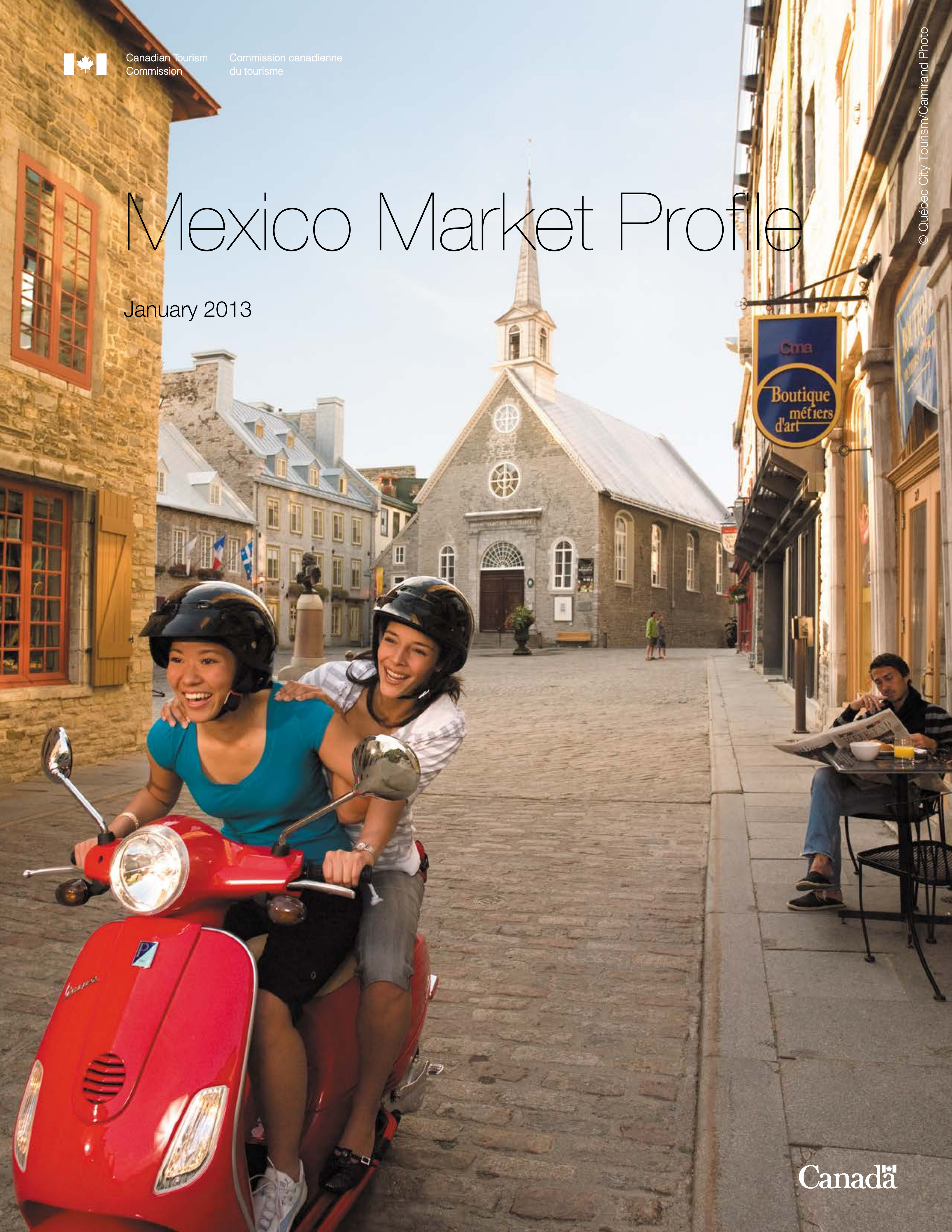
Canadian Tourism Commission

Commission canadienne du tourisme

Mexico Market Profile

January 2013



Canada

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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 Mexican visitors during 2011*
- *An overview of key long-haul competitors*
- *Highlights of marketing insights along the path to purchase.*

Please note that the Global Tourism Watch was not conducted in Mexico during 2012. The contents of this report reflect findings from the 2011 Global Tourism Watch, 2007 EQ® and 2010 Advanced Path to Purchase studies. The Global Tourism Watch will be conducted in Mexico during 2013.

