DESTINATION CANADA

Global Tourism Watch

2015 Japan Summary Report

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1. Introduction

Destination Canada (DC) began conducting the annual Global Tourism Watch (GTW) program in 2007. The primary purpose of this research program is to expand the base of consumer-based intelligence in twelve core markets around the world[1].

The overall objectives of the GTW study are to:

1. Monitor awareness, travel intentions, and other key market indicators for Canada and the regions;
2. Assess perceptions of Canada and track brand performance against the competitive set over time;
3. Identify the general experiences sought by travellers, assess Canada's competitive positioning on key products and identify growth opportunities;
4. Identify motivators and barriers for travel to Canada; and,
5. Explore the role of advocacy in the tourism context.

In response to a rapidly changing travel marketplace, DC and TNS worked together to substantially revise and update the questionnaire prior to the 2014 fieldwork. This was done to better reflect current travel realities and to gather more in-depth information on Canada's competitors in each market. The new GTW data permits direct comparison of Canada to those competitor countries unique to each market. The revised 2014 survey was used as the basis for the 2015 survey with minor modifications.

This particular report focusses on the Japanese market. DC has designated the US, France, Italy, Germany, Australia and New Zealand as the primary competitor destinations when it comes to attracting Japanese travellers. These destinations will represent the primary points of comparison for Canada throughout this report.

Methodology

In 2015, a web-based panel survey was conducted by TNS. The target population for the online survey was residents aged eighteen years and older, who had taken an international pleasure trip where they had stayed at least one night in paid accommodation in the past three years, or intended to take such a trip in the next two years. Data were gathered from 1,498 respondents in Japan, including 198 recent visitors to Canada, from late July to early September, 2015.

1 Identified by Destination Canada as the international 'long-haul' markets of: Australia, Brazil, China, the UK, Germany, France, India, Japan, Mexico and South Korea, as well as the US and the domestic Canadian market.

2. Strategic Considerations

The key strategic considerations for Canada arising from the 2015 results of the study of Japanese long-haul travellers are summarised below.

- Recent economic data suggest that the Japanese economy is sputtering and on the brink of a small-scale recession, despite the Japanese government's best efforts to encourage spending and raise inflation. In an economy that is particularly consumer-driven, Japanese households are feeling the pinch. This is apparent when focusing on long-haul travel trends: in recent years, fewer Japanese have elected to travel outside their country. This trend has been very gradual, however. Canada, as a destination, seems to be bucking this decline. Recent figures suggest that Japanese arrivals to Canada are on the rise, albeit from a relatively small base, and still well below the peak levels noted several years ago. Since future outbound volume estimates for Japan are positive (reversing the recent negative trend), Canada is well positioned to continue to attract larger numbers of Japanese visitors. By taking advantage of this growth through ensuring an optimal travel experience, Canada can increasingly reap the benefits of advocacy among Japanese visitors, particularly if both online and traditional means of advocating are encouraged.

- Even though this study indicates immediate potential for visitors to Canada has increased substantially in 2015, the weakening of the Japanese Yen since 2013 combined with tough economic conditions and a recent downward trend in Japanese long-haul travel in general present a warning sign. The Japanese economy and the Japanese travel market are fragile and, although growth in outbound travel is expected over the next few years, it is by no means assured. Proactivity is, therefore, strongly recommended. Canada should aim to differentiate itself further from destinations in the competitive set in ways that are particularly meaningful to the specific traveller cohorts and segments it wishes to attract. It can achieve this by customizing its approach intended to highlight its uniqueness, altering the message and the channels used based on the age of the market segment targeted (possibly in combination with EQ). A message centered on relaxation, guided/structured touring and learning, transmitted via more conventional means, such as guide books or content in traditional media, can be designed to target older travellers. Younger travellers can be told of Canada's exciting urban lifestyle while making the most of its natural beauty through physical activities under the theme of adventure via social media and travel review websites. The point, here, is not that Canada's product needs upgrading or even elevation to a higher profile. The key to success seems to lie in most effectively using the considerable resources at hand to customize experiences communicated to desirable consumer segments and to target those groups more precisely relative to the competition. Customization and targeting will likely maximize ROI.

- Japanese long-haul travellers' perception of the value of Canada's offer has improved since 2013, both in terms of value and price, but they are not yet ready to place Canada ahead of Italy and France in this respect. This result does not appear to be a function of Canadian Dollar exchange rate differences versus the Yen. The relative value of the two currencies varied by only a few percentage points between the 2013 and 2015 surveys. Therefore, there would be little impact on the price of a Canadian trip beyond inflation. However, Canada probably does benefit from a stronger US Dollar, making some trips to Canada more price competitive versus US alternatives.

- Canada's value ranking is by no means a negative: considering its location in relation to Japan and the cost of air travel, but there is some opportunity for improvement. To reiterate, this might be realized by using the wider array of communications tools now available to Destination Canada to effectively target limited marketing funds to specific segments of interest, putting a premium on positive points of experience differentiation. This micro-marketing approach could be complemented by online mechanisms geared to moving consumers more swiftly along the path to purchase. The current period would appear to be the ideal time to leverage new technologies and marketing approaches to Canada's advantage. Enhanced appreciation and differentiation are particularly needful and opportunistic in the context of the US as a competing long-haul destination.

- Canada needs to take a somewhat customized approach with older Japanese travellers. It can be argued that this segment of the Japanese market is not exploited to its full potential—particularly given how strongly they are drawn to travel. In comparison with most other industrialized nations, the population of Japan skews older and Millennials do not offer opportunities on the same scale as they might in other markets. The size of the fifty-five-and-over segment is growing and will become the largest segment of the Japanese traveller population in the next few years. What they are seeking in terms of travel experiences and overall value is different from younger and middle-aged travellers. They are looking for more relaxing pursuits where they can still be exposed to the best of what Canada has to offer in terms of scenery and urban living and to conveniently do so at their own pace as opposed to less conventional, adventurous pursuits that allow travellers to be active. They have more resources to dedicate to travel and are more likely to gravitate towards the higher-end of travel product offering than are their younger counterparts.

- While Japanese long-haul travellers consider Canada's principal allure to lie in its natural beauty and scenery, they, perhaps more than others, also visit Canada to get the most from the rich urban experiences that this country has to offer. They fulfill this desire by taking part in city vacations that involve city tours, museums and entertainment. Thus it is important to market Canada's unique and outstanding natural attractions in conjunction with the rich urban experiences it has to offer, and provide opportunities to experience both on the same trip.

- Although Canada's main draw in the eyes of Japanese travellers is its natural beauty and scenery, this fascination is often more strongly manifested by the older Japanese traveller, especially in the context or more traditional, more passive pursuits that entail "soaking in the sites" as opposed to "living an adventure." Canada can still exploit the natural assets for which it is best-known to engage the younger Japanese traveller. The aforementioned size limitations of this younger market segment were stated in relation to the 55-plus market, but the younger market still bears valuable opportunity. When marketing to younger potential visitors, Canada must present itself from a different perspective that emphasizes rich cosmopolitan experiences while being able to actively enjoy its natural splendour. Canada can take a different approach to market *the use* of its natural beauty and scenery to younger travellers through more physical and adventurous activities, such as kayaking, camping, fishing or snowshoeing, to name a few. The dual nature of the draw (urban and outdoor) also provides a wide palate of attractions to address the desire of younger travellers to embrace experiential diversity.

- Considering the role advocacy has to play in helping potential Japanese long-haul travellers in selecting a vacation destination and Canada's strong position in relation to other competitive international destinations with respect to positive word-of-mouth, Canada is subject to near-ideal circumstances for the development of a strategy based on advocacy that employs social media and other sources trusted by Japanese travel consumers, such as travel review websites. In Japan, peers can be an effective, yet relatively inexpensive marketing tool.

3. Key Observations

The following section summarises the key points of interest from the 2015 survey of Japanese international pleasure travellers.

Key findings:

- Japanese long-haul travellers are more optimistic about future travel in 2015 with 31% of them believing they will travel more in the next two to three years than they have in the previous two or three years. This represents an increase of 5% over results observed in 2013. Furthermore, slightly more than one-quarter (27%) also believes they will spend a little more on travel outside Japan over the twelve months following the study. Early data on visits to Canada show a rise in Japanese visitors (increase of 4%) in the first eight months of 2015 over the first eight months of 2014. The increase is even greater when comparing the first eight months of 2015 to the same period in 2013 (increase of 18%) (Statistics Canada, 2015). Moreover, survey results indicate the immediate potential[2] for Canada has risen by six percentage points from 2013 (19% to 25%). This suggests a response to Canada as a destination that goes against the general trend characterizing Japanese long-haul travel observed in the past few years. Japanese long-haul travel, regardless of destination, has decreased gradually since 2013, and this decline continues in 2015, though it is expected to reverse course in the short-term (Japan National Tourism Organization, 2015).

- Japanese travellers' knowledge of Canadian travel opportunities is comparable to that of most destinations of the competitive set[3], but behind that of the United States. On the other hand, this sense of familiarity or knowledge is improving; the percentage of those rating their knowledge of Canada as either 'excellent' or 'very good' rose from 15% in 2013 to 19% in 2015.

- Aided interest in taking a trip to Canada remains high (74%) in 2015 and is on par with all other countries of the competitive set (range of 71% to 76%). Aided interest is notably higher among younger travellers and those with friends or family in Canada. Unaided consideration of Canada has also remained stable and currently sits at 4% (versus 3% in 2013), which places Canada in 13th place among all countries, and ahead of Germany and New Zealand.

