Canadian Tourism Commission
Commission canadienne du tourisme

# China Market Profile

January 2013

Canada

# Contents



# Introduction

The Canadian Tourism Commission (CTC), in conjunction with various Canadian tourism industry partners, undertakes three major consumer research studies on a rotating basis: Global Tourism Watch, Explorer Quotient® (EQ®) and Advertising Evaluation Studies.

This report summarizes findings from the CTC's research studies as well as analyses that the CTC has conducted with other data sources. In particular, this report provides:

- *An overview of market conditions and an outlook for 2013*
- *A profile of Chinese visitors during 2011*
- *An overview of key long-haul competitors*
- *Highlights of marketing insights along the path to purchase.*

## Executive Summary

Over the past two decades, as the Chinese government granted ADS (Approved Destination Status) to specific countries and China's middle class grew wealthier, outbound travel grew accordingly. Chinese travel to long-haul destinations beyond northeast Asia has nearly tripled since 2002. Going forward, long-haul travel will remain highly competitive with Australia, US and European countries investing heavily to attract Chinese travellers.

Canada was granted ADS in 2010, the last country among key long-haul competitor destinations. However, from 2002 to 2011 Chinese travel to Canada still grew 150%—from 95,000 to 237,000 overnight arrivals. Much of the growth during this period was driven by students and those visiting family and friends living or studying in Canada. Canada was also successful in cross-selling leisure tours to business travellers.

An estimated 288,000 Chinese travellers visited Canada during 2012 despite challenges with lengthy visa application processing times during the summer. These visa issues may have led some tour operators to divert clients to other long-haul destinations. The CTC will continue to work with the Canadian government to improve visa processing services in 2013.

The CTC forecasts a 20% increase in overnight arrivals to 347,000 in 2013. Nonstop seat capacity is scheduled to increase by 22% in 2013, with most of the increased service commencing in June. During the summer travel period, Canada will have 73 weekly flights versus a peak of 57 during summer 2012. Over half of the seat inventory (64%) will operate into Vancouver. Among Canada's overseas inbound markets, China boasts year-round direct air service from the largest number of gateway cities: Beijing, Shanghai, Guangzhou, Shenyang and Chengdu.

After slowing to 7.5% in 2012, China's economy is expected to grow 8% during 2013 supported by strong growth in consumer spending and exports. Unemployment and inflation will remain stable at 4% and 2.5% respectively. The renminbi is forecast to appreciate 4% in 2013 against the Canadian dollar and 18% by 2016.

When asked to list up to three long-haul destinations they were seriously considering for a holiday, 13% of Chinese long-haul pleasure travellers mentioned Canada in the CTC's 2012 *Global Tourism Watch*. Canada was the fourth most-mentioned destination along with the UK and behind the US, Australia and France. In 2010, Canada was also the fourth most-mentioned destination, which was likely helped by media coverage of the Winter Games and the ADS announcement. In 2011, Canada dropped back to the eighth most-mentioned destination. The improvement in 2012 suggests that Canada is on track for a higher growth rate in arrivals over the next two years.

Chinese travellers are showing more interest in Canada. As well, knowledge of Canada's travel experiences continues to grow and is linked to the increase of the independent travel segment (FIT). Australia currently has an advantage over Canada for scenery and exploring nature. The CTC's studies suggest that priority experiences include culture, nature, history, outdoor activities and family travel.

Marketers should continue to employ a mix of traditional and modern mediums to influence prospective travellers. Social media is just as important as traditional sources and other online sources for both trip planning and advocacy.

## China Market Conditions & 2013 Outlook

**The Chinese economy expanded 7.5% in 2012**, which marks a slight slowdown from the rapid expansions of 10.5% in 2010 and 9.3% in 2011. **The pace of expansion is expected to quicken again to 8% in 2013** as the global recovery gets underway and is **supported by strong growth in Chinese consumer spending (9.3%) and exports (10.2%).** Inflation, which ran as high as 5.4% in 2011, fell to 2.6% in 2012. A modest rate of 2.5% is expected in 2013 before inflation picks up again in 2014 to 3.5%. The official unemployment rate remains low and stable at 4%.

