
Consumer and Travel Trade Research in China

Project Summary

Prepared for:
The Canadian Tourism Commission (CTC)

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Executive Summary

The Chinese outbound travel market has witnessed explosive growth over the last decade, expanding at an average rate of 24% per year. In 2004, close to 29 million Chinese travelled overseas. By 2020, China is expected to be one of the world's largest origin markets for tourists, with over 115 million departures a year. For Canada, China represents an untapped market with huge potential. -- In 2004, Canada had only a 0.3% share of the Chinese outbound market and a 3% share of total long-haul tourism.

To prepare for the imminent opening of this Chinese market, and increasing competition, the Canadian Tourism Commission (CTC) and a partnership group of Ontario, British Columbia, and Alberta, commissioned Decima Research to conduct consumer and travel trade research in China. The result was two substantial reports that provided in-depth market intelligence to assist the Canadian tourism industry in developing appropriate marketing initiatives for the Chinese market. Key findings and implications from the reports are summarized in this project summary.

The executive summary focuses on top-line results and recommendations.

Market Size and Potential for Canada

- The potential market for Chinese pleasure travel outside Asia is estimated at 2.8 million in Canada's four key markets – Beijing, Shanghai, Guangzhou, and Shenzhen.
- Interest in visiting Canada is remarkably high. 60% are interested in visiting Canada in the next two years. Among those very interested, close to 30% are actively considering a trip.
- Shanghai represents the largest base of long-haul travellers, however, this market is fairly price-sensitive. Guangzhou is the most well-primed and easily convertible of the markets.

Recent Travel to Canada

- Due to Canada's lack of operational ADS, VFR, combined business-pleasure and combined study-pleasure make up the lion's share of current Chinese travel to Canada.
- Pleasure market is still in its infancy, dominated by large groups on package tours.
- Chinese come to Canada mainly to visit its big cities and sightsee. While in Canada, they like to relax, discover new things, and have a little fun.
- Chinese tend to take short trips (7-10 days) that often span the country, with most travellers visiting both BC and Ontario.

Travel Attitudes, Interests, and Motivations

- Chinese travellers look for places that are clean, safe, friendly, scenic, and inexpensive, where visas are fairly easy to obtain.
- Chinese are also driven by the status of seeing famous cities and attractions, and experiencing something different.
- Those interested in Canada are generally more enthusiastic travellers who are keen to experience western culture and lifestyle.
- Risk-Free Vacationers, Economizers, and Famous Sight Seers represent the largest motivational segments in the market.

Perceptions of Canada

- Chinese see Canada as a safe, clean, and welcoming destination. Canada, along with the US, is seen as the epitome of a rich, well-developed nation.
- However, Canada is seen as lacking concrete attributes to pique interest.
- Although there is good overall awareness in Canada by consumers and industry, knowledge of specific attractions, signature travel experiences, and regional characteristics is poor.

Competitive Positioning

- Top competitors in the long-haul market are Australia and Europe. When the US opens it will likely be the strongest competitor.
- Beyond skiing and outdoor activities, Canada does not have clear-cut perceptual strengths relative to competitors.
- Contrary to most international markets, Canada's image for scenery and nature is only lukewarm among consumers, lagging behind market leaders such as Australia.
- Canada is viewed at delivering good value at a reasonable price. However, Australia is seen as tops in value for the lowest cost.

Product Development and Marketing Considerations

- This market is extremely price-sensitive.
- Careful attention needs to be paid to the special needs and demanding nature of Chinese travellers when developing travel products.
- When developing long-haul products, the Chinese travel trade relies primarily on websites and staff of tourism offices and local suppliers.

- Approximately half of potential travellers to Canada used the Internet to search for travel-related information in the past year; and almost two-thirds of potential travellers to Canada regularly read the travel sections of daily newspapers.
- Television is a highly influential medium in China; in-depth information is a key decision-making and information source for Chinese travellers.
- In terms of local receptives, the trade prefers to partner with market leaders.
- Many of the marketing success stories in China have used some combination of TV and newspaper advertising, travelogues and newspaper articles when targeting consumers, supported by regular road shows, FAM tours and exhibitions for the trade.
- The personal touch is important when marketing travel products in China.

Market Challenges

- Lack of an effective visa policy.
- Last minute bookings.
- An anticipated shortage in air capacity once the market opens.