- Advertising recall for Canada is similar to recall of communication efforts by European nations of the competitive set, but lags behind those of the US and Oceania. Japanese travellers who could recall advertising were significantly more likely to believe there are "many good reasons" to visit Canada (71% vs 40%) suggesting the advertising has the

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[2] Respondents who indicate they will definitely / very likely visit Canada in the next two years.
[3] The competitive set includes: Italy, Australia, the US, France, Germany and New Zealand.

potential to move them further along the path to purchase by resonating well among those with pre-established interest in Canada or by actually increasing interest in Canada. Interestingly, more than four-in-ten Japanese travellers could not recall any advertising for destinations covered in this study.

- Japanese long-haul travellers' perception of the value Canada has to offer is essentially unchanged from 2013. However, Canada's standing vis-à-vis other destinations of the competitive set is much better than the last time this study took place[4]. Whereas Canada ranked fourth on all value attributes in 2013, it has now surpassed Australia and trails only Italy and France on three of the four value attributes. Only on "a destination I would pay a little more for" does Canada also trail Australia, along with Italy and France. Canada's top-three-box scores on value attributes have climbed 5%-6%, thus resulting in the improved rank.

- Price perceptions have also improved somewhat since 2013. As is the case for value attributes, top-three-box scores given price attributes have increased 5%-10%. As a result, Canada's ranking for being "a place that offers good value for money" has risen two spots, going from fifth to third; its ranking for being "a destination with reasonable prices for food, entertainment and accommodation" has also risen two spots, going from sixth to fourth. Only on being "a destination that is affordable to get to by air" has Canada lost ground, going from fourth to sixth among nations of the competitive set. On the other hand, Canada's top-three-box score on this attribute has increased substantially, going from 15% in 2013 to 24% in 2015. In real terms, Japanese perceptions of the affordability of travel to Canada by air have improved; only in relative terms does this perception appear diminished.

- Recent travellers to Canada went on city or touring vacations or came to see family and friends. While in Canada they enjoyed guided tours both in and around the city, hiking and wildlife viewing. The most popular places visited included World Heritage sites, historic sites or buildings and national or provincial parks, regardless of age; however younger visitors were more inclined to visit amusement parks, art galleries, casinos, wineries and breweries. Their trip experiences are more diverse.

- Among those currently considering a trip to Canada, the most exciting or intriguing aspects of their potential visit are those associated with the scenery and natural beauty (58%), but notably more so among those aged fifty-five or over (74%). The desire to see beautiful scenery and landscapes is significantly higher among the older age group, compared to those under thirty-five. This is not to say the younger traveller doesn't appreciate the natural beauty of Canada, rather it speaks more to their drive to find the balance between witnessing the nature/natural beauty alongside living urban and culinary experiences.

[4] It is worth noting that Canada is being compared on price to long-haul destinations in Europe and Australasia.

- Potential Japanese travellers to Canada are drawn more towards British Columbia (42%) and Ontario (33%). The combination of interest in nature/scenery with interest in Vancouver and Toronto again indicate a desire for a hybrid experience that combines enjoyment of the great outdoors with the cosmopolitan atmosphere of two of Canada's best known cities.

- No single factor represents a barrier to visiting among those considering a trip to Canada. Moreover, a considerable proportion of Japanese travellers stated there are no factors that would bar them from visiting. The four barriers stated most often include the cost (17%), the distance (15%), the lack of time (11%) and the lack of knowledge about Canada (10%). Among these barriers, knowledge is critical. Japanese consumers have a general sense of what Canada has to offer and better perceptions of value, but not necessarily in sufficient detail to differentiate Canada in a positive way from the competition, particularly the US. Interest in Canada can be increased by promoting uniquely Canadian experiences in an effort to raise knowledge and boost appeal.

- The three other barriers (cost, distance, lack of time) are connected to one another. Investigating these links may be helpful in dispelling these barriers and configuring offers and packaging that are sensitive to cost and time constraints. Altering perceptions regarding distance is not possible, but it is possible to change perceptions regarding price/value, the ease of getting to Canada, as well as experiencing something of value in a compressed time frame.

- Nearly one-third of Japanese travellers who have visited Canada on at least one occasion would recommend it as a vacation destination to a friend or relative, which is a level of endorsement similar to that associated with Italy, Australia and the US, but that is lower than New Zealand. While these results indicate there is room for improvement in terms of promoting Canada through advocacy, the situation witnessed in 2015 has remained stable in relation to what was observed in 2013.

- The Net Promoter Score is a measure of the level of satisfaction travellers felt towards their vacation experience. Understanding why some Japanese visitors felt they could not recommend Canada, or were reluctant to endorse it, could provide greater understanding of their expectations and why they might feel they were not met. Between 2013 and 2015, the Net Promoter Score for Canada decreased by 2 points, going from -5 to -7, which may appear to be negligible at first glance. However, in the same year, the Net Promoter Score fell sharply for four of the six nations in the competitive set; only New Zealand and the US managed to keep their scores stable.

- Canada's biggest advocates are those between the ages of eighteen and thirty-four and those with friends and family in Canada. Among those travellers who have not yet visited Canada, the level of advocacy is understandably lower, but still quite positive; 12% would recommend visiting Canada whereas 62% would not. At first sight, this may not look particularly positive, however looking at the results among competitive international destinations, Canada is comparable in this regard. Regardless of destination, advocacy among those who have never visited is in the range of 10%-13%. While the views of non-visitors are not, of course, based on first-hand experience, they speak to perceptions of Canada, and underlying goodwill concerning what it potentially offers visitors. Even advocacy among those with only indirect knowledge is still of influence to the broad market and is critical to stimulating viral advocacy.

- The importance of advocacy is highlighted by the fact that friends and family are the most influential source of information and advice when it comes to choosing a vacation destination. Travel guides or books and travel review websites are also extremely influential in helping potential long-haul travellers decide where to go. This is encouraging news for Canada's marketers whose marketing budgets are dwarfed by those of many international competitors, as these are relatively low cost options compared to more traditional advertising methods of television and print. It suggests that targeted advertising via select agents and digital media can be quite effective.

- The least influential sources of information, according to Japanese long-haul travellers, are television advertising, outdoor advertising and radio programming or advertising. We know that consumers do tend to under-rate the influence of paid-for advertising on their purchase decisions and we also know that these mass media can often be critical to maintaining widespread cognitive presence. However, these aren't the trusted sources[5] that consumers rely upon for independent[6]and unbiased guidance when it comes to making a final choice and "closing the deal". As such, the generation of positive word of mouth from trusted sources, such as social media, online review sites, and authoritative sources of content should be a key part of the communications strategy.

[5] Trusted sources are those which the consumer *perceives* to be independent (i.e., not sponsored), and whose opinion is *valued*. This could be friends and family, or independent travel review websites, articles in newspapers or magazines, or TV travel shows, for example.
[6] Some sources that are *perceived* to be independent by consumers i.e., not sponsored or endorsed directly by an organization or corporation, may in fact be largely *content marketing*, but the consumer may perceive it as 'independent'.

4. Market Health and Outlook

Background

The Japanese economy

Japan remains the world's third largest economy, with a GDP of US$4.6 trillion in 2014, behind the US (US$17.4 trillion) and China (US$10.4 trillion) (World Bank Group, 2015). The value of Japan's GDP represents 7.4% of the world economy, but GDP is down 0.1% from 2013 (World Bank Group, 2015). The Japanese economy shrank 0.2% in the third quarter of 2015, the same as the 0.2% drop recorded in the second quarter of 2015 and worse than the expected decline of 0.1%. GDP shrank for the second straight quarter as a rebound in exports was not able to offset a fall in capital expenditure (Cabinet Office of Japan, 2015). In terms of economic growth, 2015 has proven lackluster, failing to meet expectations, and this slowdown has likely impacted the outbound travel market.

Japanese policymakers are clinging to the hope that companies will use the record profits they earned from a weak yen and lower energy costs to boost wages and investment, generating a positive cycle of rising income and higher spending. But a recent batch of soft data has cast doubt on such optimism and the Bank of Japan's argument that a steady recovery will help accelerate inflation to its 2% target by around September next year (CNBC, 2015).

Earlier in 2015, economic indicators pointed towards Japan's economy pulling out of recession more slowly than expected, with soft spending by businesses and consumers underscoring the challenges facing Prime Minister Abe as he tries to steer the nation to a robust recovery. Mr. Abe still faces a difficult balancing act as he tries to get prices and wages to rise at the same time. Sustainable expansion depends on instilling confidence in consumers who account for around 60% of the economy, and whose wages have been rising more slowly than prices for more than a year (Warnock, 2015).

After hovering in the two- to three-percent range over 2014, inflation fell sharply after the first quarter of 2015, coming in at 0.6% and declining at a slower but steady pace since. This is the lowest figure since May of 2013, when inflation was recorded at -0.3 percent (Trading Economics, 2015). Before the decline in inflation witnessed earlier this year, inflation had become a notable concern for Japanese consumers. Prime Minister Abe came back to power in 2012 vowing to drag Japan out of deflation and stagnation. His logic was that rising prices would drive higher salaries and increased consumption. Leading to the start of 2015, prices were rising, but wages adjusted for inflation had sunk to the lowest since at least 1990. A record 62 percent of Japanese households had described their livelihoods as "hard" in a 2014 survey on incomes. A sales-tax increase in 2014 helped drive up living costs faster than wage gains. At the same time, the Bank of Japan's quantitative easing drove down the currency, boosting the cost of imported energy. This made fresh food and other daily necessities more expensive (Ujikane, 2015).