Until 2005, China operated under a fixed exchange rate regime with a strict peg to the US dollar. This has evolved into a crawling peg that has allowed the CNY to slowly appreciate 23.8% against the USD since 2005, including 2.4% last year. The CNY is forecast to appreciate 1.7% against the USD in 2013 and 9.7% by 2016**. In terms of the CAD, the CNY is expected to appreciate 3.7% in 2013 and 17.9% by 2016, improving the value perception of Canada as a trip destination.**

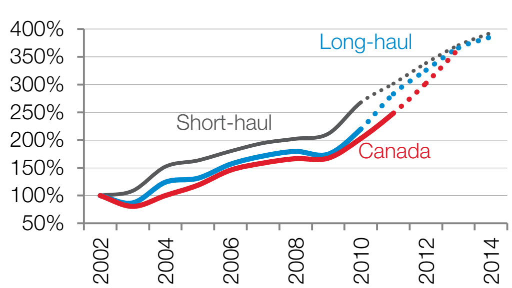
| | The China Economy | | | | |
|---|---|---|---|---|---|
| | **2010** | **2011** | **2012** | **2013** | **2014** |
| Real GDP (% yoy) | 10.5 | 9.3 | 7.5 | 8.0 | 9.0 |
| Unemployment (%) | 4.2 | 4.1 | 4.1 | 4.0 | 4.0 |
| Inflation (%) | 3.3 | 5.4 | 2.6 | 2.5 | 3.5 |
| Consumer spending (% yoy) | 11.4 | 8.5 | 8.4 | 9.3 | 9.8 |
| Exports (nominal % yoy) | 30.7 | 19.6 | 7.5 | 10.2 | 12.5 |
| Exchange rate (CNY/CAD) | 6.573 | 6.533 | 6.312 | 6.078 | 5.714 |

Source: Oxford Economics, 2013; Bank of Canada, 2013

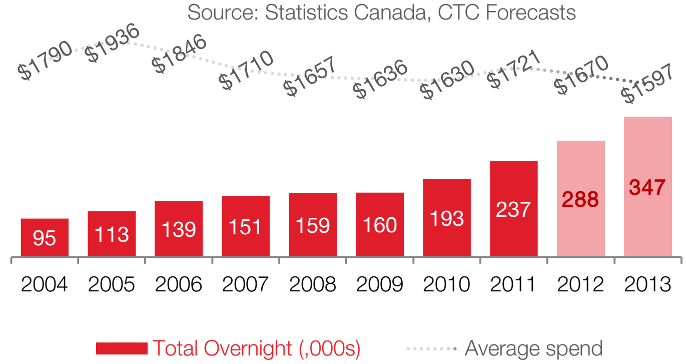
### OUTBOUND TRAVEL

Over the past decade, long-haul and short-haul outbound travel from China has nearly tripled. Growth in arrivals to Canada generally kept pace and rose 150% from 2002 to 2011. The CTC has forecast growth in arrivals of just over 20% in both 2012 and 2013, suggesting that **travel to Canada is expected grow faster than the trend growth in long-haul outbound travel over the next two years**.

**China Outbound Travel, 2002=100**
Source: Tourism Economics



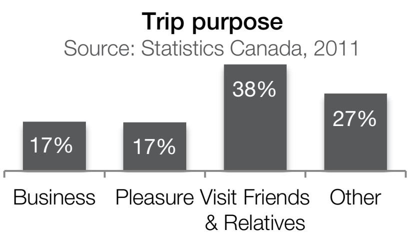

**Overnight Arrivals and Spend, 2004 to 2013**
Source: Statistics Canada, CTC Forecasts

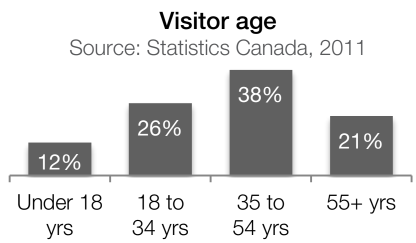


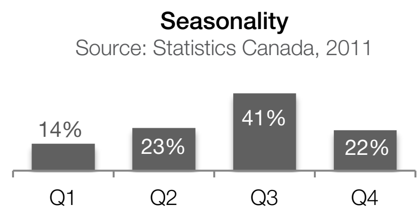
## China Travel to Canada

### TRAVELLER CHARACTERISTICS

In 2011, 55% of Chinese trips to Canada were for pleasure or to visit friends and relatives (VFR), both of which have been increasing steadily in popularity over the past decade. The largest growth, however, has come in the “other” category (now 27% of arrivals, up from about 10% a decade ago) due to **increasing numbers of Chinese students pursuing education in Canada**.



