service offered to Chinese customers to an expected service without which non-Western customers will be turned away.
Leapfrogging into cashless tourism

- **Wechat payment:**
  - Covers more than 40 countries and regions
  - Supports 13 currency payments
  - Tax Refund has covered 26 countries and
  - Supports real-time tax rebates at 77 airports.
  - 800 million users bind bank card accounts.

- **Alipay:**
  - In-store payment service covers more than 40 countries and regions
  - Supports 27 currencies.
  - Supports tax rebates in 29 countries
  - Works with more than 250 overseas financial institutions and payment solution providers to provide cross-border payment services to Chinese outbound tourists and overseas customers who shop from China's e-commerce platform.
Leapfrogging into cashless tourism

Alipay

Accessed Partners in 2018

Brands Partnerships
- Diamond Minos and Kapris
- Ahawa (skin care)
- Israel Credit Card (ICC, CAL) and OneBill
- National Airline EL-Al and James Richardson Duty Free chain stores

Israel

26.01

SIX Payment Services

Swiss Town Davos Fully Access Alipay
- More than 250 POS points connected
- Cover restaurants, bars, supermarkets and hotels, etc.
- Alipay merchant information will appear in “outbound benefits” to be recommended.

Corte Inglés

14.03

Business Cooperation
- Used in any branch of Corte Inglés in Spain
- Non-EU customers can get a VAT refund through Alipay

FreedomPay

19.03

Seamless Payment Experience
- Easily make purchases through FreedomPay’s service in North America
- Vendors at airports, entertainment venues, resorts, sports arenas and universities.

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Leapfrogging into cashless tourism

**Alipay** Accessed Partners in 2018

- **First Data**
  - **19.03**
  - Expanded Partnership
    - Adding 35,000 merchants

- **Wirecard, Travel Easy, MCM**
  - **22.03**
  - VAT Refunds
    - At the point of Sale
    - 100% VAT refunds

- **Japan Qrix Group**
  - **22.06**
  - Transportation System
    - Quick access for users
    - Trial operation (22.06-20.07)

- **EFTPOS & Smartpay**
  - **23.03**
  - Agreement
    - Allows 25,000 merchants to accept Alipay
    - Smartpay acquires Alipay transactions and earn a share of total transaction value
Leapfrogging into cashless tourism

Alipay Accessed Partners in 2018

- Alipay
- Merlin Entertainment
- Airlines Reporting Corp.
- Veneranda Fabbrica del Duomo

Cooperation Agreement
- Push notifications to help tourists find nearby attractions
- Personalised promotions
- Users with higher membership level will receive preferential foreign exchange rates

UK retailers Alipay accepting list:
- Department stores Harrods and Selfridges
- Health food and supplements retailer Holland and Barrett

“LAND” Supermarket Chain In St. Petersburg
- Accept Alipay payment

Russia Alipay accepting list:
- The Central Department Store in Moscow
- Leningrad Shopping Mall in St. Petersburg
- Food chain supermarket Lenta Dixi: Alphabet of Taste

02.07

02.07

02.07

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Alipay Accessed Partners in 2018

23.07 Kyushu Railway Co.

**Japan’s Southwestern Main Island**
- Introduce information on tourist spots, hot springs and local foods
- Japanese railroad company, will design attractive tourist routes for Chinese tourists and prepare sightseeing trains
- Kyushu plans to push other firms in the region to introduce the popular payment system.

*Alipay* is already usable at drug stores and some other outlets operated by a JR Kyushu’s group company.
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WeChat Pay
Accessed Partners in 2018

12.07 Global Blue

Adolfo Suárez Madrid-Barajas Airport
- Instant refunds
By 12.05.2018, Global Blue has extended real-time refunds to WeChat and Alipay accounts to more than 700 refund points worldwide.

25.06

Canadian Ministry of Tourism

Visa Fee
- Chinese citizens can use UnionPay system, WeChat and Alipay to pay

27.06

Japan USEN-NEXT Holdings

Cooperate With Lacala
- Both WeChat Pay and Alipay
- Restaurants, hotels and other places
- Promote the introduction of stores
- 400,000 potential customers
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**WeChat Pay**

Accessed Partners in 2018

- **12.07** Changi Airport Group
  - A Three-year Marketing Partnership
    - On-site merchants access WeChat payment
    - Provide exchange rate discounts and shopping discounts
    - Enhance the smart experience of shopping, dining and entertainment in passenger travel.
  - *Changi is the first WeChat Pay’s partner in Southeast*
  - At present, for WeChat Pay, Singapore Changi Airport is the most widely used and most active airport in Southeast Asia.