Japan's unemployment rate has been hovering in the range of 3.3%-3.4% during the middle-two quarters of 2015, the lowest this rate has been over the previous eighteen years. Japan has likely achieved the status of full-employment, where its unemployment rate can no longer decrease without igniting strong inflationary pressure. The unemployment rate is expected to continue to decline towards the three-percent mark by the end of the first quarter of 2016 (Japan Macro Advisors, 2015).

Two key issues to consider in 2016 include lagging consumer confidence and the relative buying power of the Japanese in the context of a consumer-driven economy that is growing at a slow pace. Japanese consumers' perceived limited purchasing ability will work against economic growth and these conditions will most likely have an impact on outbound travel.

Travel trends

The following section is a review of the key trends related to the Japanese tourism market identified through secondary research conducted for this report.

- Historically, Japan has been, and still is, one of the top 15 outbound tourism markets in the world (International Trade Administration, 2015). The number of Japanese travellers visiting locations outside of Japan totaled 17.5 million in 2013, nearly 1.6% of all global outbound travel. In 2014, the number of outbound travellers declined 3.3% to 16.9 million. The latest figure for 2015, covering January to October, is lower when compared to the same period in 2014: 13.5 million Japanese travelled outside Japan in the first ten months of 2015, a decline of 4.5% versus the same period in 2014 (Japan National Tourism Organization, 2015).

- During the first half of 2015, major travel agencies experienced a year-on-year decrease of overseas travel sales. Japanese overseas departures during the second quarter of 2015 were down by 4.9%, continuing the downward trend observed in the previous quarter. The impacts of disease outbreaks, terrorist attacks and the weaker Yen have contributed in maintaining the trend of weak consumer confidence (Japan Association of Travel Agents, 2015).

- In 2013, travellers from Japan spent $21.8 billion when travelling abroad, a decline of 22 percent when compared to the previous year. Japanese spending overall has declined by almost 32 percent since 2000 (UNWTO, 2015). Japan now accounts for more than 1.8 percent of global tourism expenditures. This positions Japan as the world's 13th largest spender on international travel and tourism. (International Trade Administration, 2015).

- In spite of the decrease observed in 2015, the number of outbound trips is expected to increase by a two percent compound annual growth rate to reach 19.1 million in 2018. Growth will be supported by expanding capacity among low-cost air carriers and stronger demand from senior travellers (International Trade Administration, 2015).

- Currently, Japan outbound travel is the second largest in the Asia-Pacific region behind China, but South Korea is projected to overtake Japan sometime in 2019. Similarly, if the forecasted growth rates persist past 2020, India will in turn overtake South Korea to be the second largest outbound market by 2022, behind China (Choong, 2014).

- Within the Japanese outbound travel market, the senior travel segment shows especially good growth potential. While the overall size of the Japanese population will slowly decrease, the number of people aged 60 and over is steadily increasing.

Projections indicate that by the end of 2015, one out of every three people in Japan will be over the age of 60, which equates to roughly 42 million people (of the total population of 127 million). These seniors have time, money and energy to spend on leisure travel and are the best match for long-haul destinations (International Trade Administration, 2015).

- Another opportunity to attract visitors from Japan is special interest tours (SIT). The Japanese are very focused on this segment, and participate in tours that emphasize such interests as: spectator sports, sports activities, art and cultural tours, going to concerts and theaters, UNESCO World Heritage Site tours, hobby tours, gourmet tours and cruises (International Trade Administration, 2015).

- About 80% of outbound trips in Japan are accounted for by households earning above US$50,000 per annum in 2014. This range accounts for about 65.4% of all households and suggests that outbound travel is quite evenly spread across income levels. Projecting forward to 2020, outbound travel growth will come from the households earning between US$25,000-US$70,000 (62% of households are in this category and they account for 42% of all outbound travel). The total number of Japanese households is slowly declining but households in this income bracket are still increasing (albeit at a very low rate of growth) (Choong, 2014).

- Three of the top 20 aspirational destinations for Japanese travellers are domestic (Okinawa, Kyoto and Hokkaido). This suggests there is still some pent up demand for domestic travel which competes with international travel for the overall household travel budget and may explain, in part, why the trend for outbound travel is falling behind that of South Korea which has no domestic locations within its list of aspirational destinations.

- The top five long-haul destinations for Japanese travellers in 2014 were the US (3.6 million), China (2.7 million), Korea (2.3 million), Taiwan (1.6 million) and Hawaii (1.5 million). Canada was the 21st most visited destination in 2014 with 258,000 Japanese long-haul travellers (Japan Tourism Marketing Co., 2015).

- During 2013, Canada welcomed 238,000 Japanese travellers, placing Japan in 7th place among outbound visitors to Canada. Japan's rank remained the same in 2014, but it supplied 277,000 travellers, up 16% from the previous year. In 2015, between January and August, 190,000 Japanese travellers visited Canada, which represents an increase of 4% over the first eight months of 2014 and an increase of 18% over the same span in 2013 (Statistics Canada, 2015). As a point of reference, Japanese visitation to Canada peaked at 650,000 in 1996.

All of these trends and factors combined with the economic background of stalling economic growth and unstable inflation provide a somewhat uncertain environment in terms of outbound travel, though the number of Japanese outbound travellers is set to rise over the coming years. With its two-pronged offer that combines the best of its natural beauty with its world-class urban experiences, Canada is in a desirable position to differentiate itself further from the competition and win share in this environment.

5. Market Potential

The size of the overall target market of Japanese international travellers remained stable compared to 2013. However, the immediate potential has increased substantially.

Exhibit 5-1 provides an estimate of the size of the potential market for Canada in two ways – the macro target market and the immediate potential.

Exhibit 5-1 Size of the potential market to Canada (next two years)

Measure	Size Of Potential Market To Canada
Total potential international pleasure travellers (aged 18 plus)	18,051,000
Target market for Canada:	
Definitely / very / somewhat interested in visiting Canada in the next two years	74%
Size of the target market	13,358,000
Immediate potential for Canada:	
Will definitely / very likely visit Canada in the next two years[7]	25%
Immediate potential	4,513,000

Base: International pleasure travellers (n = 1,498)
Notes: Interest and consideration numbers shown are from the 2015 GTW results. Potential market size is results from the random telephone omnibus survey undertaken in 2010, among the general population aged eighteen years or older.
Q5: How interested are you in taking a vacation trip to Canada in the next two years?
Q14 / 15: Realistically, how likely are you to take a vacation trip of four or more nights to Canada in the next two years? And, how likely are you to take a vacation trip of one to three nights to Canada in the next two years?

The target market is a broader estimate of the market size based on expressed interest among all Japanese long-haul travellers (market size estimate derived from the 2010 omnibus study of the Japanese adult population). The proportion of GTW respondents who are “definitely”, “very”, or “somewhat” interested in Canada in the next two years is applied to the broader traveller population to come up with a target market estimate of 13.4 million, slightly higher than the 13 million posted in 2013.

[7] Includes respondents likely to visit Canada for a trip of one to three nights, or a trip of four nights or more.

The immediate potential is a more conservative estimate based on GTW respondents who say they are "definitely" or "very likely" to visit Canada in the next two years. This translates into a market of 4.5 million travellers with more immediate potential for conversion – up by approximately thirty-two percent from 2013 (3.4 million travellers).[8]

The sharp rise in the immediate potential for Canada is in-line with the rise in Japanese visitors to Canada since 2013, based on data from Statistics Canada's International Travel Survey (Statistics Canada, 2015). However, this increase in interest for Canada comes at a time when Japanese outbound travel in general is experiencing a decrease going back several years (Japan National Tourism Organization, 2015). These paradoxical shifts may indicate an increasing preference for Canada over other long-haul travel destinations. A rise in travel to Canada while international travel in general is decreasing means that Japanese travellers are choosing Canada at the expense of other destinations at a heightened pace.

It should be kept in mind that these estimates of potential simply define the population pool from which Canada can draw Japanese long-haul travellers. While changes in the pool's size might be construed as a predictor of future Japanese travellers to Canada, it is also true that conditions can be established to increase the rate at which visits are drawn from this pool. Put simply, we cannot rely on the growth of the potential pool to drive domestic visitation forward, nor can we rely on external factors that are outside the industry's control such as currency exchange rate differences, although they may deliver short-term benefits. Instead, it will largely be up to the marketing efforts of the industry to realize growth potential in a sustained manner over the long-term.

[8] The 2013 Japanese Summary report indicated the 'immediate potential' from Japan as 3,430,000 – an increase of 1,083,000, or 32% compared to the 2015 estimate of 4,513,000.

6. Competitive Environment

The GTW tracks Key Performance Indicators (KPIs) for Canada in areas such as aided destination awareness, unaided and aided destination consideration, and market penetration. Exhibit 6-1 summarizes the 2015 KPIs for Canada.