The results of the research suggest a number of recommendations for Canada to help it fulfill its potential in the China market once it opens up:

- Begin awareness building immediately.
- Ensure infrastructure (suitable packages, Chinese speaking staff and guides, specialist training programs, and Chinese marketing materials) is in place to take advantage of pent-up demand.
- Target older, more affluent Chinese (age 45-60; secondary target aged 35-44).
- Establish an Internet presence.
- Focus on Guangzhou and Shanghai.
- Launch Canada with television and newspaper advertising.
- Support advertising with in-depth information campaigns.
- Use celebrity endorsements.
- Develop a strong brand image.
- Emphasize culture – and cultural differences.
- Play up regional variations.
- Time marketing initiatives closely to peak travel periods.
- Market Canada as an elite destination with world-class cities and attractions.

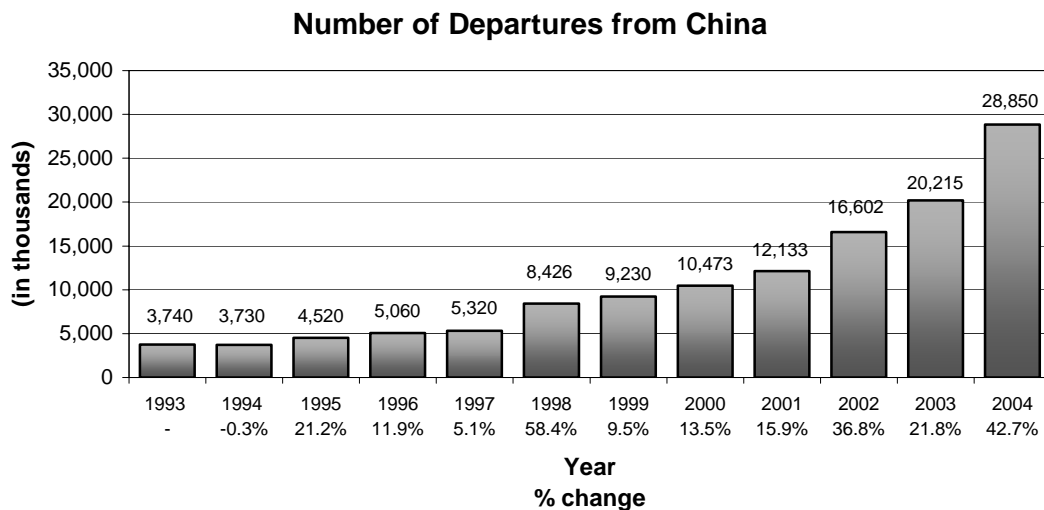
- Strengthen Canada's image for scenery and nature.
- Develop short, budget-conscious package tours with compact itineraries.
- Focus on generalized tour products rather than specialty travel experiences.
- Focus tour products and marketing around Ontario and British Columbia.
- Train local staff on how to service the Chinese market.
- Improve air access and pricing.
- Resolve visa issues prior to opening.

*“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 2004, Canada had only a 0.3% share of the Chinese outbound market and a 3% share of total long-haul tourism. With Canada on the verge of obtaining ADS status, 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.

The Travel Trade and Consumer Research in China was commissioned by 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 (n=5,500) to determine the incidence of long-haul travel in China and the potential for Canada, as well as an in-person survey (n=1,400) 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.

Key Findings from Quantitative Research (Consumer Survey)

RECENT TRAVELLERS TO CANADA

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. More than one-third of travellers to Canada are over 55 years old, with almost a quarter that are retired and likely to be married (84%). These travellers to Canada are a well-educated group, with over three-quarters who have post-secondary education.

Chinese travellers to Canada are likely to hold managerial positions in private, joint venture or foreign firms (35%) and senior positions in government (15%). Chinese visitors to Canada are well-to-do (by Chinese standards) with 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.

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 (39%, 19%, and 15%, respectively). In fact, travellers to Canada are almost as likely to be travelling with business associates as with a spouse or partner.

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.

