

## **Changing U.S. Travel Trends to Canada Executive Summary of Findings**

### **Background**

The United States represents Canada's largest international market from a volume and tourism expenditures perspective. Over the 2000 to 2005 period, Canada lost ground in this market. Canada's short-haul market grew following 9-11 as Americans traveled close to home by auto. However, by 2005, Canada suffered dramatic reductions in visitors from the U.S., especially in the area of short-haul auto.

Many issues are suggested to explain this situation, ranging from on-going world events, the price of gasoline, and perception of border crossing difficulties to a belief that Canada is a complex destination to understand. While a myriad of issues can be identified to explain this situation, little is known as to the actual impact or weight of any or all of these factors on the decision by the customer to ultimately travel to Canada or even consider it as a travel destination.

### **Research Objectives**

To provide insight, facts, and evidence on the American traveler's mindset/decision process and attitude toward a vacation/getaway in Canada; in particular to highlight the key factors in their decision process and the relevance of current perceived barriers to Canada across short, medium and long-haul markets. This information will help the CTC and the Canadian tourism industry to identify critical factors that must be addressed in order to restore and grow the U.S. travel market to Canada. It will also provide information that can be used to influence advertising and marketing communications in the themes, messages, content and images.

### **Where have we been?**

#### **Market Assessment**

U.S. travel between 2000 and 2005 went through major shifts and changes. Domestic travel by U.S. residents produced a record level of 2.9 billion person-stays in 2004, a gain of 3.8%. The leisure segment led the growth with 4.6%, while the business segment grew by only 1.5%. Profound business shifts occurred in 2004, where domestic leisure room-nights surpassed business room-nights in share of total for the first time. As a result of Americans traveling closer to home, U.S. international outbound travel suffered, declining from 64 million room-nights to 47 million, for a 26.4% setback. In 2004, leisure travel stabilized while business travel still declined. Leisure travelers now provide the most industry room-nights and the profile of leisure travelers has changed with the Generation X (1965 – 1980) surpassing the Boomers (1946-1964) in growth.

Canada gained some share of a declining U.S. outbound travel market post 9-11, as Canada was seen as a safe alternative for travel. However, the gain in share has

dissolved since 2002, losing 9 percent of leisure person-stays, and has remained depressed. Canada's net losses are significant, representing an estimated \$1.2 billion in foregone revenues since 2002.

### **Satisfaction & Value Ratings**

Despite Canada experiencing a slowdown in U.S. travel to Canada post 2002, U.S. visitors to Canada rate their stays higher in satisfaction and value relative to their stays in the U.S.

### **Travel Destinations Visited**

From 1999 to 2004, Canada has lost 4% market share of U.S. outbound overnight travelers, but it still captures the largest amount at 28%. Mexico at 21% market share (+7%) and the Caribbean with 19% (+4%) have gained share while Europe has gone down to 20% market share (-7%).

Much of the U.S. short-haul market travel has been to Canada, followed by the Caribbean and Europe while much of the travel from the mid-haul market has also been to Canada followed by Europe and the Caribbean. The long-haul market, when traveling outside the U.S., prefers visiting Europe followed by Canada and Mexico.

### **Market Segments Driving Changes**

One major shift occurring with U.S. visitors to Canada is that their average household income has risen to a new peak in 2004. This was driven by the growth of share in older more affluent travelers and a share drop in younger less affluent travelers. Since 2000, a change in share of room-nights by life stage has driven changes. The greatest growth has occurred with the more affluent couples aged 35 – 54, 18 – 34 year-olds with no children, and the 55+ couples. The greatest losses are among the less affluent 35 – 54 year-olds with families.

### **Where are we now?**

#### **Destination Consideration**

Over the next 12 months, Canada will compete directly with the U.S. and Europe as a preferred leisure destination, followed by the Caribbean and Mexico. U.S. residents who have visited Canada are more likely to consider visiting Canada but represent only 23% of U.S. outbound travel. Canada has more opportunities with U.S. non-Canada travelers, but their consideration of Canada as a travel destination is much lower as they focus more on the Caribbean and Europe.