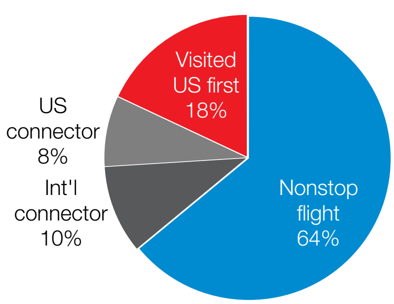




### TRAVELLER ROUTINGS TO CANADA

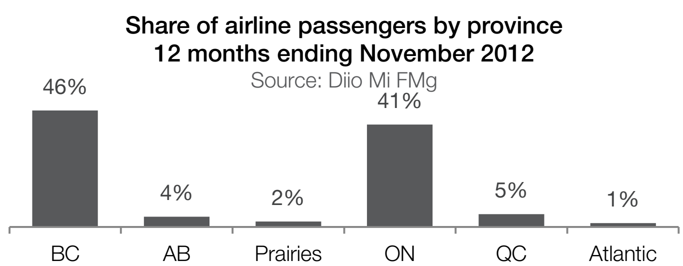
The CTC has estimated that about 64% of visitors arrive in Canada via a nonstop flight and 18% arrive following a visit in the US (11% entered Canada via land and 7% via air).

Among travellers who entered Canada via air and booked through a China-based travel agent or online retailer, 50% *first* travelled to western Canada and 41% to Ontario.

Nonstop seat capacity between China and Canada is scheduled to increase 22% during 2013, with most of the increased service commencing in June. A majority of the additional 154,000 seats (80%) are headed for Vancouver.




Source: CTC estimates based on the International Travel Survey, and air traffic data from Diio Mi FMg




**2013 seat capacity (,000s) by Canadian airport**

| | |
|---|---|
| YVR | 541; +29% vs 2012 |
| YYZ | 299; +12% |
| **Total** | **840: +22%** |

**2013 seat capacity (,000s) by Chinese airport**

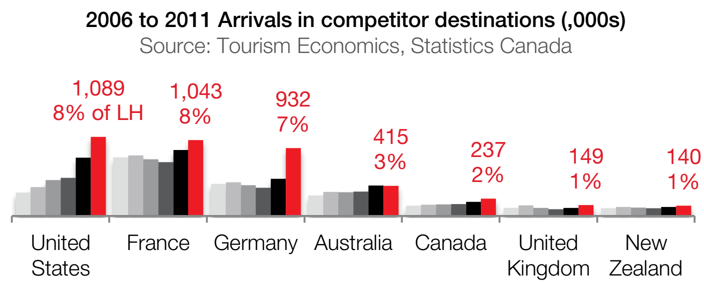
| | |
|---|---|
| PEK | 414; +24% vs 2012 |
| PVG | 312; +13% |
| CAN | 79; +39% |
| CTU/SHE | 36; +88% |
| **Total** | **840; +22%** |

Source: Diio Mi January 2013
YVR: Vancouver; YYZ: Toronto
PEK: Beijing; PVG: Shanghai; CAN: Guangzhou; CTU: Chengdu; SHE: Shenyang

## Competitive Environment

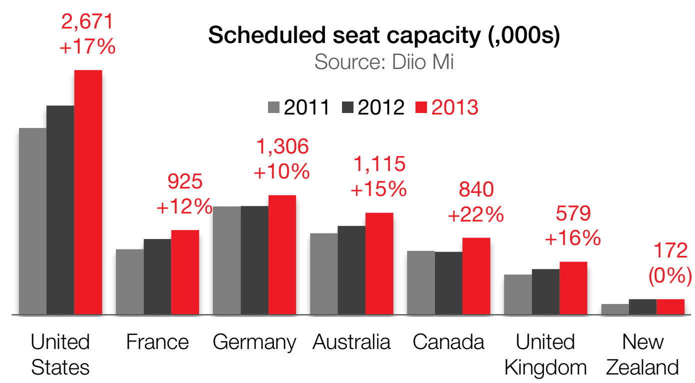
### ARRIVALS

Canada has consistently ranked fifth compared to key competitor destinations. Although visitor numbers are expected to rise in 2013 and beyond, **Canada's market share is forecast to grow only modestly and remain around 2% of Chinese long-haul travellers**.