Exhibit 1 – Main Trip Type

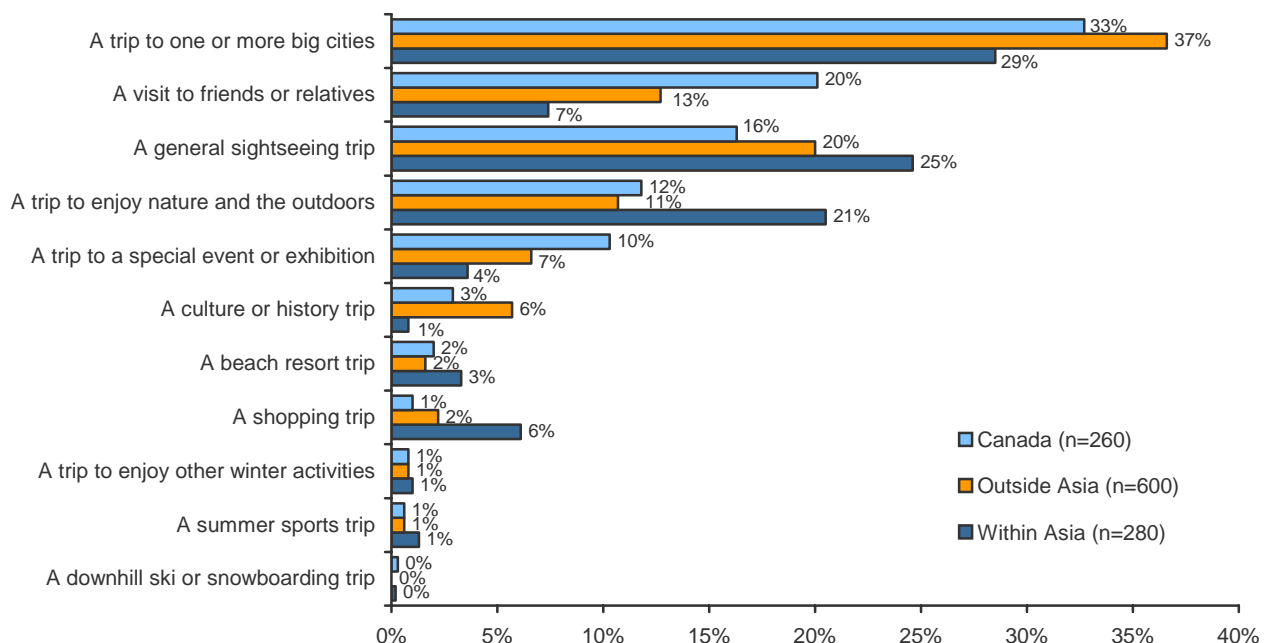
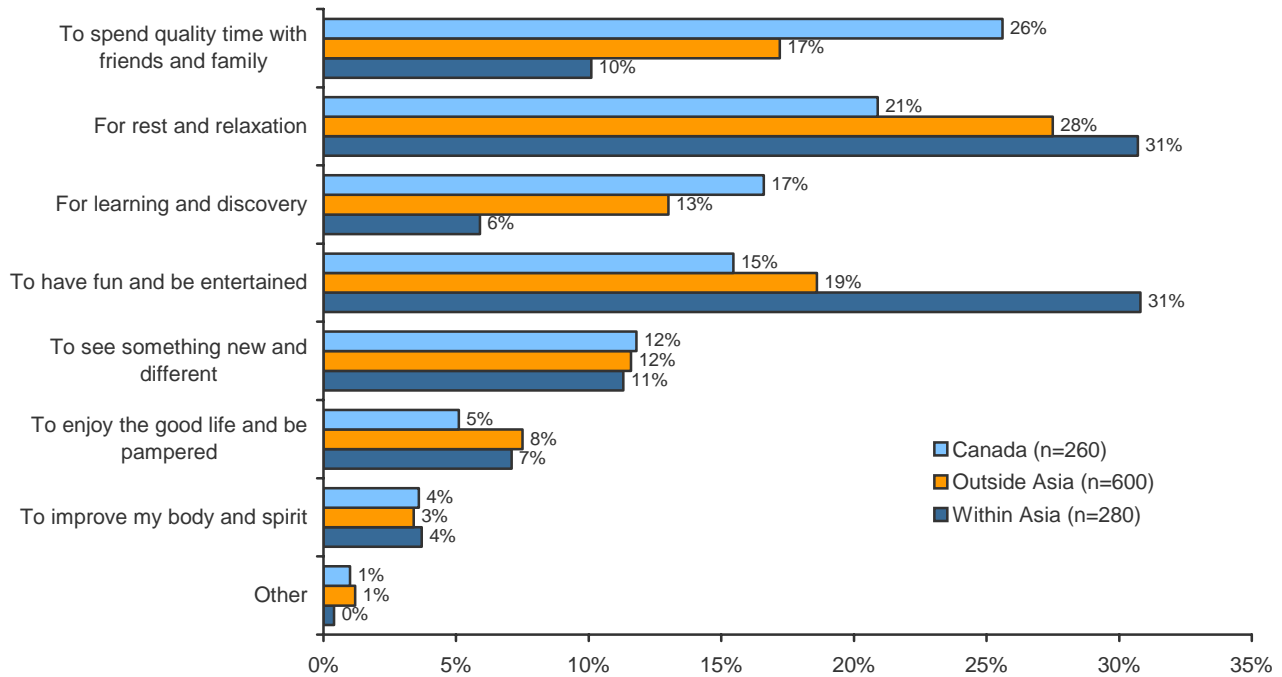


Exhibit 2 – Primary Reason for taking trip



Chinese trips to Canada often span the country, with most travellers visiting both Ontario and British Columbia (85% and 80%, respectively). Alberta and Quebec also receive a good measure of Chinese visitation (19% and 15%, respectively). 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.

