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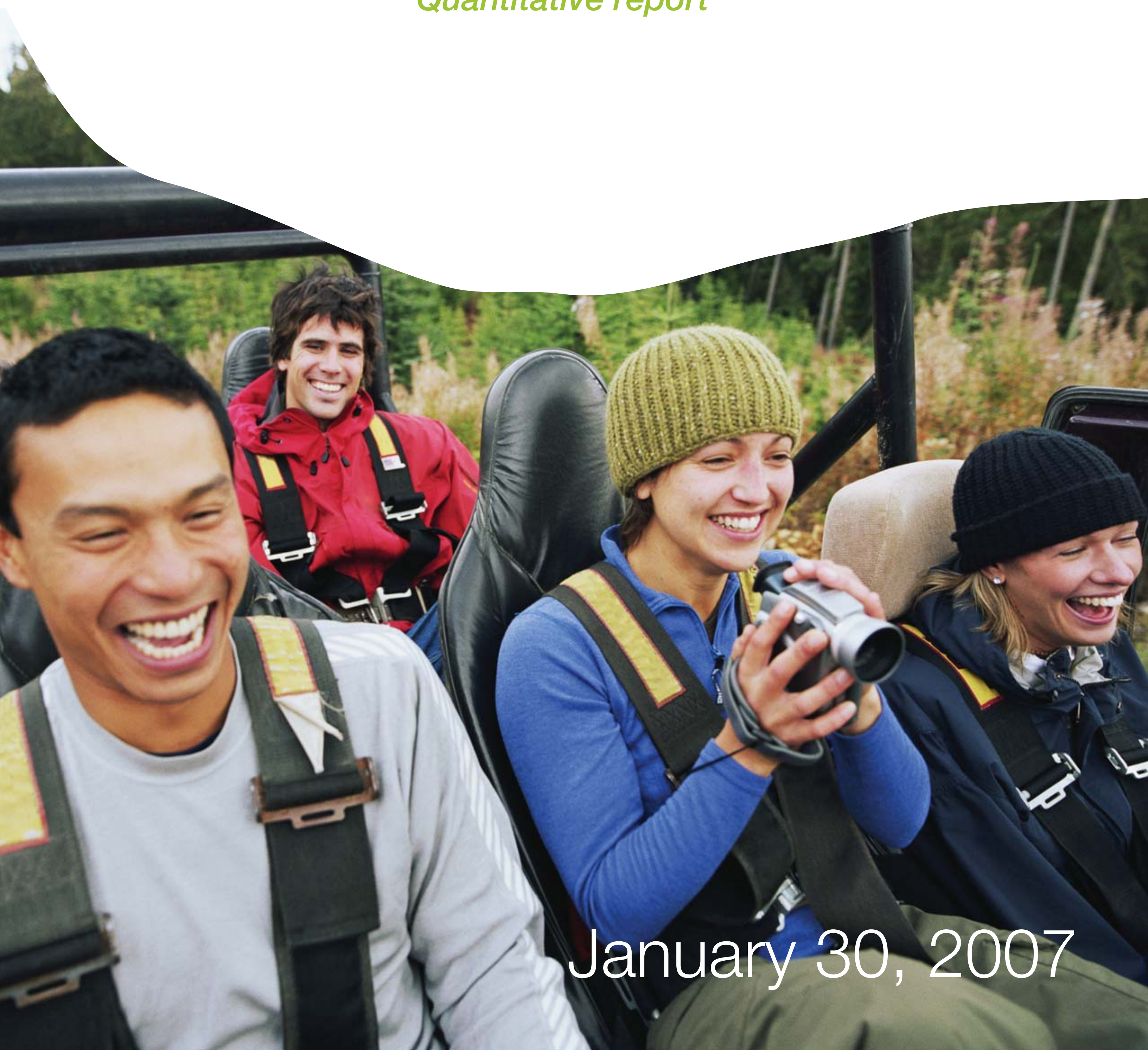
Consumer research in China

Quantitative report



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Consumer Research in China

Prepared for:
The Canadian Tourism Commission (CTC)

By:
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Table of Contents

1. Introduction

> **"Let China sleep for when she awakes, she will shake the world"**
> *—Napoleon Bonaparte*

Background and Objectives

The Chinese outbound travel market has witnessed explosive growth over the last three years, expanding at an average rate of 34% per year. In 2004, close to 29 million Chinese travelled overseas, with growth expected to hit 40 million in 2005. This is equivalent to every man, woman and child in Canada taking at least one international trip every year. It is no wonder that virtually every destination marketing organization, from Las Vegas to Kenya, has targeted this market in the hopes of sharing in the travel boom.

For Canada, China represents an untapped market with huge potential. In 2003, Canada had only a 0.4% share of the Chinese outbound market and a 3.4% share of total long-haul tourism. With Canada on the verge of obtaining Approved Destination Status (ADS), this will soon change. For example, Australia saw a significant 30% per annum boost in Chinese arrivals in the years following its ADS approval, and travel to ADS countries in Europe has picked up substantially.

In view of the imminent opening of the Chinese market, the Canadian tourism industry needs to be prepared to aggressively woo this market. With many destinations gaining ADS status ahead of Canada, competition will be intense. Canada and the regions need to ascertain how they are perceived in the marketplace, where the opportunities are, how to position themselves going in, how to do business in this market and how to work with the Chinese travel trade.

Decima Research was commissioned to conduct the *Consumer and Travel Trade Research in China* on behalf of the Canadian Tourism Commission (CTC) and a partnership group consisting of Alberta, British Columbia and Ontario. The study is intended to obtain market intelligence that will assist the Canadian tourism industry in developing appropriate marketing initiatives for the Chinese market in 2006 and beyond.

The research in China consisted of a quantitative component and a qualitative component:

- **Quantitative Research.** This consisted of a telephone survey of Chinese citizens to determine the incidence of long-haul travel in China and the potential for Canada, as well as an in-person survey of Chinese long-haul pleasure travellers to examine travel characteristics, motivations, interests and perceptions of Canada.

- **Qualitative Research.** This consisted of 30 executive interviews with the Chinese travel trade to obtain their views on opportunities for Canada and how Canada can work with the travel industry to develop the market in China.

This report covers the results of the quantitative research. The results of the qualitative component were released under separate cover (although some of the results are drawn upon in interpreting the results of the consumer survey).

Methodology

This study examines the Chinese long-haul pleasure travel market, with a particular emphasis on travel outside Asia. For the purposes of this study, a long-haul pleasure trip was defined as a pleasure trip of four nights or more, by plane, to a destination outside of China, Hong Kong and Macau. Pleasure trips include those taken to visit friends and relatives, as well as combined business-pleasure trips. This definition is consistent with how long-haul pleasure travel was defined in previous CTC studies in the Asia-Pacific region.

The consumer research focused on four key cities in China that align with Canada's key ADS markets – Beijing, Shanghai, Guangzhou and Shenzhen. Within these four cities, the survey focused on the urban districts (i.e., remote/rural districts were excluded). As a result, estimates presented in this report are based only on the urban districts of these four cities.

The study methodology was designed to provide accurate estimates of incidence rates and the size of the potential market for long-haul pleasure travel among the general population in China. At the same time, the study needed to provide detailed information on the behaviour and characteristics of long-haul travellers that had taken or plan to take a trip outside of Asia – a hard-to-reach, low-incidence population.

To conduct the study cost-effectively, the following methodology was used:

- **Random telephone survey of Chinese adults.** A random telephone survey was conducted with a representative sample of **n=5,500** Chinese adults, aged 18 and older, in November 2005. The sample was equally split between each of the four key cities (i.e., n=1,375 per city). This survey was used to generate accurate incidence rates for long-haul travel among the Chinese population, as well as population estimates for weighting the long-haul traveller survey. Eligible long-haul pleasure travellers from the telephone survey were invited to participate in the in-person survey.

- **In-person survey of long-haul pleasure travellers.** A 45 to 60-minute, face-to-face survey was conducted with **n=1,400** recent/potential long-haul pleasure travellers in the four markets of interest in November and December of 2005. Respondents included cooperative long-haul travellers from the random telephone survey, substantially supplemented by booster samples recruited through networking, referral sampling and street intercepts in upper class areas such as premium shopping malls and outside office buildings. An appointment was made to conduct the survey either in-home or at a central location, and a small incentive was offered to encourage participation.

For the in-person survey, quotas were set for various long-haul traveller groups based on destinations visited and future travel plans. For each traveller group, interviews were split across the four markets of interest. As shown below, the survey population can essentially be defined as travellers who have taken a pleasure trip of four or more nights, by plane, outside Asia in the past three years or plan to take one in the next two years. In other words, the survey population does not represent the full long-haul market in China, as those whose travel horizons do not extend beyond Asia (either past or planned) have been excluded.

The sample of n=1,400 was broken down as follows:

- **N=260** recent travellers who have visited **Canada** for pleasure in the past three years;
- **N=600** recent travellers who have visited destinations **outside of Asia** (other than Canada) for pleasure in the past three years;
- **N=280** recent travellers who have only visited long-haul destinations **within Asia** for pleasure in the past three years, but definitely plan to travel outside Asia for pleasure in the next two years;
- **N=260** planners who have not taken a long-haul pleasure trip in the last three years, but are definitely **planning** to travel outside of Asia for pleasure in the next two years.

To meet the study timelines, the random telephone survey and the in-person survey were conducted in parallel. All fieldwork was conducted by Decima's research partner in China – Market Insight.

The random telephone survey data was weighted by city, age and gender using 2004 population estimates from the Statistics Bureau in China. The random survey data was then used to derive the population estimates for weighting the long-haul traveller survey (based on the qualifying sub-sample of long-haul travellers). Because the sub-set of travellers to Canada in the random survey was too small to generate accurate weighting data, International Travel Survey (ITS) data was used to weight this group.

Organization of the Report

The quantitative report is organized as follows:

- **Section 2** highlights the key findings of the quantitative research;
- **Section 3** profiles Chinese long-haul pleasure travellers, including travellers to Canada;
- **Section 4** presents an overview of Chinese long-haul pleasure trips, including recent trips to Canada;
- **Section 5** examines this market's trip decision-making, planning and booking patterns;
- **Section 6** estimates the size and characteristics of the potential market to Canada;
- **Section 7** looks at the travel attitudes and motivations of the Chinese market, including a motivational segmentation of Chinese travellers;
- **Section 8** focuses on market awareness and general perceptions of Canada;
- **Section 9** assesses product potential for Canada in the Chinese market and includes a segmentation of long-haul trips based on key product drivers;
- **Section 10** examines the packaging of travel to Canada, including preferred destination and activity combinations;
- **Section 11** looks at Canada's image and competitive positioning relative to other key long-haul destinations for this market;
- **Section 12** provides insights into travellers' price-value perceptions of Canada vis a vis other long-haul destinations;
- **Section 13** assesses the potential of the Chinese market for Canada's regions, with a particular focus on British Columbia, Alberta and Ontario who are the partners on this study;
- **Section 14** examines media and Internet usage by Chinese long-haul pleasure travellers; and
- **Section 15** summarizes the key marketing implications and recommendations arising from the research.

2. Key Findings

The following are the key highlights from the consumer research in China.

Market Size and Potential for Canada

- The size of the potential market for Chinese pleasure travel outside Asia is estimated at more than 2.8 million travellers in Canada's four key ADS markets – Beijing, Shanghai, Guangzhou and Shenzhen. Potential travellers outside Asia represent an elite group among the Chinese population at large, being better educated, more likely to hold senior positions in the government or private sector, and considerably more affluent.

- Among this group, interest in visiting Canada is remarkably high, with 73% that are interested in visiting in the next five years. Among those with the highest potential for conversion (i.e., the 19% that are very interested in visiting Canada in the next two years), about two-thirds view Canada as a dream destination and close to 30% are actively considering a trip there. Clearly, some pent-up demand exists in the marketplace that should be realized soon after the market opens up.

- Even conservatively, this interest translates into a market of some half million potential Chinese visitors for Canada over the next two years. Canada generally appeals to well-established, middle-aged families with a VFR connection, although it is the older, more well-to-do travellers that have been converted to date.

- While Shanghai represents the largest base of long-haul travellers, conversion may be more difficult due to the price-sensitivity of this market and a predilection for destinations closer to home. On the other hand, Guangzhou is the most well-primed market for Canada with the best potential for conversion on the basis of high interest and strong VFR linkages.

Recent Travel to Canada

- Due to Canada's lack of ADS status, VFR, combined business-pleasure and combined study-pleasure make up the lion's share of current Chinese travel to Canada. In fact, travellers to Canada are almost as likely to be travelling with business associates as with a spouse or partner. With close to 40% of trips being VFR-driven, it is no wonder that spending quality time with friends and family is the top motivator for travel to Canada.

- Aside from VFR, Chinese travellers currently come to Canada to visit its big cities and do some sightseeing, although nature shows good future growth potential. While in Canada, they like to relax, discover new things and have a little fun.

- Chinese trips to Canada often span the country, with most travellers visiting both Ontario and British Columbia. Alberta and Quebec also receive a good measure of Chinese visitation. Factoring in the length of the flight to and from China, and the Chinese tendency to take very short trips (often only a week to 10 days in duration), suggests that Canadian itineraries are very compressed.

Travel Attitudes, Interests and Motivations

- Chinese travellers are curious, optimistic and status-conscious when it comes to long-haul travel. They want to see the world and how the other half lives. They accord great value to long-haul travel and the benefits that it brings, including personal enrichment and respect from their peers. Those interested in Canada are generally more enthusiastic travellers who are keen to experience western culture and lifestyles.

- Due to the emerging nature of the market, Chinese long-haul pleasure trips are still very generic and focused on broad touring and sightseeing activities. Aside from shopping and visiting attractions with wide-ranging appeal, most other vacation activities, including local culture, outdoors activities and sports, are market niches that have yet to fully develop.

- In terms of choosing destinations, practical considerations are at the forefront for this market. Chinese travellers look for destinations that are clean, safe, friendly, scenic and inexpensive, where visas are fairly easy to obtain. The importance of the latter should not be underestimated. Ease of obtaining visas ranks among the top three destination selection criteria for this market, being considered important by close to 95% of all potential travellers.

- Chinese travellers are also driven by the status of seeing famous cities and attractions and experiencing something new and different. Travel is very status-driven in China and part of its appeal to travellers is being able to tell friends and relatives back home about the famous sights they have seen.

- Risk-Free Vacationers, Economizers and Famous Sight Seers represent the largest motivational segments among Chinese travellers (accounting for over three-quarters of the market). These segments reflect an emerging market that is still relatively inexperienced and generalized in its motivations for long-haul travel. At present, there are no stand-out segments when it comes to interest in Canada, which is likely due to minimal awareness of what the destination has to offer.

Perceptions of Canada

- Canada's major appeal among Chinese travellers is as a safe, clean and welcoming vacation destination, however, it is seen as lacking concrete attributes to pique their interest. Famous attractions and cities are the immediate key, and Canada will need to build awareness around Toronto, Vancouver, Niagara Falls, Banff and other world-class attractions to create an initial buzz. Canada could also stand to shore up market perceptions of its scenery, as perception ratings are only lukewarm.

- While nature, wildlife and parks are seen as some of Canada's strongest product offerings, these will need to be tied in with general touring and sightseeing as they are not yet stand-alone activities. Canada is also perceived as having strengths in terms of winter and outdoors products that will undoubtedly come into play down the road, but are not currently mass-market drivers.

- Although there is good overall awareness of and interest in Canada as a whole, awareness of specific attractions, signature travel experiences and regional characteristics is poor. Ontario and British Columbia attract the most attention from Chinese travellers, primarily focused around Toronto and Vancouver. However, beyond big cities and scenic attributes, Chinese perceptions of these regions are very vague. Ontario's primary appeal is Niagara Falls, while British Columbia (specifically Vancouver) is seen as being a good VFR destination with large Chinese communities and a good place to experience a foreign culture in a familiar environment.

- Canada's market entry strategy and inaugural campaigns will need to incorporate heavy awareness-building to improve awareness of Ontario and BC's specific tourism attributes, enhance the awareness and appeal of lesser known regions such as Alberta and Quebec, and weave a distinct image and character for each region of the country. As the Chinese market matures, there should also be good opportunities for places like Atlantic Canada and the North.

Competitive Positioning

- Beyond skiing and outdoors activities, Canada does not have clear-cut perceptual strengths relative to its competitors. This is not surprising in view of the fact that Canada has not begun its marketing efforts in earnest. Even its worldwide reputation for nature and scenery has not fully extended to Chinese travellers, who tend to think of Australia first for these products. In fact, Australia is Canada's closest competitor, having many of the same products and strengths, but with the added bonus of being closer and more well-established in the marketplace.

- Canada is solidly positioned for Risk-Free Travel, although Australia and Switzerland are close competitors on this front. Canada is felt to deliver on most of the key attributes this group seeks when they travel (e.g., safe, clean, healthy, friendly), but needs to strengthen market perceptions of its scenery.

- Canada is also highly competitive on the Outdoor Adventure dimension, being perceived as a market leader by the Chinese. While this area offers good potential down the road, at present, it remains a very small market niche. Canada will also be in a good position to compete on the Traditional travel dimension once the market is fully open and tour products are more readily available.

- In terms of price-value perceptions, Canada is in an excellent starting position, viewed as delivering good value at a reasonable price. However, Australia is the clear winner, being seen as tops in value for the lowest cost. While Canada cannot compete with Australia on cost, it can certainly improve its perceived value by enhancing awareness of its cities, attractions and scenery, and by highlighting uniquely Canadian vacation experiences.

3. Overview of Chinese Long-Haul Pleasure Travellers

This section of the report examines the demographic characteristics of recent Chinese long-haul pleasure travellers.

Demographics of Recent Long-Haul Travellers

As shown in **Exhibit 3.1**, recent long-haul pleasure travellers from China span all ages, with the exception of seniors who represent only 3% of the market. Most are married, with close to 40% who have children under 18 living at home. About half have household incomes of 10,000 RMB per month (CDN$17,400 per year) or more, and close to three-quarters are college or university educated.

Compared with the Chinese adult population as a whole, long-haul travellers are an elite group, being better educated and more likely to hold senior positions in the government (16%) or private sector (25%). Not surprisingly, income is a driving force for long-haul travel, with long-haul travellers being considerably more affluent than the population at large. This suggests that the long-haul market will continue to grow as the Chinese middle class expands and incomes continue along their upward trend.

To a great extent, the age distribution of long-haul travellers mirrors that of the Chinese adult population, except for an over-representation of the 55 to 64 group and proportionately fewer seniors. According to the trade, those over the age of 65 tend to travel domestically rather than taking outbound trips.

EXHIBIT 3.1 – SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RECENT LONG-HAUL PLEASURE TRAVELLERS

	Recent Long-Haul Travellers (n=1,140)	Chinese Adult Population (n=5,500)
Gender		
Male	54%	50%
Female	46%	50%
Age		
18 to 24	11%	12%
25 to 34	21%	22%
35 to 44	28%	24%
45 to 54	15%	19%
55 to 64	22%	12%
65 or older	3%	11%

Marital Status	Recent Long-Haul Travellers (n=1,140)	Chinese Adult Population (n=5,500)
Single / never married	20%	22%
Married / partnered	78%	76%
Separated / divorced / widowed	2%	2%
Have Children in Household Under 18		
Yes	38%	40%
Education		
High school or less	23%	56%
Technical / Vocational high school	5%	7%
College	45%	17%
University or above	28%	20%
Employment Status		
Employed full-time/part-time	74%	56%
Housewife / homemaker	2%	7%
Unemployed	1%	7%
Retired	17%	22%
Student	6%	5%
Occupation		
Government/State: Middle/High Rank	16%	7%
Government/State: Technician/Worker	16%	26%
Foreign/JV/Private: Manager or above	25%	7%
Foreign/JV/Private: Staff / worker	17%	37%
Culture / Education / Science	9%	7%
Freelance / Self-Employed	15%	16%
Other	2%	1%
Average Monthly Household Income (RMB)		
Below 7,000	24%	83%
7,000 to 9,999	27%	8%
10,000 to 19,999	34%	6%
20,000 or above	15%	3%
Close Friends or Relatives Living in Canada		
Yes	24%	-

Recent Travellers to Canada

Exhibit 3.2 shows the demographic breakdown for recent travellers to Canada, compared with recent travellers to other destinations outside Asia and recent travellers within Asia. Demographically, travellers to Canada are generally more similar to the Outside Asia group than the Within Asia group, which is to be expected.

Recent travellers to long-haul destinations **within Asia** have the least amount of education, command the lowest household incomes and are the most likely to be staff / workers rather than management. Their lower social standing means they are less likely to be able to afford trips beyond Asia. However, they are also younger than the other two groups (i.e., fewer over 55), so their incomes and social status may yet increase with age.

By comparison, travellers **outside Asia** are a more upscale group, with better education, higher incomes and more senior positions in the workforce. They are also older, with 26% over the age of 55.

Recent travellers to **Canada** are older still, with fully a third that are 55 plus. Consistent with their mature years, these travellers are more likely to be married (84%), with almost a quarter that are retired. Like travellers Outside Asia, travellers to Canada are a well-educated group, with over three-quarters who have post-secondary education.

Travellers to Canada are the most likely of the three groups to hold managerial positions in private, joint venture or foreign firms (35%) and are also the most well-to-do (by Chinese standards). Over 60% have incomes in excess of 10,000 RMB per month, compared with around half of travellers outside Asia, around 40% of travellers within Asia, and under 10% of the population at large. Notably, 60% of those who went to Canada have close friends or relatives living there, compared with less than a fifth of those who went to other destinations.

Key Finding

Older and more affluent, travellers to Canada represent an elite group, both within the Chinese population as a whole, and among the more select group of long-haul travellers. In addition, having friends and relatives in Canada is a major catalyst for visitation. This is not surprising given that much of the current travel to Canada is VFR-driven in the absence of ADS.

EXHIBIT 3.2 – SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RECENT TRAVELLERS TO CANADA VS. OTHER DESTINATIONS

	Canada (n=260)	Outside Asia (n=600)	Within Asia (n=280)	Total (n=1,140)
Gender				
Male	55%	55%	51%	54%
Female	45%	45%	49%	46%
Age				
18 to 24	7%	12%	12%	11%
25 to 34	16%	22%	22%	21%
35 to 44	29%	28%	27%	28%
45 to 54	13%	12%	22%	15%
55 to 64	29%	23%	16%	22%
65 or older	5%	3%	1%	3%
Marital Status				
Single / never married	14%	22%	20%	20%
Married / partnered	84%	76%	79%	78%
Separated / divorced / widowed	1%	2%	2%	2%
Have Children in Household Under 18				
Yes	40%	38%	36%	38%
Education				
High school or less	22%	21%	27%	23%
Technical / Vocational high school	3%	5%	7%	5%
College	47%	47%	38%	45%
University or above	29%	27%	28%	28%
Employment Status				
Employed full-time/part-time	70%	73%	78%	74%
Housewife / homemaker	2%	2%	3%	2%
Unemployed	0%	1%	0%	1%
Retired	24%	17%	13%	17%
Student	4%	7%	7%	6%
Occupation				
Government/State: Middle/High Rank	15%	16%	17%	16%
Government/State: Technician/Worker	12%	16%	18%	16%
Foreign/JV/Private: Manager or above	35%	26%	18%	25%
Foreign/JV/Private: Staff / worker	12%	15%	23%	17%
Culture / Education / Science	8%	10%	9%	9%
Freelance / Self-Employed	16%	16%	12%	15%
Other	3%	1%	3%	2%
Average Monthly Household Income (RMB)				
Below 7,000	16%	22%	34%	24%
7,000 to 9,999	22%	27%	28%	27%
10,000 to 19,999	41%	35%	29%	34%
20,000 or above	21%	16%	10%	15%
Close Friends or Relatives Living in Canada				
Yes	60%	19%	18%	24%

Planners

Planners are those who have not taken a long-haul pleasure trip in the last three years, but plan (definitely or very likely) to travel outside of Asia in the next two years. Compared with recent long-haul travellers, planners are far younger, with less education, lower ranking positions in the workforce and commensurately lower incomes (see **Exhibit 3.3**). With close to 45% who have incomes of under 7,000 RMB per month (CDN$12,200 per year), they are less likely to have the financial wherewithal to afford long-haul travel.

Planners likely consist of different slices of the Chinese market, including a combination of first-time long-haul travellers who are adventurous enough to journey outside Asia on their first long-haul trip, as well as more experienced long-haul travellers who have temporarily curtailed long-haul travel in the wake of 9/11, SARS, the Asian tsunami and other recent events. Being able to realize their long-haul travel plans likely depends to a large degree on the external environment, including continued strong economic performance, income growth, and the absence of major threats to health and safety.

EXHIBIT 3.3 – KEY DIFFERENCES BETWEEN RECENT TRAVELLERS AND PLANNERS

Compared with Recent Travellers, Planners tend to…

- Be younger (52% under 35, vs. 32% of recent travellers)
- Be single (36% vs. 20%)
- Be less educated (32% with a high school education or less vs. 23%)
- Have a technical/vocational education (13% vs. 5%)
- Earn less (43% with monthly incomes of less than 7,000 RMB per month vs. 24%)
- Have a lower-ranking position in government or private enterprise (51% classified as staff/worker rather than management vs. 33%)

Note: Only statistically different differences are shown. Recent travellers (n=1,140); Planners (n=260).

4. Overview of Chinese Long-Haul Pleasure Trips

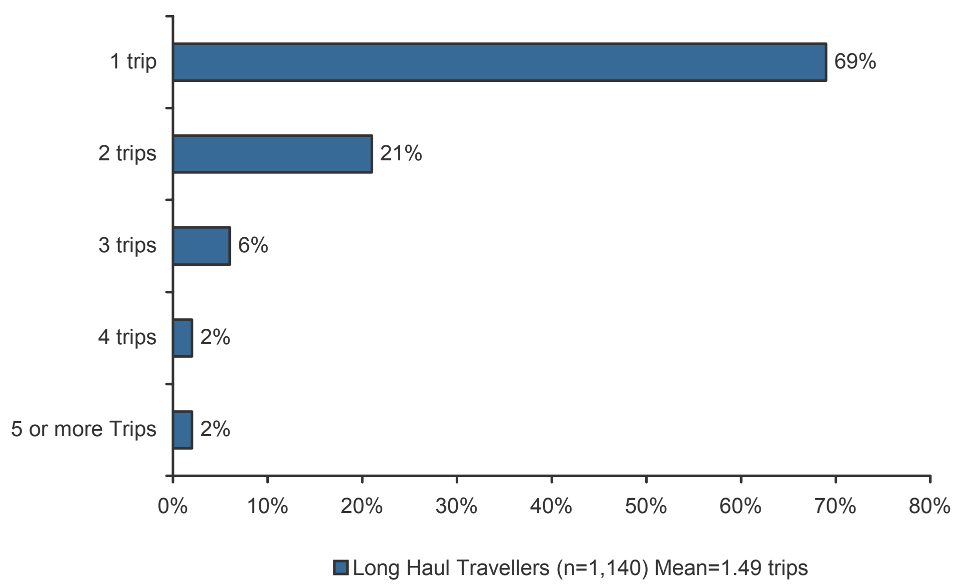
This section profiles the trips taken by recent long-haul pleasure travellers and looks at how trips to Canada differ from those taken to destinations outside and within Asia.

Frequency of Long-Haul Pleasure Travel

Total Number of Long-Haul Pleasure Trips

Exhibit 4.1 shows that the vast majority of recent long-haul travellers have taken only one long-haul pleasure trip in the last three years. About a fifth have taken two such trips, while 10% are more frequent long-haul travellers who have taken three or more trips.

EXHIBIT 4.1 – NUMBER OF LONG-HAUL PLEASURE TRIPS TAKEN IN THE LAST THREE YEARS



Number of Long-Haul Pleasure Trips by Destination

Exhibit 4.2 shows the average number of pleasure trips of four or more nights taken by recent Chinese long-haul travellers to various destinations in the last three years, as well as the market share of each destination. Not surprisingly, Asia captures the largest market share (34%), followed by Europe (29%) and Australia/New Zealand (16%). Canada has a 9% market share (or 10% if combined Canada-US travel is included).

Note that these figures do not represent the share of the full long-haul pleasure travel market, which would be much lower due to the inclusion of a substantial segment of people who only travel within Asia (the survey sample only includes those who have travelled or plan to travel outside Asia). The criterion of four nights or more, by plane, would also eliminate some long-haul trips from the analysis.

EXHIBIT 4.2 – NUMBER OF LONG-HAUL PLEASURE TRIPS TAKEN TO DIFFERENT DESTINATIONS IN THE LAST THREE YEARS

	Average Number of Trips	Market Share
Within Asia	0.57	34%
Canada only	0.12	9%
US only	0.13	9%
Canada and the US	0.03	1%
The Caribbean / West Indies	0.00	0%
Australia / New Zealand	0.21	16%
Europe	0.40	29%
Other destinations	0.02	2%
TOTAL	**1.49**	**100%**

Notes: Base is long-haul travellers in the last three years (n=1,140). Market share measured by total trips to destination as a percentage of total trips taken. Average number of trips do not sum to total due to rounding.

Characteristics of Recent Long-Haul Pleasure Trips

Destinations Visited Outside Asia

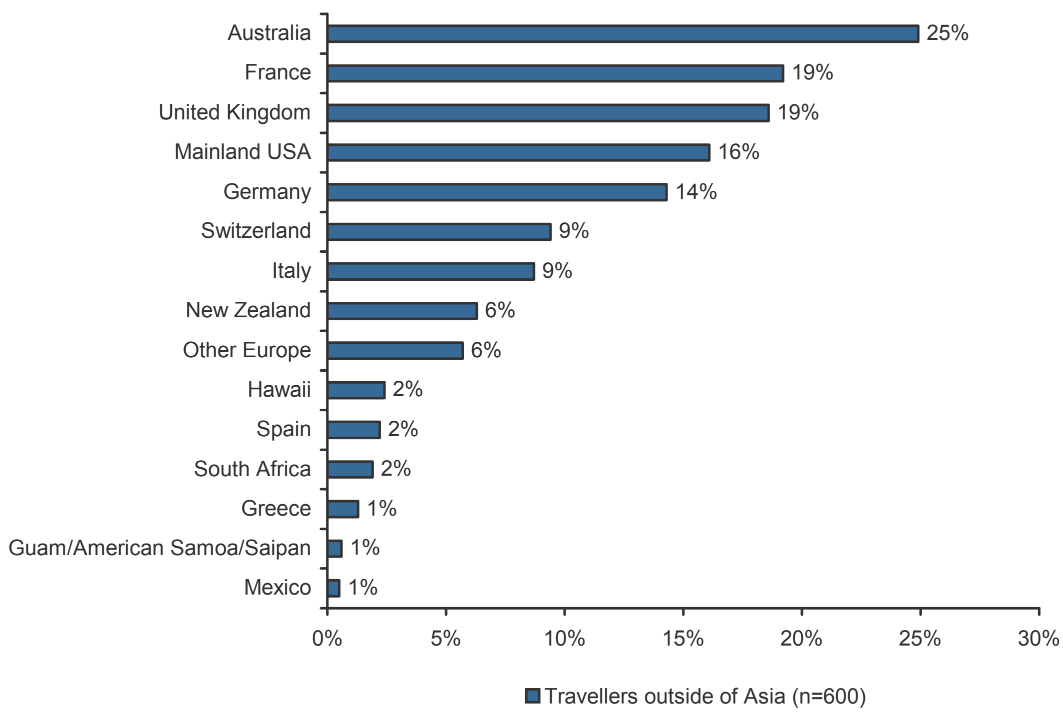
Australia tops the list of destinations visited on the most recent trip Outside Asia (see **Exhibit 4.3**). Australia is a perennial favourite among the Chinese due to its proximity, comparatively low cost, comfortable climate and wide range of things to see and do.

France and the UK follow closely behind, with almost a fifth who visited these destinations on their most recent trip outside Asia. France is a gateway into Europe and is considered a "must-see" by the Chinese, while the recent opening of the UK to ADS travel has boosted its popularity.

The US and Germany round out the top five destinations for the Outside Asia group. Both are popular business destinations, and Germany has also begun to attract considerable FIT travel. Switzerland, Italy and New Zealand are other popular destinations for travel outside of Asia.

Note that Canada is not included in this exhibit as this question was only asked to the Outside Asia group (i.e., those who travelled Outside of Asia, but not to Canada).

EXHIBIT 4.3 – DESTINATIONS VISITED ON MOST RECENT TRIP OUTSIDE OF ASIA

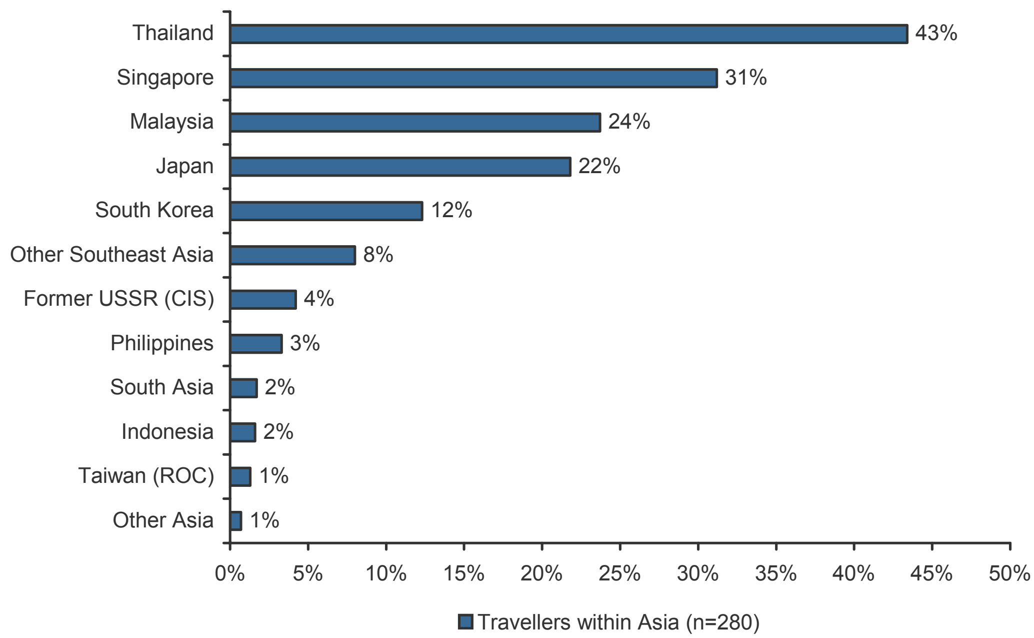


Notes: Base is those who travelled outside of Asia in the past three years, but not to Canada. Percentages may sum to more than 100% due to multiple responses.

Destinations Visited Within Asia

Exhibit 4.4 shows the top destinations for the Within Asia group. Thailand is a well-entrenched favourite among Chinese travellers, so its number one position is not surprising. Over 40% of the Within Asia group chose this destination on their most recent trip. Singapore (31%) and Malaysia (24%) are also very popular in the Chinese market and have been for many years. Japan (22%) and South Korea (12%) are hot new destinations, appealing to the Chinese on the basis of their pop culture as well as their tourism attributes.

EXHIBIT 4.4 – DESTINATIONS VISITED ON MOST RECENT LONG-HAUL TRIP WITHIN ASIA



Notes: Base is those who travelled only within Asia in the last 3 years, but plan to travel outside Asia in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

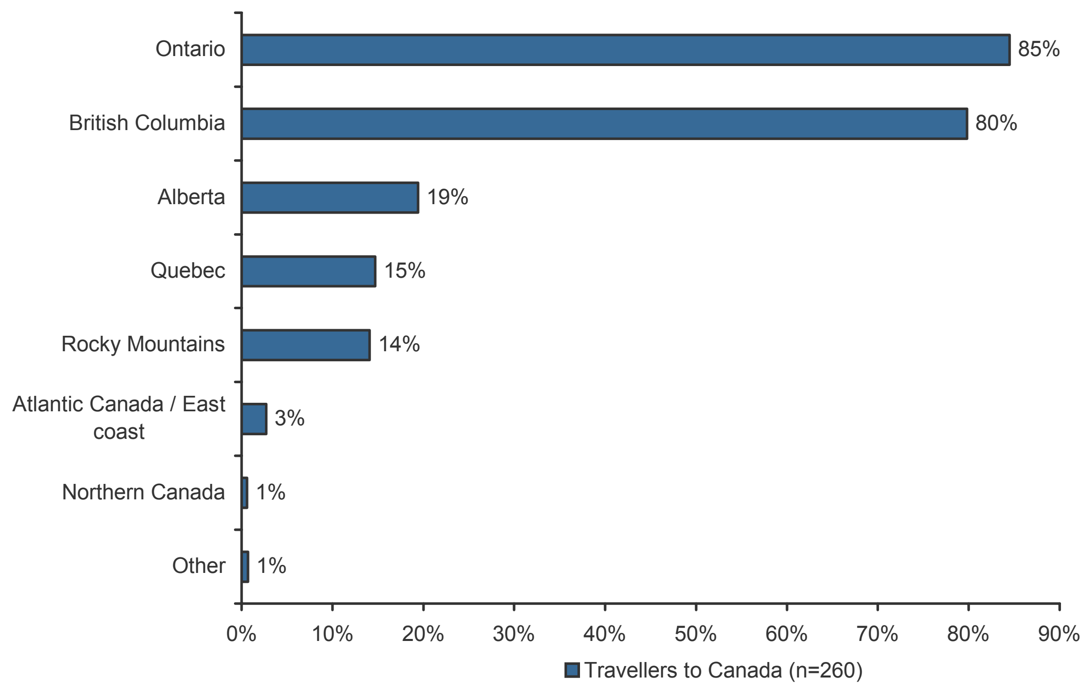
Destinations Visited in Canada

As shown in **Exhibit 4.5**, Ontario (85%) and British Columbia (80%) are the top destinations visited on the most recent trip to Canada. In fact, the majority of Chinese travellers to Canada (66%) visit both provinces. This is likely because many travellers fly into Vancouver and spend some time there before moving onto Ontario.

Alberta (19%), Quebec (15%) and the Rocky Mountain region (14%) also receive a good measure of Chinese visitation. However, few travellers currently go to Northern or Atlantic Canada.

Approximately a fifth of travellers also visited the US on their most recent trip to Canada, while 7% visited a destination within Asia.

EXHIBIT 4.5 – DESTINATIONS VISITED ON MOST RECENT TRIP TO CANADA



Note: Percentages may sum to more than 100% due to multiple responses.