Executive Summary

The Mexican market is maintaining momentum and there are strong signals that this market's recovery is on track. Following the implementation of a visa requirement in 2009, overnight arrivals declined 55% to a low of 116,000 overnight arrivals in 2010. Subsequently Canada grew arrivals by 15% to an estimated 133,000 in 2012. The CTC estimates 6% growth in 2013 to 141,000 overnight arrivals. Further good news is the promising revenue picture, with Mexicans spending more per trip. Overnight revenue from the Mexican market was up nearly 13% in 2011 to $177.3 million.

Over the past decade, outbound long-haul travel from Mexico has grown by over 40%. Short-haul travel, which includes Central American destinations and land travel to the US, has remained steady at about 12 million trips annually, which suggests that Mexicans have not switched to closer destinations and continue to look further abroad for their next holiday.

Mexico's economy is expected to remain relatively strong through 2013 and to strengthen in 2014. Inflation is forecast at 4.1%, above the Bank of Mexico's 3% target. While the Mexican peso continued to depreciate against the major currencies in 2012 (including the Canadian dollar), it is forecast to appreciate 3% against the loonie in 2013 and 9% by 2016.

In 2011, BC continued to be the most popular destination for Mexicans, followed by Ontario and then Quebec. Alberta is a distant fourth but posted a growth rate (49%) twelve times that of BC (3.5%).

Nonstop seat capacity between Mexico City and Canada is scheduled to increase 4% in 2013. An increase of 4% is also scheduled between Mexico's three urban centres (Mexico City, Guadalajara and Monterrey) and the four most important US hubs for connecting travellers to Canada (Houston, Dallas-Fort Worth, Phoenix and Atlanta). The CTC estimates that 27% of Mexican visitors to Canada arrive on a flight that connects in the US.

For destinations willing to weather the market's recovery, there is significant potential in the Mexican market. There are nearly four million long-haul travellers in that country. When asked to list up to three long-haul destinations they were seriously considering for a holiday, 21% of these travellers mentioned Canada in the CTC's 2011 *Global Tourism Watch*. Although lower than prior years, this is much higher than Canada's competitors in Europe and South America. Canada is second only to the US.

A 2010 study among Mexican travellers suggested that visiting historical sites, shopping, city activities and experiencing an interesting culture were among the most important motivators when choosing a long-haul holiday destination. The *Global Tourism Watch* identifies these travel activities as weaknesses for Canada.

Mexico Market Conditions & 2013 Outlook

Mexico's economy expanded 3.8% in 2012, which was in line with 2011 growth of 3.9%. A similar expansion of 3.7% is expected in 2013 and the pace of expansion quickens to 4.9% in 2014. The unemployment rate was low (4.9%) in 2012, and is expected to fall to 4% in 2014 as exports and consumer spending recovers. **However, inflation, which reached 4.2% in 2012, was relatively high and exceeded GDP growth**, meaning that in real terms the economy contracted slightly. This situation is expected to persist until 2014, when inflation is forecast to fall to 3.5% against higher GDP growth (4.9%).

From a currency standpoint, **the Mexican peso declined against major global currencies in 2012**, depreciating 6% against the US dollar, 4.8% against the British pound and 4.9% against the Canadian dollar. These depreciations extend the losses of the 2008-2012 period, where the MXN fell 20% against the USD and 29% against the CAD. **While the MXN is expected to be relatively stable against the USD through 2016, it is forecast to reverse course and appreciate against the CAD**, rising 3.4% in 2013 and 8.8% by 2016. This increase in purchasing power will improve the cost perceptions of travelling to Canada compared to the United States.