MARKET SIZE AND POTENTIAL FOR CANADA

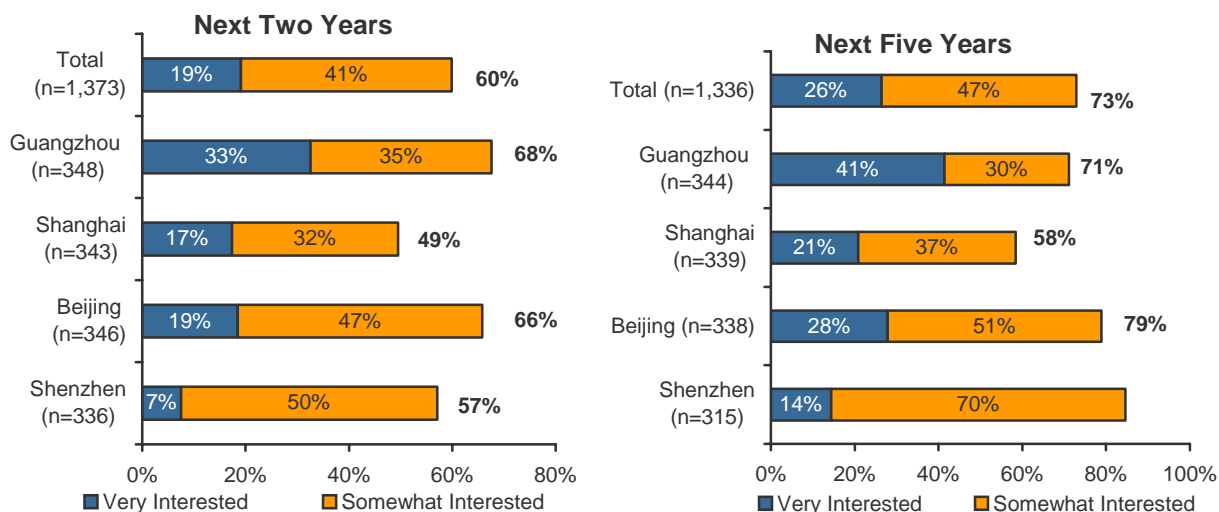
The size of the potential market for Chinese pleasure travel outside Asia is estimated at more than 2.8 million travellers in Canada’s four key ADS markets – Beijing, Shanghai, Guangzhou and Shenzhen. Potential travellers outside Asia represent an elite group among the Chinese population at large, being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

Exhibit 3: Incidence Rate and Potential Market Size for Travel Outside Asia

	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
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.

Exhibit 4: Interest in Visiting Canada by Market



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.