Exhibit 6-1 Key Performance Indicators (KPIs) for Canada – Summary

		All International Travellers	Recent Visitors To Canada[9]	Interested In Canada[10]
Key Performance Indicator	Definition	n = 1,498	n = 198	n = 236
Destination awareness:				
Aided awareness of travel opportunities in Canada	% with excellent / very good knowledge of travel opportunities in Canada	19%	56%	56%
Past visitation:				
Overall market penetration	% who have ever visited Canada for pleasure	22%	80%	36%
Intentions:				
Unaided destination consideration	% who mentioned Canada or a destination in Canada on their consideration list	4%	16%	15%
Competitive positioning on destination consideration	Rank on the consideration list relative to competitors (roll-up)	13th	2nd	3rd

Base: International pleasure travellers (n = 1,498), Recent visitors to Canada (n = 198) and those interested in visiting Canada (n = 236)
Aided awareness (Q4) – "How would you rate your level of knowledge of vacation opportunities in each of the following destinations?" (Aided list of Canada plus six pre-defined long-haul competitors).
Market penetration (ever visited) (Q11b) – "Which of the following countries have you ever visited while on a vacation trip?" (Aided list of long-haul destinations).
Unaided destination consideration (Q2) – "Which destinations are you seriously considering for your trips in the next two years?" (Open-ended, coded responses).

[9] Visited Canada in the past three years for a pleasure trip of four or more nights with one or more nights in paid accommodations.
[10] Definitely interested in visiting Canada in the next two years.

Awareness of travel opportunities

Japanese international pleasure travellers' knowledge of Canadian travel opportunities is comparable to several competing international destinations, with the exception of the United States.

One-in-five Japanese international pleasure travellers (19%) rate their knowledge of travel opportunities in Canada as either 'excellent' or 'very good'. This proportion is up considerably from 2013 (15%). In terms of rank among countries of the competitive set, Canada's position is relatively stable: the latest results place Canada sixth whereas Canada ranked seventh in 2013.

When it comes to knowledge of travel opportunities, Canada is comparable to other competing international destinations (with proportions in the range of 17% to 20%). Only the US stands apart from other countries, with one-quarter of Japanese international travellers (26%) saying their level of knowledge about travel opportunities in the US is excellent or very good.

As can be expected, knowledge of Canadian travel opportunities increases for recent visitors and for those interested in visiting Canada (56% for both subgroups). Furthermore self-reported knowledge of opportunities is also higher among younger travellers (18-34: 36%), those with children (33%), those with income of ¥20M or more (54%) and those who have friends or relatives living in Canada (47%).

Visitation to Canada

Interest in visiting Canada remains high. However, turning interest into action continues to be a challenge, especially among younger travellers.

Aided interest in visiting Canada in the future has remained stable since 2013 (74% in 2015 vs. 72% in 2013) and continues to be on par with all other countries of the competitive set (range of 71% to 76%)[11]. Interest is notably higher among younger travellers (81%) or those with friends or family in Canada (89%).

Unaided consideration of Canada[12] has also been stable and currently sits at 4% (versus 3% in 2013), which places Canada in 13th place among all countries, but still ahead of Germany and New Zealand when focusing on the competitive set.

Although aided interest in Canada is high, follow through is much lower. One-fifth (22%) of Japanese travellers have already been to Canada, with the figure rising significantly for older

[11] Q5: How interested are you in taking a vacation trip to Canada in the next two years?
[12] Q2: Which destinations are you seriously considering for your trips in the next two years?

Japanese travellers aged 55+ (27%), those with income over ¥10M (¥10-20M: 27%; >¥20M38%) and those with friends or relatives in Canada (43%). Self-reported visitation to Canada has remained stable compared to 2013 (21%).

Advertising recall

Advertising recall for Canada is comparable to European destinations in the competitive set, but behind that of the US and Oceania.

Exhibit 6-2 Advertising Awareness for Travel Destinations

	All International Travellers	Recent Visitors To Canada[13]	Interested In Canada[14]
Advertising Awareness	n = 1,498	n = 198	n = 236
Canada	21%	51%	48%
U.S.	25%	49%	37%
Italy	22%	44%	36%
Australia	24%	41%	40%
France	20%	40%	41%
Germany	18%	33%	32%
New Zealand	23%	46%	41%
None of the above	33%	13%	16%
Don't know	10%	5%	4%

Base: International pleasure travellers (n = 1,498), Recent visitors to Canada (n = 198) and those interested in visiting Canada (n = 236)
QB4: For which of the following travel or holiday destinations have you seen or heard an advertisement and/or a promotional article in the last three months? (Select all that apply)

[13] Visited Canada in the past three years for a pleasure trip of one or more nights with one or more nights in paid accommodations.
[14] Definitely interested in visiting Canada in the next two years. Data represents destination of most recent trip, not all trips within the past 3 years. Thus, the percentage for Canada will not be 100%.

Twenty-one percent of Japanese international pleasure travellers could recall an advertisement for Canada, similar to the awareness level achieved by Italy (22%) and France (20%), but behind the US (25%), Australia (24%) and New Zealand (23%). Recall among those interested in going to Canada was significantly higher at forty-eight percent and ranked first among all other competitive destinations suggesting one of two scenarios: 1) the advertising resonates more among travellers that already have an interest Canada, thereby potentially furthering them along the path-to-purchase or 2) the advertising increases interest in Canada, placing some individuals firmly on the path. We cannot determine causality either way, but the result is positive.

Older Japanese international pleasure travellers (55+: 25%), those with income above ¥5M (¥5-10M: 22%; ¥10-20M: 32%; >¥20M: 26%) or those that have friends and family in Canada (36%) were significantly more likely to recall Canadian advertising compared to their counterparts suggesting the advertising resonates particularly well among older, slightly more affluent travellers as well as those with friends or family in Canada.

Generally speaking, Japanese travellers that were aware of advertising for a particular country were significantly more likely to believe there were many good reasons to visit that particular country. More specifically, Japanese travellers who could recall advertising for a Canadian destination were significantly more likely to think there are many good reasons to visit Canada compared to those who could not recall any advertising (71% vs 40%). This is a very positive finding in that it suggests beneficial interaction, in one form or another, between advertising exposure and positive disposition to Canada.

7. Perceptions of Canada

To be successful, a destination must be perceived as offering value, relevant experiences, and unique tourism products. To assess value and price perceptions respondents were asked to evaluate Canada relative to competing destinations on a number of attributes.

Value perceptions

When it comes to Japanese travellers' perceptions of value, Canada does fairly well in relation to its competition.

Exhibit 7-1 shows Canada's competitive position, based on Japanese travellers' impressions of each of the competing international destinations on a number of value-related attributes. It reveals that Canada trails only Italy and France on three of the four value attributes assessed, and there has been a considerable positive shift in the value perception since 2013.

Four Japanese travellers in ten agree that Canada is "a place with unique features that other destinations don't offer" (43%), "a destination with the travel experiences I am specifically looking for" (41%) and "a dream destination that I would visit if money were no object" (38%), but these perceptions trail behind those of what Italy or France can offer. The proportion of Japanese travellers who perceive Canada as "a destination I would pay a little more for" is essentially the same as the perception of other value attributes (38%), but in this case, Canada also trails Australia along with Italy and France.

Despite finding itself in the middle of the pack with respect to value perception, Canada fares much better than it did in 2013. When compared to 2013 results, Canada improved its top-three-box results by roughly 5% to 7%, depending on the value attribute. Moreover, it improved its rank on three of the four value attributes, going from fourth to third among countries of the competitive set.

Japanese international travellers with family or friends in Canada, those who have been to Canada in the last three years or those who are planning a trip in the next two years see more value in Canada. A finding that suggests the weak value perception can be modified by increasing awareness that focuses on the distinctive elements that Canada has to offer, ensuring, of course, these elements are desirable to the Japanese traveller and offer competitive advantage.

Exhibit 7-1 Value perceptions

Value Perceptions	1#	2#	3#	4#	5#	6#	7#
A place with unique features that other destinations don't offer	ITA 51%	FRA 46%	CAN 43%	NZ 41%	AUS 40%	US 38%	GER 37%
A destination with the travel experiences I am specifically looking for	ITA 44%	FRA 42%	CAN 41%	NZ 39%	US 38%	AUS 38%	GER 37%
A dream destination that I would visit if money were no object	ITA 45%	FRA 43%	CAN 38%	US 37%	NZ 36%	GER 36%	AUS 36%
A destination I would pay a little more for	ITA 44%	FRA 42%	AUS 38%	CAN 38%	NZ 35%	GER 35%	US 35%

Base: International pleasure travellers (n = 1,498)
Q11: We are interested in your general impressions on [country] as a holiday destination, even if you have never been there. On a scale of 1 to 10, where 1 is 'strongly disagree' and 10 is 'strongly agree', how would you rate [country] on each of the following?
Note: Scores shown are the 'top-three-box scores' i.e., the percentage of respondents who provided the destination with a rating of 8, 9 or 10, and a 1 to 10 scales of agreement with each statement.

In 2015, average value perceptions for Canada increased slightly (+0.1), allowing Canada to maintain its third rank among long-haul destinations when it comes to value. Among competitive destinations, value perceptions have also remained stable. In terms of value perception, Canada has made noticeable strides relative to other countries in the competitive set since 2013.

Exhibit 7-2 Year-on-year change in average rating for value attributes

Value	2013	2015	2013/2015 YOY change
Italy	7.2	7.1	-0.1
France	6.9	7.0	+0.1
Canada	6.7	6.8	+0.1
New Zealand	6.6	6.7	+0.1
Australia	6.6	6.7	+0.1
US	6.4	6.6	+0.2
Germany	6.6	6.6	-

Base: International pleasure travellers (2015: n = 1,498; 2013: n = 1,533)
Note: Average ratings for all *value* attributes, based on a ten-point scale on agreement with the statements presented to them.