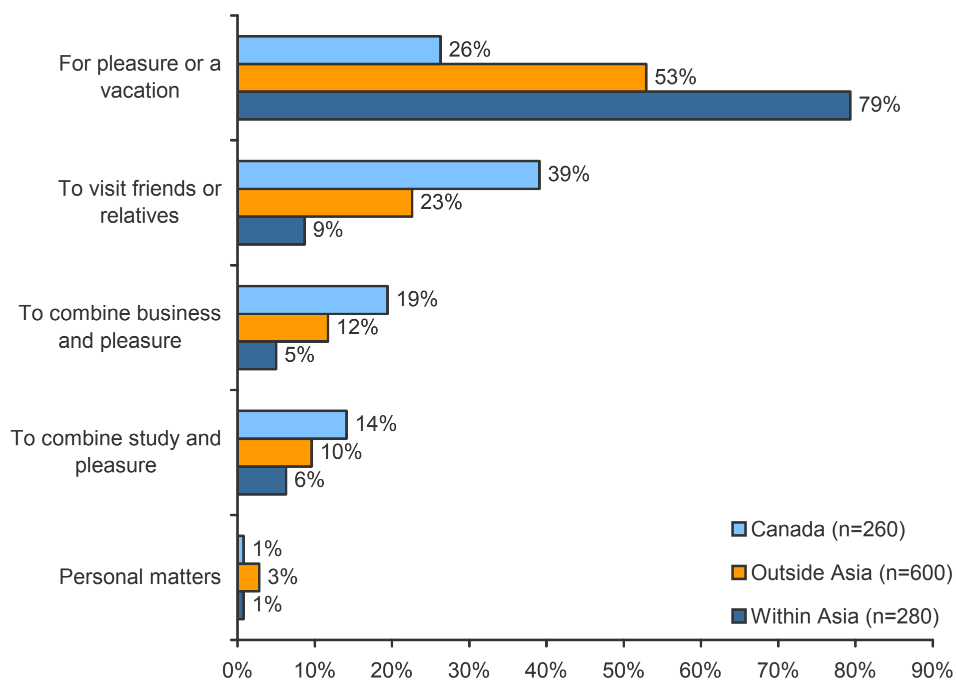
Main Trip Purpose

Trips within Asia are primarily taken for pleasure or vacation purposes (close to 80%). Pleasure also accounts for over half of trips outside Asia, but there is also a good measure of VFR (close to a quarter of the market).

As shown in **Exhibit 4.6**, travel to Canada exhibits a different pattern altogether. The proportion of VFR is substantially higher at almost 40%, while pleasure/vacation travel represents only a quarter of all trips. There is also far more combined business/pleasure travel (about a fifth of all trips), as well as combined study/pleasure travel (close to 15%). This distribution obviously reflects Canada's lack of ADS status, which would limit the amount of travel that is purely for pleasure.

Note that the combined study/pleasure group is not limited to students, but also includes businessmen travelling to international conferences and to study how overseas companies operate.

EXHIBIT 4.6 – MAIN TRIP PURPOSE



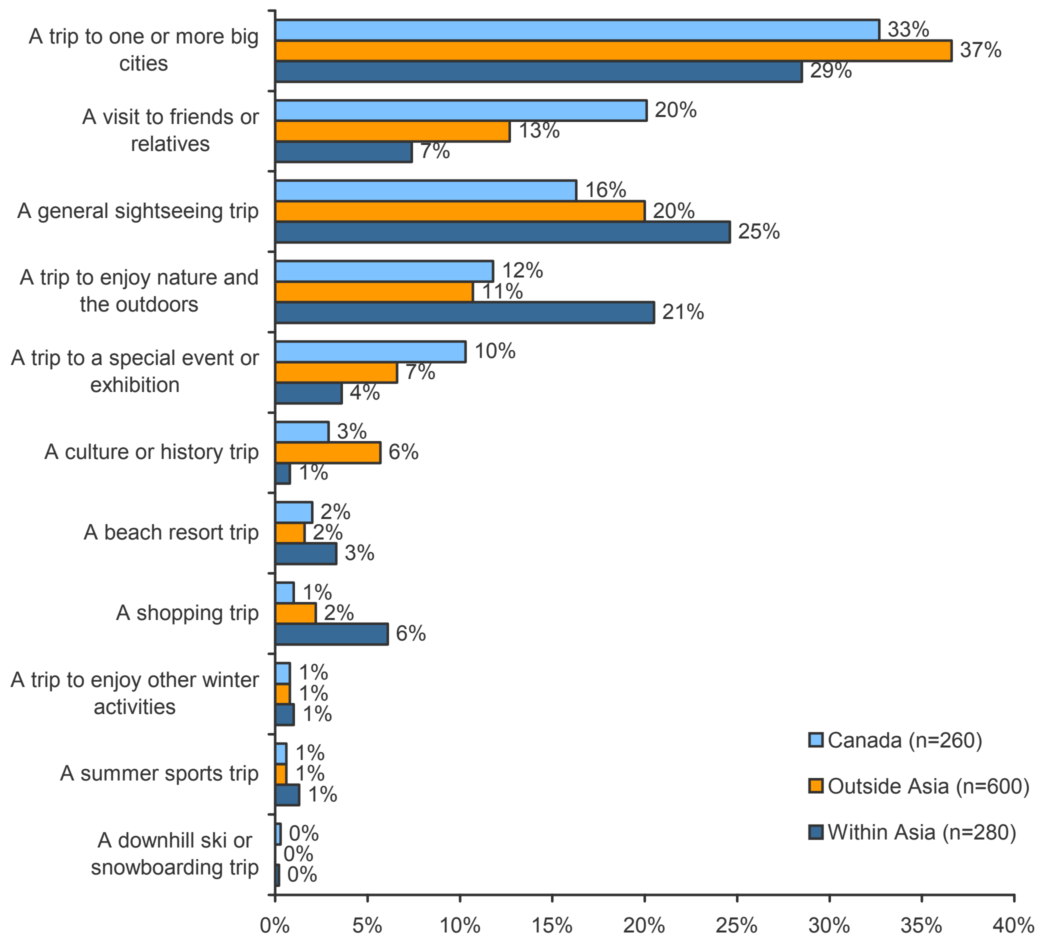
Main Trip Type

Chinese long-haul pleasure travel is still in its infancy and, as such, travellers still prefer trips to big cities and generalized sightseeing trips – all told, these trips account for 54% of trips within Asia, 57% of those outside Asia, and 49% to Canada (see **Exhibit 4.7**). Consistent with previous results, trips to Canada are more likely to be for VFR (20%). Combined, these three trip types currently account for around 70% of all travel to Canada.

According to the Chinese travel trade, specialized travel has not developed to any great extent in this market, a finding that is borne out by the survey results. Regardless of the destination, very few trips are taken specifically for culture/history, shopping, skiing, other winter sports, summer sports, or staying at a beach resort. A major exception is nature/outdoors trips, which account for about a fifth of trips within Asia. As will be shown later in this report, these trips lean towards softer nature-based activities rather than outdoors adventure. This is a positive result for Canada, as it shows a healthy interest in nature that will likely spread beyond Asia as the market matures.

Travel to Canada is characterized by a significantly higher proportion of exhibition or event-oriented trips (10%), which likely reflects the higher proportion of trips with a business or study component.

EXHIBIT 4.7 – MAIN TRIP TYPE

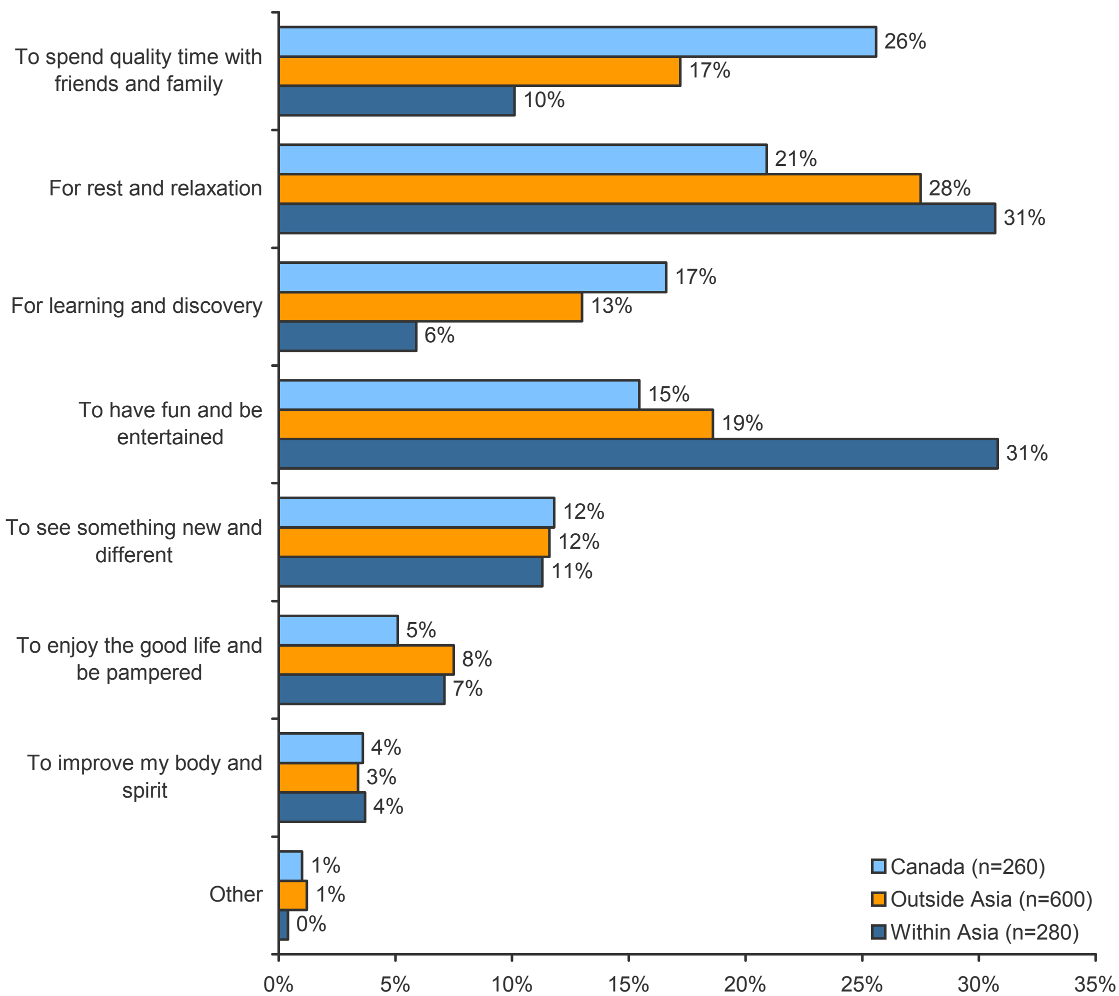


Primary Reason For Taking Trip

The vast majority of trips within Asia are taken for two main reasons –- rest and relaxation, and fun and entertainment (see **Exhibit 4.8**). Together these motivations account for over 60% of all trips within the continent.

Trips outside Asia and those to Canada exhibit more diversity in terms of primary motivations. In both cases, fun/entertainment is relatively less important, while learning/discovery and spending quality time with family/friends are more prevalent reasons for travel. In fact, the latter is the top reason for trips taken to Canada (26%), which reflects the greater VFR to this destination.

EXHIBIT 4.8 – PRIMARY REASON FOR TAKING TRIP

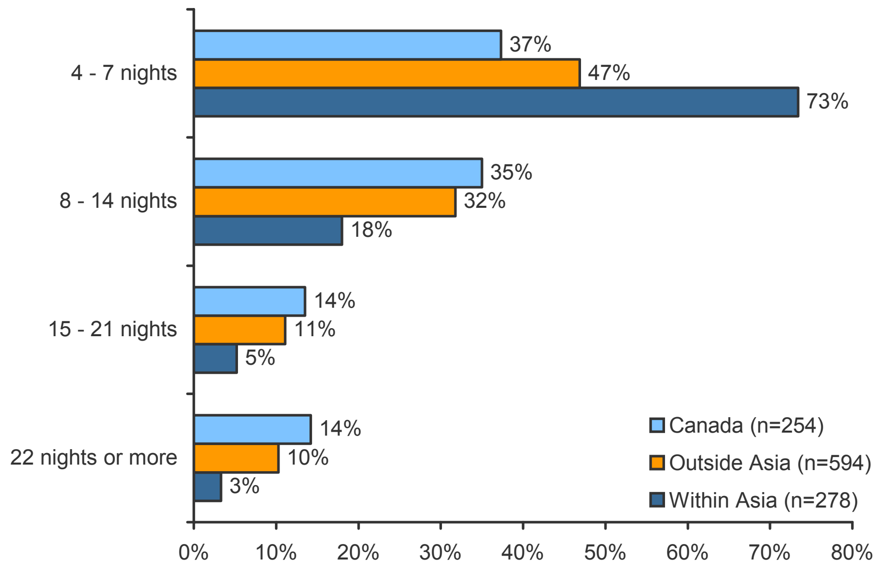


Trip Duration

According to the travel trade, Chinese travellers tend to take very short trips, with many travelling during one of the three Golden Weeks each year. Moreover, many of the people who can afford to travel long-haul are senior executives who are reluctant to take extended periods away from work.

Exhibit 4.9 certainly confirms the trend to short vacations, with medians of 6 nights away from home for trips within Asia, 8 nights for trips outside Asia and 10 nights for trips to Canada. Almost three-quarters of the market favours trips of less than a week for travel within Asia, which is not terribly surprising. However, almost 40% of trips to Canada are a week or less in duration, which leaves very little time for sightseeing once the long flight times are taken into account. In fact, the vast majority of trips to Canada (72%) are under two weeks long.

EXHIBIT 4.9 – NIGHTS AWAY FROM HOME



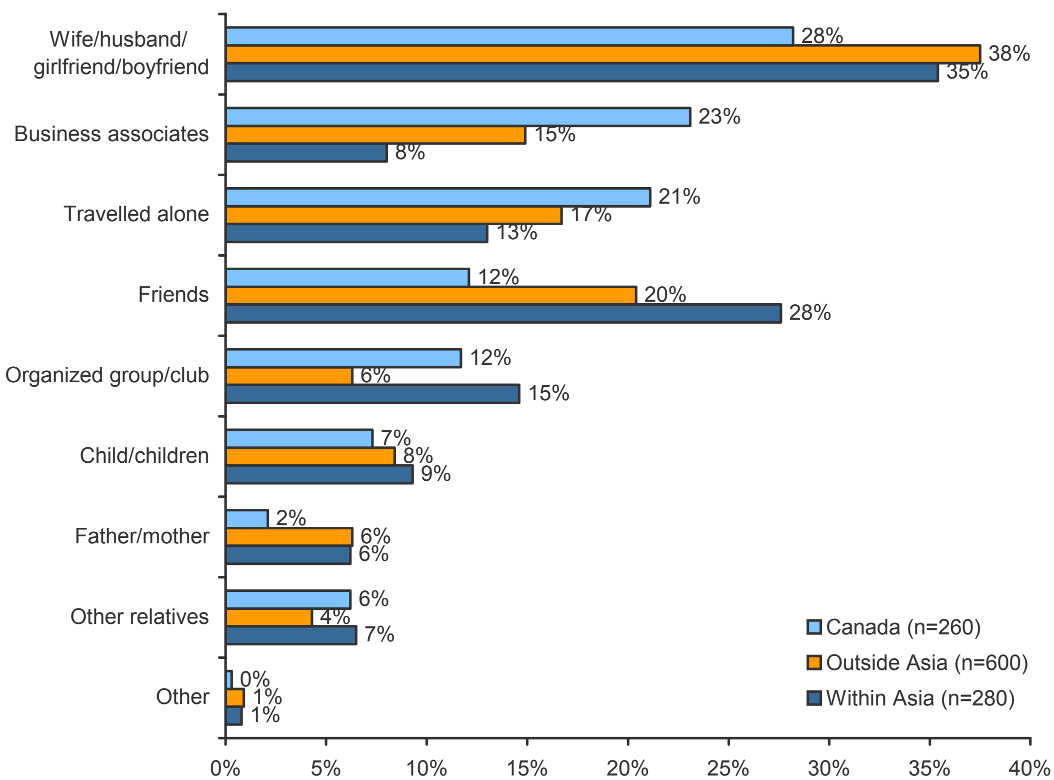
MEAN: Canada=15.1 nights Outside Asia=12.4 nights Within Asia=8.3 nights
MEDIAN: Canada=10 nights Outside Asia=8 nights Within Asia=6 nights
Note: By definition, a long-haul pleasure trip is 4 nights or more

Travel Party Composition

Regardless of the destination, many Chinese travel with their spouse or partner on long-haul trips (roughly 30% to 40%). However, as seen in **Exhibit 4.10**, they don't usually bring their children (under 10% of each group).

Travel within Asia is generally characterized by more travel with friends (28%), which is consistent with the fun and entertainment orientation of these trips. On the other hand, trips to Canada are more likely than others to be taken alone (21%) or with business associates (23%), reflecting the higher proportion of combined business-pleasure and study-pleasure travel. Travel with an organized group or club is also fairly common for travel to both Canada (12%) and Asia (15%).

EXHIBIT 4.10 – PERSON(S) TRAVELLED WITH



Note: Percentages may sum to more than 100% due to multiple responses.

Time of Year

Exhibits 4.11 and **4.12** show the month and season in which long-haul trips are typically taken. Across all destinations, the most popular individual months for travel are July (15%), October (13%), May (13%) and August (13%). Together these four months account for over half (54%) of all Chinese long-haul trips. While July and August make up the summer vacation period, October and May are popular due to Golden Week travel around National Day (October 1st) and Labour Day (May 1st). In fact, these periods of intense travel have contributed to major seasonality challenges within China's travel industry.

The vast majority of travel to Canada occurs between May and October (70%), with few trips being taken in the winter months. The same is true for travel outside Asia, although these trips are more likely to be concentrated in July and August (31%). Travel within Asia is more evenly dispersed throughout the year, although much activity is focused around National Day, with close to a fifth of all trips to Asia taken in the month of October.

EXHIBIT 4.11 – MONTH OF TRAVEL

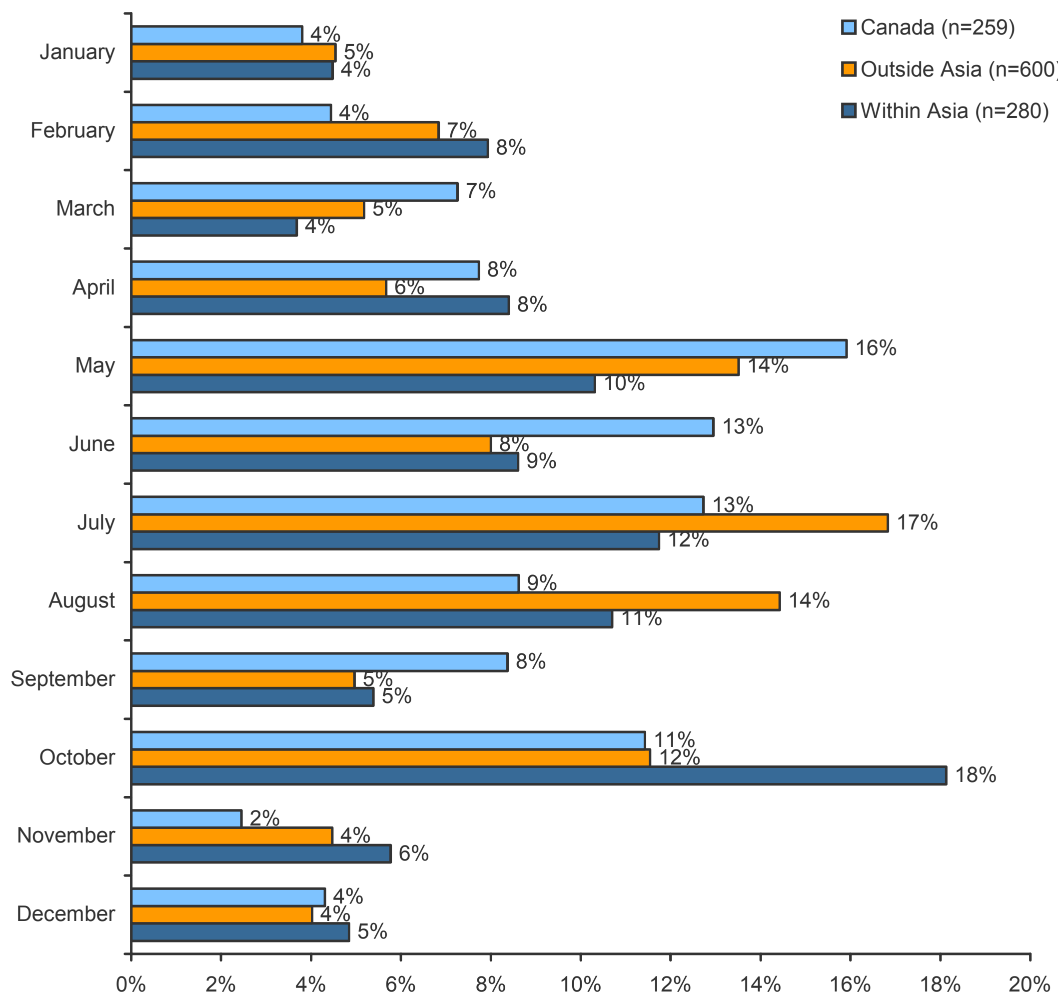


EXHIBIT 4.12 – SEASON OF TRAVEL

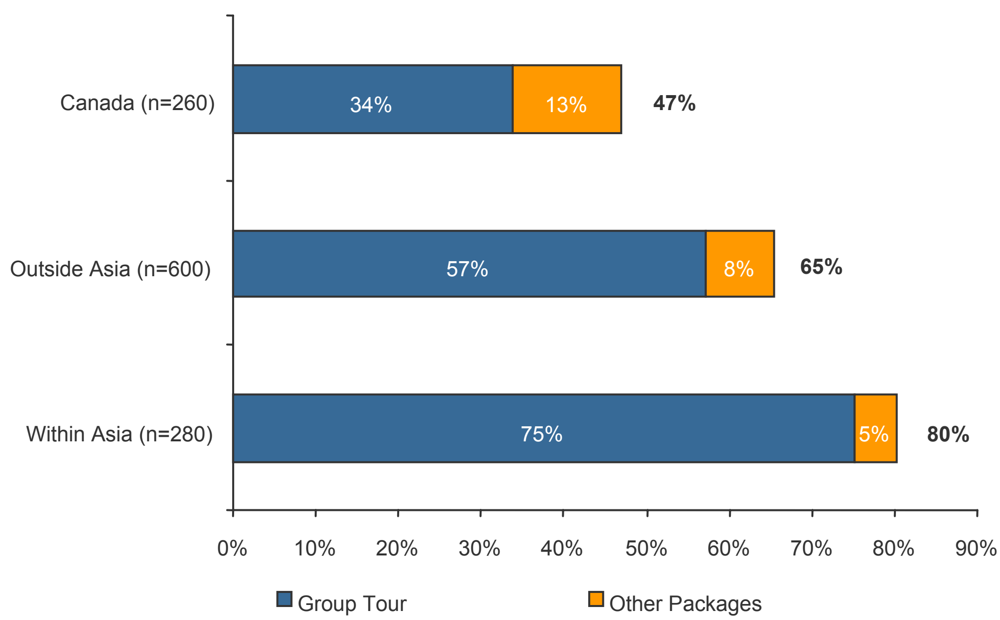
	Canada (n=259)	Outside Asia (n=600)	Within Asia (n=280)
Winter (December – February)	12%	16%	17%
Spring (March – May)	31%	25%	22%
Summer (June – August)	35%	39%	32%
Autumn (September – November)	21%	21%	29%

Use of Packages

As shown in **Exhibit 4.13,** approximately 75% of those who took a trip within Asia used a group tour package. This percentage was lower for trips outside Asia (57%), and lower still for trips to Canada (only 34%). This pattern directly reflects the proportion of pleasure or vacation travel to each destination (i.e., 79% within Asia, 53% outside Asia and 26% within Canada). In other words, those taking VFR, combined business-pleasure and combined study-pleasure trips would not typically use a group tour product.

If other types of travel packages are factored in, package use rises to 80% for trips within Asia, 65% for trips outside Asia and almost half for trips to Canada.

EXHIBIT 4.13 – USE OF PACKAGES



Note: Other Package was defined as a package where accommodation or other travel services were purchased together with the flight before leaving China.

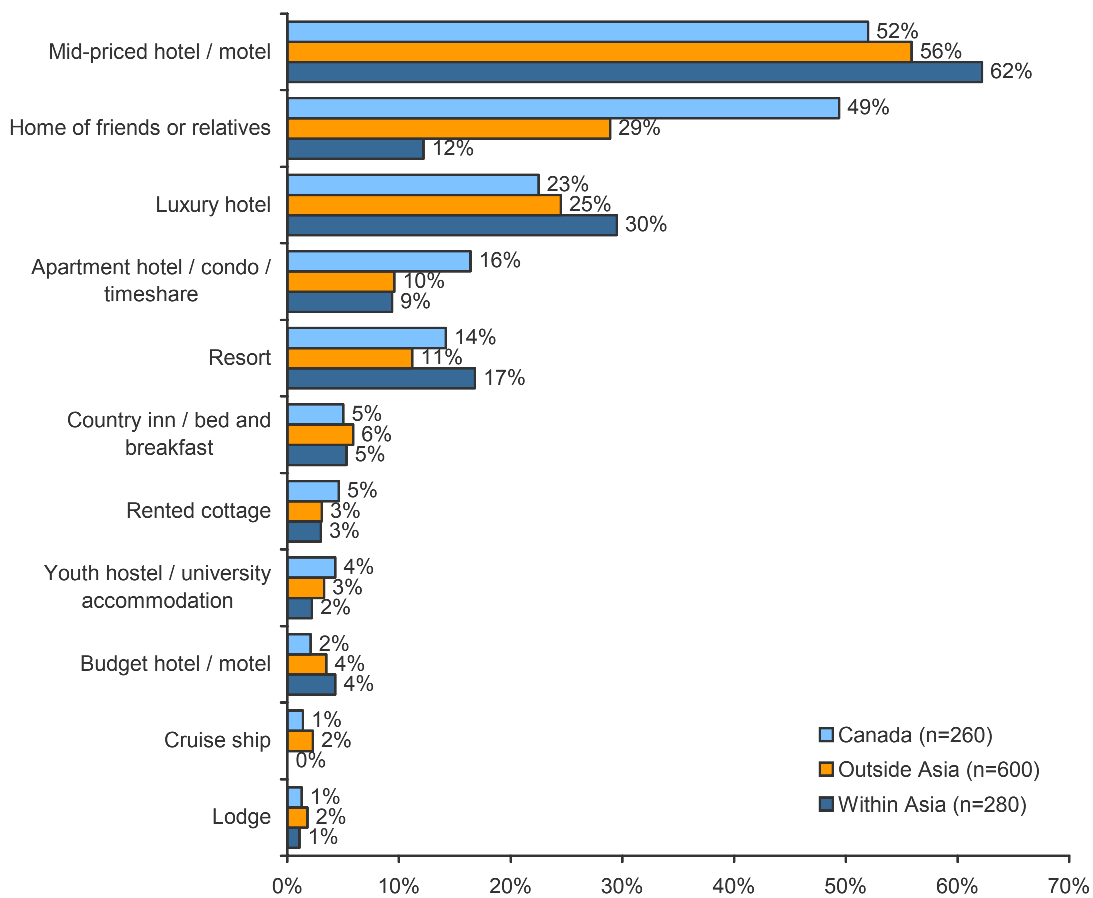
Type of Accommodations

As shown in **Exhibit 4.14**, Chinese travellers generally favour mid-priced hotels and motels for long-haul pleasure travel. Mid-priced accommodations are used on around 50% to 60% of long-haul trips, which is more than twice the usage of luxury hotels, regardless of the destination. According to the trade, this market is very price-sensitive and generally prefers to avoid the steeper costs of more upscale accommodations.

Due to high VFR, however, travellers to Canada are just as likely to stay at the homes of friends or relatives (49%) as at a mid-priced hotel (52%). They are also more likely than travellers to other destinations to stay at an apartment hotel, condo or timeshare (16% for Canada vs. around 10% for other destinations).

Resort stays are also prevalent for long-haul travel, but more so within Asia due to the immense popularity of resorts in Thailand and Malaysia. Use of other types of accommodations on long-haul trips is relatively minimal.

EXHIBIT 4.14 – TYPE OF ACCOMMODATIONS USED

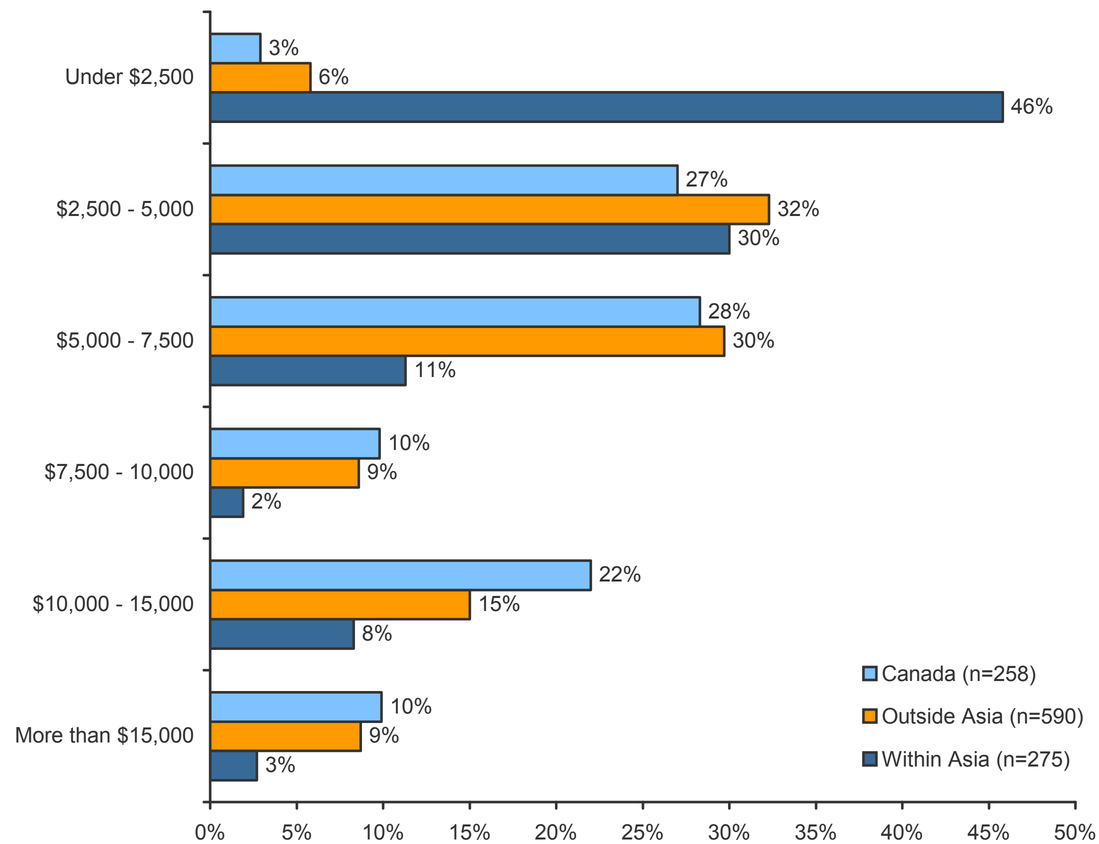


Note: Percentages may sum to more than 100% due to multiple responses.

Trip Expenditures

Not surprisingly, Chinese travellers spend relatively more on trips to Canada and those outside Asia than on trips within Asia. While 42% spent the equivalent of CDN$7,500 or more per party on trips to Canada and 33% spent this much on trips outside Asia, this figure was only 13% for travel within Asia (see **Exhibit 4.15**). Around a third of travellers to Canada and a quarter of travellers outside Asia can be considered big spenders, with total trip expenditures in excess of CDN$10,000.

EXHIBIT 4.15 – TOTAL TRIP EXPENDITURES (PER PARTY)



Note: Expenditures have been converted to Canadian Dollars using December 2005 exchange rates.

As shown in Exhibit 4.16a, average expenditures for trips to Canada ($9,700 per party) are about 12% higher than for trips outside Asia (25% higher if the median figures are used) and more than double that for trips within Asia.

On a per person per day basis, spending in Canada (around $456 including airfare or $321 excluding airfare), is comparable to spending in other destinations outside Asia, but is still 70% to 80% higher than spending in Asian destinations.

EXHIBIT 4.16A – AVERAGE PER PARTY, PER PERSON AND PER PERSON PER DAY EXPENDITURES

	Canada (n=258)	Outside Asia (n=590)	Within Asia (n=275)
Per Party			
Mean	$9,702	$8,653	$4,239
Median	$7,245	$5,796	$2,898
Per Person			
Mean	$4,496	$4,062	$1,721
Median	$4,105	$3,622	$1,449
Per Person Per Day (Including Airfare)			
Mean	$456	$460	$251
Median	$386	$363	$207
Per Person Per Day (Excluding Airfare)			
Mean	$321	$330	$188
Median	$226	$248	$145

As might be expected, per person per day spending on long-haul trips is generally lower than average for VFR travel and higher than average for combined business-pleasure travel (see Exhibit 4.16b). For business-pleasure trips, roughly two-thirds of the total travel costs are typically paid for by employers, while a third is self-funded. Although not asked in the questionnaire, a portion of combined study-pleasure trips are likely also paid for by employers as many of these trips are business investigation trips or trips to attend overseas conferences.

EXHIBIT 4.16B – PER PERSON PER DAY EXPENDITURES BY TRIP TYPE

	VFR (n=250)	Pleasure Vacation (n=596)	Business Pleasure (n=125)	Study Pleasure (n=112)
Per Person Per Day (Including Airfare)				
Mean	$302	$415	$498	$439
Per Person Per Day (Excluding Airfare)				
Mean	$197	$304	$375	$323

Note: All destinations

Summary of Trips to Canada

Due to Canada's lack of ADS status, VFR, combined business-pleasure and combined study-pleasure make up the lion's share of Chinese travel to Canada. In fact, travellers to Canada are almost as likely to be travelling with business associates as with a spouse or partner. With close to 40% of trips being VFR-driven, it is no wonder that spending quality time with friends and family is the top motivator for travel to Canada.

Like other destinations outside Asia, the cost of a trip to Canada is fairly steep (in the range of CDN$9,700), so Canada tends to appeal to highly affluent Chinese, many of whom have friends and relatives there to stay with. In the case of business-related trips, the high trip costs are at least partly offset by employers.

Aside from VFR, Chinese travellers currently come to Canada to visit its big cities and do some sightseeing, although nature shows good future growth potential. While in Canada, they like to relax, discover new things and have a little fun.

Chinese trips to Canada often span the country, with most travellers visiting both Ontario and British Columbia. Factoring in the length of the flight to and from China, and the Chinese tendency to take very short trips (often only a week to 10 days in duration) suggests that Canadian itineraries are very compact.

Vacation Activities

On average, Chinese travellers participated in 10 of the 46 vacation activities listed in the questionnaire on recent long-haul trips, regardless of whether the trip was to Canada, Outside Asia or Within Asia. **Exhibit 4.17a** divides vacation activities into three major groups – universal activities, specialized activities and niche activities, based on long-haul trips to all destinations.

Universal activities are essentially the most popular activities for a given market, with the broadest appeal to long-haul travellers as a whole. They are the activities that most travellers do on most types of trips to most destinations. For Chinese travellers, these include city sightseeing (93%), shopping (81%), visiting scenic landmarks (67%) and dining in Chinese restaurants (53%). These universal activities are consistent with the emerging nature of long-haul travel in this market and the resulting focus of Chinese travellers on generalized city and sightseeing activities.

Specialized activities are the next tier of activities, engaged in by 20% to 50% of a given market. For the Chinese, these again revolve around touring and sightseeing. Specialized activities include touring by bus, boat or train (40%) and walking tours (37%), as well as visiting attractions such as historical sites, theme parks, gardens, museums, zoos, national parks and commemorative sites. For trips to Asia, short, guided excursions are also a specialized activity (26%).

Niche activities are those that do not have a mass appeal as vacation activities, but rather are enjoyed by smaller, more select groups of travellers. In the Chinese market, virtually everything that is not associated with touring and city sightseeing are niche markets. This ranges from beach activities to outdoors activities, and from ethnic culture to wildlife viewing. Sports and recreational activities are the smallest of the niche markets, with less than 5% of the market partaking in water sports, golf, alpine skiing, cross-country skiing and other winter activities. However, 5% of a long-haul market the size of the one in China is still a substantial number of travellers.

A detailed analysis of key activity differences between trips to Canada and trips to destinations within and outside Asia is provided later in this report (in Section 9 on product potential for Canada).

Comparing the trips taken by the Within Asia and Outside Asia groups confirms the fun and entertainment orientation of travel to Asia, with a significantly higher propensity for visiting nightclubs/karaoke bars (25%) and casinos (20%). A greater participation in water sports (9%) and visiting coastal attractions (18%) no doubt reflects the popularity of resort stays in Thailand and Malaysia.

On the other hand, travel outside Asia is more focused on visiting museums and galleries (33%) and sites commemorating famous people (23%), which likely reflects the popularity of travel to Europe. The greater propensity to visit local Chinese communities (22%) and friends and relatives (30%) is no doubt linked to the more prevalent VFR.

EXHIBIT 4.17A – ACTIVITIES PARTICIPATED IN

Universal Activities (Undertaken by more than 50% of travellers to all destinations)	Canada (n=260)	Outside Asia (n=600)	Within Asia (n=280)	All Destinations (n=1,140)
City sightseeing	93%	92%	94%	93%
Shopping	79%	82%	80%	81%
Visiting scenic landmarks	64%	67%	68%	67%
Dining in Chinese restaurants	64%	52%	50%	53%
Specialized Activities (Undertaken by 20% to 50% of travellers to all destinations)				
Visiting places of historical interest	46%	49%	48%	48%
Touring by bus, boat or train	37%	39%	43%	40%
Visiting a theme park	40%	40%	38%	40%
Walking tours	38%	38%	33%	37%
Visiting a garden attraction	36%	32%	29%	32%
Visiting museums or galleries	25%	33%	20%	28%
Visiting friends and relatives	37%	30%	17%	27%
Dining in other fine restaurants	25%	23%	27%	25%
Enjoying arts and culture (e.g., theatre, concerts)	16%	25%	25%	24%
Visiting a zoo, aquarium or planetarium	19%	23%	22%	22%
Visiting national or provincial parks	32%	22%	16%	22%
Visiting local Chinese communities	31%	22%	13%	21%
Visiting places commemorating important people	20%	23%	14%	21%
Visiting night clubs, karaoke bars or other	23%	18%	25%	20%
Niche Activities (Undertaken by less than 20% of travellers to all destinations)				
Short guided excursions to surrounding areas	15%	16%	26%	19%
Touring by car or limousine	14%	19%	19%	19%
Experiencing aboriginal culture	19%	18%	16%	18%
Visiting wilderness areas or ecological sites	22%	17%	14%	17%
Seeing local arts and crafts	13%	16%	21%	17%
Seeing small towns and rural countryside	14%	15%	12%	14%
Visiting casinos or other gambling	15%	11%	20%	14%
Visiting coastal attractions like fishing villages	12%	11%	18%	13%
Visiting other family attractions	10%	15%	8%	13%
Swimming / sunbathing at a beach or pool	6%	13%	14%	12%
Attending a local or cultural festival	9%	12%	11%	11%
Visiting places of archaeological interest	14%	12%	5%	10%
Outdoor activities such as hiking, climbing	11%	10%	8%	10%
Wildlife / birdwatching / whale watching	5%	9%	7%	8%
Relaxing at a spa or hot springs	10%	7%	11%	8%
Enjoying ethnic culture and events	9%	7%	8%	7%
Visiting mountainous areas	10%	7%	5%	7%
Participating in a hands-on learning experience	8%	7%	5%	6%
Attending spectator sporting events	4%	6%	4%	6%
Water sports	1%	4%	9%	5%

Niche Activities (Undertaken by less than 20% of travellers to all destinations) *continued*	Canada (n=260)	Outside Asia (n=600)	Within Asia (n=280)	All Destinations (n=1,140)
Visiting wineries	4%	5%	3%	4%
Golfing	5%	3%	2%	3%
Alpine (downhill) skiing / snowboarding	5%	4%	1%	3%
Other winter activities (e.g. snowmobiling, skating)	4%	2%	0%	2%
Cross-country skiing	2%	1%	0%	1%

Chinese travellers have already established a worldwide reputation for being inveterate shoppers. As shown in **Exhibit 4.17b**, over 40% of Chinese travellers shop at brand name department stores on their long-haul trips (less so in Canada), and more than 30% shop at discount and factory outlet stores (less so in Asia). Only 12% shop at designer boutiques.