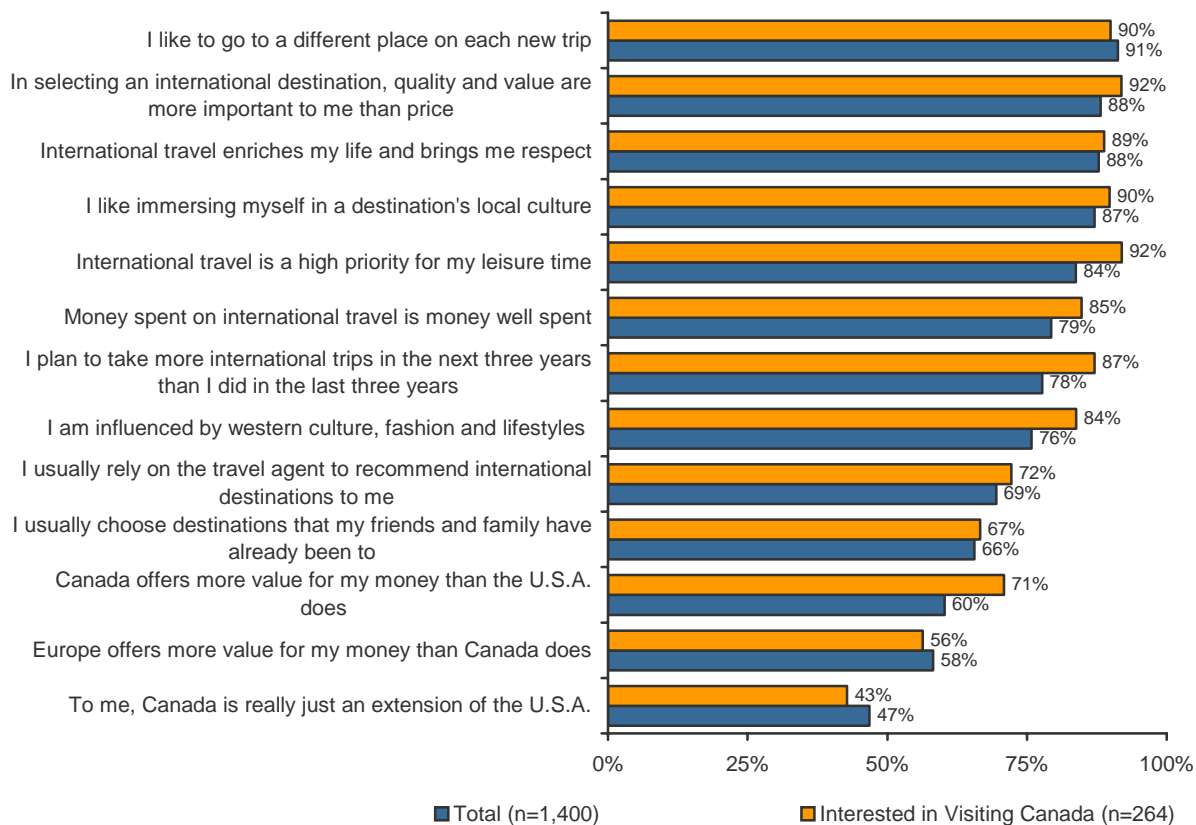
Even conservatively, this interest translates into a market of some half million potential Chinese visitors for Canada over the next two years. Canada generally appeals to well-established, middle-aged families with a VFR connection, although it is the older, more well-to-do travellers that have been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

TRAVEL ATTITUDES 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.

Exhibit 5 – Attitudes Toward Long-haul Travel

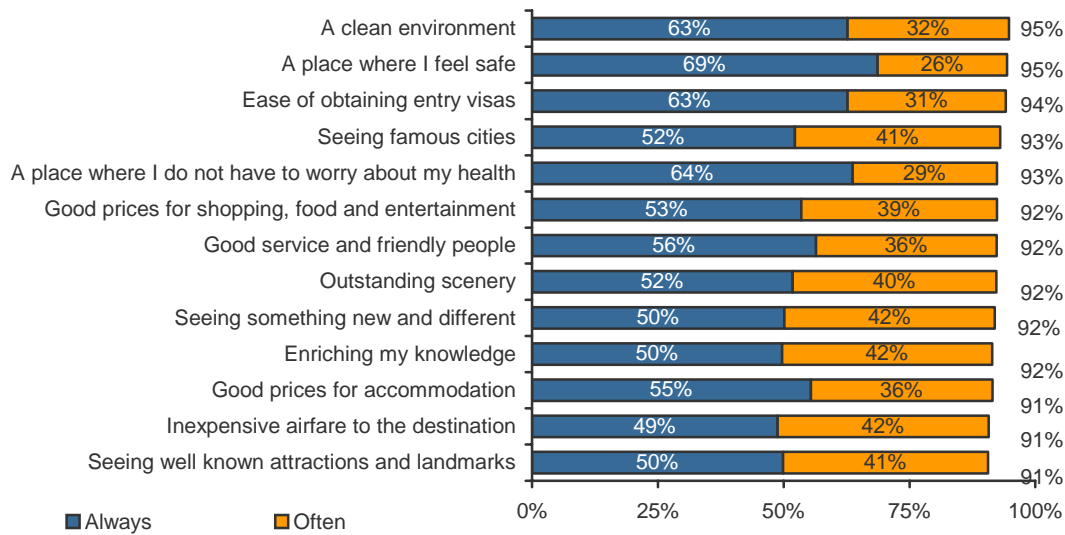


Notes: Percentage who somewhat or strongly agree. Interested in visiting Canada includes those who are very interested in visiting Canada in the next 2 years. "International" was used as a respondent-friendly term for long-haul and was defined in an equivalent way.

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.

Exhibit 6 – 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.

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.

Exhibit 7: Top Motivational Segment Profiles*

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.

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.

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.

* Characteristics that make each motivational segment *unique* from the other segments.