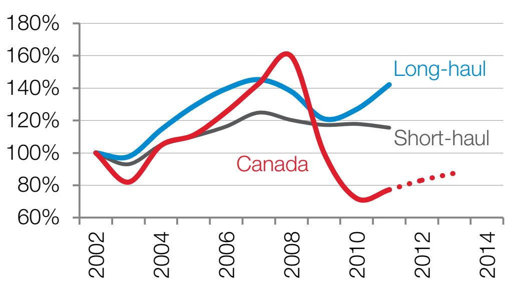
	The Mexican Economy				
	2010	**2011**	**2012**	**2013**	**2014**
Real GDP (% yoy)	5.3	3.9	3.8	3.7	4.9
Unemployment (%)	5.4	5.2	4.9	4.5	4.0
Inflation (%)	4.2	3.4	4.2	4.1	3.5
Consumer spending (% yoy)	5.0	4.5	3.5	3.6	3.8
Exports (nominal % yoy)	28.4	16.5	6.3	5.5	11.1
Exchange rate (MXN/CAD)	12.26	12.54	13.16	12.71	12.43

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

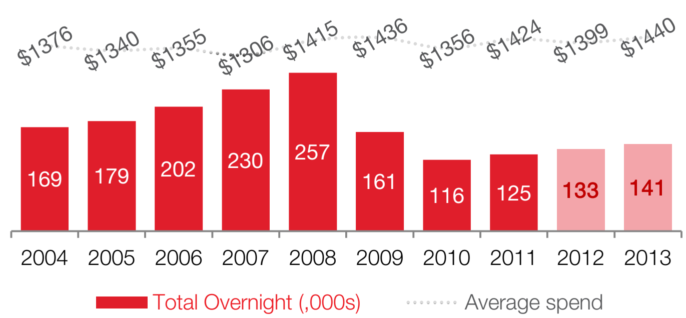
OUTBOUND TRAVEL

Over the past decade, international arrivals from Mexico to long-haul and short-haul destinations have grown 42% and 16% respectively. The volume of long-haul arrivals appears to be trending towards exceeding the previous high reached in 2007, while short-haul arrivals have stagnated. **Travel to Canada peaked in 2008 at 257,000 arrivals and then declined sharply due to the imposition of a visa requirement on Mexican tourists in 2009.** Visitor numbers have since recovered slightly from a low of 116,000 in 2010, and the CTC has forecast growth of 7% in 2012 and 6% in 2013.

Mexico Outbound Travel, 2002=100
Source: Tourism Economics, US OTTI



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



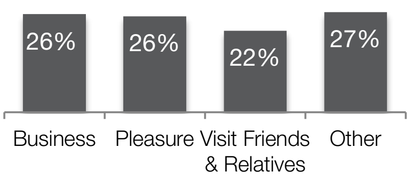
Mexico Travel to Canada

TRAVELLER CHARACTERISTICS

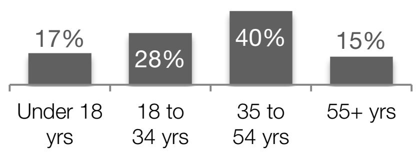
In 2011, Mexican trips were evenly split among the different trip purpose categories. **Those visiting for pleasure and to visit friends and relatives (VFR) now represent less than half of all arrivals** following the introduction of a visa requirement for Mexican travellers in 2009.

Just over two-thirds of Mexican travellers were aged 18 to 54, and a similar proportion arrived during the warmer months of Q2 and Q3. Over the past decade, **the proportion of trips made by travellers under 18 years of age has increased from 10% in 2002 to 17% in 2011**, while the proportion of trips made by those aged 55 and older has remained relatively constant.