EXHIBIT 4.17B – BREAKDOWN OF SHOPPING ACTIVITIES

	Canada (n=260)	Outside Asia (n=600)	Within Asia (n=280)	All Destinations (n=1,140)
Shopping in name brand department stores	32%	40%	46%	41%
Shopping in discount/factory outlet stores	39%	33%	21%	31%
Shopping in designer boutiques	13%	13%	10%	12%
Shopping in other stores	50%	51%	49%	50%
Total	**79%**	**82%**	**80%**	**81%**

Key Finding

Due to the emerging nature of the market, Chinese long-haul pleasure trips are still very generic and focused on broad touring and sightseeing activities. Aside from shopping and visiting attractions with wide-ranging appeal, most other vacation activities, including local culture, outdoors activities and sports, are market niches that have yet to fully develop.

5. Trip Planning

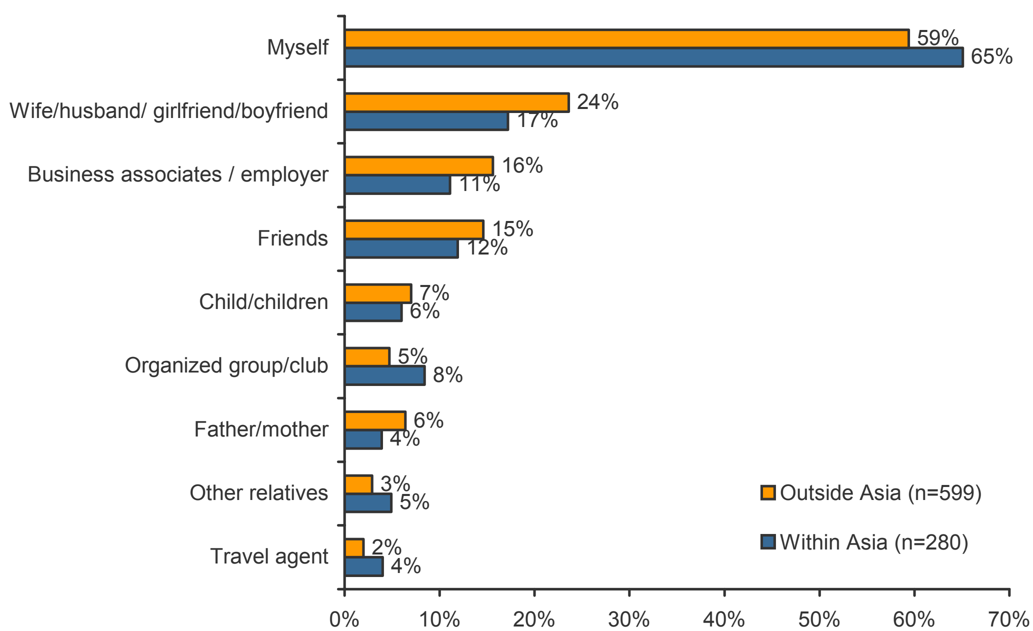
The focus of this section is on trip planning and decision-making processes, including use of the Internet for travel planning.

Trip Planning

Key Decision-Maker

The destination for Chinese long-haul trips is usually chosen by travellers themselves or by their spouses/partners (see **Exhibit 5.1**). Due to the prevalence of business-related travel in this market, the destination choice is dictated by the employer or by business associates on 10% to 15% of trips, with friends about equally likely to factor into the decision-making process. Despite the embryonic nature of the Chinese long-haul market, travellers rarely rely on travel agents to make the destination decision (under 5% of trips).

EXHIBIT 5.1 – PERSON(S) WHO DECIDED ON DESTINATION



Note: Percentages may sum to more than 100% due to multiple responses.

Information Sources Used

Despite not making the final destination decision, travel agents remain a trusted source for Chinese travellers when it comes to travel information and trip planning. Approximately 60% of the Within Asia group and almost half of the Outside Asia group name travel agents as one of the top three information sources used in planning their long-haul trips (see **Exhibit 5.2**).

Friends and family members also play a pivotal role in providing information and advice, (consulted by over half of all travellers), with business colleagues called upon by around 30%. This points to the importance of good word-of-mouth in the Chinese market, something that the trade also noted in the qualitative study.

The media is highly influential in the planning process, with travel magazine articles and travel programs on television being key in conveying in-depth information on destinations to travellers. Newspaper and television advertising also carry substantial weight in this market's decision-making. According to the trade, newspapers ads are frequently used by Chinese travellers for comparison-shopping, while television is still used by few enough destinations to have a notable impact on impressionable Chinese viewers.

Pamphlets/brochures, travel guides and airlines represent other key sources consulted for trip planning purposes. Destination websites are currently used by about 10% of the Outside Asia group, a figure that is likely to grow over the next couple of years as Internet penetration and usage in China increases.

EXHIBIT 5.2 – SOURCES OF INFORMATION USED FOR TRIP PLANNING

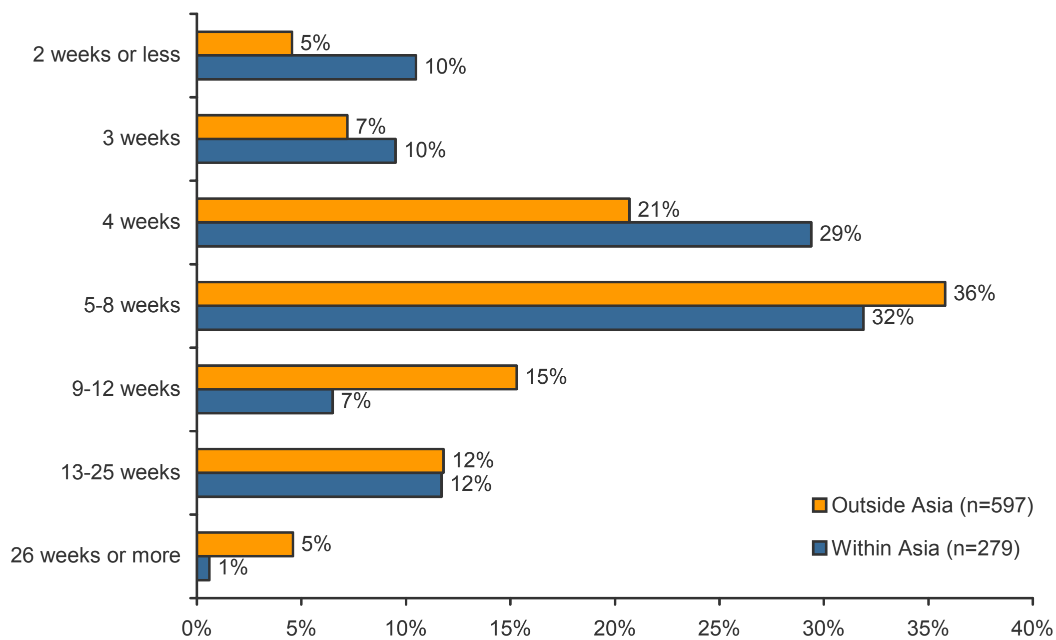
Three Most Important Sources of Information Used	Outside Asia (n=599)	Within Asia (n=280)
Friends/family members	56%	52%
Travel agent	47%	60%
Business colleagues	29%	30%
Articles/features in travel magazines	17%	15%
Travel programs on TV	14%	19%
Newspaper advertisements	10%	18%
Television advertisements	12%	12%
Brochures/pamphlets	13%	9%
Travel guides	8%	11%
Airline	11%	4%
Destination websites	10%	6%
Own/previous experience	7%	5%
Other websites	6%	6%
Articles / features in newspapers	5%	4%
Magazine advertisements	3%	5%
Embassy/consulate	2%	1%
Articles / features in other magazines	1%	1%
Movies or TV shows	1%	1%
Government tourism office / board	1%	1%
Information received in the mail	1%	1%

Note: Percentages may sum to more than 100% due to multiple responses

Planning Horizons

Exhibit 5.3 shows that planning horizons for Chinese long-haul trips are remarkably short. The vast majority of travellers (over 80% of those travelling within Asia and almost 70% of those travelling outside Asia) will wait until a month or two before leaving to start planning their trips.

EXHIBIT 5.3 – AMOUNT OF TIME BEFORE DEPARTURE WHEN PLANNING STARTED



MEAN: Outside Asia = 9.5 weeks Within Asia = 7.1 weeks
MEDIAN: Outside Asia = 7 weeks Within Asia = 5 weeks

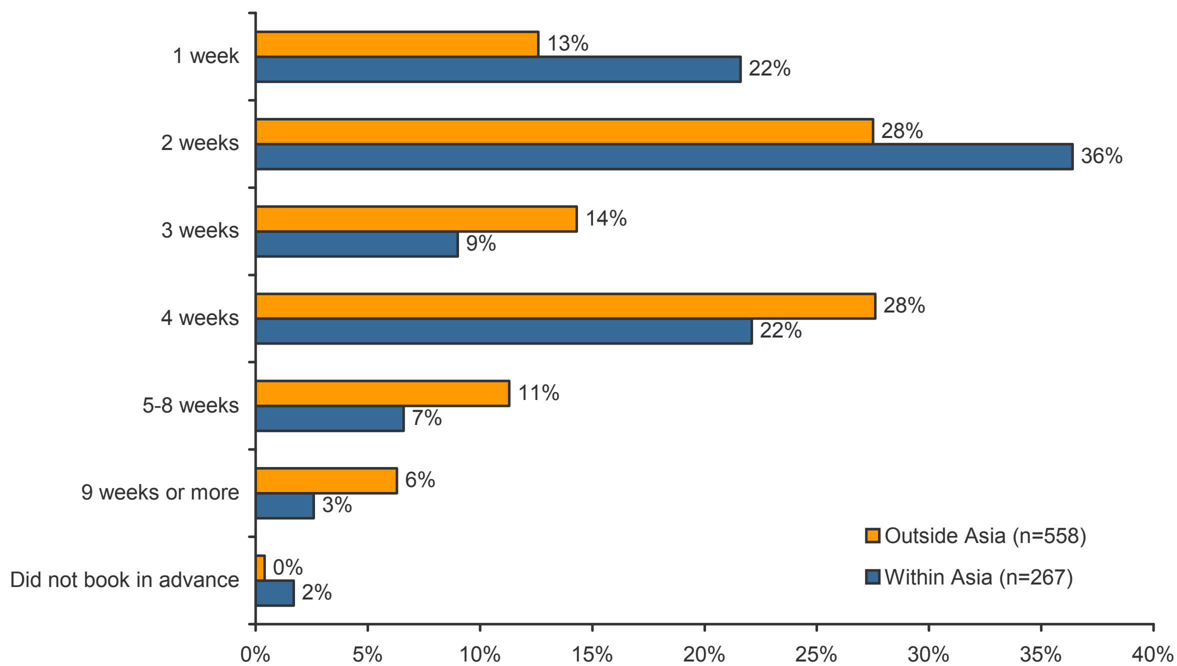
Booking Horizons

Although booking horizons have been shrinking in travel markets around the world, Chinese lead-times are short even by today's standards. For trips within Asia, almost 60% of the market books two weeks or less before departure, and around 90% book within a month. On average, travellers book just 2.9 weeks in advance (see **Exhibit 5.4**).

For trips outside Asia, the booking horizon is slightly longer. Approximately 40% book within two weeks of departure, and just over 80% book within a month, with an average of around 3.7 weeks. Booking more than two months in advance is virtually unheard of in this market, even for travel outside Asia.

According to the qualitative research, there are several reasons for the extremely short lead times. Chinese are diligent workers who do not want to run the risk of having to cancel due to unforeseen circumstances at work. Moreover, the possibility of last-minute visa rejections discourages travellers from booking too early.

EXHIBIT 5.4 – AMOUNT OF TIME BEFORE DEPARTURE WHEN TRIP WAS BOOKED

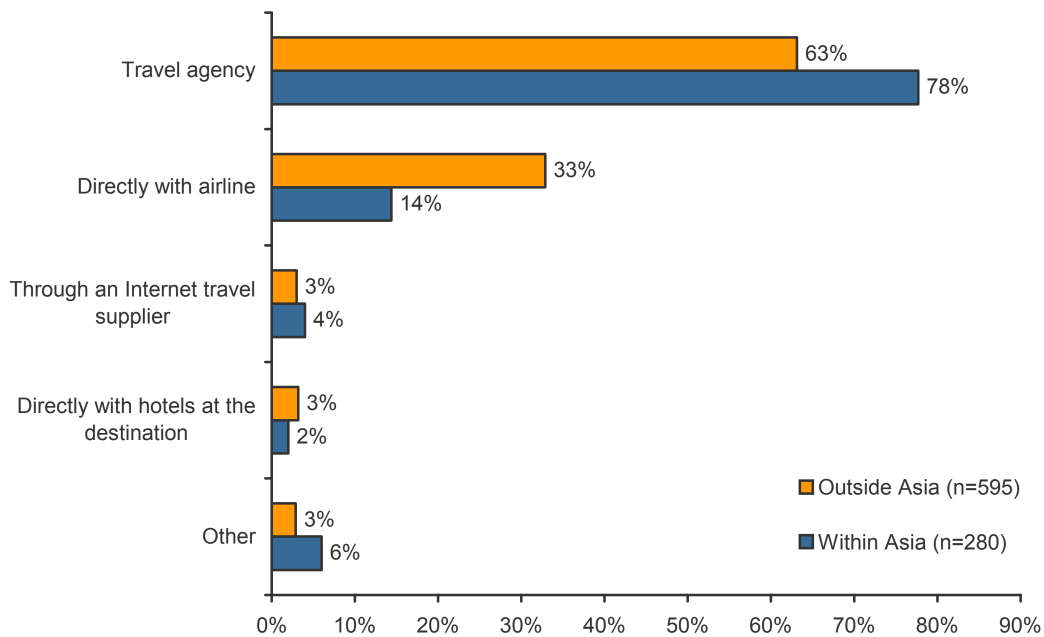


MEAN: Outside Asia = 3.7 weeks Within Asia = 2.9 weeks
MEDIAN: Outside Asia = 3 weeks Within Asia = 2 weeks

Where Trip Was Booked

As shown in **Exhibit 5.5,** the vast majority of Chinese long-haul travellers rely on travel agencies when it comes to booking their trips. This is particularly true for travel within Asia, where close to 80% of trips are booked through an agency. This figure is closer to 60% for travel outside Asia, where relatively more will book directly with an airline (33%). This is likely attributable to higher levels of VFR where only the air component needs to be booked.

EXHIBIT 5.5 – WHERE TRIP WAS BOOKED



Note: Percentages may sum to more than 100% due to multiple responses.

Key Finding

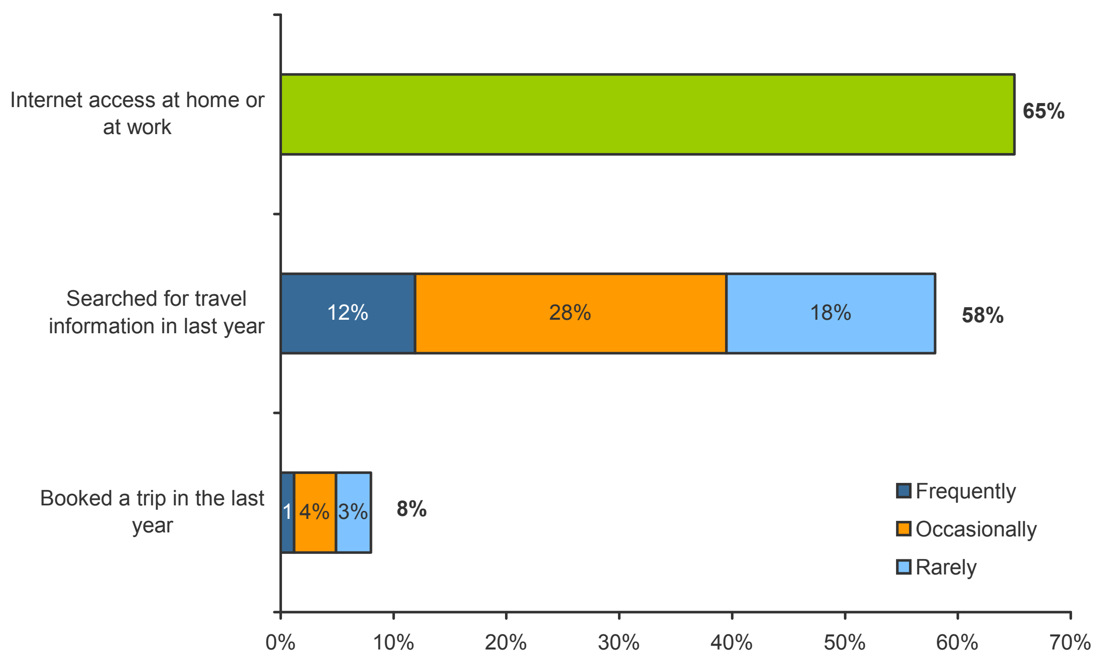
For both cultural and practical reasons, planning and booking horizons in the Chinese market are among the shortest of all international markets. The vast majority of long-haul travellers do not even begin to think about their travel plans until a month or two before leaving, so marketing initiatives should be launched fairly closely to the peak travel periods. As most travellers consult a travel agency at some point during the planning process, marketing efforts should be directed at the trade as well as the consumer.

Use of the Internet for Travel Planning

Overall Internet penetration in China stands at about 8%. The fact that 65% of recent long-haul travellers have access to the Internet at home or at work reaffirms that this is an elite group (see **Exhibit 5.6**). As in many other markets, older travellers (55 plus) are less likely to have access to the Internet (only 26%), while middle to upper income groups are more likely to be online.

Close to 60% of recent travellers have searched online for travel information in the last year, with 12% who say they do so on a frequent basis. However, online booking is still relatively rare – only 8% of long-haul travellers have booked a trip or made online travel reservations in the last year (for any trip, including domestic trips and business travel).

EXHIBIT 5.6 – USE OF THE INTERNET FOR TRAVEL PLANNING



Base: Recent long-haul travellers (last 3 years) n=1,140

6. Potential of the Chinese Market for Canada

This section looks at the size of the potential long-haul pleasure travel market in China as well as the potential for Canada. Potential travellers to Canada are then profiled, followed by a look at some of the key barriers that Canada is likely to encounter in China.

Estimation of Market Size and Potential

Size of the Potential Long-Haul Pleasure Travel Market

Incidence rates for Chinese long-haul pleasure travel and travel outside Asia were determined from the **random telephone survey** of 5,500 adults in Guangzhou, Shanghai, Beijing and Shenzhen (Canada's key ADS markets). Long-haul travel was defined as a trip of four or more nights, by plane, to a destination outside of China, Hong Kong and Macau.

Exhibit 6.1 shows the incidence rates in the four markets of interest. The incidence of long-haul pleasure travel in the last three years is somewhat higher in Shanghai (12.4%) than in the other three markets (8.6% to 9.8%). Shanghai also shows the highest incidence of those who haven't taken a long-haul trip in the last three years, but plan to do so in the next two years (12.5%), followed by Beijing (9.9%), with Guangzhou and Shenzhen significantly lower than the other two markets (6.7% and 6.9%, respectively).

Applying these incidence rates to the total adult population in each of the four markets yields a total market size of approximately 4.3 million potential long-haul pleasure travellers in Canada's key ADS markets. By virtue of its large adult population and its higher than average incidence of both past and planned long-haul travel, Shanghai emerges as the largest origin market, accounting for close to 1.9 million potential travellers. Beijing is the next largest market, with over a million potential travellers.

EXHIBIT 6.1 – INCIDENCE RATES AND POTENTIAL MARKET SIZE FOR LONG-HAUL PLEASURE TRAVEL

	Guangzhou (n=1,375)	Shanghai (n=1,375)	Beijing (n=1,375)	Shenzhen (n=1,375)
Population				
Total Population (2004)	5,863,528	10,171,661	7,072,000	5,975,506
Population 18 Years or Older (estimated)	4,390,305	7,616,011	5,295,146	4,474,148
Incidence rates				
Pleasure Travel to Long-Haul Destinations (Past 3 Years)	8.6%	12.4%	9.8%	9.5%
Plan to Travel to Long-Haul Destinations (Next 2 Years)*	6.7%	12.5%	9.9%	6.9%
Total Long-Haul Pleasure Travel Incidence	15.3%	24.9%	19.7%	16.4%
Potential Market Size				
Potential Long-Haul Pleasure Travellers by Market	672,000	1,896,000	1,043,000	734,000
Potential Long-Haul Pleasure Travellers (All Markets)	**4,345,000**			

*Notes: *Those who did not travel long-haul in the past three years, but are definitely or very likely to in the next two years. Estimates derived from random telephone survey.*

Size of the Potential Market for Pleasure Travel Outside Asia

Of greater interest to Canada is the incidence rate and potential market size for pleasure travel outside of Asia (see **Exhibit 6.2**). Not surprisingly, the size of the potential market drops a substantial 35% to approximately 2.8 million travellers. The Shanghai market again offers the highest incidence rates and the largest volume of potential travellers, followed by Beijing.

EXHIBIT 6.2 – INCIDENCE RATES AND POTENTIAL MARKET SIZE FOR TRAVEL OUTSIDE ASIA

Population	**Guangzhou (n=1,375)**	**Shanghai (n=1,375)**	**Beijing (n=1,375)**	**Shenzhen (n=1,375)**
Total Population (2004)	5,863,528	10,171,661	7,072,000	5,975,506
Population 18 Years or Older (estimated)	4,390,305	7,616,011	5,295,146	4,474,148
Pleasure Travellers to Destinations Outside Asia				
Pleasure Travellers to Destinations Outside Asia (Past 3 Years)	3.0%	5.6%	6.0%	3.9%
Plan to Travel Outside Asia (Next 2 Years)*	6.9%	9.9%	7.8%	6.5%
Total Pleasure Travel Outside Asia Incidence	9.9%	15.5%	13.8%	10.4%
Potential Market Size				
Potential Pleasure Travellers Outside Asia by Market	435,000	1,180,000	731,000	465,000
Potential Pleasure Travellers Outside Asia (All Markets)	**2,811,000**			

*Notes: *Those who did not travel outside Asia in the past three years, but are definitely or very likely to in the next two years. Estimates derived from random telephone survey.*

Note

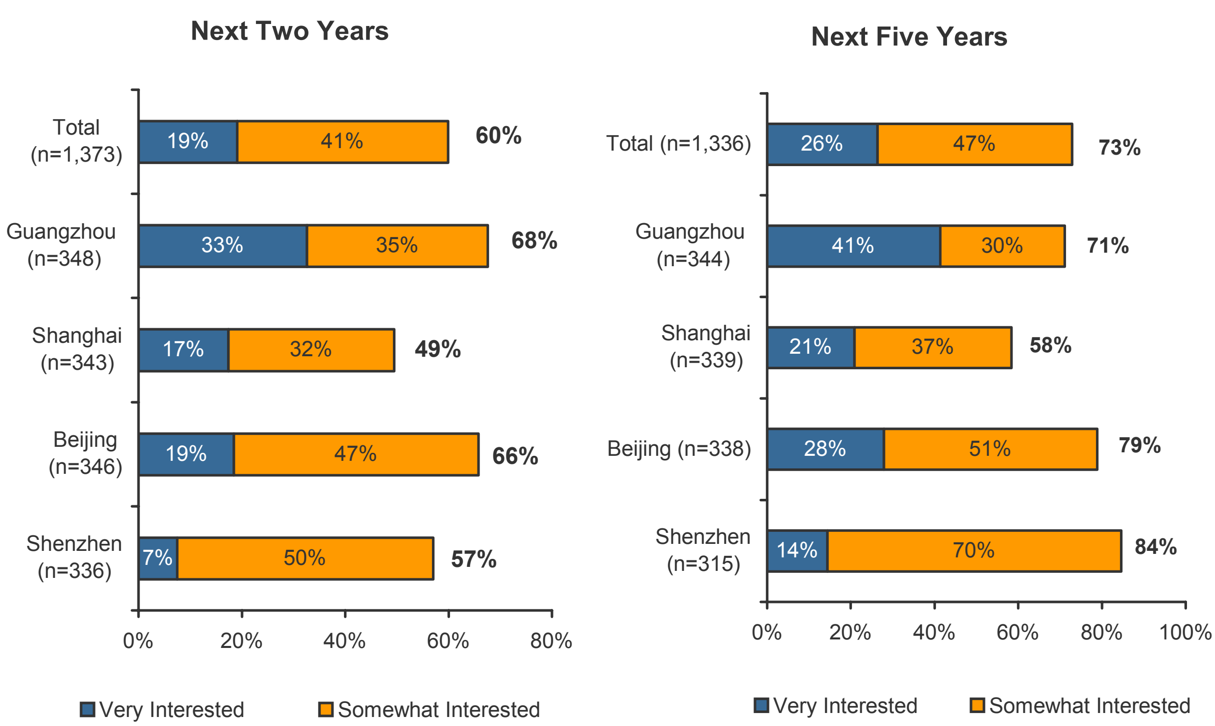
Most of the remaining analyses in this section (and the rest of the report) focus on the full in-person survey sample (n=1,400), rather than just recent travellers to Canada, Outside Asia and Within Asia, which has been the focus of the report to this point. In other words, the remaining analyses include the "planner" group profiled in Section 3 of this report. These are travellers who have not taken a long-haul pleasure trip in the last three years, but plan to travel outside of Asia in the next two years. The full sample (including planners) will be referred to as "potential travellers outside Asia" as they all have the potential to travel outside Asia in the next two years.

Interest in Visiting Canada

Interest in Canada was assessed over two time horizons – two years out and five years out. As seen in **Exhibit 6.3**, approximately 60% of potential travellers outside Asia are interested in visiting Canada in the next two years (assuming of course that Canada obtains ADS). As a side note, this is identical to the figure obtained in the random phone survey (among potential travellers outside Asia). This figure rises to 73% for a five-year horizon. These interest levels are extremely high and point to the broad appeal that Canada has as a vacation destination for the Chinese.

Interestingly, there were no differences in interest levels between recent travellers to Canada and those who had not been to Canada in the last three years (i.e., the Outside Asia, Within Asia and Planner groups). In fact, interest levels were similar across all four groups.

EXHIBIT 6.3 – INTEREST IN VISITING CANADA BY MARKET



Size of the Potential Market to Canada

Exhibit 6.4 estimates the size of the potential market for Canada in two ways – a conservative estimate based on those *very* interested in visiting Canada in the next *two* years and a broader estimate based on those *very or somewhat* interested in visiting Canada in the next *five* years. This translates into over a half million potential pleasure travellers to Canada under the conservative estimate and almost 2.0 million potential visitors under the broader approach.

These results should be tempered with the fact that Chinese consumers have a strong tendency to give socially acceptable responses in surveys – for example, saying they are somewhat interested in Canada rather than not interested. For this reason, the conservative estimate of 517,000 (based only on the very likely response) is probably closer to reality. Also note that this is not intended to be a forecast of actual travel to Canada, but an estimate of the size of the potential or target market.

Shanghai offers the best short-term prospects for Canada in terms of numbers of potential visitors (around 200,000 under the conservative estimate). This is due to the sheer size of the population to begin with and a high propensity for long-haul travel in general, rather than to a strong interest in Canada.

Although not the largest market in terms of size, **Guangzhou** offers the benefit of a strong immediate interest in Canada, with about a third who are *very* interested in visiting the country in the next two years. This high interest is due at least partly to a VFR connection – over 40% have close friends or relatives living in Canada (compared with only 20% for the market as a whole). Over the last few decades, emigration rates have been higher in Guangzhou than in Beijing or Shanghai as a result of looser political controls, and Canada has long been a popular immigration destination. These VFR linkages will likely make it easier for Canada to convert travellers from Guangzhou once the market opens up.

Shenzhen offers minimal potential for Canada currently, but could see good growth over the next five years.

EXHIBIT 6.4 – SIZE OF THE POTENTIAL MARKET TO CANADA

	Guangzhou (n=348)	Shanghai (n=343)	Beijing (n=346)	Shenzhen (n=336)	Total (n=1,373)
Total Adult Pleasure Travellers Outside Asia	435,000	1,180,000	731,000	465,000	**2,811,000**
Potential Market Size – Conservative Estimate					
Interest in Visiting Canada (very interested in the next 2 years)	33%	17%	19%	7%	
Potential Pleasure Visitors to Canada (next 2 years)	144,000	201,000	139,000	33,000	**517,000**
Potential Market Size – Broader Estimate					
Interest in Visiting Canada (very or somewhat interested in the next 5 yrs)	71%	58%	79%	84%	
Potential Pleasure Visitors to Canada (next 5 years)	309,000	684,000	577,000	391,000	**1,961,000**

Note

The conservative definition of potential travellers to Canada will generally be used for the remainder of the report (except for certain analyses that require a larger sample size) since these respondents are more likely to represent the true potential market for Canada and comprise a more distinctive group for analysis. In other words, unless otherwise mentioned, potential travellers to Canada will refer to those that are *very* interested in visiting Canada in the next *two* years.

Demographics of the Potential Market to Canada

This section takes a closer look at the characteristics of the potential market to Canada under the conservative definition (i.e., travellers very interested in visiting Canada in the next two years).

Exhibit 6.5 shows that among potential travellers outside Asia, those interested in visiting Canada differ from those not interested in Canada in that they are more likely to:

- Be between the ages of 35 and 54 (46% of travellers interested in Canada);
- Have children under 18 in the household (almost 50%);
- Be employed in managerial or higher ranking positions (43%);
- Have close friends or relatives living in Canada (36%);

In essence, Canada tends to appeal to middle-aged travellers, with stable and high-ranking positions. Having friends and relatives there only helps to heighten interest.

EXHIBIT 6.5 – SOCIO-DEMOGRAPHIC CHARACTERISTICS OF POTENTIAL TRAVELLERS TO CANADA

	Interested in Visiting Canada (n=264)	Not Interested in Visiting Canada (n=1,109)
Gender		
Male	50%	52%
Female	50%	48%
Age		
18 to 24	13%	19%
25 to 34	23%	25%
35 to 44	29%	23%
45 to 54	17%	15%
55 to 64	11%	15%
65 or older	6%	3%
Marital Status		
Single / never married	23%	30%
Married / partnered	76%	69%
Separated / divorced / widowed	1%	1%
Have Children in Household Under 18		
Yes	48%	36%
Education		
High school or less	31%	26%
Technical / Vocational high school	5%	10%
College	48%	41%
University or above	17%	22%
Employment Status		
Employed full-time/part-time	79%	74%
Housewife / homemaker	3%	3%
Unemployed	1%	1%
Retired	13%	14%
Student	4%	8%
Other	0%	1%
Occupation		
Government/State: Middle/High Rank	16%	11%
Government/State: Technician/Worker	14%	20%
Foreign/JV/Private: Manager or above	27%	17%
Foreign/JV/Private: Staff / worker	18%	25%
Culture / Education / Science	5%	8%
Freelance / Self-Employed	15%	17%
Other	5%	3%
Average Monthly Household Income (RMB)		
Below 7,000 (RMB)	33%	34%
7,000 to 9,999	26%	29%
10,000 to 19,999	30%	26%
20,000 or above	12%	11%
Close Friends or Relatives Living in Canada		
Yes	36%	16%

Note: Interested in Visiting Canada includes those who are very interested in visiting Canada in the next 2 years.

Exhibit 6.6 highlights differences between travellers who are interested in Canada and those who have recently taken a trip there. On the whole, actual visitors to Canada are more well-to-do, with higher education and vastly higher incomes. They are also much older and more likely to be retired. This suggests that although Canada appeals to a broad spectrum of people, it is those who are older and wealthier who ultimately make the trip. While the interest is there, cost may be a barrier for younger, less affluent travellers when it comes down to the final decision as there are more affordable long-haul destinations competing for their vacation dollars (e.g., Southeast Asia, Australia).

While having Canadian friends and relatives tends to generate interest in Canada, the fact that an even higher percentage of recent travellers have VFR connections there (60%) indicates that VFR is also critical for converting interest into actual travel. This is not surprising given that Canada's lack of ADS status has resulted in most non-business related trips being VFR. There is a good chance that familial ties will become less of a travel determinant once the market opens up.

EXHIBIT 6.6 – KEY DIFFERENCES BETWEEN RECENT TRAVELLERS TO CANADA AND THOSE INTERESTED IN VISITING CANADA

	Travellers to Canada Past 3 Years (n=260)	Interested in Canada Next 2 Years (n=264)
Age		
18 to 34	23%	36%
55 or more	34%	17%
Marital Status		
Single / never married	14%	23%
Education		
University or above	29%	17%
Employment Status		
Retired	24%	13%
Average Monthly Household Income		
10,000 RMB or above	62%	42%
Close Friends or Relatives Living in Canada		
Yes	60%	36%

Note: Only statistically significant differences are shown.

Barriers for Chinese Travel to Canada

Exhibit 6.7 shows why potential travellers outside Asia say they are not interested in visiting Canada in the next five years. These results are important because, more likely than not, travellers that are interested in Canada may have similar concerns that could ultimately lead them to select alternate destinations.

The main barrier for Canada in attempting to realize its market potential in China is, quite unsurprisingly, lack of awareness of its tourism attributes. Fully 60% of those who are not interested in visiting Canada in the next five years say that they don't know enough about it. Lack of awareness may also be involved for those who say they have no interest in going (30%), no tourist attractions in Canada (9%) or nothing to see and do there (also 9%). As a destination that has not been open to Chinese pleasure travellers, these results are in line with expectations. However, it is also clear that Canada has considerable work ahead of it in terms of building awareness and familiarizing potential travellers with its travel attributes and products.

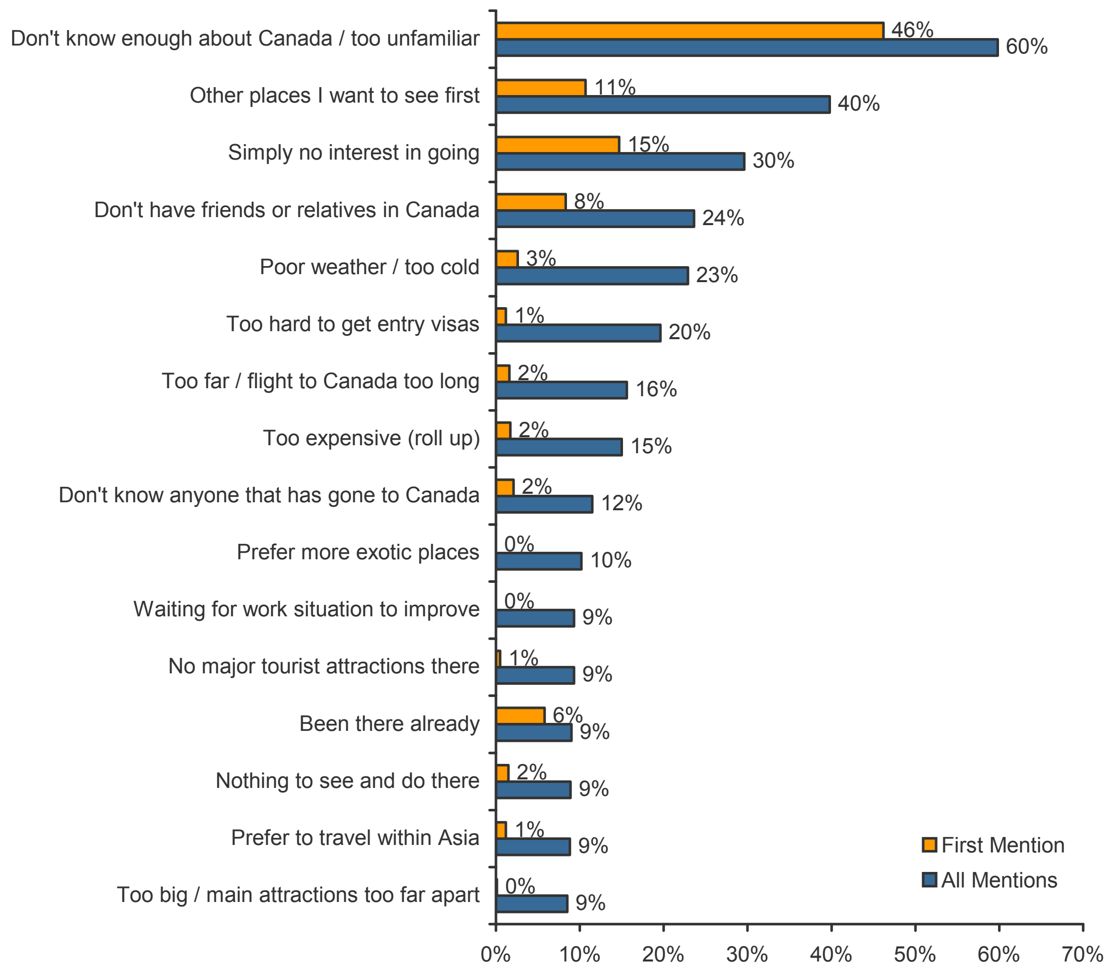
Another major barrier is the strong competition offered by other destinations, with 40% of travellers mentioning that there are other places they want to see first. Again, this is not surprising in view of the emerging nature of travel outside Asia – according to the travel trade, many travellers will want to see Australia and Europe before heading further afield. This is borne out by the fact that almost half of all planners and over 40% of the Within Asia group mentioned seeing other destinations first as a reason for not travelling to Canada, compared with under 30% of the Outside Asia group. In other words, those with more experience travelling beyond Asia are less likely to cite wanting to see other destinations first as a deterrent to visiting Canada.

Given the market's current focus on VFR, it is not surprising that about a quarter of respondents cite not having friends or relatives in Canada as a barrier to visitation. Again, awareness building is needed to make this market see beyond VFR. Other mentions reinforce the findings of the qualitative research, namely the cold weather (23%), difficulty obtaining entry visas (20%), the long flights / travel distance (16%) and high costs (15%). Beyond increasing awareness and competitiveness, these are the major hurdles, perceptual or otherwise, that Canada needs to overcome in the Chinese market.

Barriers to visiting Canada differ to some extent by **region**, most notably:

- In Guangzhou, Canada suffers from a perception of having nothing to do (17%) and no major tourist attractions (18%). As mentioned earlier, this is an attractive market for Canada and marketing efforts should focus directly on eradicating these impressions;
- Shanghaiese are generally more price-sensitive, with a much larger proportion citing cost-related reasons than in the other markets (23%). On the other hand, those in Beijing are the least likely to be deterred by high costs (only 4%);
- Those from Shanghai (13%) and Shenzhen (14%) are more likely to say they prefer travelling within Asia. For the Shanghaiese at least, this preference may be dictated more by cost than by a lack of interest in moving beyond Asia;

EXHIBIT 6.7 – REASONS NOT INTERESTED IN VISITING CANADA



Notes: Percentages may sum to more than 100% due to multiple responses. Base is those not interested in visiting Canada in the next 5 years. (n=366).