PERCEPTIONS OF CANADA

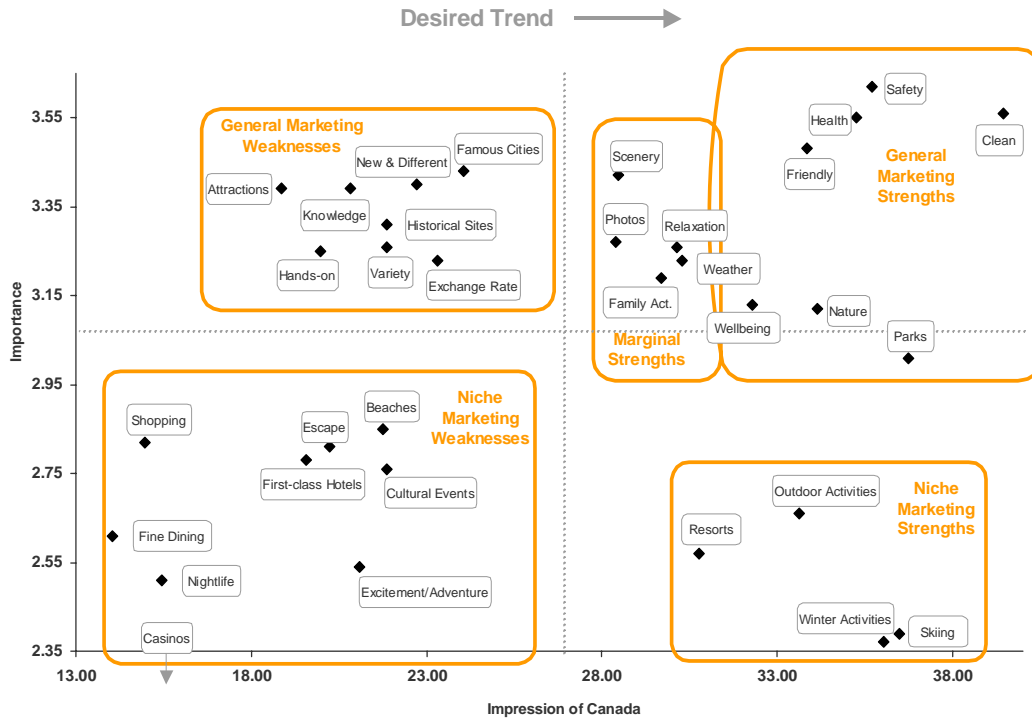
Canada’s major appeal among Chinese travellers is as a safe, clean and welcoming vacation destination, however, it is seen as lacking concrete attributes to pique their interest. Famous attractions and cities are the immediate key, and Canada will need to build awareness around Toronto, Vancouver, Niagara 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.

Exhibit 8 – Marketing Strengths and Weaknesses for Canada

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

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



General marketing strengths 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.

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.

Niche marketing strengths appeal to a smaller group of travellers and represent potential niche markets to be developed or targeted.

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).

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.

Exhibit 9 – Awareness of Specific Destinations by Region

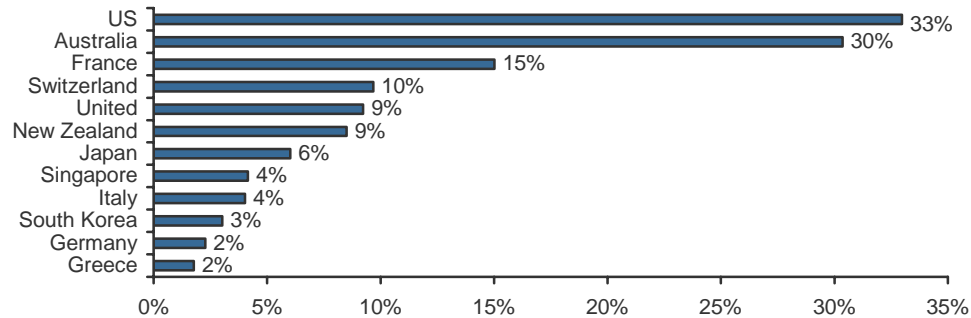
<u>Ontario</u>		<u>Alberta</u>		<u>British Columbia</u>	
Province (General)					
Ontario	4%	Alberta	0.1%	British Columbia.	1%
Cities					
Toronto	71%	Calgary	0.4%	Vancouver	67%
Ottawa	31%	Edmonton	0.1%	Victoria	13%
Niagara Falls	25%			Prince George	1%
Windsor	3%				
London	1%				
Other Areas or Attractions					
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%	Rocky Mountains	8%	Butchart Gardens	1%

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

COMPETITIVE POSITIONING

The US, Australia, Europe (France, Switzerland, the UK, and Italy in particular) and New Zealand will make up Canada’s competitive set post-ADS.