Price perceptions

Japanese travellers' perception of Canada is not as favourable when it comes to price, owing mainly to its considerable distance from the Japanese market. This is evidenced when focusing on Canada's rank in terms of being "a destination that is affordable to get to by air." Canada ranks sixth in this respect, only ahead of Germany. This price perception is in stark contrast to the perception of "offering value for money," where Canada ranks third behind Italy and France, and of "offering "reasonable prices for food, entertainment and accommodations," where Canada ranks fourth. Japanese travellers' perception of Canada with respect to these latter two price attributes is in-line with that of value attributes. What drives price perception is the cost of air travel; altering the perception of this attribute poses several challenges, including dealing with regulatory and industry impediments. Such perceptions will undoubtedly persist as the high cost of fuel continues to exert upward pressure on airfares.

Canada's perceived affordability, although behind several nations of the competitive set, has vastly improved over 2013. Canada's rank in terms of value for money has improved from fifth to third (35% in 2013 vs. 41% on 2015) and its rank with respect to having reasonable prices for food, entertainment and accommodation has risen from sixth to fourth (20% in 2013 vs. 28% in 2015). Even though Canada has fallen two spots, from fourth to sixth, in terms of being an affordable destination to get to by air, the proportion of Japanese travellers who perceive this attribute positively has gone from 15% in 2013 to 24% in 2015. The extent to which this improvement stems from a weaker Canadian dollar relative to the US currency is unclear. Certainly, Canadian prices are now more competitive when comparisons are made with travel to the US. It is clear from these data, though, that price and value perceptions are malleable over short time frames.

Exhibit 7-3 Price perceptions

Price Perceptions	1#	2#	3#	4#	5#	6#	7#
A place that offers good value for money	ITA 48%	FRA 44%	CAN 41%	GER 39%	NZ 39%	AUS 38%	US 36%
A destination with reasonable prices for food, entertainment and accommodation	ITA 32%	US 30%	AUS 29%	CAN 28%	NZ 28%	GER 25%	FRA 25%
A destination that is affordable to get to by air	AUS 29%	US 28%	NZ 26%	ITA 25%	FRA 24%	CAN 24%	GER 22%

Base: International pleasure travellers (n = 1,498)
Q11: We are interested in your general impressions on [country] as a holiday destination, even if you have never been there. On a scale of 1 to 10, where 1 is 'strongly disagree' and 10 is 'strongly agree', how would you rate [country] on each of the following?
Note: Scores shown are the 'top-three-box scores' i.e., the percentage of respondents who provided the destination with a rating of 8, 9 or 10, and a 1 to 10 scales of agreement with each statement.

8. Trip Profiles

Most recent destination visited

Among Japanese international travellers, Southeast Asia countries (excluding Thailand) are the most popular recent trip destination, followed by Hawaii and the US.

Nearly one-in-five (18%) Japanese travellers who had taken an overnight trip in the past three years[15] visited a country located in Southeast Asia. Hawaii ranks second (14%), followed by the US proper (11%) and Thailand (10%). The top three is identical to that observed in 2013; Southeast Asian countries (excluding Thailand) ranked first (14%), virtually tied with Hawaii (14%) and followed closely by the US (13%).

Canada's position is virtually unchanged from the last time the study was conducted in 2013. This year, Canada ranks 16th with 3% of most recent Japanese visits; by comparison, it ranked 14th with 3% in 2013. Travellers with friends and relatives living in Canada were more likely to have been to Canada on their most recent trip (7%), underscoring the power of VFR in directing travel choices.

Type of vacation taken

City and touring vacations are among the five most common types of pleasure trips regardless of destination.

Based on their most recent qualifying *vacation*, the most popular type of trip is, by far, a city vacation (25%). This vacation type has bolted to the top rank after not even breaking the top five in 2013. Touring vacations rank second (16%), followed by resort vacations (15%), visits to see friends or family (9%) and shopping vacations (6%). The top five is vastly different from what it was in 2013, with independent travel, guided tours and cruises disappearing from the top ranks. While these changes are not dramatic, they should be monitored in that they could reflect a shift in sensibilities among some consumer segments toward a need for greater control or certainty about obtaining desired travel experiences.

City vacations are skewed towards childless travellers while touring vacations are skewed towards Japanese travellers over 35. Resort vacations prove relatively more popular among the 18-34 year age group.

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[15] Does not include survey respondents who qualified for the study based on their *intention to take long-haul travel in the future*.

The two most popular types of trips are the same among those whose last trip was to Canada. City vacations were the most popular type of holiday for one-fifth of travellers (20%), virtually tied with touring vacations (20%) and followed by visits to see friends or family (11%). This finding provides evidence that Japanese travellers travel to Canada for its rich urban experiences essentially as much as for its natural beauty and, as such, both aspects of the experience should be given emphasis when marketing Canada to Japanese travellers. In other words, Canada should continue to focus on presenting "vibrant cities on the edge of nature". This allows Canada to present both its unique and compelling natural environment as well as its electric urban experiences, both of which are highly desired by Japanese travellers.

It can also be argued that some focus should be placed on guidance and itineraries for independent and group touring. Japanese travellers like this aspect of travel, but also desire to place some structure on, and exert some control over, the touring experience.

Activities participated in

Exhibit 8-1 shows the ten most popular activities that Japanese travellers enjoyed while on their last pleasure trip[16]--all destinations combined. The most popular activity enjoyed was a guided city tour (21%), followed by guided excursions beyond the city (20%). Hiking (9%), wildlife viewing (8%) and snorkeling (7%) round out the top five. Among those who had recently been to Canada, guided excursions beyond the city (26%) and guided city tours (23%) were also most popular, although their ranking is reversed when compared to that of all most recent trips, regardless of destination. Hiking and wildlife viewing (both with 18%) and cycling (12%) were also among the top-five activities enjoyed.

Aside from excursions beyond the city, which were significantly more popular among Japanese travellers who do not have relatives or friends living in Canada, all other top five activities undertaken while in Canada did not vary significantly in popularity among demographic subgroups.

Beyond the top five activities, younger travellers were more likely to enjoy active outdoor pursuits, such as: cycling, camping, snowshoeing, climbing and surfing, compared to the older pleasure traveller, although their top-five interests were, in fact, the same with respect to general activity categories.

This finding further supports the decision to market Canada as a destination with "vibrant cities on the edge of nature", especially to Japanese travellers, as these results indicate that potential Japanese visitors have strong interest in both urban and nature based activities. It is also clear that the appeal to younger cohorts should embrace active engagement with environments that older travellers might prefer to experience more passively.

[16] The last pleasure trip they took, within the past three years.

Exhibit 8-1 Most recent trip: Activities participated in (Top-ten)

Activity Participated In	International Travellers in P3Y n = 1,177	Recent Visitors To Canada[17] n = 198
Guided city tour	21%	23%
Guided excursion beyond the city	20%	26%
Hiking	9%	18%
Wildlife viewing	8%	18%
Snorkeling	7%	5%
Golfing	7%	9%
Marine life viewing (whale-watching or other sea life)	6%	9%
Day cruise	5%	5%
Scuba diving	5%	4%
Fishing	5%	5%

Base: Those who have taken an international pleasure trip in the past 3 years (n = 1,177)
QPT2: Did you participate in any of the following activities during your last vacation? Please select all that apply.

Attractions

The three most popular attractions visited on the last vacation regardless of destination include a historic site or building (42%), a world heritage site (32%) and/or a museum (29%). While the top three attractions for Japanese travellers who had been to Canada recently also included a historic site or building (32%) and a museum (29%), these two attractions are surpassed in popularity by a national or provincial park (44%). Recent visitors were not only more likely to visit a national or provincial park compared to those who went somewhere else, they were also more likely to visit botanical gardens (21%), wineries (18%) or amusement parks (19%). Conversely, they were less likely to visit a historic site or world heritage site (22%). In other words, for recent trips to Canada, nature parks, wineries and amusement parks have greater profile in the activity set than is generally the case with trips to other destinations.

Middle-aged Japanese travellers (35-54) were less likely to visit a city park while younger travellers were more likely to visit an amusement park, art gallery, casino, winery and/or

[17] Visited Canada in the past three years for a pleasure trip of one or more nights with one or more nights in paid accommodations.

brewery. From this perspective, calmer pursuits skew towards the middle-aged, while participatory and entertainment experiences skew towards youth.

Exhibit 8-2 Most recent trip: Places visited (Top-ten)

Places Visited on Vacation	International Travellers in P3Y n = 1,177	Recent Visitors To Canada[18] n = 198	Interested In Canada[19] n = 198
Historic site or building	42%	32%	37%
World heritage site	32%	22%	40%
Museum	29%	29%	30%
City park	25%	27%	30%
National or State park	25%	44%	35%
Amusement or theme park	14%	19%	23%
Botanical garden	12%	21%	19%
Art gallery	11%	13%	19%
Winery	7%	18%	15%
Casino	7%	9%	11%

Base: Those who have taken an international pleasure trip in the past 3 years (n = 1,177)
QPT3: Did you visit any of the following types of places during your last holiday? Please select all that apply.
Note: New question added for 2015.

Vacation experiences

Culinary pursuits are the most popular experiences among Japanese long-haul travellers, regardless of destination.

On their latest trip, more than half of Japanese long-haul travellers were drawn towards trying local cuisine (53%) and nearly one-third (29%) mentioned dining at a highly regarded restaurant. Learning about aboriginal culture (15%), visiting a spa or wellness centre (14%) and attending live events round out the top five.

[18] Visited Canada in the past three years for a pleasure trip of one or more nights with one or more nights in paid accommodations.
[19] Definitely interested in visiting Canada in the next two years. Data represents destination of most recent trip, not all trips within the past 3 years. Thus, the percentage for Canada will not be 100%.