Barriers to visiting Canada differ also differ by **age and income**, for example:

- Awareness is more of an issue among lower income groups (i.e., under 7,000 RMB per month), with over two-thirds saying they don't know enough about Canada;
- Higher income earners (20,000 RMB or more) are naturally less concerned about the cost of visiting Canada (only 3% mentioned an expense-related reason). However, many of these wealthier travellers feel there are no major tourist attractions in Canada (21%);
- Cost is also less of an issue for older travellers (aged 55 plus) who tend to have more disposable income. However, conversion of this group may be tougher in the near-term as almost 60% say there are other places they would like to see before they visit Canada;
- On the other hand, the younger set (aged 18 to 34) are more likely to perceive Canada as unexciting or boring, with a lack of things to see and do. Many are partial to travelling within Asia instead (12%).

Key Finding

China represents an attractive market of more than 4.3 million potential long-haul pleasure travellers in the four cities covered by this study. Among this group, interest in Canada is very high and even conservatively, translates into a market of some half million potential visitors over the next two years. Canada generally appeals to well-established, middle-aged families with a VFR connection, although it is the older, more well-to-do travellers who have been converted to date.

While Shanghai represents the largest base of long-haul travellers, conversion may be relatively difficult due to the price-sensitivity of this market and a predilection for destinations closer to home. On the other hand, Guangzhou is the most well-primed market with the best potential for conversion on the basis of high interest and strong VFR linkages. The first order of business, however, will be to enhance residents' awareness of what there is to see and do in Canada beyond VFR.

7. Travel Attitudes and Motivations

This section examines the travel attitudes and motivations of potential travellers outside Asia – in other words, how they feel about long-haul travel, what drives them, and why they travel. Also included is a segmentation of the Chinese market based on general motivations for long-haul travel.

Attitudes Towards Long-Haul Travel

Exhibit 7.1 examines attitudes towards long-haul travel among potential travellers outside Asia. The strongest sentiment expressed (with over 90% support) is the desire to go to a different destination on each long-haul trip. This reflects the emerging nature of long-haul travel in China, with repeat visitation likely to materialize once the market is more mature and travellers' initial curiosity about new destinations has been sated.

Just under 90% of potential travellers outside Asia agree that "quality and value are more important than price" when selecting a long-haul destination. To some extent, this contradicts the impressions of the travel trade, who feel that decision-making is largely based on absolute prices than on an assessment of quality and value. This may be partly attributable to the desire on the part of consumers to give a more socially acceptable response, rather than admitting that price is the main criterion. It may also be because these are fairly inexperienced travellers who feel they should be assessing different offerings in terms of their quality, but don't really know how to do this when it comes down to making the actual purchase. Moreover, travel products on offer in China tend to be rather generic, with the same products being offered by different travel agencies. In this case, the decision would come down to price.

In China, long-haul travel is viewed as a highly desirable symbol of social status and success, alongside car and home ownership. The survey results certainly support this view and show that Chinese travellers place considerable value on long-haul travel. Roughly 80% to 90% of potential travellers outside Asia agree that money spent on long-haul travel is well spent, that long-haul travel enriches their life and brings them respect, and that it is a high priority for their leisure time.

Chinese travellers also enjoy immersing themselves in the local culture of a destination (87%). As a populace, they have a deep sense of history and culture and enjoy experiencing these aspects of destinations abroad.

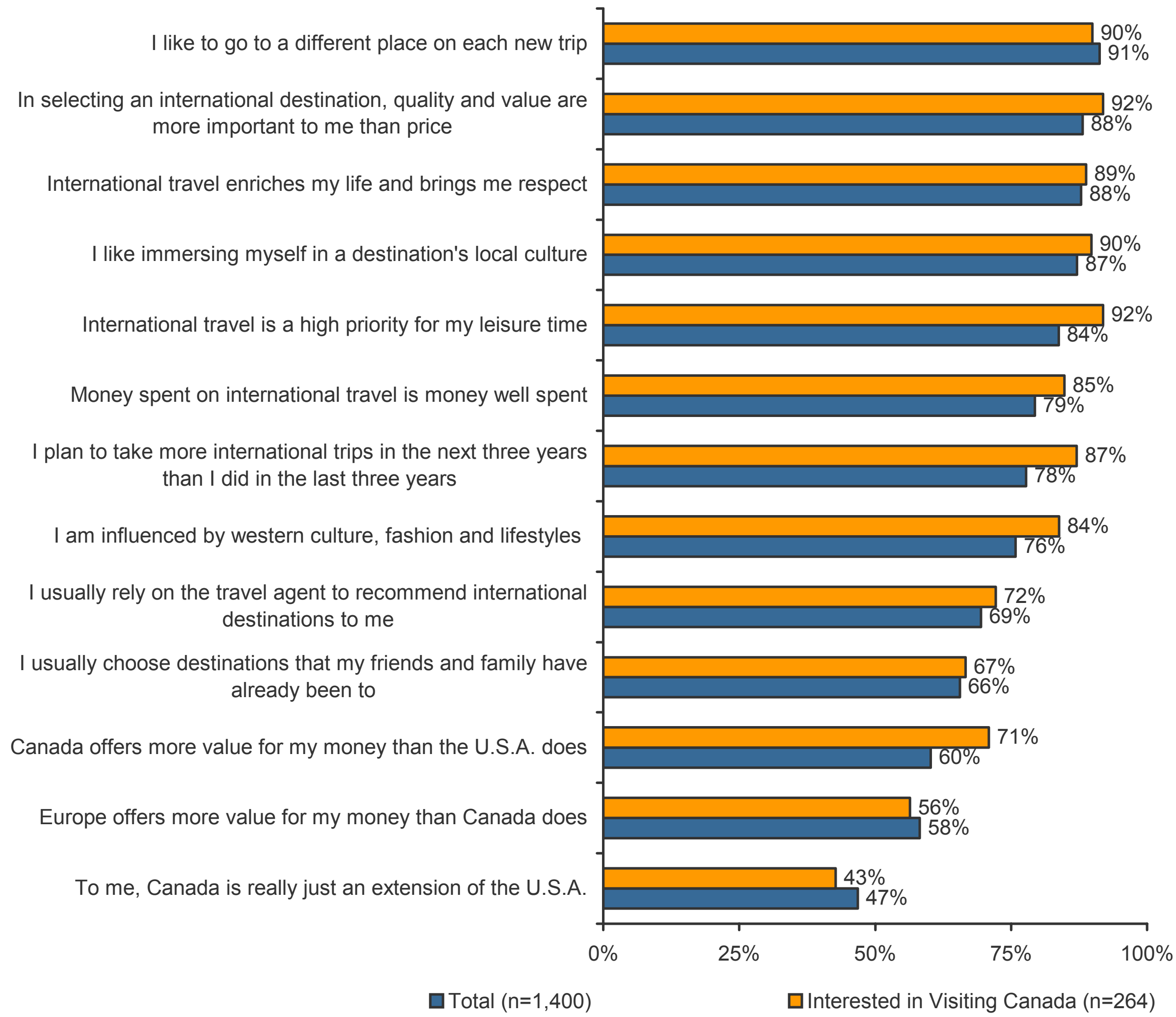
The fact that almost 80% say they will take more long-haul trips in the next three years than in the last three years supports the notion that this is a growth market with a healthy short-term outlook. Moreover, the last few years have been fraught with difficulties (e.g., terrorism, disease, natural disasters) that have dampened international travel flows, so it is not surprising that the outlook for the future is more optimistic. High-income travellers in particular are more likely to be ramping up their long-haul trip-taking.

Interestingly, around two-thirds of potential travellers outside Asia usually choose destinations that friends and family have already visited. This again suggests that good word-of-mouth – arising from exciting, enjoyable and problem-free travel experiences – is critical to a destination's success in China. The Chinese travel trade also stressed this point during the course of the qualitative research.

In general, **potential travellers to Canada** appear to be more avid travellers, with relatively more who view long-haul travel as a priority, who feel that spending on long-haul travel is worthwhile and who plan to travel more in the next three years. Not surprisingly, they are also more likely to be influenced by western culture, fashion and lifestyles (84%) and to feel that Canada offers more value than the US does (71%).

Compared with recent long-haul travellers, **planners** are more apt to decide on a destination by price alone, are less likely to be interested in the cultural aspects of a destination and are less likely to feel that long-haul travel is worthwhile. These are all views that might be expected of a younger, less affluent group with less overall travel experience.

EXHIBIT 7.1 – ATTITUDES TOWARDS LONG-HAUL TRAVEL



Notes: Percentage who somewhat or strongly agree. Interested in Visiting Canada includes those who are very interested in visiting Canada in the next 2 years. "International" was used as a respondent-friendly term for long-haul and was defined in an equivalent way.

Key Finding

Chinese travellers are curious, optimistic and status-conscious when it comes to long-haul travel. They want to see the world and how the other half lives. They accord great value to long-haul travel and the benefits that it brings, including personal enrichment and respect from their peers. Those interested in Canada tend to be more enthusiastic travellers who are keen to experience western culture and lifestyles.

Travel Motivations

Travellers were asked to indicate the factors that are usually important to them in selecting a long-haul vacation destination. These general travel motivations represent the mind-set of Chinese travellers and are not tied to a specific time period or to a certain trip.

Universal Travel Motivations

Universal travel motivations are those that are considered important in destination decision-making by over 90% of the market. These factors, shown in **Exhibit 7.2a**, represent what most travellers look for in a long-haul vacation destination and essentially drive the market as a whole. The main universal motivations for this market are highlighted below:

- Like Japanese, Taiwanese and Hong Kong travellers, Chinese travellers are extremely risk-adverse. **Cleanliness and safety** are critical considerations in selecting a destination, as is finding a place without **health concerns**. These can be considered basic pre-requisites for attracting Chinese visitors.

- **Ease of obtaining visas** is also high on the list of universal motivators, with 94% who say this is important in selecting a destination. Chinese are easily dissuaded if visas are too time-consuming to apply for, if the rejection rate is high, or if the turnaround time is excessive. According to the travel trade, this is one of the single most important issues that Canada needs to deal with to succeed in this market.

- Chinese travellers also place high importance on **seeing famous cities** and **well-known attractions and landmarks**. Travel is status-driven in this market, and travellers like to tell people back home about the famous places they have seen. According to the trade, the more famous cities and attractions offered by a destination, the better.

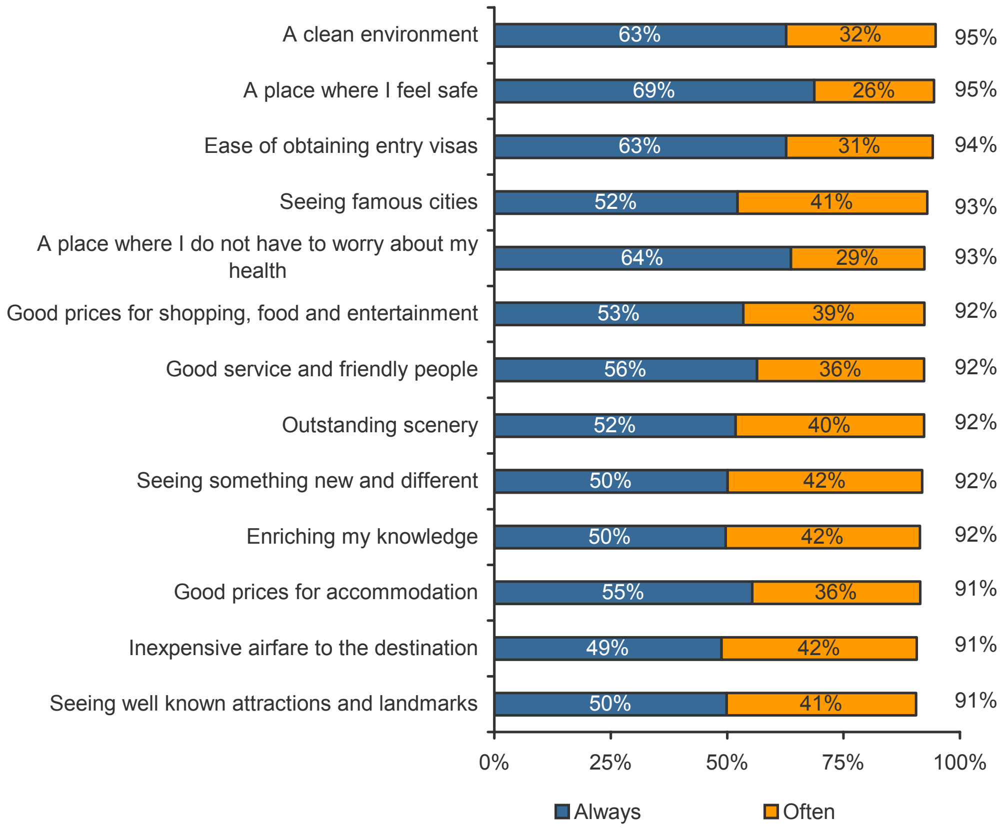
- As mentioned in the qualitative report, this market is extremely price-sensitive, with travellers often choosing travel packages on the basis of lowest overall price rather than looking at itineraries and inclusions. **Cost considerations** are also extremely important in selecting a destination. Good prices for shopping, food and entertainment are paramount, but inexpensive accommodation and airfare are also universally sought.

- Chinese travellers expect **good service and friendly people** when they travel. This means having a service-oriented attitude, showing the proper respect, being responsive and flexible, and generally making Chinese travellers feel welcome.

- As in most international markets, Chinese travellers seek **outstanding scenery** as a backdrop for their travel activities.

- This market seeks personal enrichment through **seeing something new and different** and **enriching their knowledge** when they travel. Given the immaturity of the market, this does not necessarily mean unusual products or destinations, but rather seeing something different than they would normally see in China. Chinese are very interested in seeing how the other half lives and how other countries, particularly those with western culture and lifestyles, differ from China.

EXHIBIT 7.2A – UNIVERSAL TRAVEL MOTIVATIONS



Note: Percentage of respondents rating items as always or often important in selecting long-haul vacation destinations (n=1,400). "Universal" is defined as those motivations mentioned by 90% or more of respondents.

Key Finding

Practical considerations clearly come first for this market. Chinese travellers look for destinations that are clean, safe, friendly and inexpensive, where visa procedures are not too onerous. Aside from this, they are driven by the status of seeing famous places and experiencing something new and different. These are the hallmarks of an emerging market that is still relatively inexperienced and generalized in its preferences when it comes to long-haul travel.

Other Travel Motivations

Other factors influencing destination selection among Chinese travellers are shown in **Exhibit 7.2b.** The high importance placed on hands-on / DIY experiences (87%) is remarkable compared with other international markets and dovetails with this market's penchant for personal enrichment. Aside from self-enrichment, relaxing and having fun are generally the key benefits sought from long-haul travel.

As seen earlier, getting a taste of local history and culture is important to the Chinese, who enjoy seeing important historical sites and experiencing the unique culture and identity of a place. Several cost-related items also appear near the top of the list, including low cost transportation, inexpensive packages and favourable exchange rates, which again emphasizes the price-sensitivity of this market.

Interestingly, opportunities to shop, suitable local food and availability of Chinese restaurants are not all that influential in terms of destination choice, although the qualitative research suggests they are important in influencing the overall enjoyment of the travel experience and satisfaction with the trip. As noted by the Chinese travel trade, many Chinese now want or expect to sample local or western food in their travels, and shopping is a ubiquitous vacation activity regardless of the destination.

The fact that first-class hotels, resorts and fine dining are towards the bottom of the list reinforces the qualitative findings that this does not tend to be a luxury market. Neither is it an active outdoors market, as evidenced by the low positioning of outdoors activities, doing sports and skiing, although there are definitely niche markets for such products.

EXHIBIT 7.2B – OTHER TRAVEL MOTIVATIONS

	% Always or Often Important (n=1,400)
Resting and relaxing	88%
Low cost transportation within the destination	88%
Having fun and being entertained	87%
Hands-on / do-it-yourself experiences	87%
Nice weather	86%
Seeing historical sites and places important in history	86%
A variety of things to see and do	86%
Experiencing a destination's unique identity	86%
Inexpensive packages to the destination	84%
Opportunities to take photos	84%
A favourable currency exchange rate	84%
Availability of Chinese-speaking tour guides	84%
Availability of other services in Chinese	83%

	% Always or Often Important (n=1,400)
Experiencing a culture different than my own	83%
Variety of short guided excursions/tours	82%
Chances to see wildlife and unspoiled nature	82%
Activities for the whole family	81%
Going to a popular, trendy place	81%
Local food to my tastes	80%
Seeing arts and cultural attractions	80%
Improving my wellbeing	79%
Availability of all-inclusive holidays	78%
Experiencing unique aboriginal or native groups	78%
National parks and natural ecological sites	76%
Experiencing Chinese history and culture abroad	74%
Beaches for sunbathing and swimming	68%
Opportunities to shop	67%
Escaping from the ordinary	66%
Going places my friends haven't been	66%
A familiar place	65%
Availability of Chinese restaurants	65%
Going to cultural events	64%
First-class hotels	64%
Outdoor activities such as hiking, climbing	59%
Fine dining	55%
Staying at a resort	54%
Finding excitement and adventure	53%
Good nightlife and entertainment	50%
Opportunities for doing sports	48%
Enjoying alpine (downhill) skiing / snowboarding	47%
Enjoying other winter activities	44%
Casinos and other gambling	24%

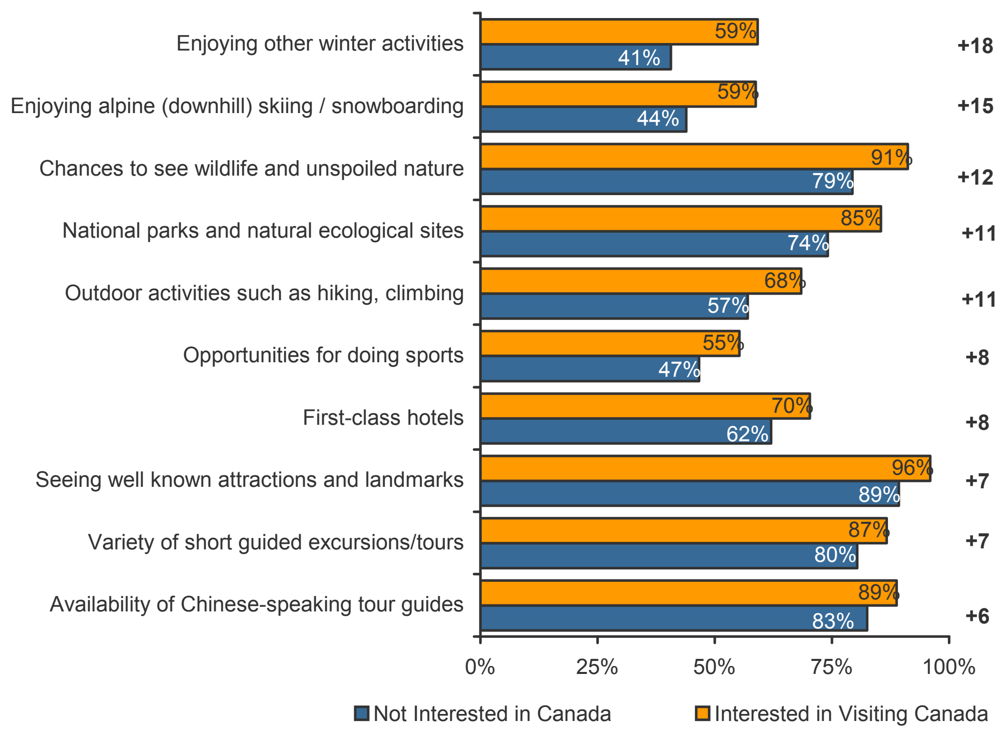
Motivations for Potential Travellers to Canada

Exhibit 7.3 shows that generally, potential travellers to Canada are more likely to be looking for skiing/winter, nature/wildlife and outdoors experiences than those who are uninterested in Canada. Over 90% of those interested in Canada often, if not always, look for nature/wildlife experiences on their long-haul trips, and almost 60% seek skiing or winter experiences.

Touring and general sightseeing are also more likely to be an impetus for long-haul travel among those who comprise Canada's potential market. Those interested in Canada are more likely then others to want to see well-known attractions (96%), take short, guided excursions (87%) and use the services of Chinese-speaking tour guides (89%).

Thus Canada appears to attract both generalized travellers seeking touring and sightseeing experiences as well as more sophisticated travellers that are aware of its specialized products offerings such as nature.

EXHIBIT 7.3 –TRAVEL MOTIVATIONS THAT ARE MORE IMPORTANT FOR POTENTIAL TRAVELLERS TO CANADA



Notes: Interested in Visiting Canada is defined as those who are very interested in visiting in the next 2 years (n=264). Not Interested in Canada (n=1,109). Percentages are based on respondents who rated the item as always or often important. Only statistically significant differences are shown. There were no attributes that were significantly less important for potential travellers to Canada

Motivational Segmentation

A motivational segmentation was developed for the Chinese market based on respondents' general motivations for travel (i.e., the factors that are usually important to them in selecting a vacation destination). This approach provides marketing groups with a basis for product positioning and assists advertising agencies to develop targeted communications strategies. It is a highly effective approach since it is based on the fundamental factors that motivate people to travel.

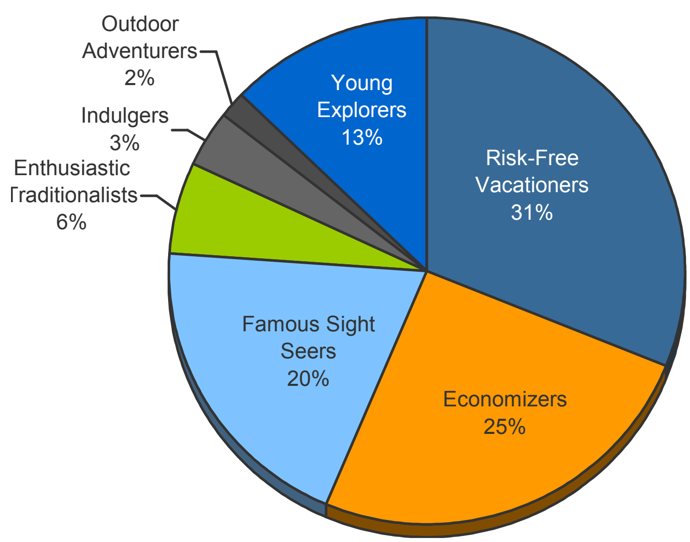
Factor analysis was used to identify natural groupings of related motivational variables, with each factor representing the underlying general motivations for destination selection. The segments – seven in all – are shown in **Exhibit 7.4**, together with the proportion of the potential market for travel outside Asia represented by each one.

The immaturity of the Chinese long-haul pleasure travel market is reflected in the final segmentation scheme. The three largest segments are Risk-Free Vacationers, Economizers and Famous Sight Seers, which together account for over three-quarters of the marketplace. A more interesting segment of Young Explorers represents about 13% of the market.

Segments typically found in more mature markets, such as Indulgers and Outdoors Adventurers, currently represent a very small share of the Chinese long-haul market (2% to 3%). The small size of these segments is completely consistent with the qualitative research, which revealed that the luxury and active outdoors segments are still very small niches that are expected to grow as the long-haul market matures.

At present, there are no significant differences between segments in terms of interest in Canada – about a fifth are very interested in visiting Canada in the next two years across the board. This stems from the generalized nature of the segments and the market's lack of real awareness about what Canada has to offer. This will no doubt change once the market is more mature and Canada's marketing initiatives are underway.

EXHIBIT 7.4 – MOTIVATIONAL SEGMENTS



Motivational Segment Profiles

Below we highlight the characteristics that make each motivational segment *unique* from the other segments. A more detailed segment profile showing demographic characteristics, attitudes towards travel, characteristics of future travel to Canada and potential travel barriers, is provided in **Exhibit 7.5** at the end of this section. In reviewing the profiles, it should be kept in mind that the Chinese market is still very immature and some of the segments have not yet developed the clarity and distinctiveness of those in more mature markets.

Risk-Free Vacationers (31%)

- Seek out places that are safe, clean, healthy and friendly, with nice scenery and good weather;
- Tend to shun excitement and adventure;
- Are not looking for deep travel experiences such as aboriginal culture or hands-on learning experiences;
- Find Australia extremely appealing as it fulfills all their underlying motivations for travel.

Famous Sight Seers (20%)

- Are drawn to famous cities, well-known attractions and landmarks, and important historical sites;
- Also have a penchant for culture. They enjoy going to cultural events, seeing arts and cultural attractions and losing themselves in the local culture of a destination;
- Avoid the mundane and familiar…and choose places where their friends and family haven't been;
- Are drawn to Europe (particularly France, the UK and Germany) for its illustrious cities, world-famous attractions and premier cultural offerings;
- Are the only segment where the Vancouver-Whistler-Victoria region appeals to the same degree as the Toronto-Ottawa-Niagara Falls area, likely on the strength of Vancouver's international renown;
- Are a fairly young group (over three-quarters are between 18 and 44), with high-ranking positions in the private sector;
- Can be reached through the Internet.

Economizers (25%)

- Choose their destinations largely on the basis of price;
- Tend to have the lowest incomes (69% under 10,000 RMB per month) and are less likely to hold high-ranking positions in the government or private sector;
- Are not interested in culture – Chinese, aboriginal or otherwise;
- Find Australia highly attractive as one of the lowest-cost, long-haul alternatives.

Young Explorers (13%)

- Travel to explore, discover and learn, seeking out deep vacation experiences that offer personal enrichment through seeing, or better yet, doing something new and different;
- Enjoy experiencing a destination's unique identity and culture when they travel, and participating in hands on / do-it yourself experiences;
- Are more likely than the other groups to be young, single men – close to 60% are between 18 and 34 years of age;
- Are well-educated and affluent;
- Tend to be bolder in their travel choices and less concerned about the weather, familiarity of the destination, language issues and possible risks to health and safety;
- Are independent spirits that are less likely to be guided by the vacation choices of their family and friends;
- Find Europe appealing (particularly France and Switzerland), but also respond to the allure of exotic destinations like Greece and Egypt;
- Also have greater interest than other groups do in lesser known Canadian destinations such as Quebec (close to 40%), Atlantic Canada (43%) and Northern Canada (almost a third);
- Believe that Canada is more than just an extension of the US, and is the only segment to cite Canada as a dream destination (33%) almost as often as they do the US (37%);
- Are the least likely to use travel packages, both to Canada and generally;
- Show the least interest of all groups in a touring trip to Canada and are keener than most to take a downhill ski trip, which is consistent with their more adventurous nature;
- Are also far more likely than other groups to rent a car and explore Canada on their own;
- Feel that the high cost, long flight and large distance between major points of interest are deterrents to visiting Canada, which may make them difficult to convert in the near-term;
- Can be reached through the Internet.

Enthusiastic Traditionalists (6%)

- Prefer to tread familiar ground – look for places with Chinese restaurants and Chinese history and culture;
- Are concerned about their ability to communicate abroad – availability of services in Chinese and Chinese tour guides factor into their decision-making;
- Are older (close to 40% are 45-64) and less educated, which may explain their more traditional outlook and concern about language issues;
- Are enthusiastic long-haul travellers that have taken more long-haul trips in the last three years than other groups and believe that money spent on long-haul travel is money well spent;
- Don't tend to be repeat travellers as they prefer to go to a new destination on each trip;
- Are fairly status-conscious – go to places their friends and family have already been, but also one-up them by visiting places they haven't;
- Are the least price-sensitive group and the most likely to indulge in fine dining and first-class hotels. Although their incomes are about average, they tend to have more disposable income since fewer have children still living at home;
- Prefer surface experiences – are not interested in the local culture or unique identity of a destination and don't really care to increase their knowledge;
- Have extraordinarily high interest in seeing the UK – it is second only to the US as a dream destination;
- Believe that Canada offers more value than the US;
- Are more likely to be interested in touring trips to Canada, including those to one or more big cities;
- Prefer very comprehensive packages for travel to Canada, being more likely than others to want airfare within Canada, all accommodations, a tour guide, admission tickets, all meals and airfare to the US included.

Indulgers (3%) seek luxury and pampering, and their destination choices are motivated by the availability of first-class hotels and resorts, fine dining, entertainment and casinos.

Outdoor Adventurers (2%) generally seek out excitement and adventure. They enjoy skiing, other winter sports, sports in general, outdoors activities (e.g., hiking, climbing), beaches, national parks and nature.

The sample available for both of these groups is too small to permit more detailed profiling.

EXHIBIT 7.5 – MOTIVATIONAL SEGMENT PROFILES

	Risk–Free Vacationers (n=356)	Famous Sight Seers (n=207)	Econo-mizers (n=282)	Young Explorers (n=128)	Enthusiastic Tradition-alists (n=63) [1]	Total (n=1,400)
Travel Motivations						
Defining Motivations [2]						
A place where I feel safe	**98%**	93%	95%	83%	92%	95%
A place where I do not have to worry about my health	**98%**	90%	91%	84%	79%	93%
A clean environment	**97%**	94%	95%	92%	84%	95%
Nice weather	**96%**	78%	85%	72%	84%	86%
Outstanding scenery	**95%**	93%	92%	86%	70%	92%
Good service and friendly people	**96%**	89%	92%	96%	72%	92%
Seeing well known attractions and landmarks	88%	**100%**	87%	85%	72%	91%
Seeing famous cities	91%	**100%**	92%	84%	77%	93%
Seeing historical sites and places important in history	77%	**99%**	82%	74%	78%	86%
Seeing arts and cultural attractions	73%	**94%**	66%	76%	66%	80%
Low cost transportation within the destination	81%	81%	**100%**	81%	79%	88%
Inexpensive airfare to the destination	89%	85%	**98%**	83%	84%	91%
Good prices for accommodation	89%	89%	**100%**	82%	82%	91%
Good prices for shopping, food and entertainment	89%	91%	**99%**	89%	71%	92%
Inexpensive packages to the destination	76%	79%	**98%**	74%	80%	84%
A favourable currency exchange rate	79%	78%	**95%**	73%	67%	84%
Experiencing a culture different than my own	79%	83%	73%	**95%**	68%	83%
Experiencing unique aboriginal or native groups	66%	82%	68%	**96%**	73%	78%
Experiencing a destination's unique identity	81%	89%	81%	**93%**	76%	86%
Hands-on / do-it-yourself experiences	78%	87%	88%	**92%**	77%	87%
Enriching my knowledge	89%	93%	88%	**96%**	79%	92%
Seeing something new and different	89%	91%	90%	**95%**	78%	92%
A variety of things to see and do	84%	84%	79%	**92%**	78%	86%
Availability of other services in Chinese	79%	86%	85%	72%	**99%**	83%
Availability of Chinese-speaking tour guides	78%	82%	86%	73%	**96%**	84%
Availability of Chinese restaurants	59%	65%	61%	48%	**89%**	65%
Variety of short guided excursions/tours	78%	80%	79%	76%	**84%**	82%
Availability of all-inclusive holidays	75%	73%	79%	71%	**88%**	78%
A familiar place	68%	56%	66%	46%	**84%**	65%
Experiencing Chinese history and culture abroad	66%	80%	68%	73%	**85%**	74%
Other Motivations [2]						
Fine dining	52%	52%	47%	47%	72%	55%
First-class hotels	64%	56%	58%	52%	80%	64%
Going to cultural events	59%	72%	50%	51%	67%	64%
Beaches for sunbathing and swimming	68%	66%	61%	70%	46%	68%
National parks and natural ecological sites	70%	80%	78%	63%	57%	76%
Going places my friends haven't been	59%	69%	63%	56%	79%	66%
Finding excitement and adventure	42%	51%	50%	55%	56%	53%

	Risk–Free Vacationers (n=356)	Famous Sight Seers (n=207)	Econo-mizers (n=282)	Young Explorers (n=128)	Enthusiastic Tradition-alists (n=63) [1]	Total (n=1,400)
Demographic Profile						
Friends or Relatives Living in Canada						
Yes	19%	17%	18%	23%	18%	20%
Gender						
Male	49%	48%	50%	58%	53%	52%
Age						
18 to 34	38%	50%	42%	58%	36%	42%
35 to 44	26%	26%	22%	17%	23%	24%
45 to 64	30%	20%	30%	25%	39%	30%
65 or older	6%	3%	6%	0%	1%	4%
Marital Status						
Single / never married	24%	30%	31%	42%	15%	28%
Married / partnered	75%	69%	66%	57%	85%	71%
Have Children Under 18 in Household						
Yes	43%	41%	35%	33%	32%	38%
Education						
College or University	64%	67%	62%	75%	44%	64%
Employment						
Employed	77%	81%	76%	73%	74%	74%
Retired	14%	8%	13%	13%	20%	14%
Student	5%	8%	8%	10%	2%	7%
Occupation						
Government / State: High/ Middle-rank cadre	13%	10%	11%	14%	11%	12%
Government / State: Technician/worker	20%	16%	22%	16%	15%	18%
Foreign / JV / Private: Manager or above	19%	26%	13%	24%	13%	19%
Foreign / JV / Private: Staff / worker	20%	24%	27%	21%	23%	23%
Culture / Education / Science	9%	7%	8%	8%	6%	7%
Freelance / Self-Employed	13%	16%	15%	17%	27%	16%
Average Monthly Household Income						
Below 7,000 (RMB)	34%	36%	38%	28%	32%	33%
7,000 to 9,999	31%	28%	31%	28%	33%	28%
10,000 to 19,999	23%	27%	23%	27%	26%	27%
20,000 or above	12%	10%	8%	17%	9%	12%
Internet Access						
Have Internet access at home or at work	58%	72%	63%	77%	60%	63%
Searched for travel information	55%	63%	55%	72%	47%	57%
Booked holiday trips online	10%	15%	6%	16%	5%	10%

	Risk–Free Vacationers (n=356)	Famous Sight Seers (n=207)	Econo-mizers (n=282)	Young Explorers (n=128)	Enthusiastic Tradition-alists (n=63) [1]	Total (n=1,400)
Attitudes Towards Overseas Travel						
Attitudes Towards Long-Haul Travel [3]						
I like to go to a different place on each new trip	88%	91%	92%	88%	99%	91%
I like immersing myself in a destination's local culture	85%	93%	85%	90%	71%	87%
I usually travel on all-inclusive packages when taking international holidays	81%	82%	86%	72%	86%	83%
Money spent on international travel is money well spent	77%	82%	73%	77%	92%	79%
I usually choose destinations that my friends and family have already been to	66%	52%	66%	51%	81%	66%
Canada offers more value for my money than the U.S.A. does	62%	71%	56%	56%	75%	60%
Europe offers more value for my money than Canada does	59%	61%	49%	58%	58%	58%
To me, Canada is really just an extension of the U.S.A.	53%	55%	39%	38%	54%	47%
Frequency of Long-Haul Travel						
Number of Long-Haul Trips (Past 3 years)						
1 trip	71%	65%	70%	68%	62%	69%
2 trips	17%	25%	22%	23%	28%	21%
3 or more trips	12%	10%	7%	8%	10%	10%
Destination Preferences						
Dream Destinations						
US	53%	47%	46%	37%	54%	48%
France	39%	48%	44%	56%	35%	44%
Australia	38%	26%	39%	28%	26%	32%
Canada	31%	36%	31%	33%	33%	32%
Switzerland	23%	27%	23%	39%	31%	25%
UK	23%	25%	21%	13%	37%	23%
Italy	14%	14%	20%	13%	21%	16%
Japan	15%	13%	14%	14%	9%	15%
New Zealand	9%	8%	10%	7%	6%	8%
Germany	10%	13%	6%	2%	10%	8%
Egypt	2%	3%	3%	9%	0%	3%
Greece	2%	4%	4%	8%	4%	3%
Future Travel to Canada						
Interest in Visiting Canada						
Very interested in next 2 years	20%	19%	19%	20%	19%	19%
Very or somewhat interested in next 5 years	76%	78%	69%	72%	75%	73%
Regions Interested in Visiting						
Toronto-Ottawa-Niagara Falls region	81%	81%	88%	87%	82%	83%
Vancouver-Whistler-Victoria region	75%	80%	72%	72%	69%	75%
Atlantic Canada / East coast	33%	38%	32%	43%	45%	34%
Rocky Mountain region	28%	28%	25%	21%	19%	25%
Montreal-Quebec region	18%	28%	19%	37%	13%	22%

Regions Interested in Visiting *(continued)*	Risk–Free Vacationers (n=356)	Famous Sight Seers (n=207)	Econo-mizers (n=282)	Young Explorers (n=128)	Enthusiastic Tradition-alists (n=63) [1]	Total (n=1,400)
Northern Canada	19%	17%	14%	34%	17%	20%
Calgary-Edmonton region	13%	11%	12%	8%	14%	11%
Other parts of Canada	24%	22%	19%	19%	18%	21%
Use a Package Tour or Travel Package						
Definitely/Very Likely	67%	65%	63%	53%	54%	62%
Package Components						
Airfare within Canada	67%	59%	67%	58%	77%	63%
All accommodation	37%	44%	42%	43%	53%	42%
A tour guide to take you on a planned itinerary	42%	40%	34%	34%	43%	37%
Admission tickets to attractions/entertainment	33%	39%	32%	29%	45%	32%
All meals	27%	29%	26%	18%	39%	29%
Some meals	26%	30%	31%	30%	25%	29%
Some accommodation	28%	25%	27%	31%	22%	28%
Rental car	11%	19%	15%	31%	8%	16%
Type of Trip Most Likely to Take						
A trip to one or more big cities	40%	43%	46%	40%	53%	42%
A nature or wildlife viewing trip	22%	16%	16%	22%	20%	19%
A touring trip	11%	8%	12%	5%	17%	12%
A trip to visit friends and relatives	6%	5%	6%	5%	3%	6%
A downhill ski or snowboarding trip	4%	6%	5%	9%	1%	5%
Travel Barriers						
Don't know enough about Canada / too unfamiliar	55%	67%	57%	63%	58%	60%
Other places I want to see first	50%	47%	49%	40%	5%	40%
Simply no interest in going	31%	33%	28%	22%	25%	30%
Don't have friends or relatives in Canada	21%	7%	30%	22%	33%	24%
Poor weather / too cold	19%	15%	24%	26%	37%	23%
Too hard to get entry visas	14%	12%	23%	26%	21%	20%
Too far / flight to Canada too long	10%	7%	14%	34%	17%	16%
Canada is too expensive a place to visit	13%	11%	14%	36%	7%	15%
Too big / main attractions too far apart	10%	9%	5%	26%	0%	9%

1 Caution should be used in interpreting results due to small sample size.
2 Percentage who felt the attribute was always or often important.
3 Percentage who strongly agree or somewhat agree with the statement.

Key Finding

The motivational segments in China are characteristic of an emerging market, with Risk-Free Vacationers, Economizers and Famous Sight Seers representing the largest groups. At present, there are no stand-out segments when it comes to interest in Canada, which is likely due to minimal awareness of what the country has to offer. Based on their stated travel motivations, the best initial opportunity for Canada is Risk-Free Vacationers, while Outdoor Adventurers is a niche that holds good potential down the road.

8. General Awareness and Perceptions of Canada

This section of the report examines awareness and perceptions of Canada among Chinese travellers, including Canada's marketing strengths and weaknesses in this market.