### AIR SERVICE

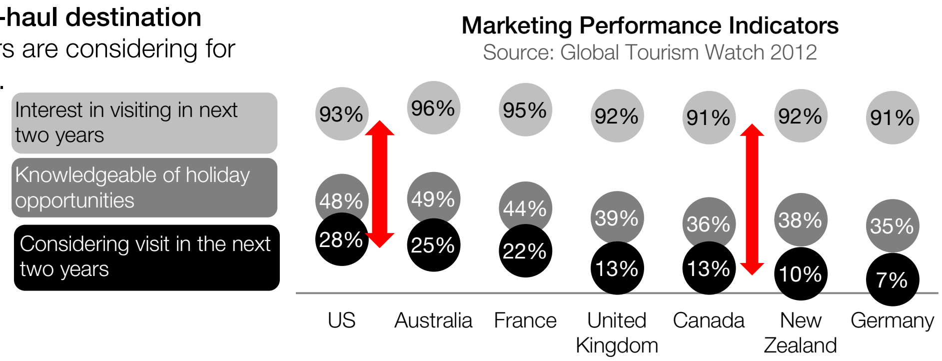
Among countries outside of northeast Asia, Canada has the ninth-largest volume of *nonstop* scheduled service with 840,000 seats during 2013. About half of China's seat capacity beyond northeast Asia stays within Asia, with the remainder split as follows: Europe 22%, US 10%, Middle East 7%, Australia 4% and Canada 3%.




### MARKETING PERFORMANCE

With 13% top-of-mind consideration, **Canada is the fourth most-mentioned long-haul destination** along with the UK that travellers are considering for a holiday in the next two years.

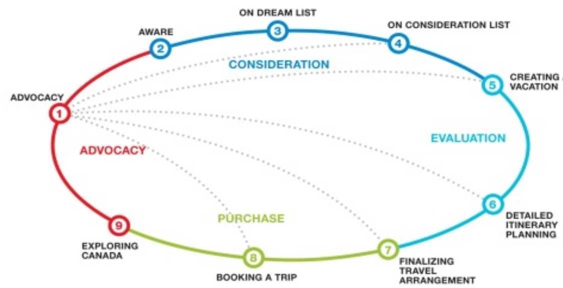
The US, Australia and France are the most-considered destinations by a wide margin.




New Zealand, Australia and France took the top three spots for three marketing indicators, although no destination stands out on any of these measures. Canada placed fourth for value for money (ahead of the US) and fifth for offering authentic and relevant experiences (right behind the US).

## Marketing along the Path to Purchase

The path-to-purchase model aids in understanding the decision journey of a traveller and the opportunity to influence it. It effectively identifies motivators and blockages to building destination awareness, consideration, evaluation and ultimately, purchase of Canada.




### TRAVELLER PROFILE

The traveller profile charts illustrate the distribution of travellers along the path to purchase:

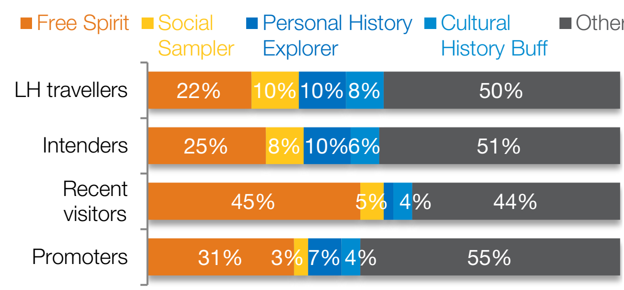
- *Long-haul (LH) travellers represent all travellers on the path to purchase.*
- *Intenders are those at the consideration and evaluation phases.*
- *Recent visitors came to Canada in the past three years for a holiday.*
- *Promoters have visited Canada at least once and are very likely to recommend Canada for a holiday.*

The **four target EQ® segments represent about half of those intending to visit Canada**. Free Spirits represent an overwhelming proportion of recent visitors.

Among Chinese travellers who have visited Canada in the past, 60% said they are very likely to recommend Canada to friends and family. The **target EQ® segments represent 45% of these promoters**.