As previously indicated, vacation experiences vary based on one's age. Those over the age of fifty-five were more likely than their younger cohorts to gravitate to culinary experiences and live performances. On the other hand, younger people seem to have wider ranging interests. They have greater experience with train tours and music festivals. The trend toward spas and wellness centres is more clearly evident among younger travellers. These individuals are also more adventurous when it comes to exploring the natural environment, being more inclined than older travellers to make an effort to see remote natural attractions such as the Northern or Southern Lights.

Exhibit 8-3 Most recent trip: Experiences

	18-34	35-54	55+
Experience	n = 309	n = 369	n = 499
Tried local cuisine	47%	50%	59%
Dined at a highly-regarded restaurant	25%	28%	32%
Took a tour or visited a museum to learn about aboriginal people	17%	12%	16%
Visited a spa or wellness centre	19%	14%	11%
Attended a live show (e.g., comedy, musical or theatre show)	9%	11%	19%
Rented a car	11%	11%	9%
Participated in a guided tour by train	12%	7%	9%
Tried Agri-tourism	9%	7%	5%
Attended a music festival	8%	4%	4%
Northern(or Southern) lights	8%	4%	2%
None of the above	16%	21%	17%

Base: Those who have taken an international pleasure trip in the past 3 years
QPT4: Did you see or experience any of the following during your last holiday? Please select all that apply.
Note: New question added for 2015

Although the top two experiences on recent trips to Canada are the same as those on trips to other destinations, recent travellers to Canada were less likely to try local cuisine or attend a live show compared to those who went somewhere else. This suggests that these types of experiences, though quite popular, are somewhat less likely to draw visitors to Canada – an unrealized opportunity, perhaps, given that Canada can definitely deliver on both.

Exhibit 8-4 Most recent trip: Experiences (Top-five)

Experience	All International Travellers n = 1,177	Recent Visitors To Canada n = 198	Interested In Canada n = 198
Tried local cuisine	53%	45%	52%
Dined at a highly-regarded restaurant	29%	32%	34%
Took a tour or visited a museum to learn about aboriginal people	15%	25%	20%
Visited a spa or wellness centre	14%	14%	20%
Attended a live show (e.g., comedy, musical or theatre show)	14%	11%	14%

Base: Those who have taken an international pleasure trip in the past 3 years (n = 1,177)
QPT4: Did you see or experience any of the following during your last holiday? Please select all that apply.
Note: New question added for 2015

Type of accommodation

While Japanese long-haul travellers exhibit a clear preference for commercial accommodations (e.g.: hotels, motels, resorts), accommodation choices tend to reflect the options available in the particular destination. Destinations with higher urban appeal will tend to draw more hotel guests whereas places best-known for their beaches, mountains and other natural wonders will have a higher proportion of resort guests.

Japanese long-haul travellers visiting Canada were most likely to have stayed in a mid-priced hotel or motel (37%), followed by a resort hotel (28%) and a luxury urban hotel (27%). Stays with friends or family were relatively popular, especially when compared to other destinations. Fifteen percent of Japanese visitors to Canada stayed with friends or relatives, a proportion that is much higher than several other countries in the competitive set and that trails only the US (17%). The actual number of travellers who stay with relatives or friends is undoubtedly higher, given that qualifying trips must have included at least one night in paid accommodation.

The prominence of VFR among Japanese visitors could be taken as a sign that Canada is not attracting its fair share of visitation for purely touristic reasons. Japanese travellers drawn solely to the tourism offer (without a family/friends overlay) appear to be under-represented in the Canada visitor profile. This, too, suggests that Canada has room to grow via forceful expression of a unique and meaningful offer

Travel party

Japanese international travel is dominated by couples, with parties composed of friends placing a distant second. Nearly half of Japanese international travellers (48%) took a vacation with their spouse or partner, while one-fifth (19%) travelled with friends. There is an older age skew to the former and a younger skew to the latter. One traveller in eight (12%) opted to journey alone and a similar proportion travelled with minor children (11%). Given the logistics and cost involved, it is also likely that family travel is more inclined to skew to domestic locations in Japan and nearby countries more than towards long-haul destinations such as Canada.

For recent trips to Canada, the three most popular types of travel parties are the same as trips to other destinations and how they rank is identical as well. Recent Japanese travellers to Canada have travelled with a spouse or partner (42%), with friends (19%) or alone (15%). Those travelling to Canada with a partner or spouse were older and less likely to have friends or relatives living in Canada. On the other hand, those who preferred to travel to Canada on their own were more likely to have friends or relatives living here.

Booking travel

Nearly three quarters of Japanese travellers (73%) sought travel agent advice on their long-haul trips, with six in ten booking via this service (61%), illustrating the importance of this channel. In Japan, bricks and mortar travel agencies still hold an important role in booking activity. Older travellers are more inclined to call on the services of travel agents for bookings than younger travellers. Although a relatively high proportion of young travellers also use the services of travel agents, they are significantly more likely than older respondents to book travel themselves.

Among those who did not need the help of a travel agent for bookings, 39% booked their flight and 48% booked their accommodation on the internet through a travel agency or online retailer, while nearly half booked directly with the airline (49%) and one-quarter booked directly with the accommodation (24%).

9. Attraction of Canada

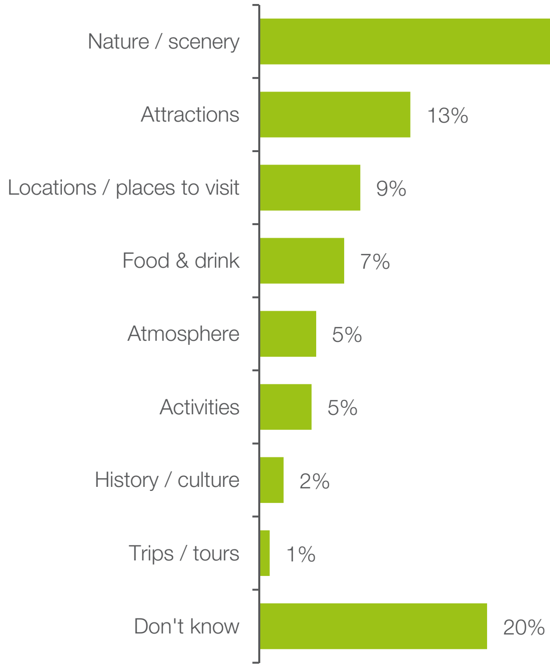
Most appealing aspects of a trip to Canada

Canada's scenery and natural beauty are, by far, the most exciting or intriguing aspects of a trip to Canada, with specific attractions being a distant second. Although urban experiences are prominent on actual trips to Canada, the natural environment dominates among those aspects of the Canadian experience that stimulate initial aspirations and interest. Efforts to market Canada in Japan (and elsewhere) must be sensitive to this duality.

Japanese travellers considering a trip to Canada were asked what intrigued or excited them most about a potential visit to Canada[20]. Exhibit 9-1 outlines the top eight exciting or intriguing aspects of Canadian travel.

[20] Asked as an open-ended question, without prompt

Exhibit 9-1 What intrigues or excites you most about a potential trip to Canada? Top eight mentions by Japanese travellers



Base: Respondents considering a trip to Canada (n = 477)
QTI1: "What intrigues or excites you most about a potential visit to Canada?"
Note: New question for 2015
Note: Open-ended question – results shown are the coded (grouped) responses)

Nearly two-thirds of Japanese travellers who are considering a trip to Canada (58%), stated the scenery and natural beauty were the most intriguing and exciting aspects of the trip. This is especially true among those over fifty-five (74%).

One respondent in eight (13%) is intrigued or excited about a specific attraction – the most often-mentioned being Niagara Falls. A specific location or place to visit appealed to one respondent in ten (9%). Eastern provinces or territories were most often cited as intriguing locations.

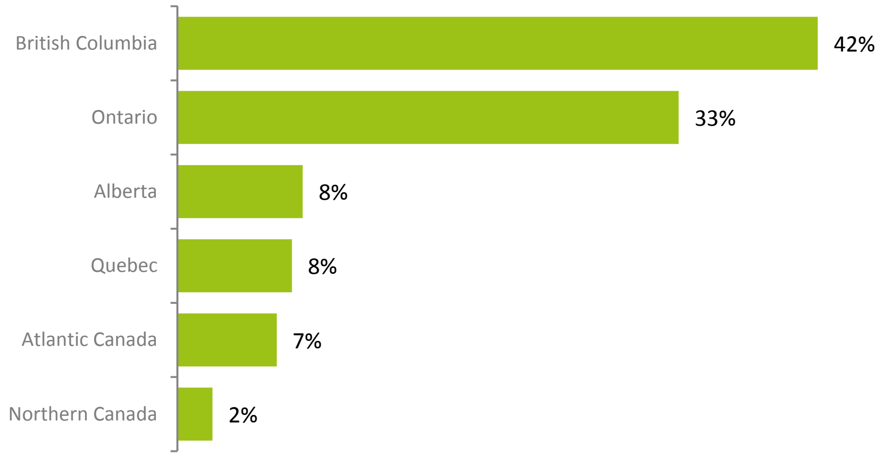
While the young traveller did not appear to be particularly clear on what interested them about coming to Canada (32% did not know), it is very clear that, while still the top-mention (40%), they are less enthused about the scenery and landscape than the older generation. On the other hand, they are more curious about food and drink (10%) than are their older counterparts. Canada's offer needs to find a way to pique the interest of the younger Japanese traveller by placing less emphasis on its reputation for natural beauty and more emphasis on diversity including urban and culinary experiences.