Awareness of Canada

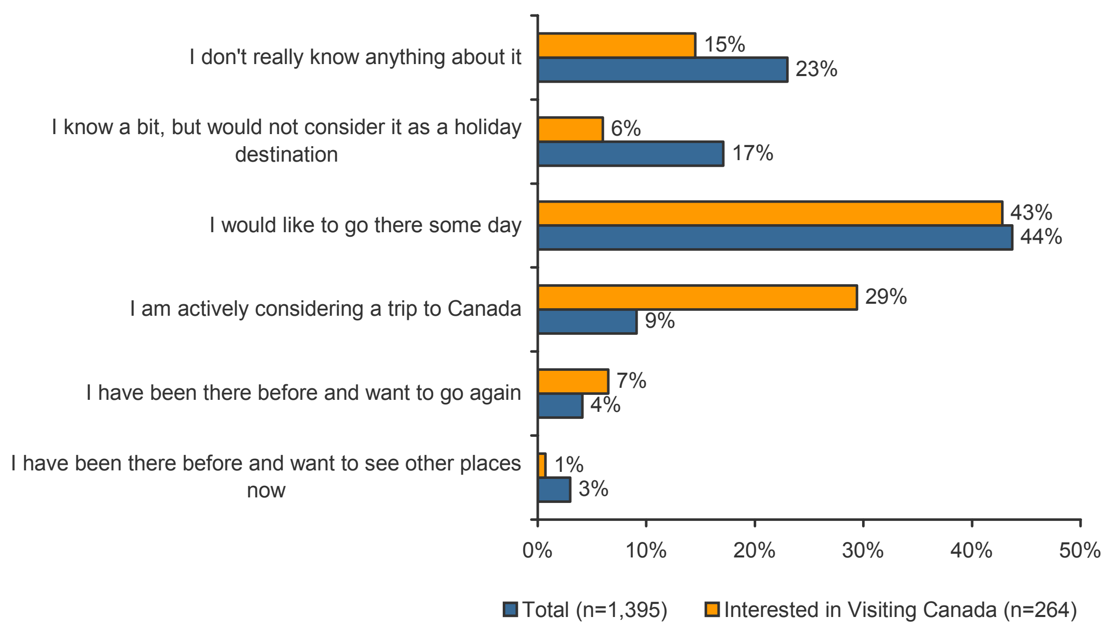
Familiarity with Canada as a Holiday Destination

As shown in **Exhibit 8.1a**, approximately 40% of potential travellers outside Asia feel they know very little about Canada as a holiday destination. Another 44% say they would like to go to Canada someday, while 9% say they are actually considering a trip there. Around 7% have already been to Canada. While slightly more than half of these would like to make a return visit at some point, the rest are ready to move on to other vacation spots.

Obviously the pattern is somewhat different among those who are interested in Canada. Of this group, close to 30% are actively considering a trip to Canada, which translates into some 150,000 travellers under the conservative approach. Around 8% of the potential market has already been to Canada, with the vast majority of them interested in making a return trip.

Again, these results show good general interest in Canada, or at the very least, a healthy curiosity that will provide a good base for Canada's awareness and conversion efforts.

EXHIBIT 8.1A – FAMILIARITY WITH CANADA AS A HOLIDAY DESTINATION



Note: Interested in visiting Canada is defined as those who are very interested in visiting in the next 2 years.

Examining the results by market (refer to **Exhibit 8.1b**) reaffirms earlier findings, namely greater immediate potential for Canada in Guangzhou (with 16% who are actively considering a trip) and good long-term potential in Shenzhen (with 59% who would like to visit Canada someday).

EXHIBIT 8.1B – FAMILIARITY WITH CANADA BY MARKET

	Guangzhou (n=350)	Shanghai (n=349)	Beijing (n=347)	Shenzhen (n=349)
I don't really know anything about it	28%	29%	23%	12%
I know a bit, but would not consider it as a holiday destination	16%	23%	13%	16%
I would like to go there some day	33%	35%	48%	**59%**
I am actively considering a trip to Canada	**16%**	4%	9%	7%
I have been there before and want to go again	5%	5%	4%	2%
I have been there before and want to see other places now	3%	3%	2%	4%

Dream Destinations

Respondents were asked to indicate the three countries they would most like to visit if they had the money, time and entry visas to do so. **Exhibit 8-2** shows the results.

The US and France top the list of destinations that potential travellers outside Asia would most like to visit, each being mentioned by over 40% of all respondents. These results are completely in line with the qualitative findings. According to the trade, the US is the dream destination of most Chinese, representing the pinnacle of modernity, technology and western culture. France too (Paris in particular) is a must-see for the Chinese and currently the most popular destination, by far, in Europe.

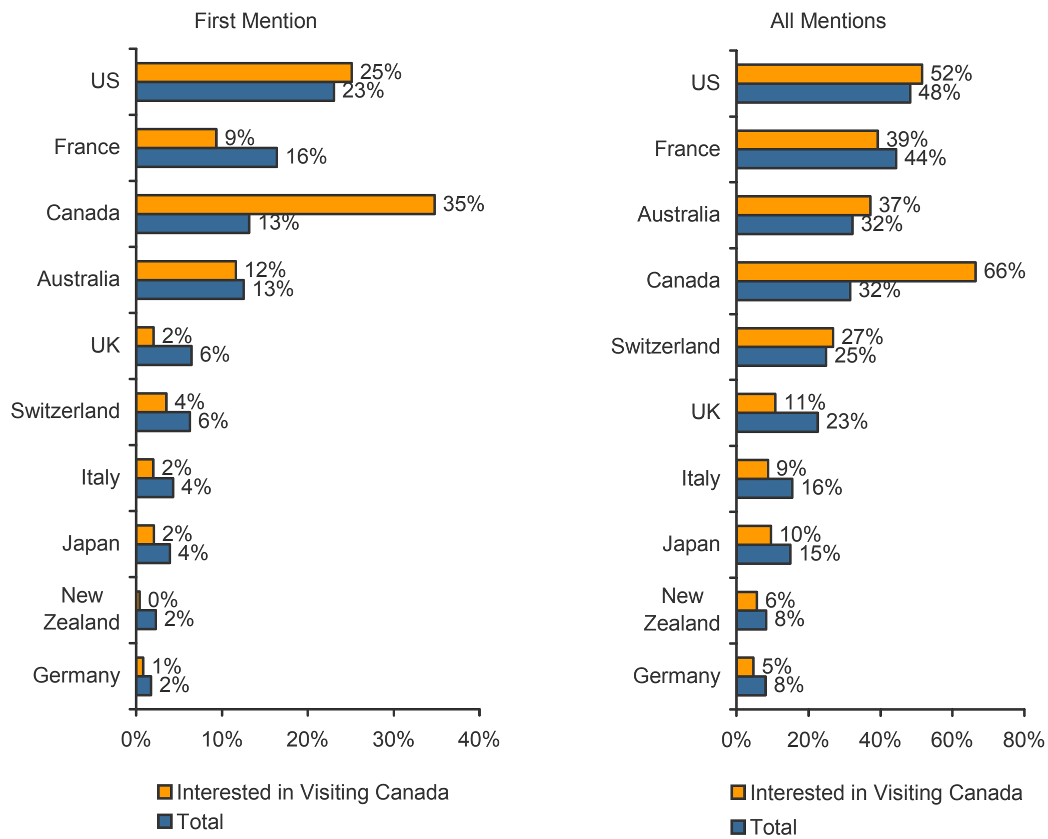
Australia and Canada are next in line in terms of dream destinations, each being mentioned by about a third of the market. This bodes well for Canada as it again shows good general awareness levels and a basic desire to visit.

Behind Canada are a number of popular European destinations (Switzerland, the UK, Italy and Germany), with Japan and New Zealand rounding out the top ten. Interestingly, Japan is the only country within Asia to be named as a dream destination, which shows the remarkable lure of the west in this market.

Among those interested in Canada, almost two-thirds cite Canada as one of the top three destinations they would most like to visit. In fact, this segment ranks Canada ahead of the US in terms of their dream destinations. Moreover, they differ from the market as a whole in that they are less likely to find the European destinations alluring.

There are distinct differences by market. Consistent with previous results, those in Guangzhou are far more likely to cite Canada as a dream destination (41%) than those in the other three cities. Beijingers are more likely to favour Australia (41%) and New Zealand (10%), while Shanghaiese show a strong inclination towards European destinations, including France (49%), Switzerland (34%), Italy (20%) and Greece (7%).

EXHIBIT 8.2 – DREAM DESTINATIONS



Notes: Respondents were asked to indicate their top three dream destinations. Interested in visiting Canada is defined as those who are very interested in visiting in the next 2 years (n=262). Total (n=1,395).

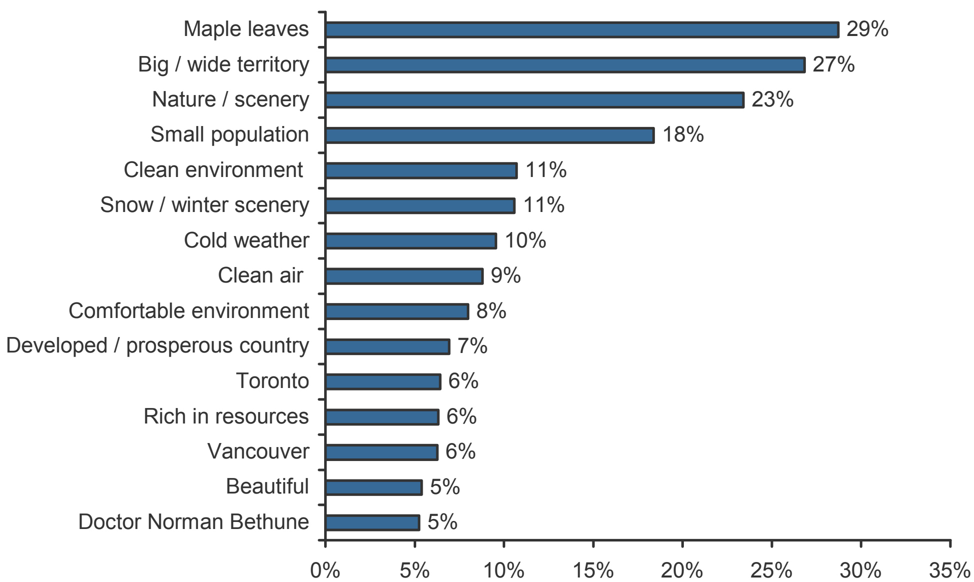
Perceptions of Canada

Perceptions of Canada as a Country

Respondents were asked to indicate the first three or four words that come to mind when they think of Canada as a country (see **Exhibit 8.3**). Interestingly, the results of the consumer survey almost exactly mirror those of the trade interviews, with several images emerging above all others:

- Canada's beautiful scenery and nature as epitomized by the maple leaf;
- The sheer breadth and expanse of a country whose sparse population leaves the impression of wide-open spaces;
- The clean, fresh air and general cleanliness and comfort of the environment;
- The cold weather, snowy landscapes and beautiful winter scenery; and
- A well-developed and prosperous nation characterized by large modern cities such as Toronto and Vancouver.

EXHIBIT 8.3 – PERCEPTIONS OF CANADA AS A COUNTRY



Note: Percentages may sum to more than 100% due to multiple responses.

Perceptions of Canada as a Holiday Destination

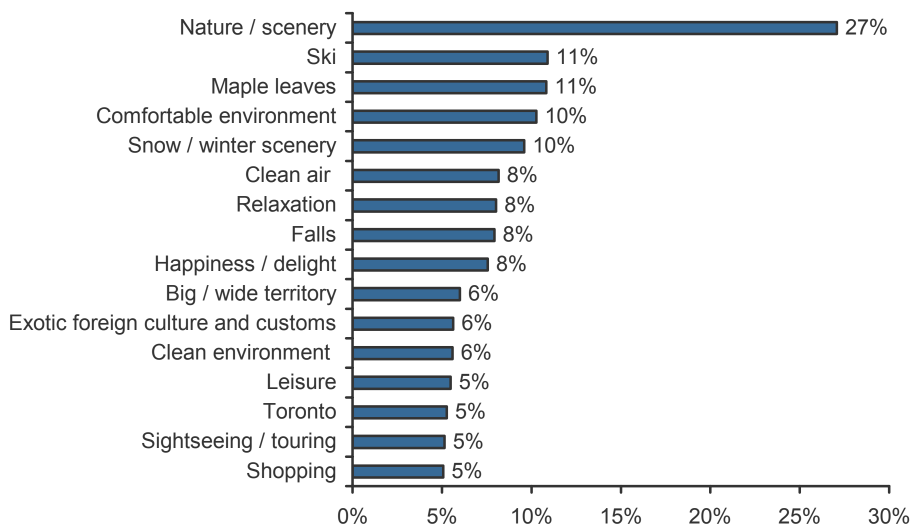
The only really strong impression of Canada as a holiday destination (see **Exhibit 8.4**) is around scenery and nature (mentioned by 27%), with the maple leaf a readily identifiable icon (11%). While skiing comes to mind for 11% of the market, most other impressions of Canada are fairly vague (e.g., clean, comfortable, big) and mentioned by under 10% of respondents.

For some, Canada elicits feelings of relaxation, leisure and contentment, which the trade mentioned as well. In addition, around 6% feel that Canada offers good opportunities to experience an exotic foreign culture.

Specific activities such as sightseeing and shopping are mentioned by a small proportion of travellers, as are specific destinations such as Toronto (5%) and Niagara Falls (4%).

Interestingly, there are few material differences between the responses of those interested in visiting Canada and those of the market overall.

EXHIBIT 8.4 – PERCEPTIONS OF CANADA AS A HOLIDAY DESTINATION



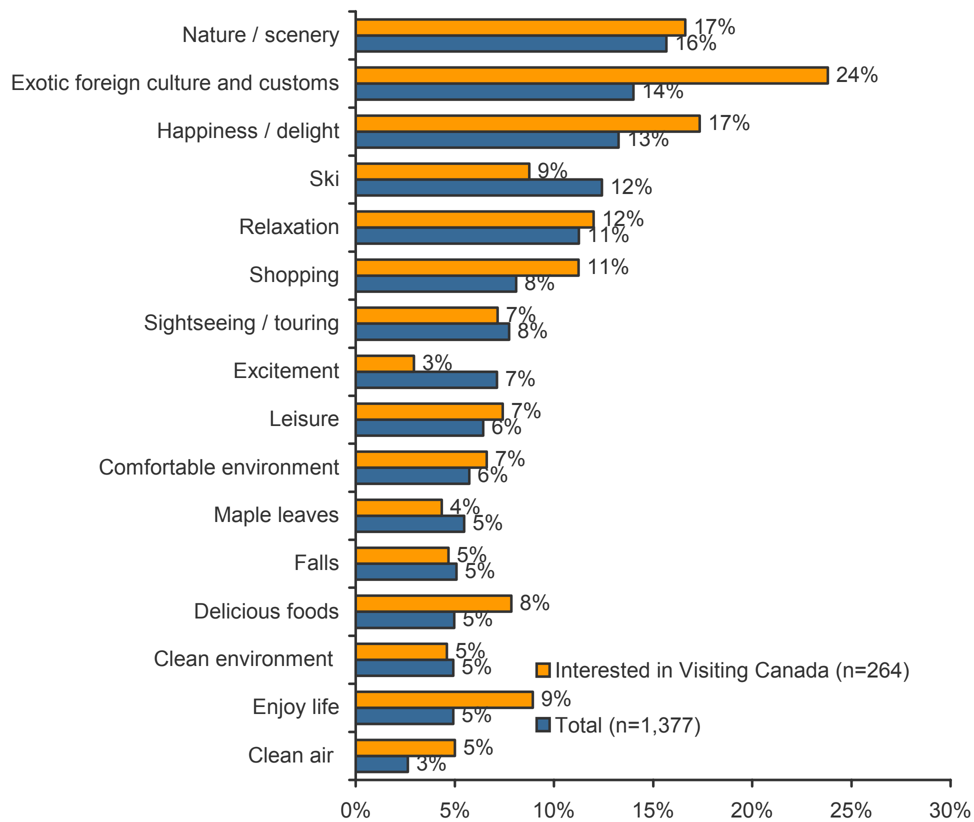
Notes: Percentages may sum to more than 100% due to multiple responses.

Perceptions of Canadian Travel Experiences

Respondents were also asked to indicate the kinds of travel experiences that come to mind for a holiday trip to Canada. **Exhibit 8.5** shows the results. Again, nature/scenery, experiencing foreign cultures, skiing, relaxing, shopping and sightseeing are all felt to be an integral part of the Canadian vacation experience.

Those interested in Canada are significantly more likely to mention the exotic foreign culture (24%) – in fact, for this group, these types of experiences are more top-of-mind than nature (17%). According to the trade, it is this desire to experience western culture and lifestyles that will drive travel to Canada when the market first opens.

EXHIBIT 8.5 – PERCEPTIONS OF TRAVEL EXPERIENCES AVAILABLE IN CANADA



Note: Interested in visiting Canada is defined as those who are very interested in visiting in the next 2 years (n=262). Percentages may sum to more than 100% due to multiple responses.

Marketing Strengths and Weaknesses for Canada

The concept of marketing strengths and weaknesses looks at a combination of the importance of various tourism attributes in motivating Chinese travellers and impressions of these items for Canadian tourism products (relative to other destinations). The purpose is to emphasize the attributes of broad importance to potential visitors where Canada is perceived favourably, or where perceptions are a problem. The marketing strengths and weaknesses map (**Exhibit 8.6**) is based on potential travellers to Canada only (using the broader five year definition).

Marketing Strengths

General marketing strengths for Canada are those attributes that are both important in the minds of potential travellers to Canada when selecting a vacation destination *and* for which Canada is favourably viewed. Most of Canada's marketing strengths in China are not really surprising – friendliness, safety, cleanliness and a healthy environment – all the underlying attributes that make for a pleasant and problem-free vacation. Not surprisingly then, Canada is also viewed as a good place to improve one's physical and spiritual wellbeing.

In terms of product strengths, Canada's nature products and parks stand out from the others, although these are of secondary importance to potential travellers who are still primarily focused on touring and sightseeing.

Marginal strengths are those that are set to become general marketing strengths if relatively minor improvements can be made to market perceptions of these attributes. These include scenery, opportunities to take photos, opportunities to relax and family activities. Most have the potential to become major strengths once Canada launches its consumer awareness campaigns in China.

Niche marketing strengths appeal to a smaller group of travellers and represent potential niche markets to be developed or targeted. For China, these include outdoors activities, skiing and other winter activities, which tend to appeal to the more affluent segments of the market.

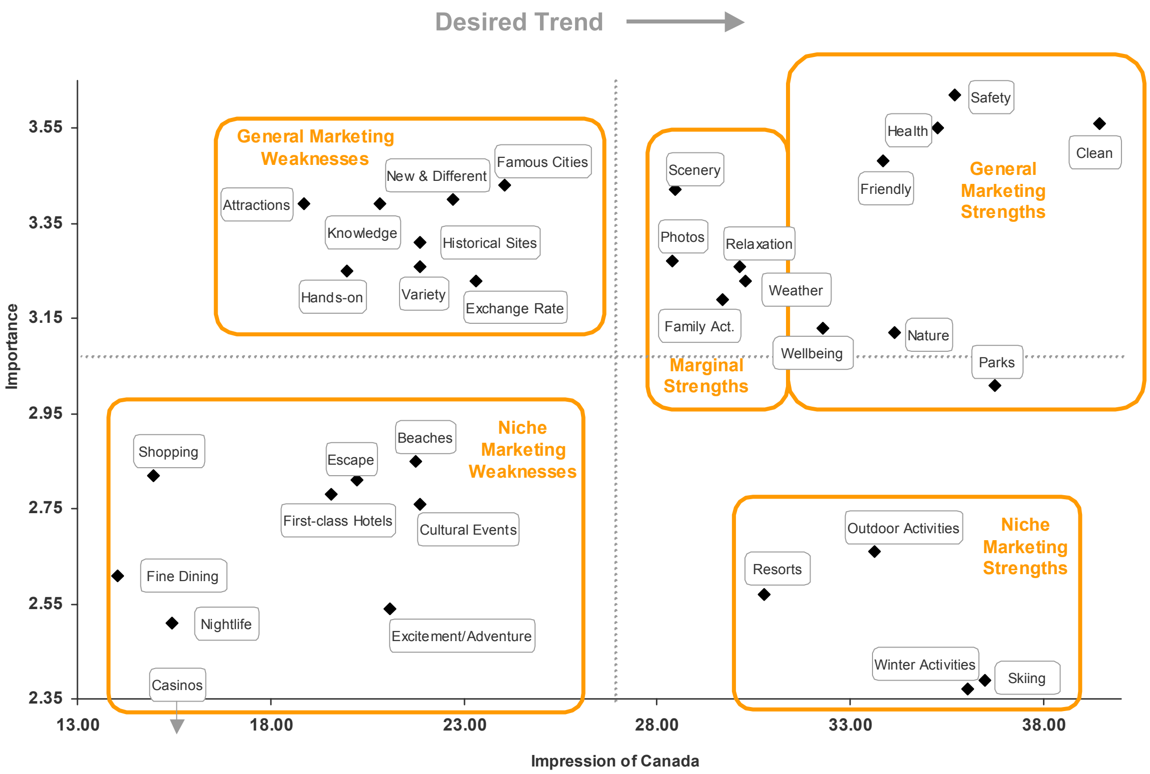
Marketing Weaknesses

General marketing weaknesses are attributes that heavily influence destination selection, but for which Canada is not favourably rated. General marketing weaknesses typically indicate areas where there may be serious issues (perceptual or actual) to be mitigated.

Canada is felt to be lacking in the well-known attractions, famous cities and important historical sites that this status-conscious market is drawn to. Canada's marketing efforts in China will need to play up major attractions like Niagara Falls that are world-famous, but relatively unknown in China, as well as the international standing of major cities like Toronto. Relative to other destinations, Canada is also regarded as weak in terms of being a place to enrich one's knowledge, see something new, and participate in hands-on experiences.

Niche marketing weaknesses are unfavourably rated activities that appeal to smaller groups of travellers. Some of these areas may be less worthwhile to develop since considerable investment may be required to improve perceptions of the product for a lower return. In particular, Canada is not seen as being good for city experiences such as shopping, dining, first-class hotels, casinos, and nightlife and entertainment. It is also perceived as lacking in escapism and excitement value.

EXHIBIT 8.6 – MARKETING STRENGTHS AND WEAKNESSES FOR CANADA



Note: Base is those interested in visiting Canada, defined by those who indicated they were very interested or somewhat interested in visiting Canada in the next 5 years (n=970).

Key Finding

Although Canada has the underlying pre-requisites required to appeal to Chinese travellers in terms of being safe, clean and welcoming, it is seen as lacking concrete attributes to pique their interest. Famous attractions and cities are the immediate key, and Canada will need to build awareness around Toronto, Vancouver, Niagara Falls, Banff and other world-class attractions to create an initial buzz. Canada could also stand to shore up market perceptions of its scenery, as perception ratings are only lukewarm.

While nature, wildlife and parks are important product strengths for Canada, these are unlikely to be stand-alone activities in the near-term, being more likely to be tied in with general touring and sightseeing. Canada also has strengths in terms of winter and outdoors products that will undoubtedly come into play down the road, but are not mass-market drivers at present.

9. Product Potential For Canada

The focus of this section is on product potential for Canada in the Chinese market. The section includes a segmentation of the market based on the key products that drive Chinese long-haul pleasure trips.

Product Potential Analysis

What Travellers Did Differently in Canada

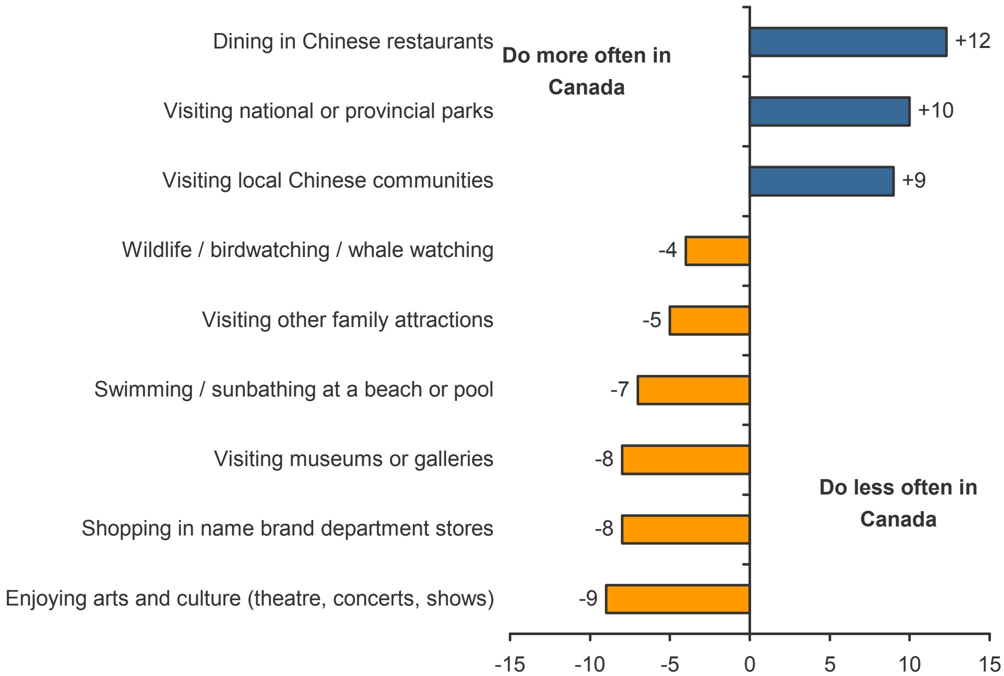
The analysis shown in **Exhibit 9.1** compares product use by Chinese travellers on pleasure trips to Canada vs. trips to other non-Asian destinations. As with all analyses in this report, this can be considered a benchmark or baseline analysis prior to the opening of Canada as a travel destination for the Chinese. It identifies preliminary product strengths that can be built upon, as well as areas of opportunity as the market ramps up.

The products that currently command **higher participation in Canada** include dining in Chinese restaurants and visiting local Chinese communities. This reflects the heavy VFR element in travel to Canada, as well as the presence of large Chinatowns in key Canadian cities. Aside from this, the only other product area where Canada is performing above and beyond other non-Asian destinations is national / provincial parks.

On the other hand, product clusters that are **less popular in Canada** include:

- **Arts and culture** (e.g., museums, galleries, theatre, concerts, shows). There is currently a good-sized market in China for arts and cultural activities, but as will be seen later in this report, Canada is not well-positioned for these types of products in the face of Europe's much stronger offerings.
- **Shopping at brand name stores**. Again, Canada would be hard-pressed to compete with destinations like Japan and Europe that abound with internationally recognized brand-name shopping opportunities.
- **Beach activities** (e.g., swimming, sunbathing, water sports). These are niche markets in China that are better served by other destinations (e.g., Australia, Hawaii, Southeast Asia).
- **Wildlife viewing.** Although a fairly small niche, there is potential here for Canada once the market opens up, as there is demand for this product at other destinations. Canada is generally well-perceived in China for nature and wildlife, and offers different experiences than can be found in destinations such as Australia and Africa.
- **Family attractions.** There is also some potential here for Canada as it offers many family attractions, as well as a safe and clean environment to pursue them in.

EXHIBIT 9.1 – DIFFERENCES IN PRODUCT USE BY
CHINESE TRAVELLERS IN CANADA VS. OTHER DESTINATIONS OUTSIDE ASIA



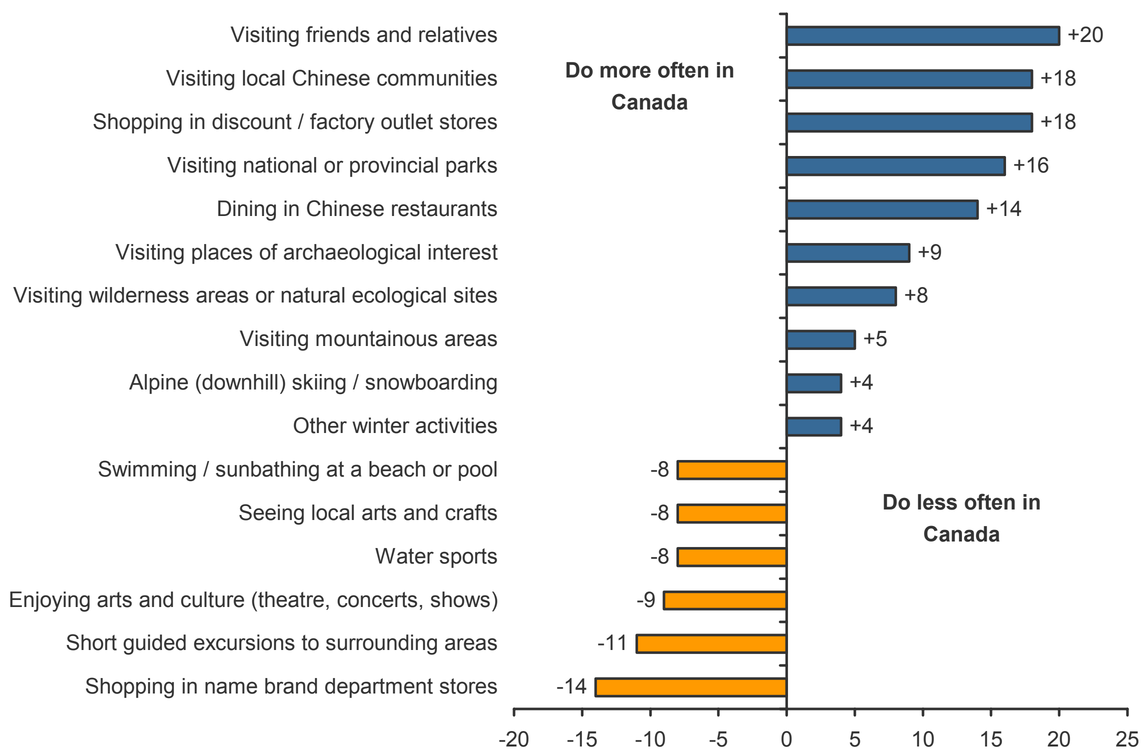
Note: Figures represent percentage point differences in product use between Canada and Outside Asia on the most recent trip. Only significant differences shown. Actual percentages are shown in Exhibit 4.17.

Exhibit 9.2 shows a similar analysis comparing trips to Canada with those to Asia. As might be expected, there are many more product areas in which Canada is performing well relative to Asian destinations, despite its non-ADS status. Aside from VFR-related activities, some of the key ones are as follows:

- **Discount shopping.** Discount stores and factory outlets are less popular in Asia than in North America. Most shopping in Asia would be done at department stores or shopping malls.
- **Nature** (e.g., national/provincial parks, wilderness areas, ecological sites, mountainous areas). Canada abounds in nature experiences that are unique from those available in Asia. As mentioned, this will be a key area for future growth.
- **Winter sports** (e.g., skiing, snowboarding, other winter activities such as skating and snowmobiling). Already there is some recognition of Canada's outstanding winter products, even when compared with ski resorts in Japan and South Korea.

In terms of **less popular activities**, many of the key clusters mirror the ones seen earlier in the non-Asian comparison, namely: beach activities, arts and culture and brand-name shopping. In addition, guided excursions are relatively less popular in Canada, which again is due to the heavy VFR orientation of current trips (i.e., any sightseeing would likely be done with friends and family rather than through a guided excursion).

EXHIBIT 9.2 – DIFFERENCES IN PRODUCT USE BY CHINESE TRAVELLERS IN CANADA VS. ASIA



Note: Figures represent percentage point differences in product use between Canada and Within Asia on the most recent trip. Only significant differences shown. Actual percentages are shown in Exhibit 4.17.

Product-Based Segmentation

The motivational segmentation in Section 7 of this report segmented **travellers** based on their underlying motivations for travel. However, travellers are not consistent in the activities they do from trip to trip. A Winter Enthusiast may take a ski trip on one vacation and a golf trip on the next. The product-based segmentation presented in this section focuses on the specific **trips** taken by this market.

Since long-haul trips may have many common activities, the segmentation was based on the activities that make a trip unique or different (i.e., the drivers for the trip). Factor analysis was used to determine the trip activities that cluster together for a certain type of trip. Key activities or drivers for each type of trip were selected by choosing those with the highest factor loadings. These activity drivers then became the defining activities for a particular trip type.

This type of segmentation analysis is useful for product developers and tour operators since it looks at what is done on a specific trip, what types of products are used, and what type of activities tend to cluster together.

Seven product-based segments were identified in all:

- History/Nature
- Touring;
- Upscale;
- Local Culture;
- Beach;
- Ski; and
- Shopping.

It is important to note that the product segments are not mutually exclusive since a particular trip may incorporate more than one activity driver (e.g., Nature and Local Culture, for example).

Exhibit 9.3 profiles the product-based segments for the Chinese market, including the defining activities, trip characteristics, trip planning information and other products used on each type of trip. The profiles also highlight the characteristics that make each segment or type of trip unique, compared with other segments.

Most of the profiles are in line with what one would expect. For example, Beach Trips are more likely than other types of trips to be taken to Australia, Southeast Asia or Hawaii. However, there are several unique findings that are worth highlighting:

- Upscale and Local Culture trips tend to have a business element to them. For example, Upscale Trips are almost as likely to be taken with business associates (20%) as with a spouse or partner (27%);
- Ski trips tend to be regarded as a learning experience (27%) rather than fun (13%), likely because most Chinese are at the novice level when it comes to skiing;
- Although history and nature are the key drivers, History/Nature trips in the Chinese market tend to be broader than in other international markets, incorporating museums, scenic landmarks, outdoors activities and city sightseeing. History/Nature trips are the most likely to be taken with the children, and as such, can include family attractions like theme parks. Again, this supports the notion that nature is not yet a stand-alone product in this market.

EXHIBIT 9.3 –PRODUCT SEGMENT PROFILES: TOURING AND UPSCALE TRIPS

	Touring Trips (n=153)	Upscale Trips (n=113)
Defining Activities		
	Touring Trips include at least 3 of the following products: • Touring by bus, boat or train; • Short guided excursions to surrounding areas; • Walking tours, and; • Touring by car or limousine.	Upscale Trips include at least 2 of the following products: • Relaxing at a spa or hot springs; • Visiting casinos or other gambling; • Visiting night clubs, karaoke bars or other entertainment venues, and; • Golfing.
Trip Characteristics (Most Recent Trip)		
Trip Characteristics (Most Recent Trip)		
Trip Duration (mean)	12.4 nights	11.6 nights
Trip Expenditures (including airfare)		
Per party	$7,426	$8,880
Per person	$832	$1,055
Per person per day	$370	$444
Used a Package		
Organized group tour	70%	63%
Other package	4%	10%
Trips are more likely to be:		
	• Taken as part of an organized group tour (70%) • For rest and relaxation (36%)	• More expensive (on a per person per day basis) • At a luxury hotel (50%) • Taken with business associates (20%) • Taken with a group or club (15%) • To Japan or Italy
Trips are less likely to be:		
	• To combine business and pleasure (6%) • To Oceania or the South Pacific.	• For visiting friends and relatives (13%) • For spending quality time with friends or family (7%) • At a mid-priced hotel (50%) • Taken with spouse or boy/girlfriend (27%) • Taken with spouse or boy/girlfriend (27%) • To Singapore.
Trip Decision Making		
Planning horizon	11.5 weeks	8.9 weeks
Booking horizon	4.3 weeks	3.5 weeks

	Touring Trips (n=153)	Upscale Trips (n=113)
Top 3 sources of information		
	• Friends/family members (62%) • Travel agent (59%) • Business colleagues (31%)	• Travel agent (62%) • Friends/Family members (45%) • Business colleagues (31%)
Decision makers are more likely to:		
	• Get information from friends and family (62%) • Start planning earlier (11.5 weeks) • Book earlier (4.3 weeks)	• Make the decision themselves (74%)
Other Activities		
More likely to engage in / visit		
	• City sightseeing (98%) • Scenic landmarks (87%)	• Shopping in name brand department stores (77%)

Defining Activities	Local Culture Trips (n=120)	Beach Trips (n=157)
	Local Culture Trips include <u>at least 3</u> of the following products: • Participating in a hands-on learning experience; • Seeing local arts and crafts; • Attending a local or cultural festival, and; • Experiencing aboriginal culture.	Beach Trips include <u>either</u> of the following products: • Water sports, or; • Swimming/sunbathing at a beach or pool.
Trip Characteristics (Most Recent Trip)		
Trip Characteristics (Most Recent Trip)		
Trip Duration (mean)	13.5 nights	13.7 nights
Trip Expenditures (including airfare)		
Per party	$10,372	$6,658
Per person	$4,292	$3,215
Per person per day	$411	$351
Used a Package		
Organized group tour	61%	67%
Other package	7%	6%
Trips are more likely to be:		
	• For an event or exhibition (14%) • For learning and discovery (21%) • Taken with business associates (20%) • To Thailand	• Least expensive (on a per person per day basis) • For pleasure (68%) • For enjoying the good life and being pampered (15%) • Spent at a resort (27%) • A beach resort trip (7%) • To Australia, Southeast Asia (Thailand, Singapore, Malaysia) or Hawaii
Trips are less likely to be:		
	• For visiting friends and relatives (12%) • A trip to visit big cities (24%)	• A trip to visit big cities (25%) • To combine business and pleasure (5%) • With business associates (8%) • To Europe, Japan, South Korea or Canada
Trip Decision Making		
Planning horizon	8.1 weeks	9.7 weeks
Booking horizon	3.4 weeks	3.5 weeks

	Local Culture Trips (n=120)	Beach Trips (n=157)
Top 3 Sources of Information		
	• Friends/family members (46%) • Travel agent (41%) • Business colleagues (30%)	• Travel agent (63%) • Friends/family members (55%) • Business colleagues (27%)
Decision makers are more likely to:		
	• Make the decision with business associates (18%)	• Get information from a travel agent (63%)
Decision makers are less likely to:		
	• Get information from a travel agent (41%)	
Other Activities		
More likely to engage in / visit		
	• Places of historical interest (74%) • Museums or galleries (60%) • A zoo, aquarium or planetarium (47%) • Places commemorating important people (43%) • Enjoying ethnic culture and events (23%)	• Visiting night clubs, karaoke bars, etc. (45%)
Less likely to engage in / visit		
	• City sightseeing (86%) • Friends or relatives (20%)	• Shopping (85%) • Visit places of historical interest (52%)

SKI AND SHOPPING TRIPS

Defining Activities	Ski Trips (n=45)*	Shopping Trips (n=236)
	Ski Trips include either of the following products: • Alpine skiing/snowboarding, or; • Cross-country skiing.	Shopping Trips include at least 2 of the following products: • Shopping in designer boutiques; • Shopping in discount / factory outlet stores, and; • Shopping in name brand department stores.
Trip Characteristics (Most Recent Trip)		
Trip Characteristics (Most Recent Trip)		
Trip Duration (mean)	11.3 nights	13.1 nights
Trip Expenditures (including airfare)		
Per party	$8,310	$8,684
Per person	$4,842	$4,013
Per person per day	$454	$440
Used a Package		
Organized group tour	60%	60%
Other package	21%	6%
Trips are more likely to be:		
	• A package trip other than a group tour (21%) • More expensive (on a per person per day basis) • For learning and discovery (27%) • A trip to enjoy other winter activities (11%) • Taken in the fall (35%) and winter (26%) months • Taken with friends (43%). • To Europe or South Korea.	• More expensive (on a per person per day basis) • To Japan
Trips are less likely to be:		
	• A general sightseeing trip (6%) • A trip to big cities (17%) • For fun and entertainment (13%) • For enjoying nature (7%) • Taken in the summer months (12%) • Taken with spouse or boy/girlfriend (19%) • Taken with children (2%) • To be to Australia or the US	
Trip Decision Making		
Planning horizon	8.8 weeks	10.4 weeks
Booking horizon	3.9 weeks	4.1 weeks

	Ski Trips (n=45)*	Shopping Trips (n=236)
Top 3 sources of information:		
	• Travel agent (59%) • Friends/family members (36%) • Business colleagues (33%)	• Friends/family members (67%) • Travel agent (49%) • Business colleagues (28%)
Decision makers are more likely to:		
	• Get information from television advertisements (27%) • Make the decision with friends (22%)	• Get information from friends or family members (67%) • Make the decision themselves (74%) • Start planning further ahead (10.4 weeks) • Book earlier (4.1 weeks)
Decision makers are less likely to:		
	• Get information from friends or family members (36%) • Make the decision with spouse (5%) • Book directly with the airline (8%) • Travel in the summer months (12%)	• Book through a travel agent (66%)
Other Activities		
More likely to engage in / visit		
	• Visiting casinos (39%) • Other winter activities (19%)	• City sightseeing (97%)
Less likely to engage in / visit		
	• Walking tours (29%) • Visiting nightclubs and karaoke bars (27%) • Touring by car (21%) • Visiting coastal attractions (19%) • Outdoors activities such as hiking and climbing (7%)	• Arts and culture (35%) • Visiting coastal attractions (22%) • Wildlife watching (10%)

** Results should interpreted with caution due to the small sample size.*

HISTORY / NATURE TRIPS

	History/Nature Trips (n=163)
Defining Activities	
	History/Nature Trips include at least 3 of the following products: • Visiting places commemorating important people; • Visiting places of archaeological interest; • Visiting places of historical interest; • Visiting wilderness areas or natural ecological sites, and; • Visiting national or provincial parks.
Trip Characteristics (Most Recent Trip)	
Trip Characteristics (Most Recent Trip)	
Trip Duration (mean)	14.0 nights
Trip Expenditures (including airfare)	
Per party	$8,831
Per person	$3,890
Per person per day	$412
Used a Package	
Organized group tour	59%
Other package	8%
Trips are more likely to be:	
	• For spending time with friends and family (20%) • Taken with children (14%)
Trips are less likely to be:	
	• Within Asia.
Trip Decision Making	
Planning horizon (mean)	10.1 weeks
Booking horizon (mean)	3.9 weeks
Top 3 Sources of Information	
	• Friends/family (63%) • Travel agent (47%) • Business colleagues (23%)

Decision makers are more likely to:	History/Nature Trips (n=163)
	• Get information from friends or family members (63%) • Make the decision with spouse (33%) and children (11%)

Other Activities	
More likely to engage in / visit:	
	• City sightseeing (98%) • Scenic landmarks (90%) • Theme parks (67%) • Garden attractions (58%) • Museums or galleries (58%) • Fine restaurants (52%) • Outdoor activities (32%)

10. Packaging Chinese Travel to Canada

This section presents findings related to package use and composition, destination packaging preferences and product packaging preferences of potential Chinese pleasure travellers to Canada.