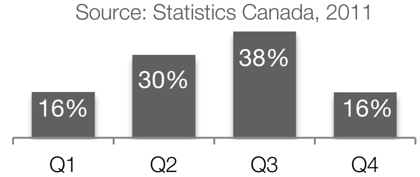
Trip purpose
Source: Statistics Canada, 2011



Visitor age
Source: Statistics Canada, 2011



Seasonality
Source: Statistics Canada, 2011

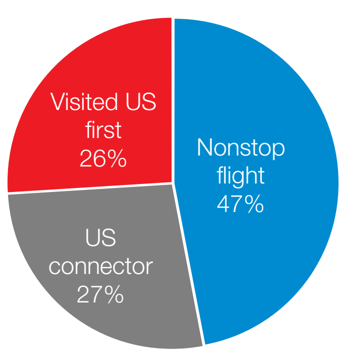


TRAVELLER ROUTINGS TO CANADA

The CTC has estimated that 47% of visitors in 2011 arrived in Canada via a nonstop flight and 26% arrived following a visit in the US (23% entered Canada via land and 3% via air).

The most important US connector points are Phoenix and Houston for western Canada, and Dallas-Fort Worth and Atlanta for Ontario and Québec.

Nonstop seat capacity between Mexico City and Canada is scheduled to increase 4% in 2013.



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

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

YYZ	86; +3% vs 2012
YUL	50; +6%
YVR	41; +5%
Total	**177; +4%**

Source: Diio Mi. January 2013

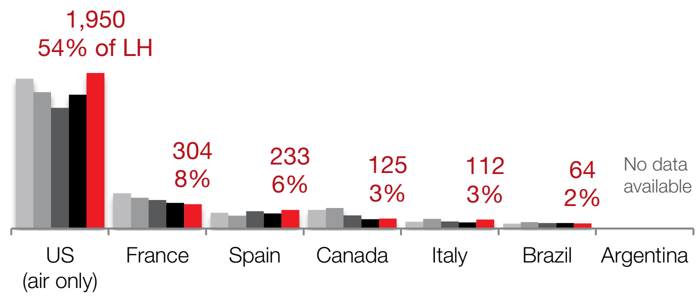
YYZ: Toronto; YUL: Montréal; YVR: Vancouver

Competitive Environment

ARRIVALS

The Mexican market remains strongly US-focussed, even when only air arrivals are considered. Canada was the third most popular destination for Mexican travellers until 2009, when it slipped to fourth place behind the US, France and Spain after a change in visa requirements.

2007 to 2011 Arrivals in competitor destinations (,000s)
Source: Tourism Economics, Statistics Canada, US OTTI



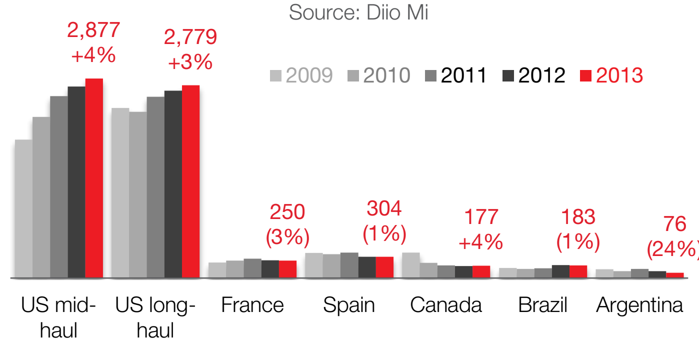
AIR SERVICE

In this report, Mexico long-haul travel is defined as destinations outside of Mexico and Central America. Seat capacity figures reflect *nonstop scheduled* service from Mexico's three largest urban centres: Mexico City, Guadalajara and Monterrey.

The **US represents almost three quarters of long-haul seat capacity**, evenly split between mid-haul and long-haul states. US mid-haul is defined as Florida, Georgia, North Carolina, Louisiana, Texas and Arizona.

Seat inventory to Canada declined 50% since 2009 and Canada's share of long-haul seats fell from 5.6% in 2009 to 2.3% in 2013.