Consideration of Canada is highest among short-haul markets and declines with distance. Europe is less of a competitor in the short-haul markets but increases in mid and long-haul markets. In the short-haul market, the U.S. remains the primary competitor for all seasons. The Caribbean and Mexico are more likely to be considered in winter, but Canada is on the consideration set in spring/summer and fall surpassing the Caribbean and Europe in preference. For non-Canada travelers

in the mid and long-haul markets, the U.S. is the primary competitor and Canada is rarely in the consideration set.

The perception of Canada as a vacation or getaway destination depends primarily on the visitor's distance to Canada. Most of the short-haul market sees Canada as a getaway, while the long-haul market is more likely to view Canada as a vacation (4 or more nights) destination. Two main factors influencing the choice of destination in the past year included a desire to have fun and a need to explore.

### **Destination Awareness**

Unaided and aided awareness of Canadian advertising declined gradually from short to mid and long-haul markets. Among past visitors of Canada, unaided recall of Canada, Mexico and Caribbean advertising was statistically equal. In aided recall, these travelers recalled Caribbean, Mexico and Europe advertising ahead of Canada. For non-Canada travelers however, aided recall was higher for the Caribbean, Mexico, Europe and Australia/New Zealand than for Canada.

### **Barriers to Travel**

Unaided, 6 in 10 travelers see no barriers to traveling to Canada while only 3 in 10 feel there are no barriers to going to Europe. From a provided list, previous visitors to Canada feel that the top five barriers for coming to Canada are:

- Bad weather;
- Other more interesting and exotic places to go;
- An unfavourable exchange rate;
- The price of gas; and
- A lack of interest ("been there, done that").

Non-previous visitors to Canada believe that the top five barriers for coming to Canada are:

- Bad weather;
- Other more interesting and exotic places to go;
- Cost of air transportation;
- Cost of hotels within Canada;
- Not a good value for money; and
- An unfavourable exchange rate.

Socio-political barriers (e.g. concern over not being accepted because of US political actions) rated low, garnering less than 8% agreement.

The short-haul market seems to be most familiar with the product of Canada, however the cumulative effect of a continuous increase of multiple barriers (e.g. exchange rate, border hassles, document requirements, price of gas) may be giving rise to an "Is it worth it?" perception. In the mid and long-haul market, increasing competition and "noise", combined with perceived high air fares (increasing with distance from Canada), seem to be reducing the awareness and attractiveness of Canada.

## **Attributes: Importance & Performance**

The top five attributes sought by travelers include:

- A peaceful and relaxing place to visit;
- A feeling of safety;
- A unique sense of place;
- A feeling of exploration; and
- An authentic experience.

When compared against ideal attributes and competitors, Canada scores favourably in friendship, sense of belonging, and athleticism. Europe scores more favourably on conveying a feeling of exploration, delivering authentic experiences, providing a romantic atmosphere, giving insight into other cultures, and a sense of uniqueness. Canada's main strengths lie with safety, relaxation, independence, and peacefulness. However, Canada is not perceived to provide an authentic enough experience, insight into other cultures, a unique experience, or desired beach/waterfront experiences according to these travelers. One important note is that those who have visited Canada rate it higher than those who have not.

## **Communications Targeting**

### **Activity Participation**

The top 5 activities for all overnight leisure travel are:

- Dining;
- Visiting beaches/waterfront;
- Participating in heritage experiences;
- Shopping; and
- Swimming.

When compared to eight competing destinations (and not the U.S.), the top 5 activities where Canada is the preferred country are:

- Hiking/trekking;
- Downhill skiing/snowboarding;
- Snowshoe/snowmobile/cross-country skiing;
- Visiting national parks; and
- Hunting/fishing.

The activities chosen emphasize the perception of Canada as an outdoor destination.

The top 5 activities where Europe is the preferred destination over Canada are:

- Cosmopolitan experiences;
- Visiting historical sites/architecture;
- Dining at great restaurants;
- Attending cultural events; and
- Staying at great hotels.