Travel Styles

Over 80% of potential travellers to Canada (and of the market as a whole) typically travel on all-inclusive packages when taking long-haul holidays (see **Exhibit 10.1**). This is extremely high by international standards, but not all that surprising given the relative immaturity of the market, the language barriers and the fact that ADS covers only group leisure travel.

Chinese travellers like to see and do as much as possible on their long-haul trips (90% agreement). According to the travel trade, package itineraries should be designed to encompass as many famous cities, sites and attractions as possible to appeal to Chinese tastes. Packages should permit some free time as well (again over 90% agreement), although the trade notes that this should not be at the expense of passing up major sights. Older travellers (55 plus) are less concerned about having free time, perhaps because they are less confident about exploring a foreign country on their own.

Over 85% of potential travellers to Canada say they enjoy making their own arrangements for their holidays, and this is also true of the market as a whole. This is somewhat surprising since long-haul travel is usually arranged through travel agencies (although Chinese will often make their own arrangements for domestic trips and short-haul travel to certain destinations). It is possible that travellers are interpreting this to mean that they *would like* to be able to make their own arrangements for their holidays. Certainly, the trade interviews revealed some frustration on the part of consumers with the constraints of packaged travel.

EXHIBIT 10.1 – TRAVEL STYLES

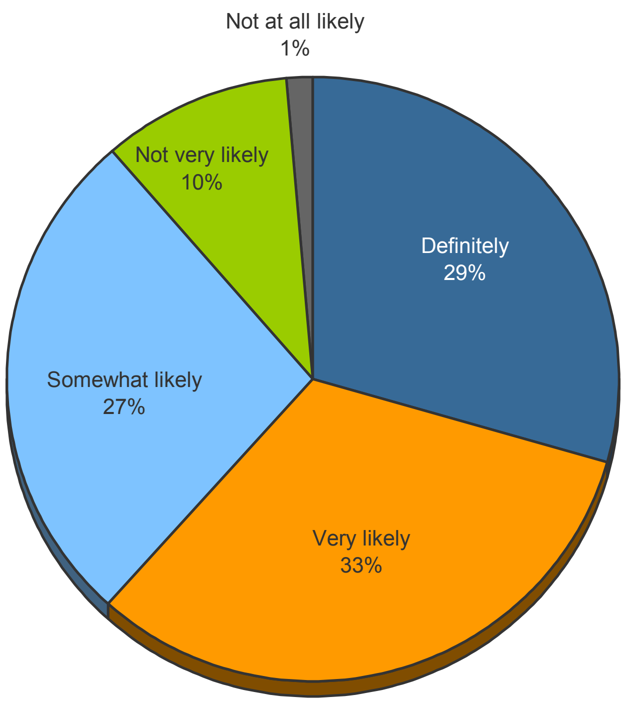
Notes: Percentage who somewhat or strongly agree. Interested in visiting Canada is defined by those who are very interested in visiting Canada in the next 2 years. "International" was used as a respondent-friendly term for long-haul and defined in an equivalent way.

Package Use and Composition for Future Travel to Canada

Package Use

Close to 90% of potential travellers to Canada say they are likely to use a package on a future trip to Canada (see **Exhibit 10.2**), which is again very high. Note that this, and the remaining analyses in Section 10 are based on the broader definition of the potential market (i.e., those very or somewhat interested in Canada in the next five years).

EXHIBIT 10.2 – LIKELIHOOD OF USING A PACKAGE FOR FUTURE TRIP TO CANADA



Notes: Base is those very interested or somewhat interested in visiting Canada in the next 5 years (n=964). Package was defined as a package tour or travel package where a number of different travel services are purchased together with the flight before leaving China.

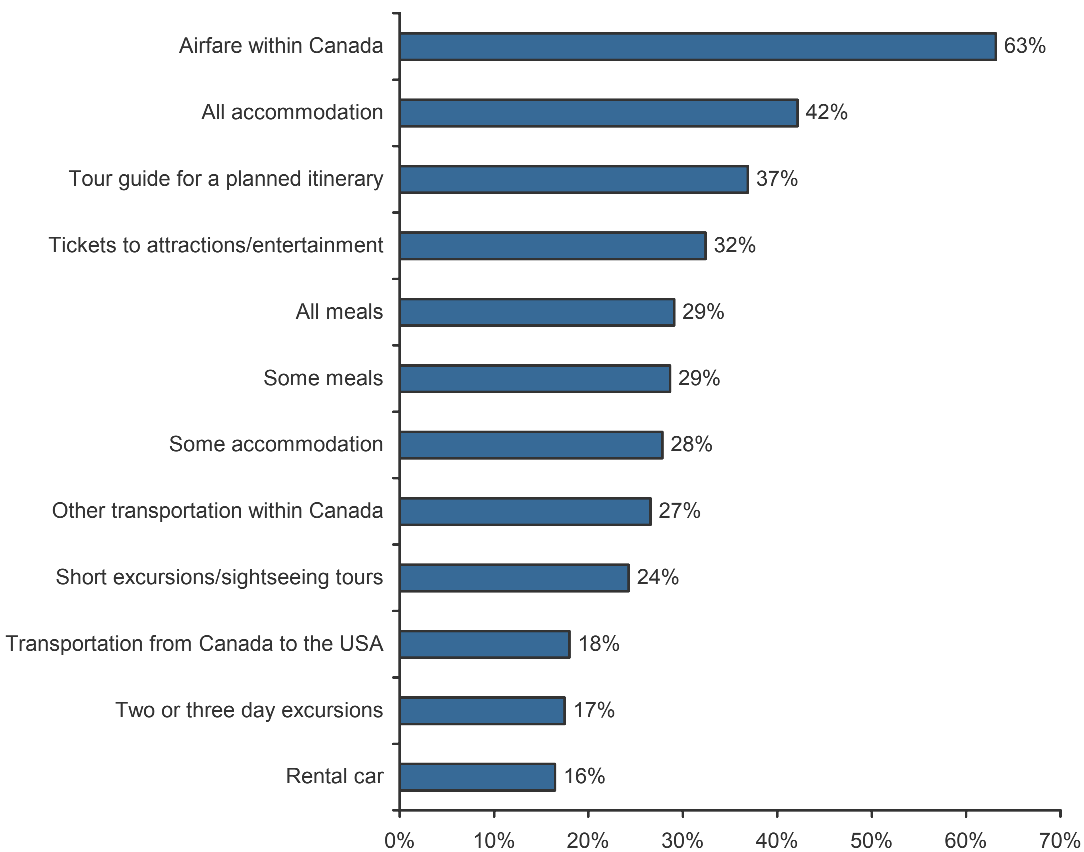
Preferred Package Components

Exhibit 10.3 shows that airfare within Canada is the package component most likely to be purchased with the flight to Canada as part of a package tour or travel package to Canada (over 60%). This is because many, if not most, Chinese visitors to Canada visit both Ontario and British Columbia on the same trip (see **Exhibit 4.5**) and require transportation between the two.

All or some accommodations (70%), all or some meals (close to 60%), a planned itinerary and tour guide (close to 40%) and admission tickets (over 30%) are other key components that potential package travellers to Canada would like to see included in packaged products.

Rental cars are not popular package components as Chinese are not that confident driving around on their own in a foreign destination where they do not know the routes or the local traffic regulations.

EXHIBIT 10.3 – PREFERRED PACKAGE COMPONENTS FOR FUTURE TRIP TO CANADA



Note: Base is those very or somewhat interested in visiting Canada in the next 5 years who are definitely, very likely or somewhat likely to use a package (n=828). Percentages may sum to more than 100% due to multiple responses.

Package Component Combinations

Exhibit 10.4 provides another way of looking at the data, showing the most popular combinations of package components for future travel to Canada. The exhibit suggests that potential travellers to Canada generally want packages that have the basics, e.g., airfare to Canada, airfare within Canada, accommodations and meals. Beyond this, preferences for other package inclusions are varied.

EXHIBIT 10.4 – TOP PACKAGE COMPONENT COMBINATIONS FOR FUTURE TRIP TO CANADA

Package Components	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Airfare to Canada	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Airfare within Canada	√	√	√	√			√			√		√	√	√	√
Other transportation within Canada						√								√	√
All/Some accommodation	√		√	√	√	√	√	√	√	√		√	√	√	√
All/Some meals	√		√	√	√	√	√	√	√			√		√	√
A tour guide to take you on a planned itinerary			√					√			√	√			
Tickets to attractions / entertainment				√				√				√		√	
Short excursions/ tours									√				√		
Rental car							√								
% of market who would select this combination	**5.6%**	**4.2%**	**2.7%**	**2.3%**	**1.8%**	**1.7%**	**1.7%**	**1.7%**	**1.6%**	**1.6%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**

Note: Base is those very or somewhat interested in visiting Canada in the next 5 years who are definitely, very likely or somewhat likely to use a package (n=828).

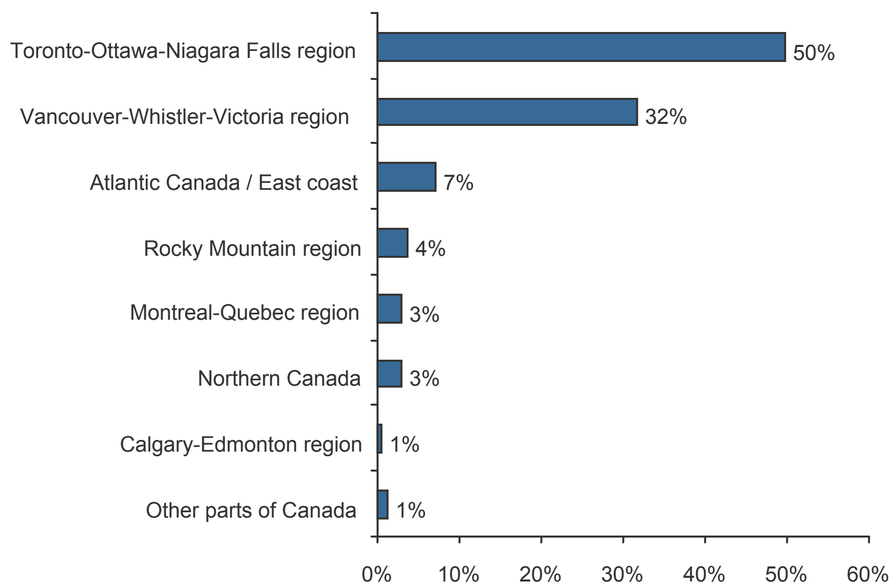
Destination Packaging

This section looks at the destinations that potential travellers to Canada are likely to visit on a trip to Canada in the next five years and how these can be packaged together to suit the tastes of this market.

Region Most Likely to Visit

As seen in **Exhibit 10.5**, the Toronto-Ottawa-Niagara Falls and Vancouver-Whistler-Victoria regions are the ones that will drive Chinese travel to Canada. Around half of all potential travellers to Canada say they are most likely to visit the Toronto-Ottawa-Niagara Falls region, while a third cite the Vancouver-Whistler-Victoria region as their most likely destination point. There is also a measure of interest in the Atlantic region (7%). The other regions are not that well known and will need to build awareness and establish a market presence once the market opens up.

EXHIBIT 10.5 – REGION MOST LIKELY TO VISIT ON FUTURE TRIP TO CANADA



Note: Base is those who are very or somewhat interested in visiting Canada in the next 5 years (n=902).

Other Destinations Would Like to Visit by Preferred Destination

Exhibit 10.6 shows other destinations that travellers would like to visit in combination with their preferred destination on a future trip to Canada. As can be seen from the table, the majority of travellers interested in the Vancouver-Whistler-Victoria region would like to visit the Toronto-Ottawa-Niagara Falls region on the same trip and vice versa. Put simply, Chinese travellers are keen to see both areas of Canada on a single trip. Travellers who indicate Atlantic Canada as their preferred region, generally also want to see the Toronto-Ottawa-Niagara Falls region. In all three cases, travellers are generally more interested in seeing the US on the same trip than any of the remaining regions in Canada.

EXHIBIT 10.6 – OTHER DESTINATIONS LIKELY TO VISIT BY PREFERRED REGION

	Vancouver-Whistler-Victoria (n=280)	Toronto-Ottawa-Niagara Falls (n=445)	Atlantic Canada / East Coast* (n=61)
Vancouver-Whistler-Victoria region	-	**56%**	27%
Toronto-Ottawa-Niagara Falls region	**60%**	-	**45%**
Atlantic Canada / East coast	14%	17%	-
Montreal-Quebec region	11%	10%	10%
Rocky Mountain region	10%	7%	23%
Northern Canada	6%	6%	15%
Calgary-Edmonton region	11%	4%	2%
Other parts of Canada	5%	7%	1%
The US	21%	32%	32%

Notes: Destinations travellers are interested in visiting on the same trip as the primary destination. Base is those who are either very or somewhat interested in visiting Canada in the next 5 years. Percentages may sum to more than 100% due to multiple responses.
** Caution should be used in interpreting these results due to small sample size. Sample sizes for the other regions are too small for analysis.*

Destination Combinations

Exhibit 10.7 presents the most popular destination combinations that travellers want to see in a single trip (disregarding the main destination of interest).

The exhibit shows that over a third of the market is interested in an itinerary that includes both Vancouver-Whistler-Victoria and Toronto-Ottawa-Niagara Falls, or these two regions in combination with the US. In total, almost half of the market would opt for a destination combination that includes both regions (as a minimum). Moreover, only 7% of potential travellers to Canada indicate interest in a trip that does not include at least one of the two.

This picture undoubtedly stems from unfamiliarity with the other regions in Canada, but reflects the reality of the situation when the group travel market first opens.

EXHIBIT 10.7 – TOP DESTINATION COMBINATIONS

Destinations	1	2	3	4	5	6	7	8	9	10	11	12	13
Vancouver-Whistler-Victoria	√	√		√		√		√	√	√			√
Calgary-Edmonton									√				
Rocky Mountains						√					√		
Toronto–Ottawa–Niagara Falls	√	√	√	√	√		√			√	√	√	
Montreal–Quebec					√					√			
Atlantic Canada / East coast			√	√				√					
Northern Canada												√	
The US		√					√						√
% of market who would select this combination	**25%**	**10%**	**5%**	**3%**	**3%**	**3%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**

Notes: Destinations interested in visiting on the same trip. Base is respondents very or somewhat interested in visiting Canada in the next 5 years (n=902).

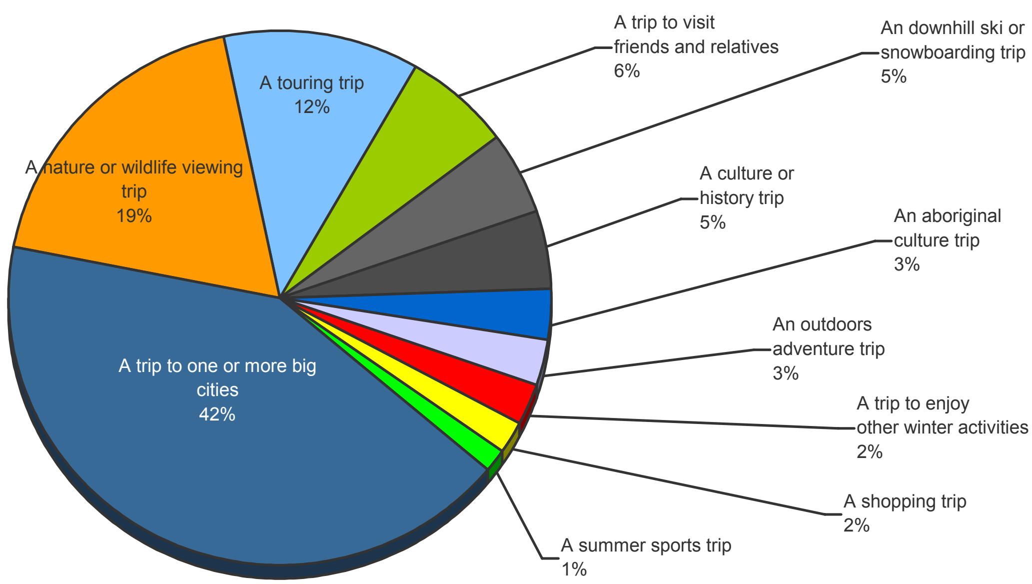
Product Packaging

This section looks at the types of trips that potential travellers to Canada are likely to take to Canada in the next five years, and the kinds of activities that can be packaged together to appeal to this market.

Trip Type Most Likely to Take

Consistent with past trips (see Section 4), potential travellers are most likely to take a city sightseeing trip or touring trip to Canada – together, these general sightseeing trips account for over half of potential trips to Canada (refer to **Exhibit 10.8**). Beyond this, nature is the only sizeable trip segment, representing about a fifth of potential future trips to Canada. Ski/snowboarding and culture/history trips are key niche segments, each with a 5% share.

EXHIBIT 10.8 – TRIP TYPE MOST LIKELY TO TAKE TO CANADA



Note: Base is those very or somewhat interested in visiting Canada in the next 5 years (n=965).

Other Activities Would Like to Do by Trip Type

As seen in **Exhibit 10.9**, city sightseeing and nature-related activities are fairly ubiquitous interests of potential Chinese travellers to Canada. In other words, these are popular activities regardless of the type of trip being taken. In addition:

- Shopping tends to be tied in with a city trip, as is getting a taste of culture and history (e.g., through museums and cultural attractions in the city);
- Touring products should encompass a good mix of city sightseeing and nature viewing, as well as shopping opportunities;
- Including other winter activities in conjunction with ski/snowboarding packages should prove popular.

EXHIBIT 10.9 – OTHER ACTIVITIES INTERESTED IN DOING BY TRIP TYPE

	City (n=372)	Nature / Wildlife Viewing (n=163)	Touring (n=109)	VFR* (n=83)	Ski / Snowboarding * (n=62)
City sightseeing	-	**66%**	**55%**	**64%**	**45%**
Wildlife viewing / nature activities	**49%**	-	**42%**	**43%**	**52%**
Touring	31%	32%	-	**38%**	18%
Shopping	**40%**	26%	**48%**	23%	24%
Cultural or history activities	**39%**	22%	21%	13%	21%
Outdoors activities	30%	30%	31%	11%	20%
Aboriginal culture activities	28%	31%	12%	11%	19%
Downhill skiing or snowboarding	24%	33%	17%	6%	-
Visiting friends or relatives	11%	4%	13%	-	4%
Other winter activities	10%	16%	9%	7%	**35%**
Summer sports	17%	12%	8%	8%	6%

*Notes: Base is respondents very or somewhat interested in visiting Canada in the next 5 years. Percentages may sum to more than 100% due to multiple responses. *Caution should be used in interpreting these results due to the small sample sizes.*

Product Combinations

The top product combinations for future Chinese trips to Canada are shown in **Exhibit 10.10**. This analysis confirms that city-nature combinations are most in demand. In fact, 44% of all potential travellers to Canada are interested in a product that includes both city and nature activities (among other things), and only 9% are interested in a product combination that does not contain either of the two.

EXHIBIT 10.10 – TOP PRODUCT COMBINATIONS

Activities	1	2	3	4	5	6	7	8	9	10
City sightseeing	√	√	√	√	√	√	√	√	√	√
Wildlife viewing / nature activities	√		√		√	√	√			
Touring			√	√			√			
Shopping			√			√			√	
Culture or history-related activities		√								
Aboriginal culture activities					√					
Downhill skiing / snowboarding										√
Visiting friends and relatives								√		
% of market who would select this combination	**2.8%**	**2.1%**	**2.0%**	**1.8%**	**1.6%**	**1.5%**	**1.5%**	**1.4%**	**1.4%**	**1.3%**

Base: Those very or somewhat interested in visiting Canada in the next 5 years (n=965).

Key Finding

At present, the Toronto-Ottawa-Niagara Falls and Vancouver-Whistler-Victoria regions account for the lion's share of potential future trips to Canada. In the near-term, at least one, or ideally both, destinations need to be included in Canadian package tour products to capture the fancy of Chinese travellers, as the other regions are not purchase drivers for this market. To appeal to the broadest slice of the market, Canadian products and itineraries should encompass a good mix of city sightseeing and nature-related activities, as these are the basic areas of interest for a trip to Canada regardless of the primary drivers for the trip.

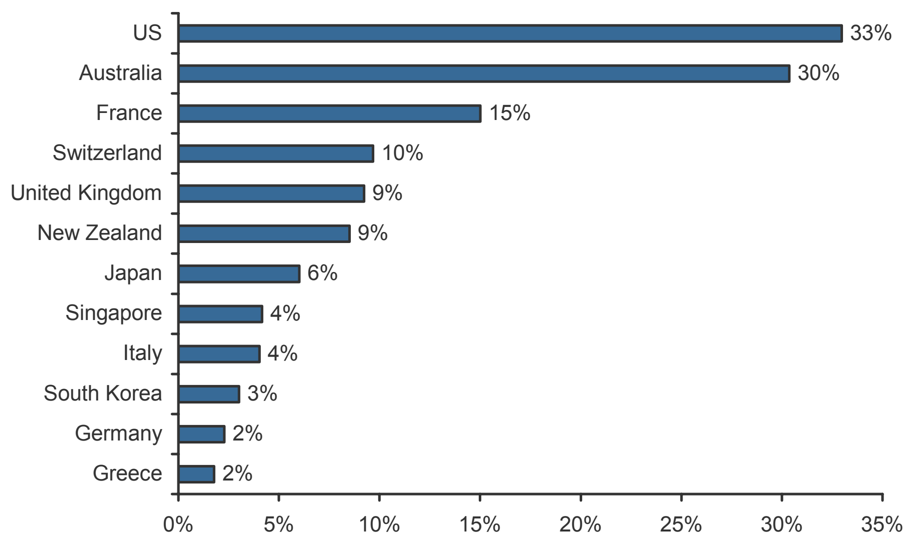
11. Competitive Analysis

This section looks at the competitive situation for Canada vis a vis other popular long-haul destinations for the Chinese market. This is done by examining other places that potential travellers to Canada are interested in visiting, followed by a look at how Canada is perceived relative to these competitors. The section closes by comparing actual product usage by Chinese travellers on recent trips to different long-haul destinations, including Canada.

Key Competitors

Exhibit 11.1 shows that the US, Australia, Europe (France, Switzerland, the UK and Italy in particular) and New Zealand will make up Canada's competitive set post-ADS. Travellers are obviously optimistic that the US will open in the next few years – fully a third of those interested in Canada say they are likely to visit the US despite its lack of ADS status. In reality, however, the US places behind Australia, France and the UK in terms of recent travel outside Asia (see **Exhibit 4.3**). Clearly though, there is pent-up demand for travel to the US and when it finally opens, it will undoubtedly be Canada's foremost competitive threat.

EXHIBIT 11.1 – OTHER LONG-HAUL DESTINATIONS
POTENTIAL TRAVELLERS TO CANADA ARE INTERESTED IN VISITING



Notes: Percentages may sum to more than 100% due to multiple responses. Base is those very interested in visiting Canada in the next 2 years (n=242).

Image And Positioning of Long-Haul Destinations

General Market Perceptions of Key Long-Haul Destinations

Exhibit 11.2 shows the results of a competitive analysis that asked respondents to select the best places to experience a variety of tourism attributes from amongst six long-haul destinations. In addition to Canada, the five destinations were the US, Australia, France, Switzerland and Italy, all of which are key competitors for Canada in this market.

The exhibit shows the top-rated attributes for each of the six destinations, based on the proportion of respondents that selected the destination as one of the top two places to go for that attribute. In other words, these attributes represent the perceived strengths of each destination in the Chinese market relative to its competitors. Moreover, the higher the rating, the more likely it is that the destination is distinctly or uniquely identified with that product.

Not surprisingly, different destinations are perceived quite differently in the Chinese market, each having its own set of strengths:

- **Canada** is seen as a leading destination for skiing and other winter products, as well as outdoors activities. It is also perceived as offering a clean environment in which to pursue these activities. Interestingly, nature does not emerge as a strength for Canada relative to other destinations.

- **Switzerland** is perceived as a key competitor for Canada in the skiing and winter niche. Aside from this, it has little else going for it.

- As seen earlier, **Australia** is currently a destination of choice for Chinese travellers venturing outside Asia. Looking at these results, it's not hard to see why. Australia is perceived as *the* destination for nature and wildlife, including national parks and ecological sites. It is also viewed as a good sun and sand destination with excellent resorts, nice weather and great beaches. A third competitive strength is aboriginal culture. On top of this, Australia is seen as being affordable and having well-priced packages, as well as being relatively easy for obtaining visas.

- Viewed as the most trendy of the six destinations, **France** offers good shopping opportunities, famous cities and attractions, a taste of arts and culture, luxury hotels and fine dining. According to the trade, Europe has an inherent appeal for the Chinese, and France embodies all that Europe has to offer, ranking it alongside Australia as a market leader for recent Chinese travel.

- **The US** has a totally different appeal for the Chinese. Its allure is largely related to fun and excitement, including top-notch entertainment and casinos.

- **Italy** clearly suffers from image issues among potential Chinese travellers, with very little to differentiate it from competitors other than good food.

EXHIBIT 11.2 – TOP-RATED ATTRIBUTES FOR LONG-HAUL DESTINATIONS

Canada	US	Australia
• Alpine skiing / snowboarding (38%) • Other winter activities (37%) • Clean environment (36%) • Outdoor activities (35%)	• Casinos and other gambling (67%) • Nightlife and entertainment (59%) • Excitement and adventure (40%) • Chinese restaurants (37%) • Beaches (35%) • Favourable exchange rate (35%)	• Wildlife and unspoiled nature (45%) • Nice weather (43%) • Resorts (43%) • Ease of obtaining entry visas (40%) • Inexpensive airfare to destination (39%) • National parks and ecological sites (39%) • Family activities (39%) • Aboriginal or native groups (38%) • Inexpensive packages (37%) • Beaches (37%) • Good prices for accommodation (36%) • Low cost transport. within dest. (36%)
France	**Switzerland**	**Italy**
• Opportunities to shop (43%) • Popular, trendy place (42%) • Famous cities (40%) • First-class hotels (40%) • Well known attractions/landmarks (39%) • Arts and cultural attractions (36%) • Fine dining (35%)	• Alpine skiing / snowboarding (39%) • Other winter activities (35%)	• Fine dining (38%)

Notes: Figures represent the percentage of respondents choosing the destination among the top 2 places to go for each attribute. The cut off was 35% for all destinations.

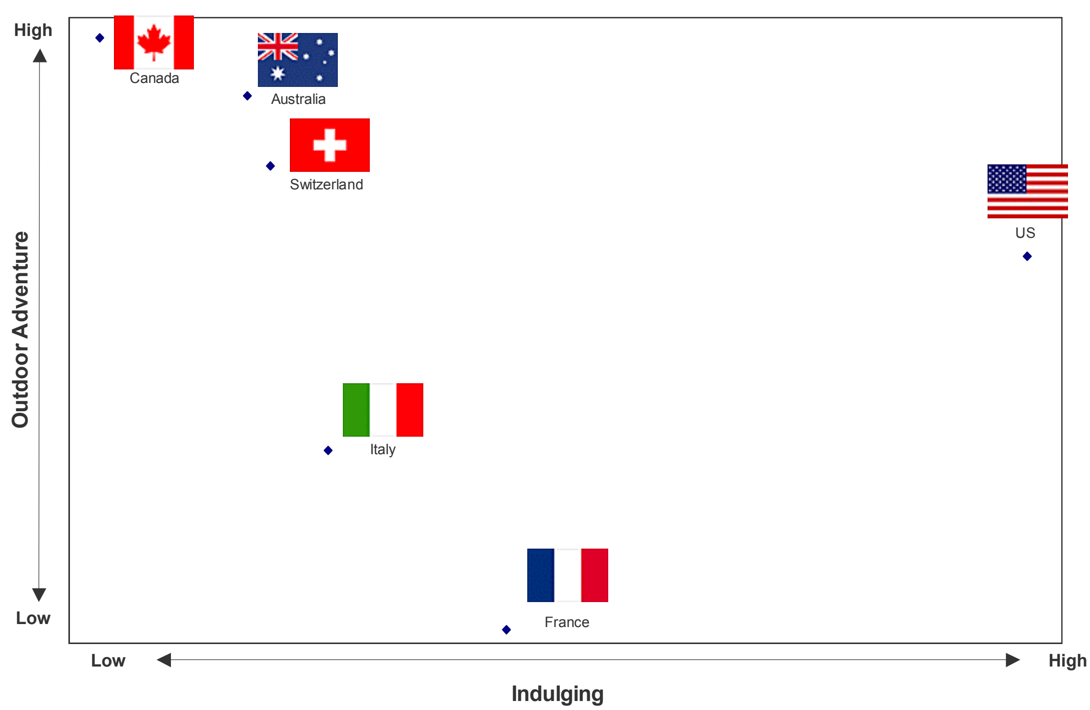
Competitive Positioning Of Canada Vs. Other Long-Haul Destinations

The perceptual maps below show how key long-haul destinations are positioned relative to each other in the minds of Chinese travellers on the dimensions that motivate travel in this market. These dimensions (i.e., the axes in the perceptual maps) represent the key groups of motivational attributes associated with the motivational segments defined in Section 7 (see **Exhibit 7.5** for the list of attributes that make up each dimension). The points in the maps for each destination are a weighted average of a destination's score on the attributes that make up that axis, with each attribute weighted by its importance to the overall motivational factor.

Exhibit 11.3a shows that Canada is solidly positioned on the **Outdoors Adventure** dimension. However, Australia is a major competitive threat, while Switzerland and the US are also fairly well positioned. Canada will likely want to put a little more distance between itself and its competitors, which can best be done by cultivating the intangibles that go along with Outdoors Adventure such as a sense of excitement and escapism (the only components of this dimension where Canada's ratings are not that strong).

The news is not good for Canada on the **Indulging** dimension, where it is out-ranked by all five competitors. The US is the clear winner on this front, offering the casinos, entertainment and first-class hotels that these travellers seek.

EXHIBIT 11.3A – COMPETITIVE POSITIONING OF KEY LONG-HAUL DESTINATIONS



As shown in **Exhibit 11.3b**, France clearly leads the pack on the **Famous Sights** dimension on the strength of Paris and its world-famous attractions. According to the trade, the Eiffel Tower, Champs Elysees, Louvre Museum and Arc de Triomphe are all high on the must-see list for Chinese travellers.

Canada trails well behind France, along with many of the other destinations. For Canada, this is no doubt an awareness issue. As noted throughout this report, Canada's inaugural campaigns in China will need to build up the reputation of its cities and tourism attractions. With world-class attractions like Niagara Falls and Banff National Park, Canada should be able to improve its standing on this dimension by simply getting the word out.

Australia has by far the strongest positioning on the **Exploration** axis, buoyed by its aboriginal and cultural offerings and its strong unique identity. Italy is a distant second, with Canada close behind. Although Canada fares not too badly on the cultural side, its position is mired by poor ratings relating to personal enrichment (e.g., enhancing knowledge, hands-on experiences, and new/unique experiences).

EXHIBIT 11.3B – COMPETITIVE POSITIONING OF KEY LONG-HAUL DESTINATIONS

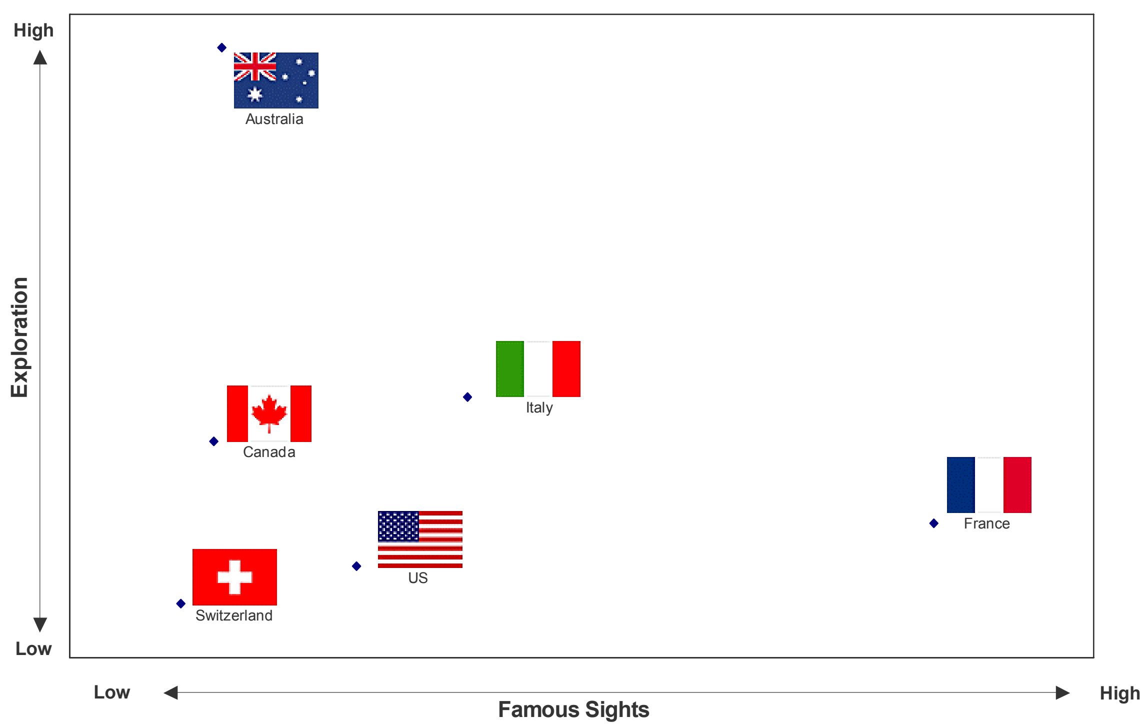
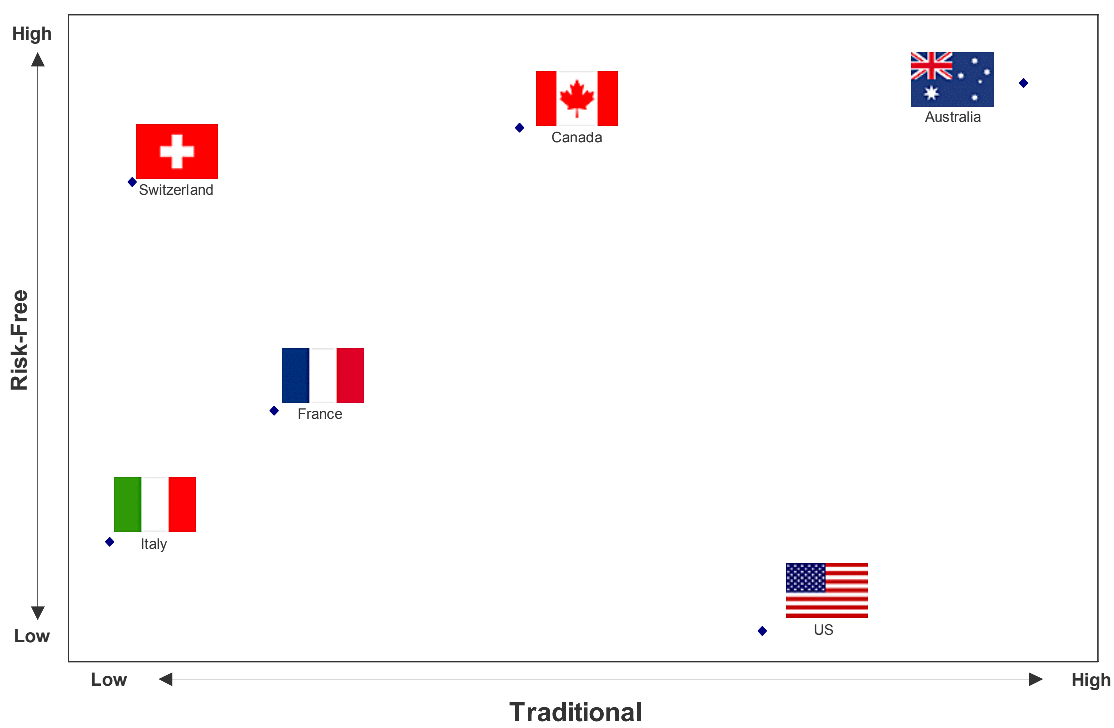


Exhibit 11.3c shows that Canada is well-positioned on the Risk-Free travel dimension, although Australia and Switzerland are close competitors on this front. All three destinations are favourably perceived in terms of being safe, clean, healthy, friendly and scenic – some of the integral prerequisites for Risk-Free travel. Interestingly, the area where Canada could stand the most improvement in terms of market perceptions is scenery, where it is seen as lagging behind both of the other countries.