Exhibit 10 – Other Long-haul Destinations Potential Travellers to Canada are Interested in Visiting



Note: 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).

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.

Exhibit 11 – Top-rated Attributes for Six Long-haul Destinations

Canada (n=260)	US (n=102)	Australia/New Zealand (n=178)
Chinese restaurants (64%)	Visiting friends and relatives (50%)	Scenic landmarks (73%)
Visiting friends and relatives (37%)	Chinese communities (35%)	Visiting friends and relatives (36%)
National or provincial parks (32%)	Other family attractions (22%)	Aboriginal culture (27%)
Chinese communities (31%)		Wilderness/ ecological sites (24%)
Wilderness/ ecological sites (22%)		Beach (20%)
Archaeological sites (14%)		Viewing wildlife (17%)
Winter activities (8%)		

Exhibit 11 – Top-rated Attributes for Six Long-haul Destinations

Europe (n=300)	Southeast Asia (n=171)	Other Asia (n=100)
Historical sites (57%)	Scenic landmarks (72%)	Brand name shopping (61%)
Brand name shopping (45%)	Guided excursions (25%)	Guided excursions (26%)
Museums/ Galleries (41%)	Casinos (25%)	Spa or hot springs (19%)
Commemorative sites (27%)	Coastal attractions (20%)	
Archaeological sites (13%)	Beach (20%)	
Winter activities (7%)	Water sports (13%)	
	Viewing wildlife (11%)	

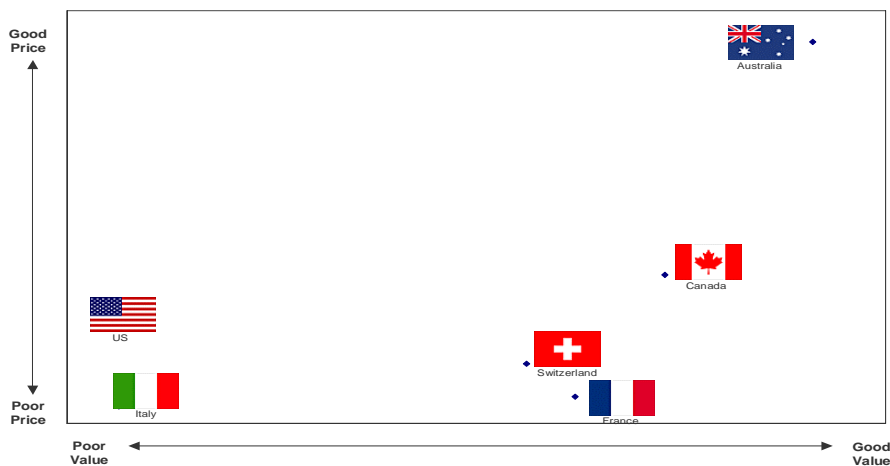
Notes: Figures represent the percentage of respondents choosing the destination among the top 2 places to go for each attribute. The cut off was 35% for all destinations.

Canada is solidly positioned for Risk-Free Travel (presented in exhibit 6), 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.

Exhibit 12 – Market Perceptions of Price vs. Value for Different Long-haul Destinations



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.

CLOSING REMARKS

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.

KEY FINDINGS from Qualitative Research (Travel Trade Interviews)

- Since the leisure travel market first opened up in the early 1990s, outbound travel from China has seen explosive growth. Between 1994 and 2004, outbound travel grew at a healthy clip of 24% per year, fuelled by the government’s increasing liberalization of outbound travel, a burgeoning economy and the growing affluence of Chinese citizens. By 2020, China is expected to be one of the world’s largest origin markets for tourists, with over 115 million departures each year.
- The Chinese long-haul pleasure travel market is still in its infancy and tends to be dominated by large groups of Chinese travelling on package tours. However, some of the characteristics of more mature markets are starting to emerge – FIT, special interest travel, luxury travel and “deep” travel to absorb the culture and lifestyles of a destination. These trends are expected to hit the mainstream in 3 to 5 years.
- The top competitors for Canada in the long-haul market are Australia and Europe. Australia is a relatively mature destination in the Chinese market, with strong nature products at a competitive price. More recently opened, Europe appeals to the Chinese on the basis of its deep history and culture, and the opportunity to visit many countries on a single trip. Canada will require strong marketing programs backed by heavy investment to compete with these well-entrenched destinations.
- Once it opens, the US will likely be the strongest competitor for Canada. The US benefits from greater social awareness in China, is perceived as offering more to do, and is seen as having more modern and trendy cities. At the moment, however, Canada has the upper hand, being the first to gain ADS.