Canadian regions of interest

Japanese travellers show a strong interest in visiting British Columbia and Ontario and follow through when they travel to Canada.

Exhibit 9-2 shows the regions Japanese travellers are most likely to visit, based on those considering a trip to Canada in the next two years. British Columbia (42%) has overtaken Ontario (33%) in the top spot, after making solid gains since 2013. The top two regions are in a class of their own relative to the other provinces and are followed distantly by Alberta and Quebec (each with 8%) and Atlantic Canada (7%). However, British Columbia's allure is more prevalent among 18 to 34 year-olds (52%), those with children (49%) and those with relatives living in Canada (55%).

Exhibit 9-2 Region likely to visit in Canada



Base: Q16 Those likely to visit Canada in the next 2 years and / or those who are considering, have decided to visit or have booked a trip there, Q17 Long-haul pleasure travellers with an interest in visiting Canada (n = 778)
Q17: "And, which region of Canada would you be most likely to visit?"

Among those who have recently been to Canada, the most popular destinations are British Columbia (61%), Ontario (37%) and Alberta (27%). More specifically, in British Columbia visitors went to Vancouver (55%) and Victoria (16%), while in Ontario they went to Toronto (32%) and Niagara Falls (28%) and while in Alberta they went to Calgary (15%) and Banff (15%). Collectively, Canada's Western locations are more attractive to Japanese travellers, understandably as a function of proximity.

The attraction to nature and scenery in combination with the cosmopolitan allure of Vancouver and Toronto represents a unique and compelling juxtaposition for Canada. Banking on these simultaneous desires can create a unique selling point that Destination Canada can tailor to the potential Japanese long-haul traveller unlike any other competing destination.

10. Barriers to Visiting Canada

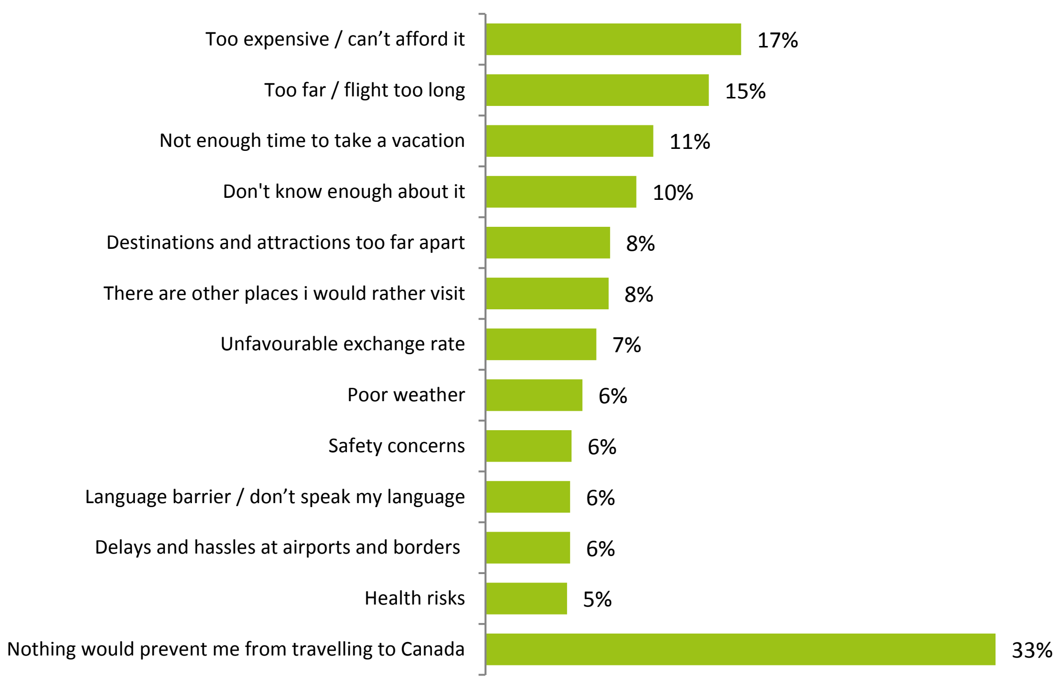
Similar to 2013,no single barrier dominates as an impediment to visiting Canada and many Japanese travellers can think of nothing that prevents them from visiting. Expense, distance and the lack of knowledge are the most commonly mentioned barriers.

Perhaps in keeping with the continued economic pressure that exists in Japan, potential visitors are increasingly identifying lack of time as a barrier to visitation.

The issue of cost was raised by 17% of Japanese travellers, but those aged 35-54 were more likely to raise it. Price sensitivity does not vary significantly according to any other demographic or behavioural trait. Results also show that 15% of Japanese travellers cite distance as a drawback, 11% mention lack of time and 10% are not knowledgeable enough about what a trip to Canada offers.

The interrelationships between expense, time availability and distance could be addressed to some degree through communications and packaging. Just as an example, it might be possible to construct packages that offer some degree of feature pricing, direct flights to Vancouver and a structured itinerary that allows the visitor to participate in a wide range of activities over a somewhat compressed time-frame.

Exhibit 10-1 Top-ten barriers to visiting Canada



Base: International pleasure travellers considering a trip to Canada (n = 477) QTI3: Which of the following factors might discourage you from visiting Canada?

11. Sources of Information on Canada

Source of awareness

In the past twelve months, Japanese pleasure travellers have heard about Canadian destinations in a variety of ways, however television (24% via programming and 6% via advertising), travel guides or books (18%) and brochures (17%) were by far the most common. The popularity of television programming has remained stable since 2013 (25%); the impact of Canada Theatre cannot be reported because data collection took place only a few weeks after its launch.

Interestingly, roughly one-quarter (27%) of Japanese travellers have not heard about Canada through any of the twenty channels they were asked about[21], suggesting a revision of the media mix is in order. However, this figure may be positively impacted by the existence of Canada Theatre. Older travellers (55+) were more likely to recall hearing about a Canadian destination via brochures and those aged thirty-five and over mentioned hearing about Canada during television programming, while younger Japanese (18-34) were more likely to recall hearing about a Canadian destination through personal blogs, email newsletters, radio (programming and/or advertising) or outdoor advertising.

Awareness of other international vacation destinations occurs in a similar fashion with television (35% via programming and 13% via advertising) and travel guides or books (32%) being the most popular. With respect to other international destinations, only 11% said they had not heard anything about destination opportunities outside of Japan in the past year. The higher propensity of Japanese travellers to recall hearing about destinations other than Canada is an indication of the strength of the competition in the media space.

Most influential sources

Friends and family (in person: 62% top three box), travel guides or books (56% top three box) and travel review websites (55% top three box) are the most influential sources[22] of information. These three channels have surpassed television, which was most influential in 2013. The importance of friends and family increases when we factor in friends and family via social media (as opposed to in-person) (41%). The high level of influence associated with travel guides/books and travel review websites may be evidence that these sources play a significant

[21] Selected 'none of the above' when presented with twenty different means through which they may have heard about Canada.
[22] Respondents were asked to rate the *influence* from 1 to 10, where 10 was *very influential* and 1 was *not influential at all*.

role in information gathering, but in combination with other sources, and with the final booking arrangements increasingly made online.

The influence of sources varies based on one's age with television advertising being more influential for younger travellers (18-34) and magazine, newspaper and online advertising being more influential for those under age 55. Older travellers (those aged 55 and over) do not feel significantly more compelled than their younger counterparts by any particular source.

Based on the role friends and family play in influencing long-haul destination choices, attention should be given to advocacy and how Destination Canada's strategy can exploit this concept. Relaying the Canadian experiences of Japanese individuals that are representative of one's close ties may inspire potential travellers to seek advice while encouraging past travellers to become advocates for Canada. Elevating this impact via Social Media is key.

Taking everything into consideration, and embracing the full range of potential visitors, it would seem that a multiplicity of touchpoints are relevant in the Japanese market for moving consumers along the path to purchase. Television and other traditional mass media play awareness and profile building roles, but guide books, travel agents, word-of-mouth (personal or online), travel review sites and other online sources all play important roles of trust in exploring opportunities and eventual booking.

Learning about Canada

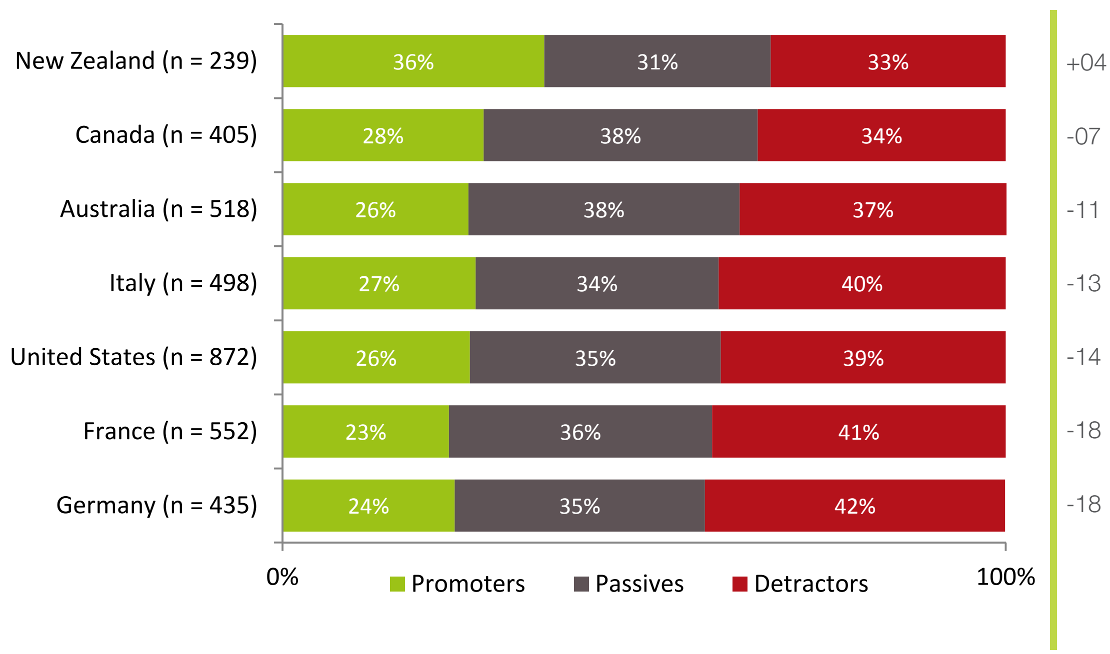
Japanese long-haul travellers indicate they were most likely to learn about Canada via television (programming: 24%; advertising: 6%), travel guides or books (18%) or brochures from a travel agency (17%). This diversity of sources aligns with what we observe for long-haul travel destinations in general. Owing to the popularity of printed materials (guides and brochures), Destination Canada must continue to grant these tools proper attention in the execution of its strategy in the Japanese market.