## **Trip Frequency**

Previous visitors to Canada travel more frequently and to more new destinations than non-Canada travelers. Travelers from the mid and long-haul market travel longer and more frequently on average, than those in the short-haul market. Additionally, mid and long-haul market travelers are more likely to visit new destinations.

## **Booking Behaviour**

Travelers booking fly/drive holidays, traveling with friends, and visiting familiar destinations overwhelmingly prefer to create their own trip. For new destinations, travelers still prefer to create their own trip although almost half may use a pre-set or customized package. Travelers were evenly divided for cruise holidays, between creating their own trip, buying a pre-set package, or buying a customized package.

## **Additional Information**

References in popular culture can be powerful in driving top of mind recall of Canada. Events such as the NHL hockey strike may result in unexpected side effects, reducing reminders of Canada and removing Canada from the "travel radar". The consideration set for the short-haul market with respect to Canada tends to be very myopic, focused almost exclusively on their northern corridor destinations. Previous visitors to Canada from the mid-haul market expressed a fondness for Canada although Canada was not necessarily on their list of places to visit in the future. Non-Canada travelers in the mid and long-haul markets do not seem to have a cohesive understanding of Canada as a destination. Additionally, travelers in the long-haul market tend to compare trips to Canada with other "intercontinental" destinations such as Europe, Asia, and Australia/New Zealand.

## **Where Are We Going?**

Competition is very fierce and Canada does not immediately come to the minds of U.S. travelers when thinking about places to visit. This is in spite of the fact that Canada is practically a number one destination for U.S. travelers from short- and mid-haul markets and number two, following Europe, for U.S. travelers from the long-haul market. Other destinations are competing for American travelers with more advertising that is stronger, has greater reach, and offers better/more attractive deals. Canada has to position itself better in the right markets with the right messages at the right time.

## **Possible Next Steps**

- Understand our competition better: Understand better our image strengths and weaknesses relative to competitors as well as the share of advertising voice.
- Target where greatest impacts can be achieved: Target for greatest efficiencies with high spending returns.
- Communicate more effectively: Use the right media and messages that speak to our customers.

- Sell our strengths: Believe in our customer's own words and focus on high performing markets/segments and high efficiency markets, to yield the lowest cost per visitor per markets with the highest dollar return.

Canada needs a stronger brand and related icons, such as advertising and popular culture icons, which will universally be recognized as "Canada" across all markets and carry weight in the consumer's mind. Canada is well known in short-haul markets but almost entirely in a South/North corridor and not beyond this tunnel. To restore the frequency in the short-haul markets we need frequent reminders of the "Value" and the time sensitive "Reasons to visit". In the mid and long-haul markets, brand identity and information is crucial. The advertising must be brand focused with a direct response element where ads should include specific niche segment offers. Market timing for offers is critical, relative to the strong competition.

### **Market Efficiencies**

The top seven markets that demonstrate the highest potential efficiencies for return are: California, New York, Michigan, Illinois, Washington, Ohio and New Jersey. From a volume perspective, the top seven high volume and dollar return markets are: New York, Michigan, Washington, California, Ohio, Massachusetts and Pennsylvania.

### **U.S. Age Segments for Consideration**

The prime target that had sharp increases in 2004 in the U.S., are the 55+ couples with mid to high income and the 35 – 54 couples with mid/high income. These are big spenders, taking fewer weekend getaways and making fewer visits, but staying longer. Considered not prime targets are the 50 – 64 couples with mid – low income and no kids and the 35 – 54 families with low income.

### **Additional Research/Intelligence**

For more effective strategic planning, additional research may include:

#### Obtaining better competitive intelligence:

The share of advertising voice in aggregate and for specific target markets assists in effectively selecting target markets.

#### Understanding capacity and growth opportunities:

An annual analysis of direct flight (city pair) U.S. – Canada lift capacities including seasonal pricing, total lift and load factors assists in understanding where Canada can compete and which markets can quickly absorb growth to meet demand generated by marketing offers.