Not surprisingly, Italy and the US fare extremely poorly on the Risk-Free scale, with the US particularly low on safety and scenery, and Italy poorly rated for cleanliness.

Canada is on middle ground when it comes to the Traditional travel dimension (services in Chinese, familiar place, all-inclusive packages, etc.), being out-flanked by both Australia and the US, but still well ahead of the European destinations. Canada's large Chinese communities lend it a certain familiarity, as well as the ability to provide services in Chinese. However, both the US and Australia are also popular immigration destinations and are even better rated for Chinese services and amenities. Moreover, Australia's well-developed package offerings currently give it a strong edge on this dimension, although Canada will likely be able to close this gap to some degree once the market opens up.

EXHIBIT 11.3C – COMPETITIVE POSITIONING OF KEY LONG-HAUL DESTINATIONS



Key Finding

Risk-Free travel is the largest segment in the Chinese market and an excellent opportunity for Canada given its solid competitive positioning. However, Canada should try to strengthen market perceptions of its scenery relative to that of Australia and Switzerland as this is a key pull factor. Canada is also highly competitive on the Outdoor Adventure dimension, being perceived as a market leader by the Chinese. While this area offers good potential for Canada down the road, at present, it is still a very small market niche. Canada will also be in a good position to compete on the Traditional travel dimension, once the market is fully open and tour products are more readily available.

Product Use by Destination

While the previous analyses were based on market *perceptions* of key long-haul destinations (i.e., what travellers *think* is the best place for various experiences), it is also interesting to look at the reality of what Chinese holidaymakers *actually do* in different destinations. **Exhibit 11.4** shows the products that were used to a greater extent by Chinese travellers on recent trips to different long-haul destinations compared with competitive destinations.

Some key observations from the exhibit follow:

- For **Australia/New Zealand**, which is a reasonably well-established destination in the Chinese market, actual product usage mirrors to a large degree its perceptual strengths. Australia is seen as being tops for nature and wildlife, aboriginal culture and beach vacations, and this is exactly what people do there.

- Similarly for **Europe,** seeing museums, galleries and historical, commemorative and archaeological sites is aligned with market perceptions of Europe's great cities, famous landmarks and outstanding arts/cultural attractions. The popularity of winter activities is also in line with how destinations like Switzerland are perceived.

- Although **the US** has an image built around excitement and entertainment, the reality is that Chinese travellers are currently going there to visit friends and relatives and partake in family activities. Obviously this is because the US is not yet open for group leisure travel and currently attracts mostly VFR or business-related travel.

- **Canada** is in a similar situation in that most visitation is VFR, part of which entails visiting Chinese communities and restaurants. Despite not being as strong as Australia in terms of its image for nature, Canada's national parks and ecological sites are highly popular when it comes to actual product use, which suggests that its image needs to be strengthened.

- Trips to the **Southeast Asia** region are notable for a wide range of activities, from beach activities and water sports (e.g., at one of the countless beach resorts in the region) to gambling (e.g., at casinos in Malaysia, Laos or Cambodia), to scenery and wildlife viewing (e.g., at one of the many nature preserves in Thailand, Malaysia or Vietnam).

- Trips to **Other Asia** are distinguished primarily by the popularity of brand-name shopping (Japan has numerous upscale international brand-name stores) and visits to spas and hot springs (which are abundant in both Japan and South Korea).

EXHIBIT 11.4 – PRODUCT USE ON RECENT LONG-HAUL TRIPS BY DESTINATION

Canada (n=260)	US (n=102)	Australia/New Zealand (n=178)
• Chinese restaurants (64%) • Visiting friends and relatives (37%) • National or provincial parks (32%) • Chinese communities (31%) • Wilderness/ ecological sites (22%) • Archaeological sites (14%) • Winter activities (8%)	• Visiting friends and relatives (50%) • Chinese communities (35%) • Other family attractions (22%)	• Scenic landmarks (73%) • Visiting friends and relatives (36%) • Aboriginal culture (27%) • Wilderness/ ecological sites (24%) • Beach (20%) • Viewing wildlife (17%)
Europe (n=300)	**Southeast Asia (n=171)**	**Other Asia (n=100)**
• Historical sites (57%) • Brand name shopping (45%) • Museums/ Galleries (41%) • Commemorative sites (27%) • Archaeological sites (13%) • Winter activities (7%)	• Scenic landmarks (72%) • Guided excursions (25%) • Casinos (25%) • Coastal attractions (20%) • Beach (20%) • Water sports (13%) • Viewing wildlife (11%)	• Brand name shopping (61%) • Guided excursions (26%) • Spa or hot springs (19%)

Notes: Base is recent long-haul travellers (past 3 years). Only items where there are significant differences between groups are shown.

Key Finding

Beyond skiing and outdoors activities Canada does not have clear-cut perceptual strengths relative to its competitors. This is not surprising in view of the fact that Canada has not begun its marketing efforts in earnest. Even its worldwide reputation for nature and scenery has not fully extended to Chinese travellers, who tend to think of Australia first for these products. In fact, Australia is Canada's closest competitor, having many of the same products and strengths, but with the added bonus of being closer and more well-established in the marketplace.

12. Chinese Price-Value Perceptions

While the previous section looked at how Canada stands up to its competitors along specific dimensions tied to this market's motivations for travel, this section examines Canada's positioning in terms of the market's price-value perceptions.

Value Attributes

The value side of the price-value analysis is represented by the attributes that are of primary importance to this market in selecting a long-haul vacation destination, i.e., the universal travel motivations presented in **Exhibit 7.2a.** These are the underlying factors that most Chinese travellers look for in a vacation destination and tend not to be destination or trip specific. These value attributes are shown in **Exhibit 12.1**, along with the relative ranking of six long-haul competitors based on the perceptions of potential travellers outside Asia.

Relative to its competitors, Canada ranks the best for safety and cleanliness, and second best for friendly people, a healthy environment and ease of obtaining visas. It lags behind France and the US for having famous cities, and behind Switzerland and Australia for outstanding scenery. Moreover, within this competitive set, it is less apt to be seen as a place that offers something different, a chance to expand one's horizons or well-known attractions.

It should be kept in mind, however, that these are baseline perceptions of Canada. With ADS negotiations still ongoing, Canada is at the starting gate compared with well-established tourist spots like Australia and France. Canada should be able to enhance market perceptions of several of these key value attributes through awareness campaigns, with scenery, cities and attractions being the obvious areas for improvement.

Australia fares best overall, with four first place postings and several second and third place showings. It has many of the same strengths and weaknesses that Canada has, offering a good general environment for Chinese vacation-taking, but a lack of famous cities and attractions. However, Australia has a key advantage over Canada in that it is seen as being a destination with more unique tourism offerings.

The US garners the worst ratings of any destination, with no first place rankings and coming in last or second last on six of the ten value attributes (including safety and health). However, the US is second only to France in terms of having famous cities and landmarks – an irresistible draw for Chinese travellers.

These results show that there is a world of difference in how the US and Canada are viewed in China. While Canada offers a pleasant environment for travel, it is perceived as lacking in concrete tourist attractions. In contrast, the US has lots to see and do, but in a less than perfect environment. This provides Canada with a good base in differentiating itself from the US, and playing up the elements of scenery, nature and relaxation will only help to diversify it further.

EXHIBIT 12.1 – BEST LONG-HAUL DESTINATIONS FOR VALUE ATTRIBUTES

Universal Motivations	1	2	3	4	5	6
A clean environment	**CDA - 36%**	SWI - 33%	AUS - 28%	FRA - 23%	USA - 12%	ITA - 11%
A place where I feel safe	**CDA - 32%**	SWI - 31%	AUS - 31%	FRA - 16%	ITA - 14%	USA - 9%
Ease of obtaining entry visas	AUS - 40%	**CDA - 25%**	USA - 22%	FRA - 17%	SWI - 14%	ITA - 13%
Seeing famous cities	FRA - 40%	USA - 27%	**CDA - 22%**	AUS - 20%	ITA - 19%	SWI - 18%
A place where I do not have to worry about my health	AUS - 32%	**CDA - 30%**	SWI - 28%	FRA - 15%	ITA - 14%	USA - 11%
Good service and friendly people	AUS - 30%	**CDA - 30%**	SWI - 21%	FRA - 21%	ITA - 18%	USA - 16%
Outstanding scenery	SWI - 34%	AUS - 31%	**CDA - 27%**	FRA - 25%	ITA - 18%	USA - 7%
Seeing something new and different	AUS - 27%	FRA - 26%	SWI - 24%	ITA - 23%	**CDA - 21%**	USA - 19%
Enriching my knowledge	ITA - 26%	USA - 25%	FRA - 23%	AUS - 22%	SWI - 19%	**CDA - 18%**
Seeing well known attractions and landmarks	FRA - 39%	USA - 26%	ITA - 21%	AUS - 18%	SWI - 16%	**CDA - 16%**

Note: Respondents were asked to choose the top one or two destinations for each attribute.
Legend: CDA = Canada, USA = United States, AUS = Australia, FRA = France, SWI = Switzerland, ITA = Italy.

Key Finding

Canada is in an excellent starting position to pursue the Chinese market, being felt to deliver on many of the most important attributes that travellers look for when they travel. However, the greatest challenge will be to capture share in a market that is drawn to famous cities, world-renowned attractions and outstanding scenery in the face of strong competition from Australia, Europe and the US.

Price Attributes

Exhibit 12.2 shows a similar analysis for the price attributes. As with the value attributes, these rankings are based on perceptions only and not necessarily on direct knowledge of the costs of various destinations.

Australia is clearly perceived as the top destination when it comes to price, being rated first on all price-related attributes except having a favourable currency exchange rate, where it is bested by the US. This is consistent with reality, as the Chinese travel trade confirms that Australia is one of the most affordable destinations outside of Asia.

Canada rates second on the majority of price attributes, ahead of both the US and the European destinations. The US is seen by the Chinese as having a higher standard of living and hence higher living costs than Canada, particularly in large cities such as New York and Los Angeles. Packages to Europe are typically very expensive (and are perceived as such in the marketplace), although recent price drops may make them more cost competitive with Canada in the future.

EXHIBIT 12.2 – BEST LONG-HAUL DESTINATIONS FOR PRICE ATTRIBUTES

Price-Related Attributes	1	2	3	4	5	6
A favourable currency exchange rate	USA - 35%	AUS - 27%	SWI - 20%	**CDA - 20%**	FRA - 19%	ITA - 11%
Inexpensive packages to the destination	AUS - 37%	**CDA - 22%**	SWI - 18%	ITA - 18%	USA - 18%	FRA - 15%
Inexpensive airfare to the destination	AUS - 39%	**CDA - 23%**	SWI - 19%	ITA - 17%	USA - 15%	FRA - 13%
Low cost transportation within the destination	AUS - 36%	**CDA - 23%**	SWI - 20%	USA - 17%	ITA - 15%	FRA - 14%
Good prices for accommodation	AUS - 36%	**CDA - 23%**	ITA - 17%	FRA - 16%	SWI - 16%	USA - 15%
Good prices for shopping, food and entertainment	AUS - 32%	**CDA - 24%**	FRA - 20%	USA - 20%	ITA - 17%	SWI - 16%

Note: Respondents were asked to choose the top one or two destinations for each attribute.
Legend: CDA = Canada, USA = United States, AUS = Australia, FRA = France, SWI = Switzerland, ITA = Italy.

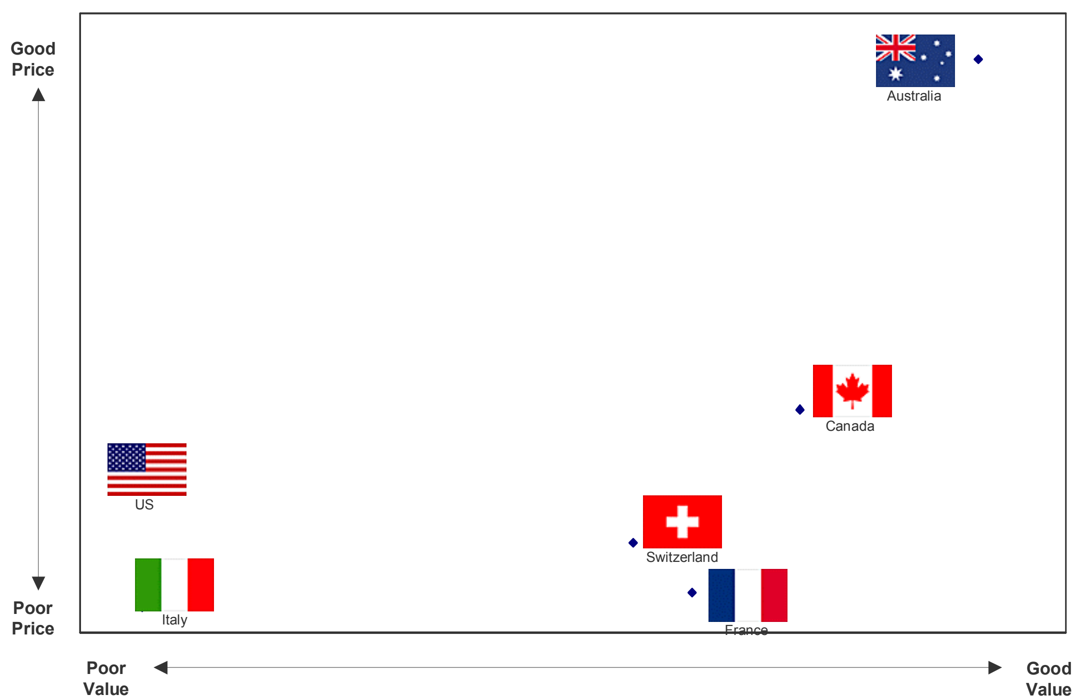
Price-Value Plots

Perceptions of Price vs. Value

The first price-value plot (**Exhibit 12.3**) shows **market perceptions** of price vs. value for the six long-haul destinations. This is essentially a graphical summary of the last two exhibits. An average value score was calculated for each destination based on respondents' perceptual ratings of the destination on all value-related attributes weighted by their overall importance to this market. An average price score was calculated in the same way based on price perceptions.

Australia is the most favourably positioned destination overall, being tops in terms of both price and value. The good news is that Canada is currently second best. Since Canada will never approach Australia in terms of price, the only way to improve its positioning is by enhancing value perceptions as discussed previously. France and Switzerland are considered good value, but felt to be expensive, while Italy and the US pull in last, being at the bottom on both dimensions.

EXHIBIT 12.3 – MARKET PERCEPTIONS OF PRICE VS. VALUE FOR DIFFERENT LONG-HAUL DESTINATIONS



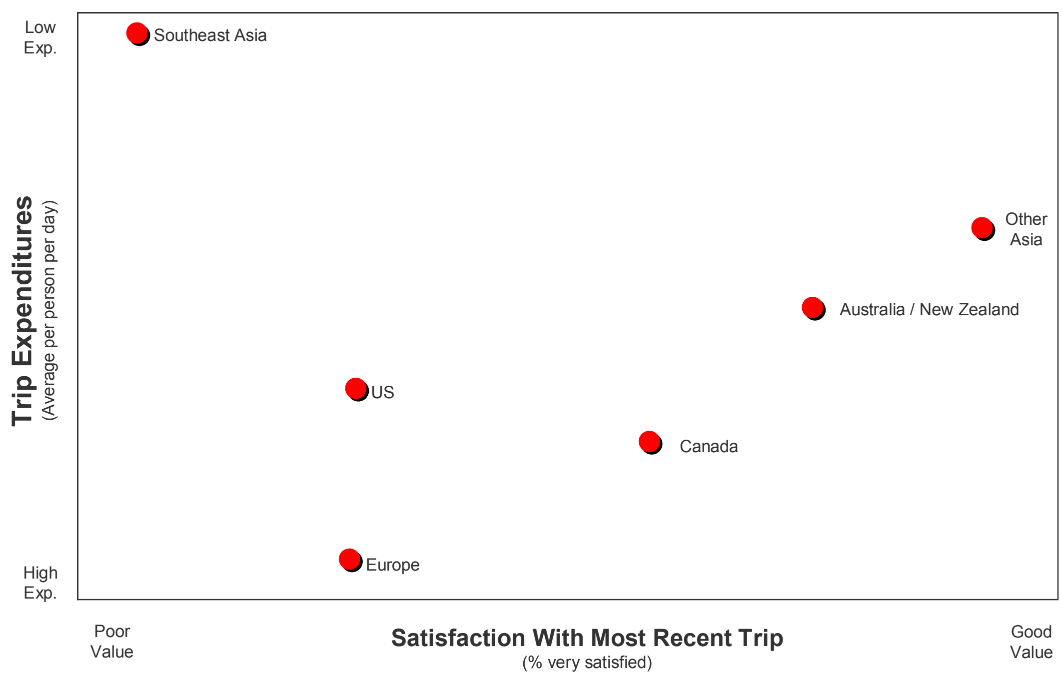
Actual Trip Expenditures vs. Trip Satisfaction

While the previous plot examined perceptions of price and value, **Exhibit 12.4** looks at actual expenditures on recent trips to various long-haul destinations vs. the value received on these trips as measured by satisfaction ratings of the destination. In other words, the map is based on **actual travel experiences** to the destinations rather than on the perceptions of potential travellers.

The exhibit shows that Other Asia (e.g., Japan, South Korea) sits in the most enviable position in terms of the price vs. value of actual travel, being tops in satisfaction and bested only by Southeast Asia on cost. Southeast Asia is a mature destination that benefits from numerous reasonably priced packages, including low-cost beach resort products that make it difficult to beat on price.

Of destinations outside Asia, Australia is again in the most desired spot in terms of satisfaction for dollars spent. Although none of the other destinations are that well positioned, Canada fares better than either the US or Europe, exceeding both in terms of satisfaction, and virtually on par with the US when it comes to cost. It would be interesting to repeat this analysis after the market opens up, as travel to Canada is obviously very limited at the moment.

EXHIBIT 12.4 – ACTUAL TRIP EXPENDITURES VS. SATISFACTION WITH DESTINATION



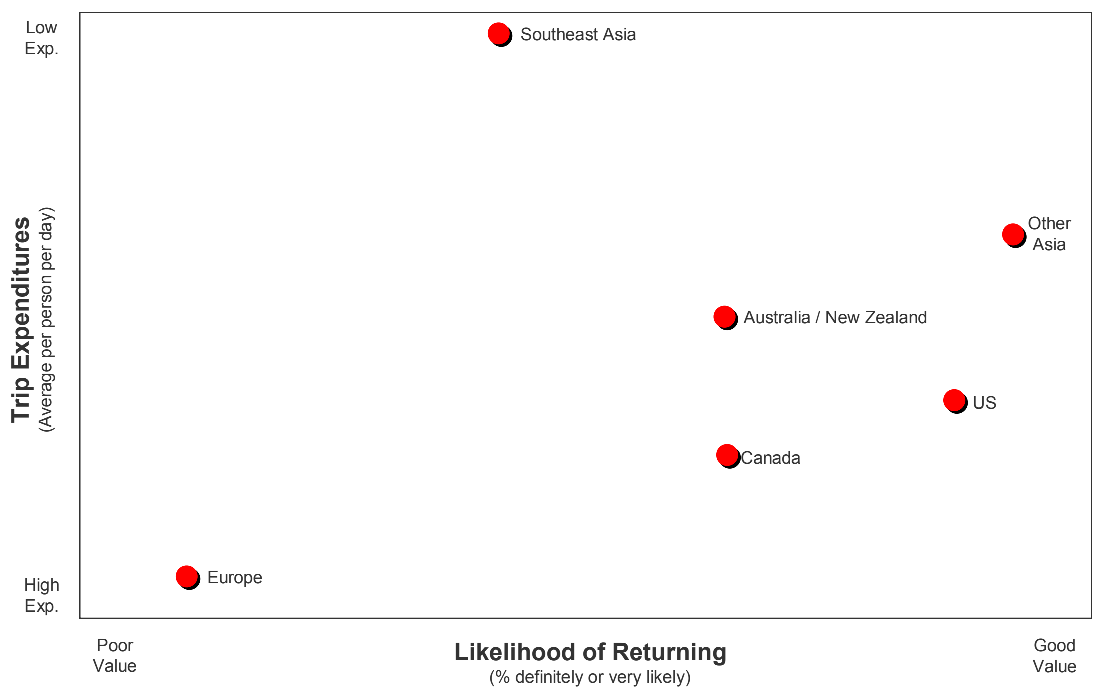
Actual Trip Expenditures vs. Likelihood of Returning

The third price-value plot (**Exhibit 12.5**) is similar to the last, with the likelihood of returning to the destination used as an alternate measure of value.

This plot exhibits some interesting shifts from the previous one. While Other Asia is still in roughly the same position as before, Australia has now dropped back to be on par with Canada, while the US has pulled ahead of both destinations. Due to its sheer size and variety of tourism attributes, the US is naturally well-positioned to attract repeat travel. In contrast, Australia tends to be more of a one-time destination, a result that has been seen in other international markets as well.

Europe's positioning is likely understated as this question was posed to respondents from a country standpoint – i.e., how likely they are to return to the country where they stayed the longest – rather than to Europe as a whole. According to the Chinese travel trade, the potential for repeat travel to Europe is excellent.

EXHIBIT 12.5 – ACTUAL TRIP EXPENDITURES VS. LIKELIHOOD OF RETURNING TO DESTINATION



Key Finding

In terms of both price-value perceptions and cost vs. satisfaction on actual trips, Australia is in the unbeatable position of being tops in value for the lowest cost. However, Canada will benefit from the fact that Australia is a relatively mature destination that does not tend to attract repeat visitation. While it is impossible for Canada to compete on cost, it can certainly improve its perceived value by enhancing awareness of its cities, attractions and scenery, and by highlighting uniquely Canadian vacation experiences.

13. Potential of the Chinese Market for the Regions

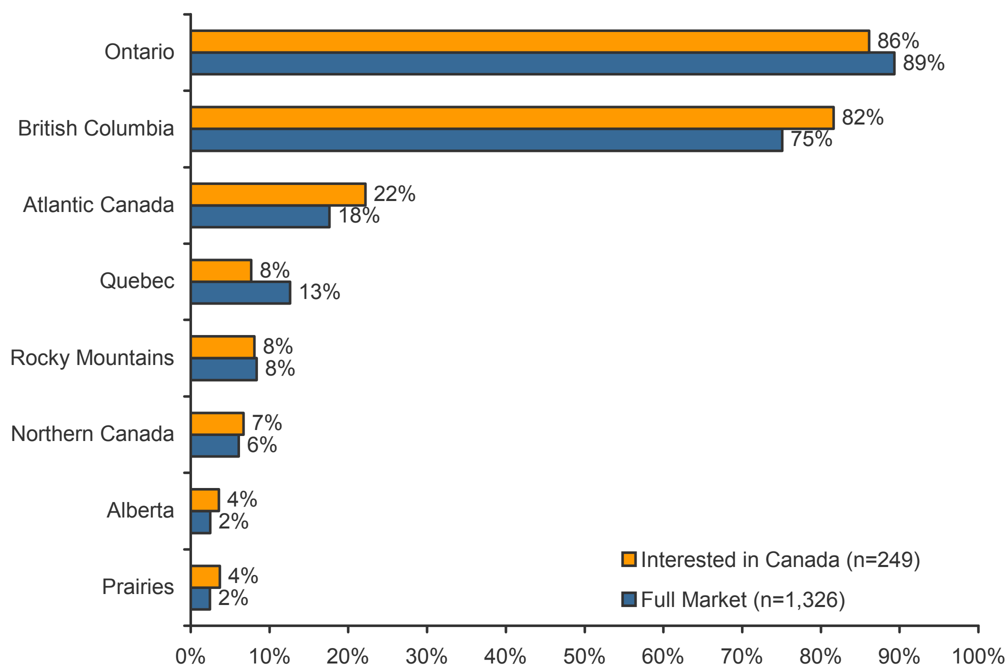
This section looks at the potential of the Chinese long-haul pleasure travel market for Canada's regions. As potential Chinese travellers have little in-depth knowledge of the regions, the analyses are somewhat limited compared to what has been done in other markets and are centred around general awareness, past visitation and future potential. Moreover, the focus is on British Columbia, Alberta and Ontario, who partnered with the CTC to sponsor this study.

Awareness Of The Regions

Market Awareness of Regions

Exhibit 13.1 shows that Ontario tops the list for unaided awareness among Canada's regions, followed by British Columbia. Among those interested in visiting Canada, awareness of these regions topped 80%. There is also reasonable awareness of Atlantic Canada, with about a fifth of potential travellers to Canada mentioning a destination in this region. Awareness of the other regions is under 10% among the target group.

EXHIBIT 13.1 – AWARENESS OF REGIONS (ROLL-UP)



Note: Percentages may sum to more than 100% due to multiple responses. Awareness was gauged by asking respondents to name five places that come to mind when they think of a vacation to Canada - this is a roll-up of the places named into the regions of interest. Interested in Canada are those very interested in visiting Canada in the next 2 years.

Awareness of Specific Destinations

Awareness of **Ontario** is driven primarily by Toronto (71%), Ottawa (31%) and Niagara Falls (25%). Beyond the Great Lakes (6%), awareness of other destinations and specific attractions like the CN Tower is low.

Vancouver is clearly top of mind in **British Columbia** (67%), with some awareness of Victoria as well (13%). Awareness of destinations in the interior and northern part of the province, however, is negligible.

Alberta suffers from poor awareness in this market, with minimal knowledge of the national parks and of key cities like Calgary. Even the Rocky Mountains are not that well known in China, compared with other international markets studied to date.

EXHIBIT 13.2 – AWARENESS OF SPECIFIC DESTINATIONS BY REGION

Ontario		Alberta		British Columbia	
Province (General)					
Ontario	4%	Alberta	0.1%	British Columbia.	1%
Cities					
Toronto	71%	Calgary	0.4%	Vancouver	67%
Ottawa	31%	Edmonton	0.1%	Victoria	13%
Niagara Falls	25%			Prince George	1%
Windsor	3%				
London	1%				
Other Areas or Attractions					
Great Lakes	6%	Banff National Park/Banff	1%	Vancouver Island	3%
Thousand Islands National Park	3%	Jasper National Park/Jasper	1%	Pacific / West Coast / Western Canada	3%
CN Tower	1%			Butchart Gardens	1%
		Rocky Mountains		8%	

Note: Percentages may sum to more than 100% due to multiple responses. (n=1,326)

Past Visitation To The Regions

Destinations Visited on Recent Trips to Canada

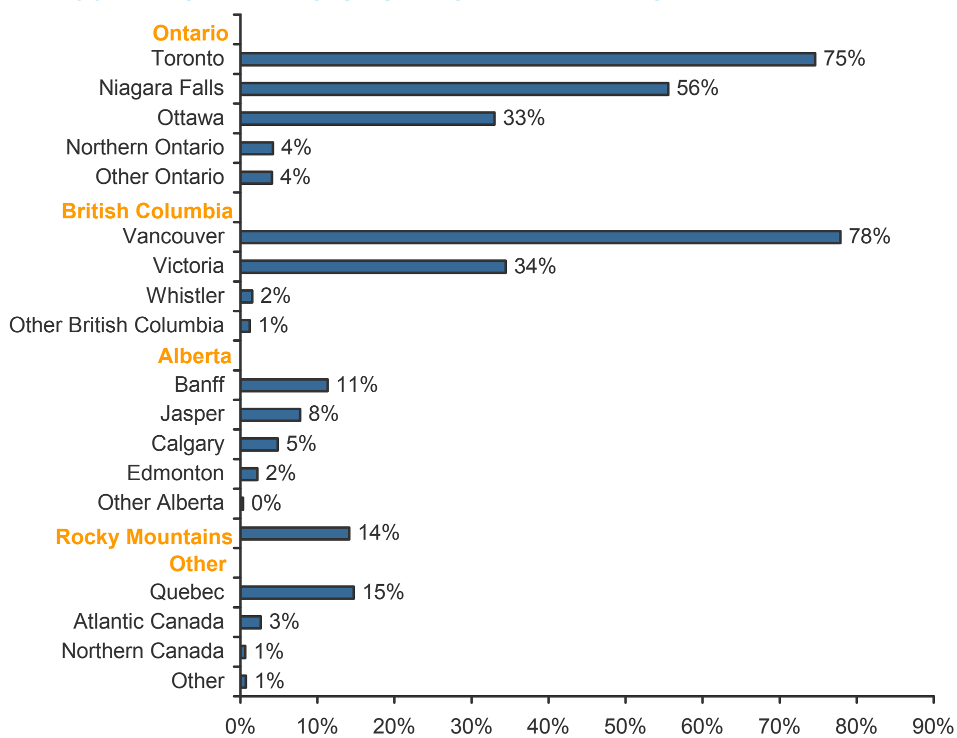
Recent Chinese visitation to Canada also tends to be focused on Vancouver and Toronto (see **Exhibit 13.3**), with over three-quarters of recent travellers to Canada visiting each destination on their trips. This again confirms the preference of Chinese travellers for cross-country trips that cover both Ontario and western Canada.

Niagara Falls also draws a crowd, visited on more than half of all recent trips, while Ottawa and Victoria were each visited on about a third of trips. Overall, 85% of Chinese trips to Canada include a visit to Ontario and 80% include a visit to British Columbia (see **Exhibit 4.5** for regional roll-ups).

Alberta garners more visitation than awareness levels might suggest – almost a fifth of all recent travellers to Canada visited the province on their trips, with Banff and Jasper National Parks being the destinations of choice. To some extent, Alberta may benefit from being included on packages to Canada or from spillover traffic from visits to BC (95% of those who visited Alberta also visited BC).

On the other hand, Atlantic Canada and Northern Canada both suffer from less visitation than might be expected from market awareness levels. For example, 22% of potential Chinese travellers to Canada name the Atlantic region as a place they would visit, but only 3% actually go there on their trips to Canada. These regions are somewhat out-of-the-way and difficult to incorporate into a 7 or 10-day trip that already spans the country.

EXHIBIT 13.3 – CITIES/ATTRACTIONS VISITED ON RECENT TRIP TO CANADA



Note: Percentages may sum to more than 100% due to multiple responses. Base is recent travellers to Canada (n=260).

Characteristics of Recent Travel to the Regions

Exhibit 13.4 profiles traveller and trip characteristics for recent trips to Ontario, Alberta and British Columbia. Given that the vast majority (80% to 85%) of Chinese visitors to Canada visit Ontario and British Columbia, trips to these regions are generally very similar to trips to Canada as a whole.

However, travellers to **Alberta** do exhibit some distinctive characteristics (these results should be interpreted with caution due to the small sample size):

- Compared with the other regions, travellers to Alberta are more likely to be men (76%);
- They also tend to be older (half are 55 plus) and married (94%);
- Likely as a result of their age, they are less Internet savvy;
- Travellers to Alberta tend to spend more on their trips to Canada, both on a daily basis and overall. This is at least partly due to the fact that most visited Banff (which tends to be expensive) and stayed in luxury hotels (42%) or resorts (21%);
- They are also more likely to have taken a group tour to Canada (over half).

EXHIBIT 13.4 – PROFILE OF RECENT TRAVELLERS AND VISITS BY REGION

	Ontario (n=214)	Alberta (n=45)[1]	British Columbia (n=203)	Canada (n=260)
Trip Characteristics				
Places visited				
Major places visited within province	Toronto (88%)	Banff (58%)	Vancouver (98%)	
	Niag. Falls (66%)	Jasper (40%)	Victoria (43%)	
	Ottawa (39%)	Calgary (25%)	Whistler (2%)	
	North ON (5%)	Edmonton (11%)	Other BC (2%)	
	Other ON (5%)	Other AB (2%)		
Trip Purpose				
To visit friends or relatives	36%	27%	34%	39%
For pleasure or a vacation	28%	33%	27%	26%
To combine business and pleasure	21%	13%	20%	19%
To combine study and pleasure	15%	24%	16%	14%
Main Trip Type				
A trip to one or more big cities	32%	38%	35%	33%
A visit to friends or relatives	19%	21%	17%	20%
A general sightseeing trip	16%	17%	16%	16%
A trip to enjoy nature and the outdoors	12%	14%	13%	12%
A trip to a special event or exhibition	11%	5%	11%	10%
A culture or history trip	3%	0%	2%	3%
A beach resort trip	2%	3%	2%	2%
A shopping trip	1%	1%	1%	1%
A trip to enjoy other winter activities	1%	0%	1%	1%
A summer sports trip	1%	1%	0%	1%
A downhill ski or snowboarding trip	0%	0%	0%	0%

	Ontario (n=214)	Alberta (n=45)[1]	British Columbia (n=203)	Canada (n=260)
Main Reason For Trip				
To spend quality time with friends and family	24%	21%	22%	26%
For rest and relaxation	21%	21%	23%	21%
For learning and discovery	18%	11%	17%	17%
To have fun and be entertained	16%	21%	15%	15%
To see something new and different	12%	14%	13%	12%
To enjoy the good life and be pampered	5%	10%	6%	5%
To improve my body and spirit	3%	2%	3%	4%
Total Trip Duration				
Number of nights (Mean)	15	12	16	15
Number of nights (Median)	10	8	10	10
Travel Party				
Wife/husband/girlfriend/boyfriend	29%	38%	29%	28%
Business associates	25%	37%	26%	23%
Travelled alone	19%	12%	21%	21%
Friends	13%	6%	11%	12%
Organized group/club	12%	25%	11%	12%
Child/children	8%	6%	6%	7%
Other relatives	4%	4%	6%	6%
Package Use				
Group Tour Package	34%	52%	36%	34%
Other Package	15%	5%	9%	13%
Accommodations used				
Mid-priced hotel / motel	57%	46%	54%	52%
Home of friends or relatives	46%	41%	46%	49%
Luxury hotel	24%	42%	22%	23%
Apartment hotel / condo / timeshare	19%	22%	19%	16%
Resort	16%	21%	14%	14%
Country inn / bed and breakfast	5%	8%	6%	5%
Rented cottage	5%	4%	4%	5%
Youth hostel / university accommodation	3%	6%	4%	4%
Total Trip Expenditures (including airfare)[2]				
Per party	$9,733	$11,972	$9,421	$9,702
Per person	$4,486	$4,994	$4,520	$4,496
Per person per day	$454	$563	$440	$456
Demographic Profile				
Friends or Relatives Living in Canada				
Yes	57%	63%	57%	60%
Gender				
Male	56%	76%	56%	55%
Age				
18 to 24	6%	2%	7%	7%
25 to 34	15%	17%	15%	16%
35 to 44	32%	27%	31%	29%
45 to 54	15%	4%	13%	13%

	Ontario (n=214)	Alberta (n=45)[1]	British Columbia (n=203)	Canada (n=260)
55 to 65	27%	43%	30%	29%
65 or older	6%	7%	4%	5%
Marital Status				
Single / never married	13%	6%	13%	14%
Married / partnered	86%	94%	85%	84%
Children Under 18 in Household				
Yes	42%	39%	41%	40%
Education				
College/University or above	76%	79%	74%	76%
Employment Status				
Employed	73%	70%	70%	70%
Retired	21%	22%	23%	24%
Student	3%	3%	4%	4%
Average Monthly Household Income				
Below 7,000 (RMB)	16%	11%	16%	16%
7,000 to 9,999	23%	20%	24%	22%
10,000 to 19,999	42%	35%	38%	41%
20,000 or above	19%	33%	22%	21%
Internet Use				
Has internet access	63%	50%	63%	63%
Searched for travel info	57%	47%	56%	57%
Booked holiday trips	7%	1%	9%	9%

Notes: Groups are not mutually exclusive since travellers often visit more than one region on their trips.
Base is recent travellers to Canada.
[1]Results should be interpreted with caution due to the small sample size.
[2]Expenditures represent total amount spent on trip to Canada. Expenditures were converted to Canadian currency using exchange rates from December 2005.

Potential For The Regions

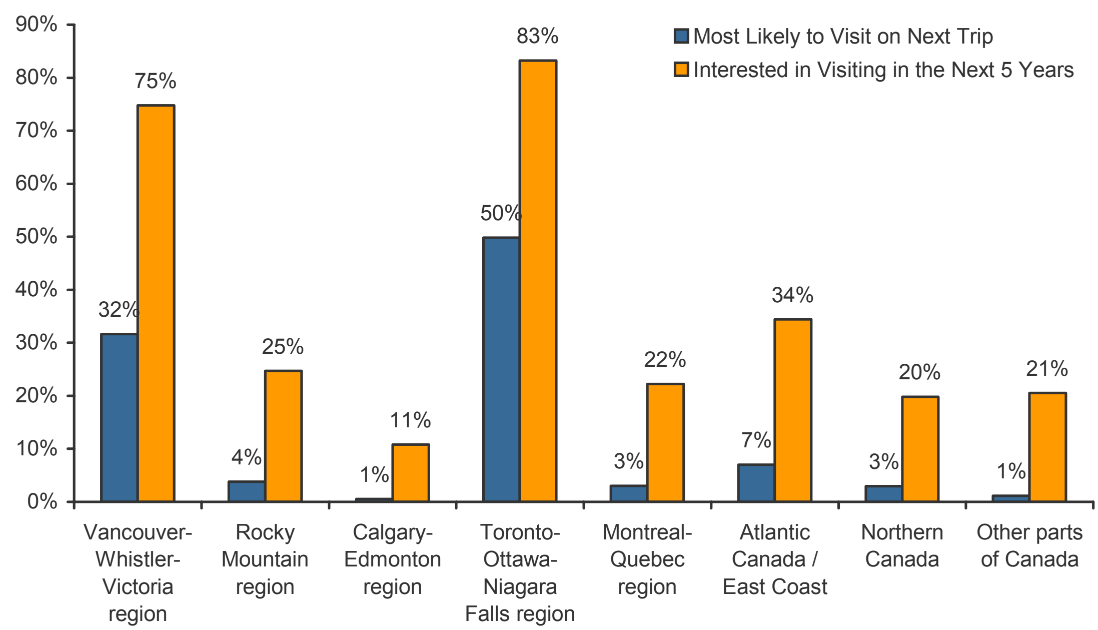
Future Interest in Visiting the Regions

Future interest in Canada's regions is centred on those with the highest awareness, a finding that comes as no surprise. According to **Exhibit 13.5**, the Toronto-Ottawa-Niagara Falls and Vancouver-Whistler-Victoria regions garner the most interest (over three-quarters of potential travellers to Canada under the broader definition).

There is also a fair amount of interest in Atlantic Canada (about a third of the market), while most of the other regions appeal to about a fifth of the market. The exception is Calgary-Edmonton at 11%. According to the travel trade, very little is known about this region in the marketplace and there are some serious misperceptions about the region that will need to be addressed in marketing efforts.

When asked to indicate the region they are *most likely* to visit, however, Toronto-Ottawa-Niagara Falls emerges as the clear winner (named by half of potential travellers), which is consistent with the travel trade's assessment that this is *the* must-see destination in Canada. Other than the Vancouver-Whistler-Victoria region (32%), none of the other regions will drive travel to Canada in the short-term.

EXHIBIT 13.5 – INTEREST IN VISITING THE REGIONS



Base: Those very or somewhat interested in visiting Canada in the next 5 years (n=902).