12. Net Promoter Score (NPS)

The Net Promoter Score (NPS) is an established tool to measure a respondent's likelihood to recommend a product or service to friends and family. Data were gathered among all respondents, but results from past visitors to each destination are the most telling and are presented below.

Of the 405 Japanese travellers who had actually visited Canada, 28% would recommend it as a destination to friends[23], family and colleagues, while 34% would not[24] – resulting in an NPS score of -7[25].

Exhibit 12-1 Net Promoter Score (NPS) results (Ever Visited)



Q3: Whether you have visited or not, how likely are you to recommend each of the following holiday destinations to a friend, family member or colleague?
Base for each country is filtered to only those respondents who had actually visited *that* country.
Note: Results ranked in descending order according to the overall NPS score.

[23] Rated the destination 9 or 10, on a ten-point scale, when asked how likely they were to recommend the destination to a friend, relative or colleague.
[24] Rated the destination with a score between 1 and 6, on the ten-point scale.
[25] That is 34.3% minus 27.8% = 6.5%, or -7 as we report it. Note that negative NPS scores are possible.

Canada’s NPS score for 2015 (-7) has decreased by two points since 2013 (-5). In relation to other countries Canada is doing very well and much better than it did the last time this study was conducted. Whereas Canada ranked fifth in NPS in 2013, it now ranks second behind New Zealand (+4). Canada’s lower score is not a source of concern given all but New Zealand and the US saw substantial declines in their Net Promoter Score from 2013.

In addition, more than a quarter of Japanese travellers (28%) who have visited Canada (ever), would recommend it to a friend or family member – a similar proportion to Italy, the US and Australia and second only to New Zealand (36%). This finding not only acts as a barometer of their level of satisfaction with their trip to Canada, but also has implications for promoting Canada through advocacy, given that friends and family are the most influential sources when it comes to choosing where to go on vacation. Comparatively, Canada is doing well in this regard; however it still has room for improvement.

Among all Japanese travellers, whether they have been to Canada or not, our biggest advocates are those between the ages of eighteen and thirty-four and those with friends or relatives in Canada.

It is important to consider the role of friends and relatives as information sources when interpreting advocacy results and applying them strategically. On one hand, friends and relatives are not the go-to source for information about long-haul travel; potential long-haul travellers will likely hear about Canada via other means before hearing about it from friends or relatives. On the other hand, friends and relatives are the most influential source of information. Keeping this high level of influence in mind, advocacy must play a strategic role in marketing Canada to the Japanese. Particularly given that online advocacy skews younger, promoting online advocacy through Social Media and review sites would seem to be an effective means of accelerating its impact.

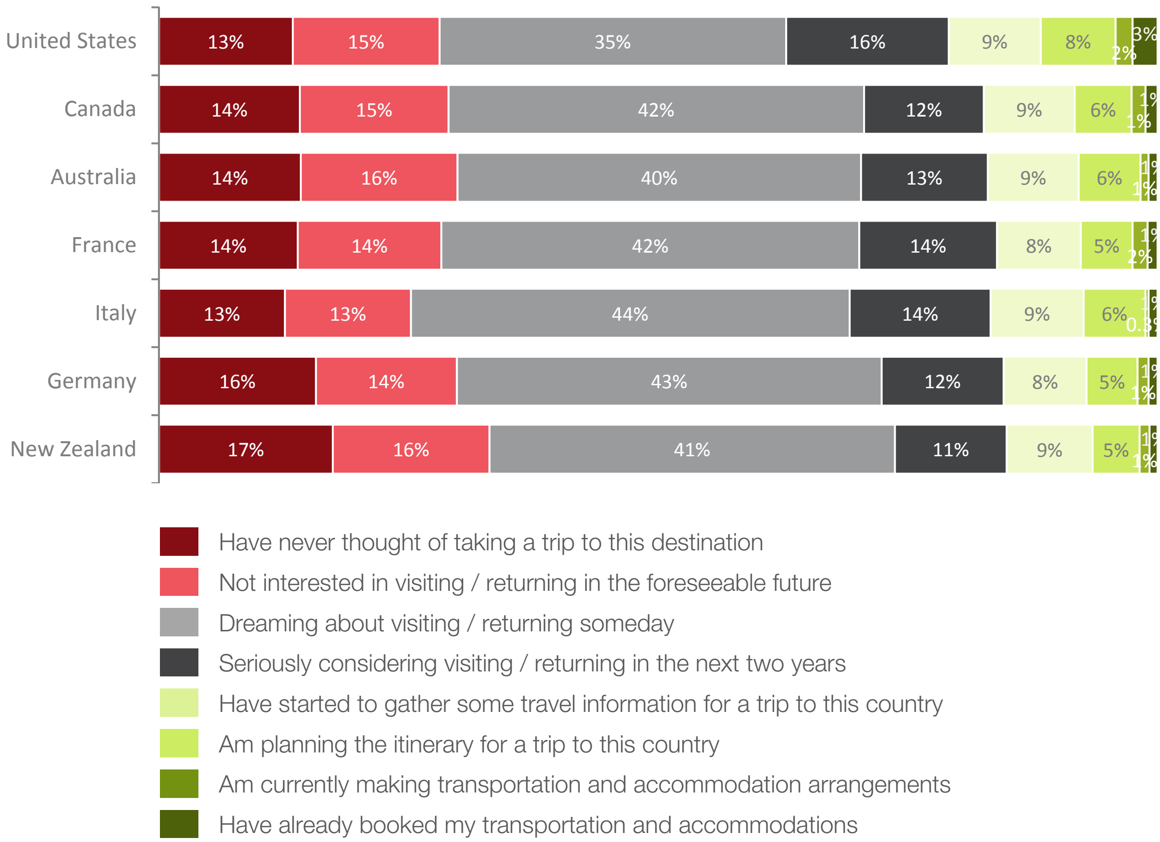
13. Path to purchase

Like any other expensive and discretionary consumer product, there is a purchasing or decision-making cycle associated with international travel: consumers move through various stages from not knowing anything about a destination to actually booking a trip.

Through additional research, Destination Canada has developed a Path to Purchase (P2P) model for long-haul travel and identified where the organization can have the greatest influence in converting those with potential interest in Canada to actual visitors.

These include the consideration, evaluation and purchase stages of the P2P cycle, starting with awareness of the opportunity and interest in a destination, through to booking their itinerary, travel and accommodations.

Exhibit 13-1 Stage in the path-to-purchase



Base: International pleasure travellers (n = 1,498).
Q6: Which of the following best describes your current situation when thinking about each of the following countries for a holiday trip?
Note: Additional stage on the 'path to purchase model' was added for 2015 – 'Have never thought of taking a trip to this destination'. Results not directly comparable to previous years.
Note: Results ranked in descending order according to the number of travellers who: *are planning the itinerary for their trip, making transportation and / or accommodation arrangements for their trip,* or *have already booked transportation and accommodations*.

Exhibit 13-1 shows the percentage of Japanese travellers at each stage of the P2P, for both Canada and the competitive set of long-haul destinations.

Nearly one-fifth (17%) of Japanese international pleasure travellers have started gathering information, are planning an itinerary or have booked / are booking their travel and accommodation for a trip to Canada. This puts Canada in second place among the competitive set behind the United States (21%). However, Australia (17%), Italy (17%) and France (16%) are all in the same range.

Converting these good intentions to actual visitation, by moving them to the next step on the path-to-purchase, should be a key priority for marketing communications. This is especially important considering that Canada lags the US in this respect. The US, then, has considerable potential to divert traffic from Canada on later steps of the pathway. This, too, reinforces the need for meaningful differentiation relative to US alternatives. The trick, here, will be to create meaningful differentiation and excitement by stimulating more detailed awareness, targeting product and experiences appropriately to key segments and by offering opportunities to move quickly from exploration to booking.

The majority of Japanese travellers (71%) have Canada in their consideration set, with 17% in the active planning stage. This leaves 54% of the Japanese travel market at the more tenuous general consideration or aspiration stage when it comes to visiting Canada. The challenge is to tap into this pool of possibility through mechanisms that will firm up commitment in advance of the competition. This is a matter of converting existing interest – a less daunting exercise than creating that interest in the first place.

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