- **19.07** Fujikyu Highland
  - Business Associate Agreement
    - Full introduction of the playground
  - *Others can use WeChat Pay:* Discount store giant Don Quixote, New Chitose Airport, etc.
  - Fujikyu Highland will consider expanding to hotels, etc.
  - *At present, Japan’s stores supporting Alipay are considered to have about 50,000*
Leapfrogging into cashless tourism

Expectation

- **Wechat Pay:**
  - Expects to connect more American merchants in the second half of 2018.

- **Alipay**
  - 17.07.2018: Electronic ID card in Alipay

  19 cities pilot electronic ID card.

  Shanghai visabao, an e-business company predicts that the visa apply process and even visa may be paperless, people can have visa without going out because of electronic ID card.

- **Both Wechat Pay & Alipay**
  - 01.10.2018: Myanmar (visa on arrival)
  - Set up "Alipay Payment" and "WeChat Payment" hardware at the Customs to facilitate Chinese tourists to pay visa fees
Leapfrogging into cashless tourism

Conclusion

- **WeChat Pay:**
  Tencent has 2 development paths in the overseas payment business layout.
  - Meet the convenient payment needs of Chinese tourists for overseas travel through cross-border payment.
  - In areas with high WeChat users, The local payment license provides local residents with one-stop living services.

- **Alipay**
  Alipay not only provides convenience for Chinese tourists to pay overseas, but also hopes to let overseas people join the ranks of mobile payment, expand overseas markets, and grab more users.
Leapfrogging into cashless tourism

Western companies following

[Images of Google Pay and Apple Pay logos]
Moving into multilingual tourism

Ctrip leading the way: China’s Outbound Tourism Market entering Post Water-cooker phase

In restaurant booking, Ctrip is reportedly in talks with international catering platforms like foodpanda, Yelp, Chope, iMenu360 and MenuDrive in its plans to invest in overseas dining booking.

In hotel technology, Ctrip developed a “automatic hotel receptionist” that is able to complete check-in through facial recognition within 30 seconds, indicating it is honing in on smart devices, PMS and hotel resources.

The company has also launched a pocket wifi translator on its platform by working with Chinese search engine Baidu. Distribution and rental of the translator devices are available in the United States, Japan, Canada and Hong Kong, resolving language barriers and connectivity issue for travelers at the same time.
Moving into multilingual tourism

Language

✓ The number of English speaking Chinese travellers is increasing every year, as is the number of English speakers in the destinations (even in Germany!)

✓ Portable translation devices are getting better quickly and more affordable to buy or rent

✓ APPs provide instant translation of menus, signage etc.

✓ QR codes offer easy ways to provide multi-lingual information
Moving into multilingual tourism

- **iFlytek**
  - Released the “Easy Trans 600” in 2016
  - Supports 27 languages

- **Baidu**
  - Launched the “Sharing Wifi Translation Device” in Dec. 2017

- **Youdao**
  - Published the “Translation Egg” in Oct. 2017

- **Sougou**
  - Launched the “Travelling Translation Device” in March 2018
The existence of Minitel delayed the introduction of the internet in France for years in the 1990s; the development of dual-use rail networks drove the ICE high-speed train technology into a dead end at the beginning of the new millennium. German carmakers in the last decade rather decided to cheat systematically than stopping the development of fossil-fuel based automobiles.

Successes of the 20th century can turn into albatrosses around the necks of OECD countries and their tourism and hospitality industries if not followed up by a clear and decisive innovation strategy for the 21st century (or what is left of it).

Jinjiang, Dalian Wanda, HNA, Tencent, Alibaba, Ctrip, iGola and other Chinese companies, even if recently forced to slow down their expansion, are moving forward in global tourism, hospitality and entertainment to fill with innovation and investment the gaps left by the current global players.

New firms emerging with new business model: JD, Xiaomi, Didi-Chuxing, Meituan-Dianping, all incorporating a wide mix of activities (including hospitality and tourism), using innovation and government relations to quickly exploit opportunities.
Why the western world is lagging behind

Advantages of Chinese companies:

- Huge domestic market
- Deep financial pockets
- Government support domestically
- Concentration on service through innovation
- Fast implementation of innovation into market
- Government support for and control of international expansion
Western countries moved from paying cash for tourism to cheques, and traveller cheques (anybody still remembering American Express Traveller Cheques?) to credit cards.

Some countries, Germany for example) still do not use credit cards much, most German cities refuse any other payment than cash.

China is leapfrogging from no phone to smartphone, from cash to mobile payment, only the jump from no car to electric self-drive car did unfortunately not happen fast enough.

Chinese tourists influencing power is growing, 50% of the additional growth of international travel in the coming decade will come from Mainland China (COTRI forecast).

Chinese tourists’ demand and the growing influence of Chinese companies especially in countries outside OECD will push global tourism faster towards a cashless multilingual tourism world.
China’s outbound tourism
– You ain’t seen nothin’ yet

Thank you for your attention!

Looking forward to your comments and questions

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