Scheduled seat capacity from MEX/MTY/GDL (,000s)
Source: Diio Mi

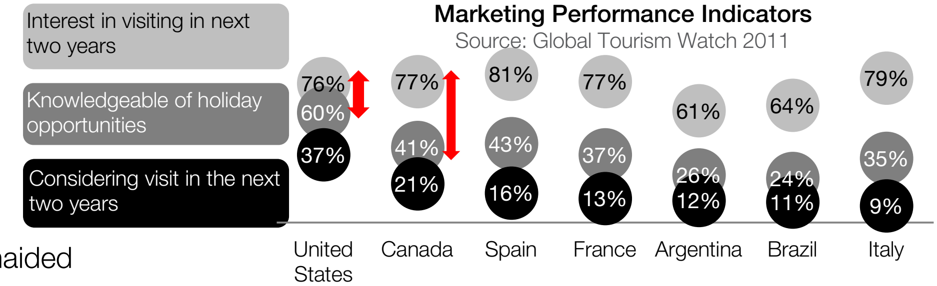


MARKETING PERFORMANCE

Canada is generally sitting in second place on three key marketing indicators.

The US leads by a wide margin on destination awareness and unaided consideration.

Marketing Performance Indicators
Source: Global Tourism Watch 2011



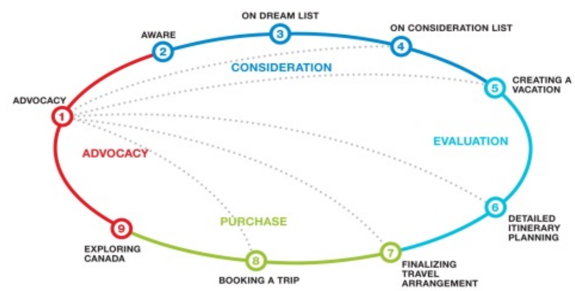
On four key brand and value measures, perceptions of Canada have weakened since 2007. In particular, **affordable to get to by air dropped nearly 10 points**.

The 2013 Global Tourism Watch will measure Canada against key competitors to provide a better understanding of how Canada is perceived relative to other destinations.

Brand and Value Perceptions
Source: Global Tourism Watch, 2011

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:

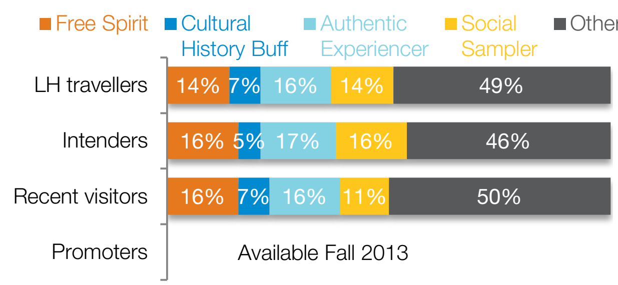
- *Long-haul (LH) travellers represent all travellers on the path to purchase.*
- *Intenders are those at the consideration and evaluation phases.*
- *Recent visitors came to Canada in the past three years for a holiday.*
- *Promoters have visited Canada at least once and are very likely to recommend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

In the 2011 Global Tourism Watch study, the four **target EQ® segments represented 54% of intenders and 50% of recent visitors**.

Canada attracted a **greater proportion of recent visitors composed of families with children under 18 years** and a smaller proportion of singles and couples between 18 and 34 years.