**EQ**

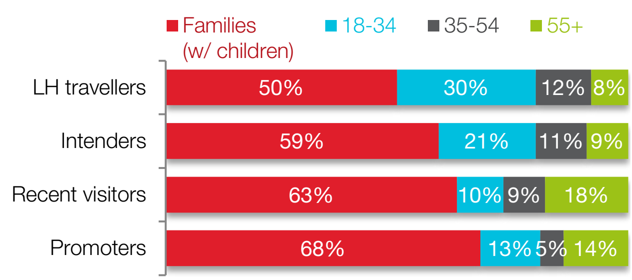
Source: Global Tourism Watch, 2012




**Families with children under 18 years** represent about 60% of both intenders and recent visitors.

**Age/Lifestage**

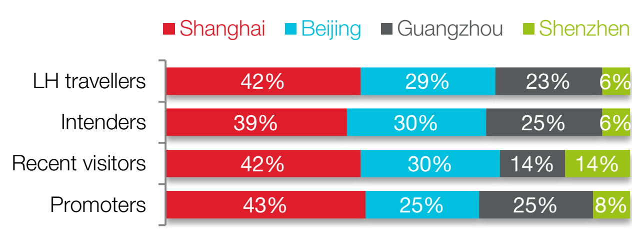
Source: Global Tourism Watch, 2012




The majority of intenders and recent visitors reside in Shanghai, Beijing and surrounding areas (70%).

**Residence**

Source: Global Tourism Watch, 2012



## Consideration: 68% of long-haul travellers

### MOTIVATORS

In a 2010 study, Chinese travellers indicated that experiencing an interesting culture, visiting historical attractions and being surrounded by beautiful, unspoiled nature were among their top reasons for choosing their holiday destination.

While Canada is perceived relatively well for nature and beautiful scenery, a greater proportion of Chinese travellers perceive Australia and New Zealand as the best places to see and explore nature.

**Drivers of destination choice**

Interesting culture
Historical sites and attractions
Beautiful, unspoiled nature
Unique
Family activities
Sense of freedom

### BARRIERS

The most-mentioned reasons preventing Chinese travellers at the consideration stage are **cost, poor weather, visa requirements and other places they would rather visit.**

## Evaluate: 30% of long-haul travellers

### MOTIVATORS

Canada's target Chinese travellers seek different experiences.

**Free Spirits** are strong-minded individuals who thrive on initiative and accomplishment but also live for travel. They like to immerse themselves in both **nature and culture** and **appreciate being pampered** while on holiday.

**Social Samplers** are **curious about the world around them**. When they travel, they are spontaneous and like to wander at their own pace **discovering places that only locals know about**. As with Free Spirits, they like to **immerse themselves in both nature and culture**.

**Personal History Explorers** also love learning about **history and culture**. They prefer **organized tours** for safety reasons and itineraries which allow them to **see everything**.

**Cultural History Buffs** want to stand in the places where **history** happened. They seek **authentic** travel experiences and prefer to **discover things on their own**.

**Travel motivators**

| Free Spirit | Social Sampler | Personal History Explorer | Cultural History Buff |
|---|---|---|---|
| Excitement | Cultural immersion | History | History |
| Experiences they cannot find at home | Spontaneous | Ancestry | Spontaneous |
| Cultural immersion | Wander at own pace | See everything | Authentic experiences |
| Lives for travel | Escape ordinary life | Organized tours | Self-discovery |
| Luxury | | | |
| Indulgence, carefree | | | |
| Sharing experiences | | | |

### BARRIERS

The same reasons preventing travellers at the consideration stage from visiting Canada persist among travellers at the evaluation stage. About one fifth of travellers at this stage (17%) say there are no reasons not to visit Canada.

SOURCES FOR TRIP PLANNING

Travellers use a mix of **traditional and online sources to plan** their trips, including traveller reviews, social networks, travel books, travel advertising, travel brochures, magazine/newspaper articles, as well as websites of NTOs, travel retailers and travel suppliers.

PLANNING TIMEFRAME

The majority of travellers **start planning their trip within three months** of travelling.

## Purchase: 2% of long-haul travellers

SOURCES FOR DECIDING WHAT TO DO IN CANADA

In choosing to visit Canada and in deciding what to do while in Canada, **recent visitors were most influenced by photos they saw through social networks**. In addition, discussions with past visitors and online sources such as traveller reviews, destination specific websites and booking sites appeared to have a strong influence.

**Influential sources**

Photos via social networks (48%)
Traveller review sites (40%)
Past visitors (39%)
Photos or videos online (37%)
Advertising for destination (35%)
Destination specific websites (33%)
Travel booking websites (33%)
Travel agency brochures (33%)

TRIP TYPE

Nearly half of recent visitors travelled on a fully escorted tour or with some guided tours, while 35% opted to travel independently.