#### Undertaking pre-advertising testing:

Pre-production quantitative advertising testing assists in refining creative, avoiding wasted production costs and wasted media spending on ads that do not perform to norms or standards.

Developing more effective, targeted advertising and PR:

Further modelling of visitation and spending from AC Nielsen U.S.DMAs assists in more effective and efficient media targeting. These results, when integrated with media cost/reach estimates by market to select high efficiency/return markets, assist in refining the media plan and targets.

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## Annex

### Methodologies

#### 1. Qualitative

- 22 Qualitative Focus Groups conducted across the U.S. among active travelers;
  - i. Cities covered: Philadelphia, Boston, Buffalo, Atlanta, Chicago, Detroit, Minneapolis, New York, Seattle, Los Angeles, and Dallas;
  - ii. Focus groups sample was split evenly with Canada and Non-Canada travelers.
- A combined Qualitative and Quantitative Study with an On-line Sample was conducted among 700+ Active Travelers;
  - iii. Sample was split between Short, Mid and Long-Haul markets.

#### 2. Quantitative

- U.S. Leisure Travelers to Canada analysis from the ongoing DKS & A Performance Monitor;
  - i. 500 K Plus Annual Sample.
- Results from DKS & A Value Plus Study, 450+ Annual Sample;
  - i. Visitors' ratings on destination quality and value plus a series of destination, hotel, and attractions attributes.
- Quantitative Study of 8,000 Active U.S. Travelers;
  - i. Sample was split between 4,000 Short, 2,000 Mid and 2,000 Long-Haul markets;
  - ii. Each layer was split evenly with Canada and Non-Canada.

### Definitions

- **STAY (Travel Party):**  
A travel party visits one or more destinations on a trip. Each Destination captures a Stay (day or overnight) from the travel party.
- **PERSON-STAYS:**  
Adds to Stay the size of the travel party. A family of four visiting destinations A & B is four person stays for destination A and four person stays for Destination B for a total of 8 person stays.
- **PERSON-DAY:**  
The total number of people on a stay multiplied by the number of days they are on the stay.
- **ROOM-NIGHTS:**  
The room demand generated by a travel party staying in a hotel, motel, bed & breakfast, all-suite, and resort hotel. In this presentation we are excluding condominium/timeshare ownership or rental, campgrounds, and second-

home ownership or rental. A couple staying in a hotel for five nights is five room nights. For perspective, hotels and motels account for 98% of all paid accommodations on a trip basis.

- **STATED IMPORTANCE:**  
Travelers rating the importance of a set of attributes in selecting a destination to visit.
- **DERIVED IMPORTANCE:**  
The ability of an attribute to influence customers destination choice or repeat purchase preference.
- **UNAIDED CONSIDERATION/AD AWARENESS:**  
Respondents are asked an open ended question of consideration or ad awareness.
- **AIDED AWARENESS:**  
Respondents are provided a list of brands/destinations and asked if they are aware of ads for those brands/destinations.
- **Canada TRAVELER - CT:**  
Visited Canada in Past 2 years (Short Haul Markets), (5 Years Long Haul Markets).
- **NON Canada TRAVELER - NCT:**  
Short Mid Haul Market- Not visited Canada in Past 2 Years or 5 years Long Haul Markets.
- **AWARENESS GAP:**  
Results presented are peoples' perceptions. If someone is unaware or has imperfect knowledge about a product or service they may rate it poorly. A poor rating that results because someone did not know a service or product was available often is termed an Awareness Gap. Ratings lower among non-visitors than visitors are often the result of an Awareness gap.  
—Response: Communication strategies can address the problem .
- **PRODUCT GAP:**  
When visitors experience poor service or product quality, or can't purchase what they want, then a product gap exists. Visitor Ratings below those of non-visitors are often the result of a product gap.  
—Response: New product/service development, retraining to enhance service, repackaging of existing products or reinvestment to upgrade existing products will address Product Gaps.