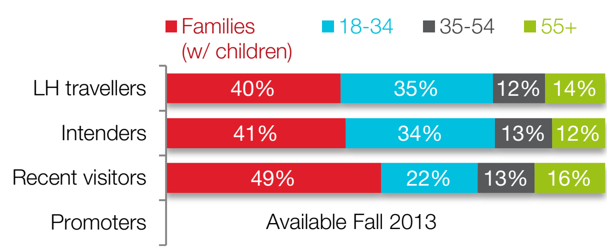
EQ

Source: Global Tourism Watch, 2011



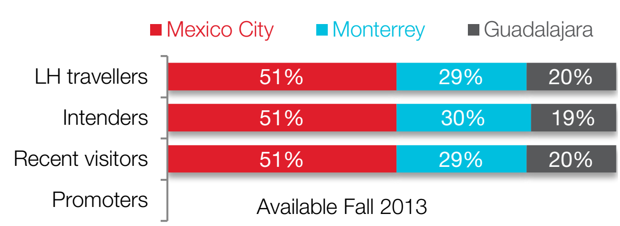
Age/Lifestage

Source: Global Tourism Watch, 2011



Residence

Source: Global Tourism Watch, 2011



Consideration: 78% of long-haul travellers

MOTIVATORS

In a 2010 study, Mexican travellers indicated that visiting friends and relatives, seeing historical attractions, experiencing an interesting culture, shopping and city activities were among their top reasons for choosing their holiday destination. The CTC will further explore travel motivators among Mexican travellers in an upcoming Advertising Evaluation study.

Drivers of destination choice

Visiting friends and relatives
Historical attractions
Shopping, city trips
Interesting culture
Family activities
Entertainment

BARRIERS

Travellers at the consideration stage indicate that **affordability**, **visa requirements and not having enough time** as reasons preventing them from visiting Canada.

Evaluate: 20% of long-haul travellers

MOTIVATORS

Canada's target Mexican travellers seek different experiences.

Free Spirits are attracted to **fun and exciting** experiences they cannot find at home, especially ones that keep them **outdoors**. They are pleasure-seekers with hectic lives, and appreciate being **pampered**. Although they prefer travelling with others, they also **don't want to be tied to an itinerary**.

Cultural History Buffs always research the **history** of the places they visit. They enjoy **immersing themselves in the local culture** and visiting a destination's **natural wonders**. They prefer travelling independently, which gives them freedom for spontaneity.

Authentic Experiencers seek authenticity and **mixing with locals to experience the "real thing"**. They are interested in learning about the **history** of the places they visit and **learning in general**. They are not just looking to escape from their daily life; they truly want to have **new experiences** when they travel.

Travel motivators

Free Spirit	Cultural History Buff	Authentic Experiencer
Excitement	History	History
Unstructured travel	Natural beauty	Cultural immersion
Experiences they cannot find at home	Cultural immersion	Authentic experiences
Indulgence, carefree	Spontaneous	Learning
Fun	Lives for travel	New experiences

BARRIERS

A 2010 study suggests that the barriers remain the same as those identified in the consideration stage, with greater emphasis on travellers not having enough time.

SOURCES FOR TRIP PLANNING

While Mexican travellers use a mix of sources to plan their trips, more and more are turning to **online sources for information that include** online retailers, destination-specific websites, as well as websites of hotels, airlines and attractions. **Travel advertising** and **print mediums** (travel books, brochures, and magazine/newspaper articles) also play a role in the planning process.

Purchase: 2% of long-haul travellers

BOOKING TIMEFRAME

Though Mexican travellers generally tend to book late, the visa requirement has shifted the booking period for Canada to at least one month prior to travelling. Tour operators start promoting Canada at least six weeks before the high season starts.

BOOKING METHOD

A 2010 study suggested that 40% of travellers used a travel agent to book their flights to Canada, one third booked direct with an airline and about 15% used an online retailer. It is believed that online retailers have grown in importance since 2010.

Advocacy

TRAVELLER PROFILE

Over the coming year, the CTC will provide more information on how recent visitors share their Canadian holiday experiences with others and the role of social networking sites.

MEDIA RECALL

The CTC's 2011 Global Tourism Watch study reported that **over 90% of Mexican long-haul travellers recently recalled seeing or hearing information on Canada**. In-flight magazine articles, TV travel shows, travel/destination websites and word of mouth were the most recalled sources of information.

Media recall

- In-flight magazine articles (48%)
- Travel shows on TV (47%)
- Travel/destination websites (42%)
- Word of mouth e.g. from friends and family (38%)
- Magazine articles (29%)
- Magazines/Newspapers advertising (25%)
- TV advertising (23%)
- Movies filmed in Canada (23%)