**Trip type**

Travel independently (35%)
Combined independent travel with some guided tours (24%)
Fully escorted or guided tour (23%)
Resort stay (17%)
Cruise (1%)

BOOKING TIMEFRAME

Over 90% of recent visitors booked their holiday within three months of travelling **and almost half within one month of travelling**.

BOOKING METHOD

The **majority of recent visitors (91%) consulted with a travel agent for their holiday to Canada**. Over half of recent visitors booked their Canadian holiday with a travel agent, nearly one quarter booked their flights directly with their airline and 17% used an online retailer.

**Booking method**

Travel agent (60%)
Direct with airline (23%)
Online retailer (17%)

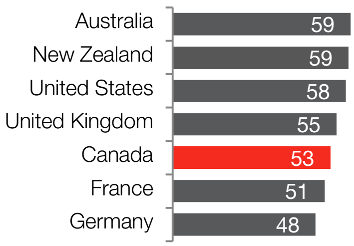
## Advocacy

TRAVELLER PROFILE

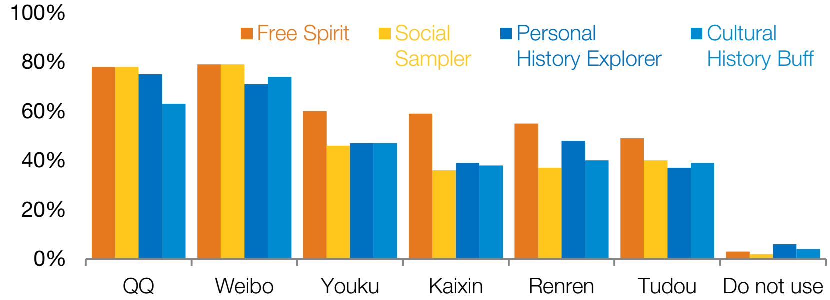
Among the 13% of Chinese long-haul travellers who have been to Canada, **60% are very likely to recommend Canada** for a holiday (promoters) while only 8% would not recommend the country (detractors), resulting in a **net promoter score of 53**. Canada places fifth among key competitors while Australia leads with a score of 59.

Online social networks can facilitate destination advocacy by providing past visitors a platform to share their experiences and opinions with like-minded prospective travellers. **The majority of target EQ® travellers use QQ and Weibo**. Youku, Kaixin, Renren and Tudou are also used extensively.

**Net Promoter Score**
Source: Global Tourism Watch 2012




**Social networks used in the past three months**
Source: Global Tourism Watch 2012




Base: Past visitors of each country
37% of Chinese LH travellers have visited Australia,
15% have visited NZ, 31% US, 15% UK,
13% Canada, 25% France and 15% Germany

## ADVOCACY WHILE EXPLORING CANADA

During their holiday in Canada, **96% of recent visitors shared their trip experiences while travelling**: two thirds through a social network via PC and nearly half with mobile devices. Almost half of recent visitors blogged about the trip while in Canada.

**Advocacy while exploring Canada**

Shared photos or messages on a social network via computer (66%)
Shared photos or messages on a social network via mobile (48%)
Blogged about the trip (45%)
Sent postcards (38%)

## POST-TRIP ADVOCACY

After returning home from their trip to Canada, 97% of recent visitors shared their travel experiences. While traditional means (in person, via e-mail) remain the dominant forms of advocacy, **over 60% of recent visitors shared photos or messages on a social network and 54% blogged** about their trip.

**Post-trip advocacy**

In person, with friends and family (71%)
Shared photos or messages on a social network (64%)
Shared photos with friends and family via email or in person (61%)
Blogged about the trip (54%)
Submitted opinions about specific attractions, hotels, restaurants (44%)

## MEDIA RECALL

Over the past year**, 96% of long-haul travellers recalled seeing or hearing information about travelling to Canada**. Social networks are mentioned nearly as often as traditional sources (TV, family and friends in person, travel books, etc.) and other online sources (online advertising, traveller reviews, etc.).

**Media recall**

Travel shows on TV (37%)
Friends and family (37%)
Travel guides/books (36%)
Friends and family via social networks (32%)
Advertising on websites (31%)
Traveller review websites (29%)
Brochures from travel agency (26%)
Magazines / newspapers articles (25%)