Market Potential For the Regions

Exhibit 13.6 provides an estimate of the size of the potential Chinese long-haul pleasure travel market for each of the regions. This estimate is based on the percentage of the potential market to Canada that is interested in visiting the regions in the next five years. This translates into approximately 1.6 million potential travellers for Ontario, 1.5 million for British Columbia, close to 500,000 for the Rocky Mountain region and over 200,000 for Alberta.

Note that these are the potential market estimates based on current levels of interest. Obviously these could shift once marketing initiatives for Canada and the regions are in full swing.

EXHIBIT 13.6 – SIZE OF THE POTENTIAL MARKET TO THE REGIONS

Potential Market to Canada	**Ontario**	**Alberta**	**Rocky Mountains**	**British Columbia**
Potential pleasure travellers to Canada (next 5 years)	1,961,000			
Potential Market to the Regions (Broad Estimate)				
Interest in visiting region in next 5 years	83%	11%	25%	75%
Potential pleasure travellers to region in next 5 years	**1,628,000**	**216,000**	**490,000**	**1,471,000**

Note: Regional estimates are not additive since travellers may visit more than one region on a single trip.

Profile of Potential Travellers to the Regions

Exhibit 13.7 presents a profile of potential travellers to various regions of Canada. Because there is considerable overlap between the travellers that are interested in visiting each of these regions in the next five years, the profile focuses on those *most likely* to visit each region on their next trip to Canada (except in the case of Alberta and the Rocky Mountains where the sample size is too small to do this).

Distinctive characteristics of potential travellers to each region (compared with the other regions) are as follows:

- Those interested in visiting the **Calgary-Edmonton** region on their next trip to Canada tend to be young and single. They are generally less likely than other travellers to want a cursory look at famous sites, preferring to immerse themselves in a destination's local culture when they travel. They are also optimistic that they will take more trips in the future than they have in the past.

- Travellers most likely to visit the **Vancouver-Whistler-Victoria** region tend to gravitate towards city trips.

- Those interested in visiting the **Rocky Mountain** region on their next trip to Canada exhibit above average interest in taking an aboriginal culture trip to Canada. They are more likely to be influenced by western culture and tend to factor quality and value into their vacation decision-making rather than making destination choices solely on price.

- Travellers most likely to visit the **Toronto-Ottawa-Niagara Falls** region are similar in most respects to the potential market for Canada as a whole.

EXHIBIT 13.7 – PROFILE OF TRAVELLERS MOST LIKELY TO VISIT EACH REGION

	Toronto-Ottawa-Niagara Falls (n=448)	Calgary-Edmonton (n=50)[1,2]	Rocky Mountain (n=131)[2]	Vancouver-Whistler-Victoria (n=283)	Canada (n=970)
Demographic Profile					
Friends or Relatives Living in Canada					
Yes	24%	28%	21%	30%	24%
Gender					
Male	50%	49%	47%	51%	50%
Age					
18 to 24	16%	28%	20%	17%	17%
25 to 34	26%	19%	36%	24%	26%
35 to 44	26%	16%	20%	25%	25%
45 to 54	16%	17%	13%	16%	16%
55 to 65	13%	10%	10%	12%	12%
65 or older	3%	10%	1%	7%	4%
Marital Status					
Single / never married	28%	45%	36%	24%	28%
Married / partnered	72%	55%	62%	75%	72%
Children Under 18 in Household					
Yes	41%	33%	41%	40%	41%
Education					
College/University or above	69%	72%	75%	63%	67%
Employment Status					
Employed	75%	71%	81%	77%	76%
Retired	14%	16%	10%	15%	12%
Student	7%	9%	8%	5%	7%
Average Monthly Household Income					
Below 7,000 (RMB)	29%	23%	39%	26%	33%
7,000 to 9,999	30%	38%	22%	38%	30%
10,000 to 19,999	30%	30%	29%	21%	26%
20,000 or above	11%	10%	11%	14%	12%
Internet Access					
Have Internet access at home	63%	67%	83%	66%	65%
Searched for holiday info	60%	67%	74%	62%	61%
Booked holiday trips	12%	16%	15%	10%	11%
Travel Attitudes and Motivations					
Motivational Segments					
Risk-Free Vacationers	30%	43%	34%	35%	32%
Economizers	24%	27%	28%	23%	23%
Famous Sight Seers	22%	4%	23%	18%	20%
Young Explorers	12%	16%	9%	14%	13%

	Toronto-Ottawa-Niagara Falls (n=448)	Calgary-Edmonton (n=50)[1,2]	Rocky Mountain (n=131)[2]	Vancouver-Whistler-Victoria (n=283)	Canada (n=970)
Enthusiastic Traditionalists	6%	1%	3%	5%	6%
Indulgers	3%	3%	1%	3%	4%
Outdoor Adventurers	2%	6%	3%	2%	2%
Travel Attitudes					
Quality and value are more important to me than price	88%	88%	94%	90%	88%
I like immersing myself in a destination's local culture	88%	99%	92%	90%	88%
I usually travel on all-inclusive packages when taking international holidays	82%	89%	82%	89%	84%
I am influenced by western culture, fashion and lifestyles	78%	65%	85%	75%	77%
Europe offers more value for my money than Canada does	59%	44%	60%	48%	53%
I plan to take more international trips in the next three years than I did in the last three years	80%	89%	87%	84%	79%
Future Trip to Canada					
Package Use					
Definitely/Very/Somewhat	88%	95%	89%	95%	89%
Type of Trip					
A trip to one or more big cities	40%	50%	36%	53%	42%
A nature or wildlife viewing trip	24%	7%	23%	14%	19%
A touring trip	11%	8%	7%	9%	12%
A trip to visit friends and relatives	5%	14%	3%	10%	6%
An downhill ski or snowboarding trip	4%	3%	7%	4%	5%
A culture or history trip	5%	7%	5%	5%	5%
An aboriginal culture trip	3%	0%	10%	2%	3%
An outdoors adventure trip	3%	1%	5%	1%	3%
A trip to enjoy other winter activities	2%	6%	2%	2%	2%
A shopping trip	3%	3%	1%	1%	2%
A summer sports trip	1%	1%	1%	0%	1%

Notes: Base is travellers very or somewhat interested in visiting Canada in the next 5 years.
1) Results should be interpreted with caution due to the small sample size.
2) Due to small sample size for most likely to visit, profile is based on interested in visiting on next trip to Canada.

Perceptions of the Regions

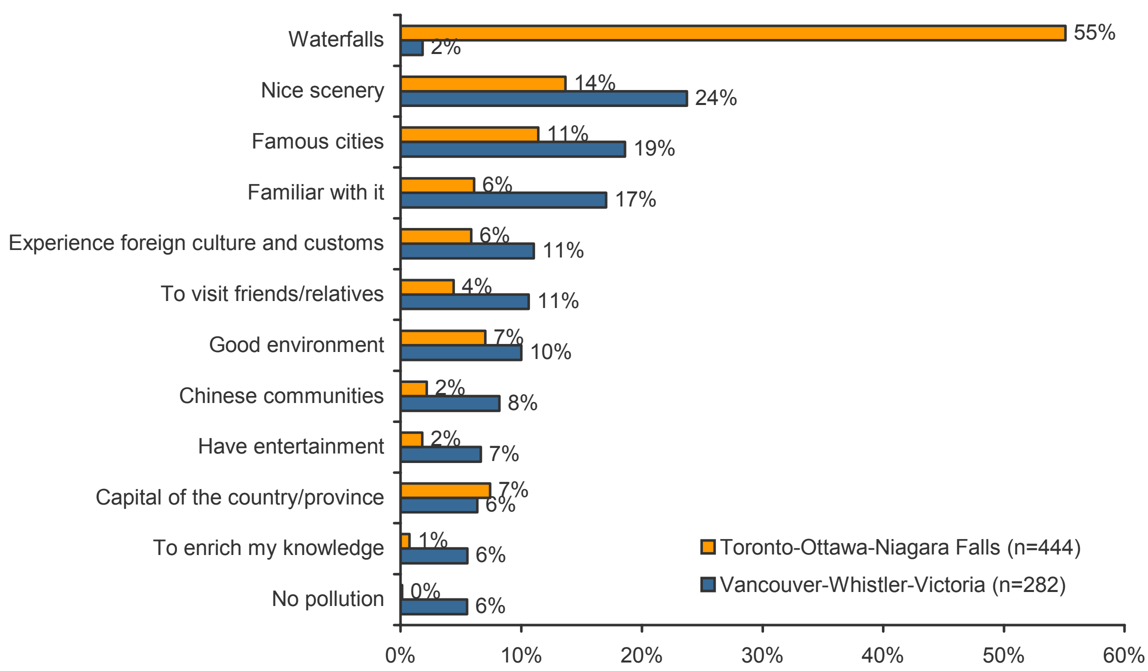
Respondents were asked to indicate specifically what interests them about the region they are most likely to visit. **Exhibit 13.8** shows that the Toronto-Ottawa-Niagara Falls region and the Vancouver-Whistler-Victoria region have a somewhat different appeal for Chinese travellers.

For people interested in the **Toronto-Ottawa-Niagara Falls** region, the main appeal is Niagara Falls, although the scenic attributes and cities of Ontario appeal to them as well.

Those who find the **Vancouver-Whistler-Victoria** region most attractive are also interested in seeing scenery and cities, but familiarity, VFR and the opportunity to experience a foreign culture play a role as well. Vancouver is a popular immigration destination and many Chinese have friends and relatives there to visit. Vancouver is perceived by consumers as having similarities to major cities in China and part of its charm lies in the fact that people can experience a different culture in a place where they feel at home. Chinese also find the clean and pollution-free environment of this region highly appealing.

There were only a handful of people who chose the Rocky Mountain and Calgary-Edmonton regions as their destination of choice, but those that did mentioned the scenery as being the major draw.

EXHIBIT 13.8 – PERCEPTIONS OF THE REGIONS



Notes: Base is those most likely to visit each region. Sample sizes for the other regions are too small for analysis. Percentages may sum to more than 100% due to multiple responses.

Key Finding

Considering that Canada has not been open to Chinese tourists, there is remarkably good awareness and interest around Ontario and British Columbia, centred primarily on the major cities of Toronto and Vancouver. However, detailed knowledge of the specifics (e.g., specific attractions, signature experiences, things to do and see there) is severely lacking.

Canada's market entry strategy will obviously need to incorporate heavy awareness-building to improve awareness of Ontario and BC's specific tourism attributes, enhance the awareness and appeal of lesser known regions such as Alberta and Quebec, and weave a distinct image and character for each region of the country. As the Chinese market matures, there will also be good opportunities for return trips to places like Atlantic Canada and the North.

14. Media and Internet Usage

This section of the report provides information on how to reach potential travellers outside Asia, as well as those specifically interested in Canada.

Media Usage

Newspapers

China's newspaper industry has developed rapidly since it was liberalized in 1978, and today, there are around 2,000 different newspapers being published. Each city has its own local newspapers and consumption is highly regionalized. In 2004, newspaper advertising revenue reached $23 billion RMB, accounting for almost a fifth of total advertising revenue in China.

As shown in **Exhibit 14.1**, newspapers are a leading source of information for potential travellers outside Asia as well as for those to Canada, with a penetration of close to 100%. This is much higher than in the general population – for example, among Beijing residents, the general penetration rate is only about 62%.

According to the Chinese travel trade, advertising, travel offers and travel features in the newspaper can play an important role in helping to reach potential travellers outside Asia. This is particularly true in the case of potential travellers to Canada, as they are significantly more likely to read the travel section of a daily paper. To assist the Canadian industry in targeting its communications, the exhibit provides a list of the top newspapers read by market.

In **Guangzhou**, the papers with the highest propensity to reach travellers interested in Canada are the Guangzhou Daily (39%) and the Yang Cheng Evening News (25%). The Guangzhou Daily is a Chinese language paper, but has an English supplement (Morning Post). Yang Cheng is a well-established paper that is widely read by executives for its open commentary and investigative reports. Although a local paper, it has a national distribution yielding a total circulation of over a million people.

In **Beijing**, the best bets are the Beijing Evening News (18%) and the Beijing Times (15%). The Evening News is the evening version of the Beijing Daily, and is generally more popular due to its human interest coverage. The Times is a tabloid run by the state, but managed like a commercial paper.

In **Shanghai,** the top paper in terms of reaching potential travellers is the Morning Post (15%), one of the most influential papers in Shanghai.

EXHIBIT 14.1 – TOP NEWSPAPERS READ

	Total Market (n=1,400)	Interested in Canada (n=264)
Reads daily papers	97%	99%
Always or frequently reads travel section of daily paper	53%	63%
Newspapers Read on a Regular Basis		
Guangzhou papers		
Guangzhou Daily	23%	39%
Yang Cheng Evening News	16%	25%
South Metropolis Newspaper	12%	18%
New Express	3%	5%
Beijing papers		
Beijing Evening News	19%	18%
Beijing Times	13%	15%
Beijing Youth	9%	8%
The Beijing News	7%	8%
Beijing Morning Post	6%	7%
Beijing Daily	4%	5%
Shanghai papers		
Shanghai Morning Post	15%	15%
Shanghai Evening Post/Xinming Evening News	13%	14%
Shanghai Times	11%	11%
Shanghai Wednesday	4%	4%
Shenzhen papers		
Shenzhen Special Zone Daily	15%	9%
South Metropolis Newspaper	12%	3%
Crystal Newspaper	11%	6%
Shenzhen Evening Post	9%	4%
Shenzhen Economic Daily	5%	0%

Notes: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Television

There are over 350 million television households in China, making it the largest television audience in the world. There are also over 100 million cable television subscribers and 25 million digital satellite households in China, mostly in the urban areas.

There are approximately 700 television stations in China, plus an additional 3,000 cable channels. The state-run national broadcaster, Chinese Central Television (CCTV), has 16 channels broadcasting nationally and internationally, although not all of its channels are available everywhere in China. There are also numerous provincial and local channels, including specialty channels such as shopping, lifestyle, music and children's channels. While CCTV is still the dominant player in the industry, provincial and local TV stations are beginning to challenge it and winning market share.

Television is a highly popular source of news programming in China, and news broadcasts are typically the highest-rated shows and biggest revenue generators.

According to the Chinese travel trade, television advertising and special features on travel programs can be powerful vehicles to raise public awareness of a new destination or visually convey the imagery of a place. Moreover, television advertising is very expensive so few destinations have used it, resulting in a less crowded advertising space and potentially greater share of mind for advertisers.

As shown in **Exhibit 14.2**, television penetration is virtually 100% among both potential travellers outside Asia and those to Canada. As the main channel of China's national TV network, it is not surprising that CCTV1 reaches the largest proportion of those interested in visiting Canada (close to 40%). CCTV1 primarily broadcasts news, current affairs and general programming, and could be a good platform for advertising Canada.

However, the most popular provincial/local stations should also be considered. For example, TVB in Guangzhou has a similar penetration to CCTV1 (37%) among potential travellers to Canada. Other top stations in Guangzhou include Asia Television, broadcasting out of Hong Kong (18%) and Guangzhou TV (16%). In Shanghai, the STV Comprehensive News channel commands the largest share of potential travellers to Canada, and the same is true for BTV 1 in Beijing (again, mainly news programming).

Of specific note is the Travel Channel (a satellite TV channel focused on travel) watched by about 7% of those interested in Canada.

EXHIBIT 14.2 – TOP TELEVISION CHANNELS WATCHED

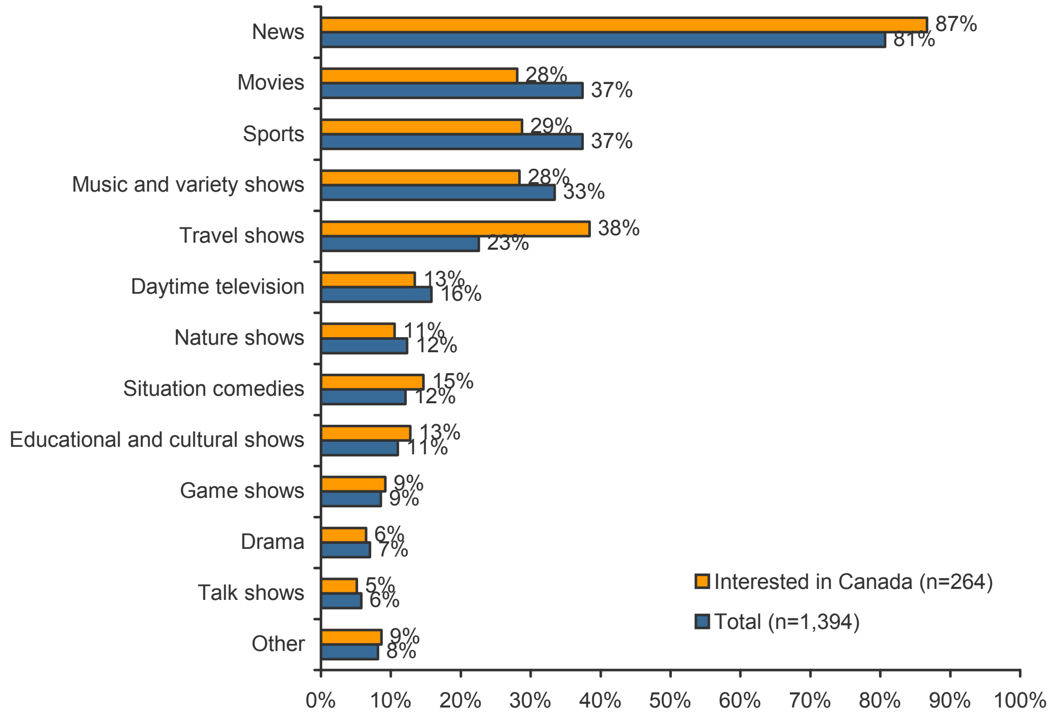
	Total Market (n=1,400)	Interested in Canada (n=264)
Watches television	99%	100%
Channels Watched Most Often		
National		
CCTV 1 (News, Public Affairs)	35%	37%
HuNan TV	7%	5%
CCTV 5 (Sports)	7%	4%
CCTV 2 (Economy, Business)	6%	4%
CCTV – News	6%	9%
Guangzhou		
TVB	21%	37%
ATV	11%	18%
Guangzhou TV	9%	16%
CETV	7%	4%
Phoenix Chinese Channel	6%	12%
Shanghai		
News Comprehensive Channel	13%	16%
Life Fashion Channel	11%	8%
Soap Opera Channel	7%	7%
Beijing		
BTV 1 (News)	15%	15%
The Travel Channel	6%	7%
Shenzhen		
TVB	15%	6%
Phoenix Chinese Channel	12%	4%

Notes: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Exhibit 14.3a confirms the popularity of news programming in China, watched by over 80% of potential travellers outside Asia. Movies, sports, music/variety shows and travel programs are the next most popular types of programming among potential travellers, although none of these approach news programming in terms of popularity.

Those with a specific interest in visiting Canada are significantly more likely to watch travel shows (almost 40%) and news programming (87%), and far less likely to watch movies, sports or variety shows.

EXHIBIT 14.3A – TYPES OF TELEVISION PROGRAMS WATCHED



Notes: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Exhibit 14.3b shows that each market has distinctive tastes when it comes to television programming. Beijingers are more likely to eschew educational/cultural programming for situation comedies. Shanghaiese are more likely to watch music/variety and nature shows. Residents of Guangzhou exhibit above-average interest in drama and daytime television. However, news programming is watched by virtually everyone regardless of the market.

EXHIBIT 14.3B – TYPES OF TELEVISION PROGRAMS WATCHED BY MARKET

	Guangzhou (n=350)	Shanghai (n=347)	Beijing (n=350)	Shenzhen (n=347)
News	82%	84%	83%	74%
Movies	29%	36%	45%	40%
Sports	37%	42%	40%	31%
Music and variety shows	28%	40%	32%	33%
Travel shows	30%	16%	26%	18%
Daytime television during weekdays	24%	12%	7%	20%
Nature shows	10%	19%	9%	12%
Situation comedies	7%	5%	27%	9%
Educational and cultural shows	10%	13%	7%	14%
Game shows	9%	7%	5%	12%
Drama	14%	3%	3%	9%
Talk shows	2%	5%	8%	8%
Other	11%	7%	2%	12%

Note: Percentages may sum to more than 100% due to multiple responses.

Radio

Exhibit 14.4 shows that radio has a lower penetration than television or newspaper, with under 60% of potential travellers who listen to it regularly. However, radio penetration is generally on the rise as there are a growing number of private car owners in China who tune in to the news, traffic reports or music while driving.

Radio Guangzhou (17%) has the largest market share among potential travellers to Canada in Guangzhou, followed by Radio Guangdong, an adult contemporary music station (13%). Within Shanghai, East Radio Shanghai's pop music station is the market leader (10%) and in Beijing, it is Beijing Traffic Radio (9%), which according to the Neilsen ratings, is also the most popular radio station among Beijingers in general.

EXHIBIT 14.4 – TOP RADIO STATIONS LISTENED TO

	Total Market (n=1,400)	Interested in Canada (n=264)
Listens to Radio	55%	58%
Radio Stations Listened to Most Often		
Guangzhou		
Radio Guangzhou	8%	17%
Music FM Radio Guangdong (99.3)	7%	13%
Yangcheng Traffic	4%	8%
FoShan Radio (98.5)	3%	5%
Shanghai		
ERS pop music (101.7)	13%	10%
Charm pop music (103.7)	9%	8%
Metropolis (792)	7%	5%
Classical music (94.7)	6%	6%
Traffic (AM 648)	5%	5%
Beijing		
Beijing Traffic Radio (103.9)	10%	9%
Beijing Music Radio	7%	7%
China National Radio	6%	6%
Beijing News Station (AM 828)	5%	7%
Shenzhen		
Files Upwards (971)	10%	5%
Shenzhen Traffic (106.2)	8%	4%
The Commercial Broadcasting Station	4%	1%

Notes: Interested in Visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Magazines

The number of magazines in China has increased from about 1,000 in the late 1970s to over 9,000 today, with approximately 2,300 being consumer titles. The most popular consumer magazines are those that focus on social and family issues, real-life stories and current affairs, such as *Reader*. International consumer magazines first began to enter the market in the late 1980s and early 1990s. Today, there are around 50 foreign titles in China, published domestically through partnerships with Chinese publishers. However, these typically trail behind the domestic magazines in terms of circulation.

Reader is one of the most popular consumer magazines among the general population, and as shown in **Exhibit 14.5**, it also tops the list of magazines read by potential travellers outside Asia (18%). Although it is significantly less popular among potential travellers to Canada, it is still the top publication read by this group.

Other magazines read on a regular basis by 5% or more of potential travellers to Canada include:

- *Rui Li,* one of the most popular women's fashion magazines in China;
- *Shi Shang,* the Chinese edition of *Cosmopolitan;*
- *Jia Ting,* a magazine targeted at the family market;
- *Jia Ting Yi Sheng,* covering medical issues;
- *Qi Che Za Zhi*, an auto magazine; and
- *Lu You,* a travel magazine published by the Beijing Travel Bureau.

Other travel-related magazines read include the following:

- *Zhong Guo Di Li Za Zhi* (Chinese National Geographic), read by under 1% of travellers interested in Canada;
- *Traveler,* read by 1.2% of the potential travellers to Canada; and
- *Shi Shang Lu You* (National Geographic Traveler) read by under 1%.

Although the travel magazines do not rank highly among the publications read most often, they are likely consulted on an as needed basis (e.g., when considering or planning a trip). In fact, **Exhibit 5.2** showed that articles in travel magazines are among the top five sources of information used by travellers when planning a trip outside Asia.

EXHIBIT 14.5 – TOP MAGAZINES READ

	Total Market (n=1,400)	Interested in Canada (n=264)
Reads Magazines	60%	55%
Magazines Read Most Often		
Du Zhe (Reader)	18%	10%
Rui Li-Yi Ren Feng Shang	9%	9%
Shi Shang (Cosmopolitan)	6%	9%
Zhi Yin	5%	2%
Jia Ting Yi Sheng (Family Doctor)	4%	6%
Qi Che Za Zhi (Auto Magazine)	4%	6%
Qing Nian Wen Zhai	4%	2%
Jia Ting	4%	7%
Nu Bao (Woman)	3%	2%
Shang Hai Dian Shi (Shanghai TV Monthly)	3%	2%
Lu You (Tourism)	2%	5%
ELLE	2%	2%

Notes: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Key Finding

Television would be the most effective of the mass media for broad awareness-building and generating an initial buzz around Canada during the destination launch. In particular, advertising during news and public affairs programming and features on China's key travel shows is recommended for reaching potential travellers to Canada. However, newspapers are just as important as television, with advertising and articles in the travel sections of the top regional papers being a must. Specialty magazines are another route to consider for more targeted campaigns down the road.

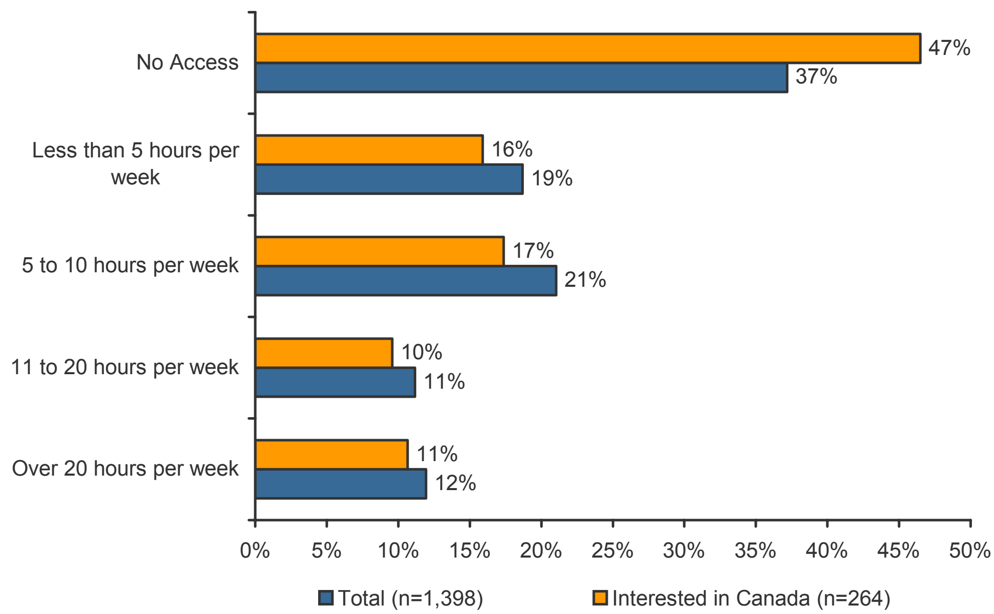
Internet Usage

Internet Access

By the end of 2005, there was an estimated 111 million Internet users in China, representing a penetration of 8.5% of the overall population. Not surprisingly, penetration is close to 17% among the urban population, but only 2% in the rural areas.

At over 60%, access to the Internet is markedly higher among potential travellers outside Asia (see Exhibit 14.6), with approximately a quarter who use it for 11 or more hours per week. The picture is somewhat different for travellers interested in Canada, with just over half who have access to the Internet. The lower penetration is likely because potential travellers to Canada tend to be somewhat older.

EXHIBIT 14.6 – EXTENT OF INTERNET USE



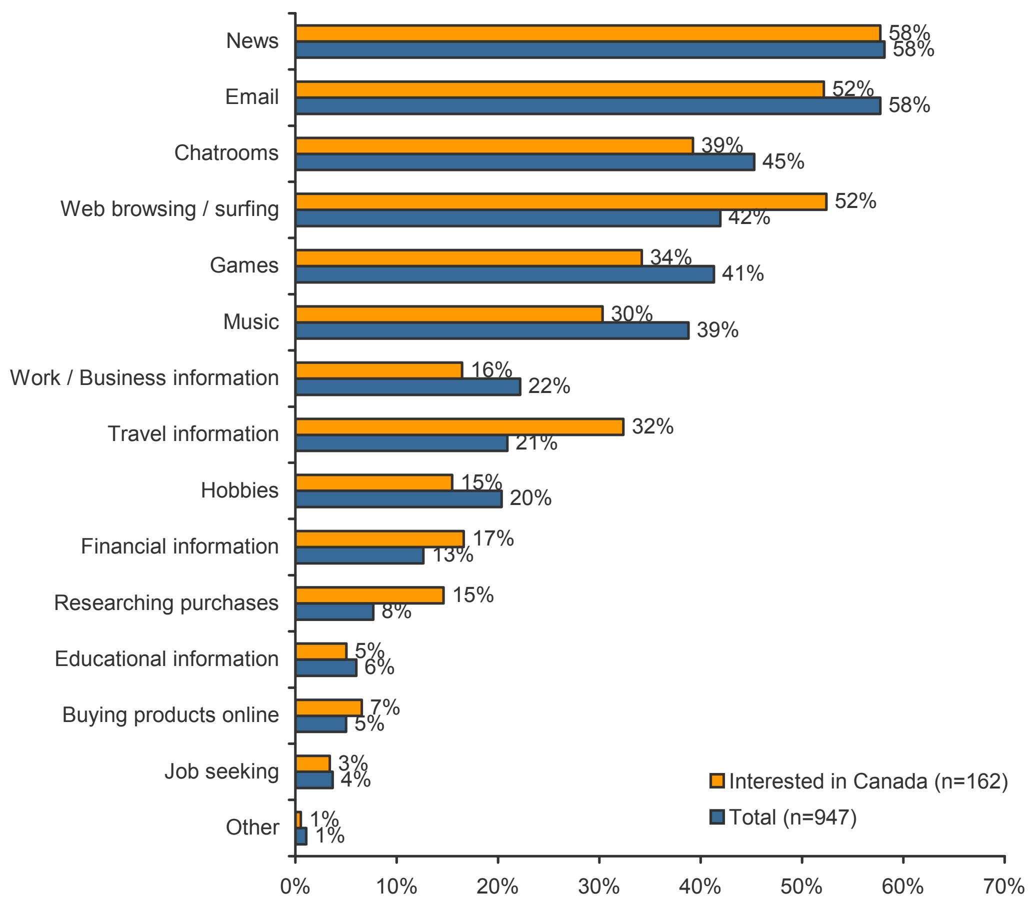
Note: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years.

Internet Activities

As shown in **Exhibit 14.7,** among potential travellers outside Asia who have access to the Internet, the most popular uses are for news, email, chat, surfing, games and music (all in the 40% to 60% range). The next tier of activities, engaged in by about a fifth of the market, includes looking for information relating to work / business, travel or hobbies.

Among those with Internet access, potential travellers to Canada generally demonstrate a higher propensity to use the Internet for travel-related research (32%), for researching potential purchases (15%) and for general surfing (52%).

EXHIBIT 14.7 – PRIMARY INTERNET ACTIVITIES

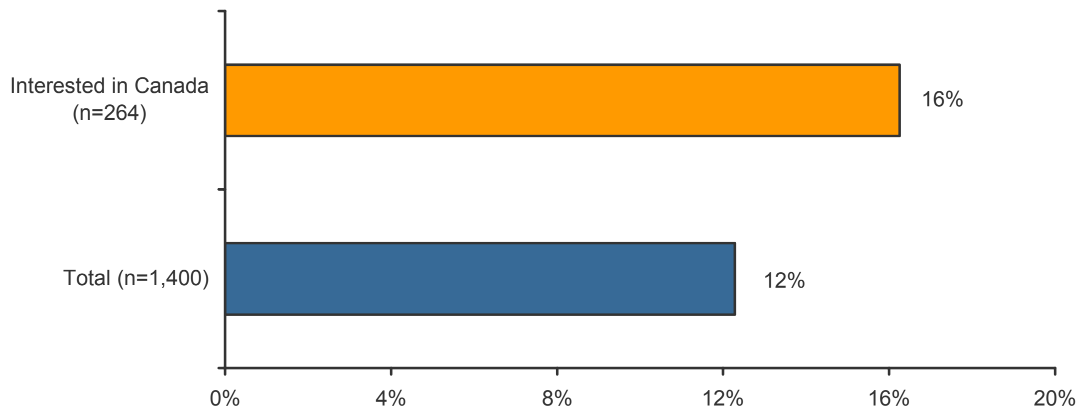


Notes: Base is those who have Internet access. Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. Percentages may sum to more than 100% due to multiple responses.

Online Purchasing

Exhibit 14.8 shows that those who are interested in Canada are also more savvy when it comes to online purchasing. Roughly 16% have used the Internet to purchase products online in the past year, compared with only 12% of the potential market as a whole.

EXHIBIT 14.8 – ONLINE PURCHASING



Note: Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years.

Use of the Internet for Travel-Related Activities

When specifically asked, just over half (51%) of all potential travellers to Canada say they have used the Internet to obtain information on holiday travel in the last year. In other words, virtually everyone with access to the Internet (53%) had used it at least once to find travel-related information. Moreover, in the last year, 14% of all potential travellers to Canada had used the Internet to book trips or make travel reservations. This is fairly high given that online purchasing is still in its infancy in China.

Key Finding

With over half of potential travellers to Canada who have access to the Internet, and virtually all of them having used it to search for travel information, the Internet should be used in support of traditional mass media to target potential travellers. Canada will need to establish an Internet presence in China fairly quickly, including links to Sina and Sohu, two popular consumer portals.

15. Implications and Recommendations

With a total potential of as high as 2.0 million Chinese travellers over the next five years in Canada's four key ADS markets (Guangzhou, Beijing, Shanghai and Shenzhen), China holds unquestionable potential for Canada. This potential will only increase in the future as the Chinese economy expands, incomes rise and the middle-class continues to grow.

The results of this survey suggest a number of recommendations for Canada that will help it to fulfill its potential in this market once it opens up.

- **Act now to take advantage of pent-up demand.** Interest in visiting Canada is remarkably high, with 60% that are interested in visiting the country in the next two years. Among those very interested, around two-thirds view Canada as a dream destination and close to 30% are actively considering a trip there. Clearly there is some pent-up demand for travel to Canada, and tourism organizations should ensure that the infrastructure is in place to capture this demand when the market first opens up. This means having suitable packages, Chinese-speaking staff at receptives, specialist training programs, Chinese tour guides, Chinese-language services at key visitor touchpoints and Chinese language marketing materials at the ready.

- **Begin consumer awareness building immediately.** While there is good overall awareness of Canada in China and most potential travellers know its largest cities by name, Canada needs to enhance consumer awareness of specific attractions, signature experiences and things to do and see there. A significant marketing investment will be required to build awareness to the point where Canada can viably stand up against such prominent and visible competitors as Europe and Australia.

- **Launch Canada using television and newspaper advertising.** For maximum impact, television advertising should be used to get the initial word out on Canada as this is a highly influential medium in China. Advertising on the news and public affairs channel of China's national TV network (CCTV1) and on the most popular provincial / local channels would likely be most effective. Television campaigns should be supported by newspaper advertising and offers, as almost two-thirds of potential travellers to Canada regularly read the travel sections of daily newspapers.

- **Support advertising with in-depth information campaigns.** Travel programs on television, articles in travel magazines and newspaper travel features are a must to convey more in-depth information on Canada as these are key decision-making and information sources for Chinese travellers.

- **Establish an Internet presence.** With about half of potential travellers to Canada who have used the Internet to search for travel-related information in the past year, Canada needs to quickly establish an Internet presence in China. It goes without saying that websites for this market need to be in Chinese. They should also be linked to popular consumer portals such as Sina and Sohu.

- **Time marketing initiatives closely to peak travel periods.** Planning horizons in China are among the shortest of all international markets, with almost 70% of those travelling outside of Asia waiting until a month or two before leaving to start planning their trips. Accordingly, Canada should be in-market with its campaigns in March for Labour Day and Summer travel, and again in August for Fall and National Day travel.

- **Target older, more affluent Chinese.** Canada should target those with incomes of over 10,000 RMB per month holding middle to high positions in the government or private sector as they are most likely to have the financial wherewithal for travel to Canada. Within this group, the 45 to 60 age group represents the best immediate bet, with the 35-44 segment being a good secondary target.

- **Focus on Guangzhou and Shanghai.** Guangzhou should be a key focus for Canada since it is the most well-primed and easily convertible of the four markets. Shanghai should also be targeted due to the sheer number of long-haul travellers, although this market is fairly price-sensitive and needs to be wooed with low-cost packages. Relatively less effort should be placed on Shenzhen for the time being as it offers less immediate potential for Canada.

- **Market Canada as an elite destination with world-class cities and attractions**. In China, long-haul travel is viewed as a symbol of status and success, and as such, the Chinese enjoy visiting famous cities and places. Canada needs to play up the international renown of major cities such as Toronto and Vancouver, boost awareness of its leading attractions and showcase its cultural icons. Marketing initiatives should also highlight the unique opportunity to be the first to experience North American culture and lifestyles.

- **Strengthen Canada's image for scenery and nature.** Contrary to most international markets, Canada's image for scenery and nature is only lukewarm in China, and it lags behind market leaders such as Australia. Canada should enhance market perceptions of its scenery and nature using television, magazine pictorials, and other visual media to get the word out. Niagara Falls, Lake Louise, fall colours, maple leaves, mountains and wildlife imagery should be prominent in inaugural advertising campaigns.

- **Develop short, budget-conscious package tours.** Chinese travellers are extremely-price-conscious, with cost considerations comprising three of their top 12 destination selection criteria, and Economizers being the second-largest motivational segment in the marketplace. Canada needs to develop affordable package tours to succeed in this market, using mid-priced accommodations and limiting expensive extras. Ideally, tours should be around 7 to 10 nights in duration to keep costs down, facilitate Golden Week travel, and cater to this market's inherent desire for shorter trips.

- **Focus on generalized tour products rather than specialty travel experiences.** The Chinese long-haul travel market is still fairly unsophisticated, favouring generalized touring and sightseeing activities regardless of the destination. Although Canada is viewed as having product strengths in the areas of winter and the outdoors, these travel niches are minute and are unlikely to offer good return on investment in the near-term. Successful tour products will be those that offer a good mix of city sightseeing and nature activities as these are the basic areas of interest for virtually all Chinese travellers interested in Canada.

- **Ensure tour itineraries are as compact as possible.** Itineraries for the Chinese market should be compact and cover as many famous sights and attractions as possible. Packages should permit some free time, but not at the expense of passing over key sights. Popular activities such as city sightseeing, shopping and visiting scenic landmarks, historical sites, gardens, museums, national parks and commemorative sites, should be included. Although most meals should be taken at Chinese restaurants, visitors should also be given a taste of local specialties.

- **Focus tour products and marketing around Ontario and British Columbia.** Tour products should include Ontario (e.g., Toronto, Niagara Falls) and British Columbia (e.g., Vancouver) and ideally both, as these are the destination drivers for Chinese travel to Canada. As overall market awareness grows, Canada should begin to enhance awareness of its lesser-known regions, particularly Quebec, Alberta, Atlantic Canada and Northern Canada. Canada should develop a distinct image and character for each of its regions as the Chinese like variety on their trips in terms of both geography and culture.

- **Work with other jurisdictions to streamline visa procedures.** The fact that ease of obtaining visas is the third most important destination selection criteria for Chinese travellers after cleanliness and safety shows how critical it is to ensure there are no visa issues. The CTC should work with other federal jurisdictions to ensure stream-lined visa processes, a reasonable acceptance rate and quick turn-around times on visa approvals. In fact, this may well be the single most important factor in terms of meeting Canada's full potential in this market.

In closing, it should again be noted that this a baseline study looking at market conditions and perceptions prior to Canada attaining its final ADS status. The situation will likely change once the market opens up and Canada's marketing programs are underway. It would be prudent to repeat the study when the market is more mature and Canada is on more even ground compared with other long-haul destinations.