MARKET CHALLENGES

- The Chinese market has some unique characteristics that, taken together, can make market development a challenge. These include the need for balanced visa regulations, a cut-throat retail environment, a lack of quality standards for travel products, severe shortages in air capacity, and cultural differences such as short vacations and last-minute bookings.
- An effective visa policy is a must for any new ADS destination, including Canada. According to the trade, destinations that have lower rejection rates, process visas faster, have streamlined processes and are more service-oriented are more likely to win their attention and the interest of consumers. At the same time, visa regulations need to be stringent enough to prevent illegal immigration or overstays. Striking a proper balance is a must.

- The Chinese travel trade recommends that new destinations be opened slowly, through a selective partnership with the larger, more reputable Chinese travel agencies. This will help to minimize both illegal stays and product quality issues in the absence of industry standards.
- The Chinese airline industry has not kept pace with the rapid expansion of the market, leading to severe shortages in flight capacity. This is exacerbated by the fact that much of the outbound travel from China occurs during the three Golden Weeks, leading to huge peaks and valleys in market demand. Ensuring sufficient direct flights will be a necessity for Canada given its distance from China and the short vacations that are characteristic of this market.

PRODUCT DEVELOPMENT AND MARKETING CONSIDERATIONS

- The three most important criteria for Chinese consumers in choosing a long-haul travel product are price, price and price. The penchant for shopping aside, this market is an extremely price-sensitive one, with many travellers choosing products solely on the basis of lowest cost. Most do not yet understand the concept of value for money, preferring to pay for bare bones products with as few extras as possible.

Perceptions of Product Value

- Offering a small discount on package price is one of the best ways to enhance perceptions of its value.
- More experienced travellers are shrewder, however, and will take product quality and service levels into account. They will visit different travel agencies to compare various offers and validate hotel quality on the Internet.
- In general, the Chinese market does not see add-ons as adding value if they have to pay for it. In fact, this line of thinking is helping to fuel the growing FIT market. FIT appeals to Chinese sensibilities as they only have to pay for the specific services they want. For these travellers, travel agency assistance with the FIT visa application process is often the best way of adding value.
- There are some small extras that would be perceived as adding value to travel products, as long as it is clear to travellers that they are free of charge, such as: free airport pick-up, even for FIT travellers; a complimentary dinner or special reception; a free day excursion, including meals; admission tickets or discount coupons to major attractions; a free show or entertainment; complimentary upgrade from a 3-star to 4-star hotel; or a small gift or memento.

- Careful attention needs to be paid to the special needs and demanding nature of Chinese travellers when developing travel products for this market. Destination tourism bureaus, receptive operators, local guides and other suppliers will all require special training programs to help them understand the cultural differences, quality standards and special requirements of Chinese travellers.

Special Requirements of Chinese Travellers:

- **Accommodations:** In the past Chinese travelers didn't really care about the type of accommodation, with three-star hotels considered appropriate. However, this is starting to change, with four-star hotels being ideal, and five-star hotels preferred by higher-end travellers.
- **Food:** Most Chinese do not enjoy other cuisines, so the majority of the meals should consist of Chinese food. However, it is important to have several meals that reflect local specialties to sate their curiosity about local flavours.
- **Transportation:** The specific airline and type of coach used is important to Chinese travellers, with safety being a key consideration.
- **Tour Itineraries:** Western-style itineraries almost always have to be compacted for the Chinese market (in order to include as many famous cities, attractions, and landmarks as possible). A tour manager that stays with the group for the entire trip is required, as well as professional and knowledgeable local guides
- **Entertainment:** Chinese travellers enjoy having entertainment at night. If included in the package, several options should be presented as everyone has different interests.
- **Shopping:** Some Chinese now prefer to shop freely on their own.

- When developing long-haul products, the Chinese travel trade relies primarily on the websites and staff of destination tourism bureaus, receptive operators and other local suppliers. Websites targeted at the trade need to contain sufficiently detailed information, be updated on an ongoing basis, provide an avenue for inquiries, and of course, be in Chinese.

Desired Website Information

- Overview of the country;
- Geography and maps;
- Overall history and culture;
- Information on the economy, political situation, population, etc.;
- Weather and time zone information;
- Local laws, customs and traditions;
- Travel tips;
- Travel-related news (updated every day)
- Timing of peak and low seasons;
- Flight information (availability and cost);
- Tour itineraries and detailed pricing;
- Key tourism attractions -- hours/seasons of operation and admission prices;
- Profiles of key cities;
- Distances and travel times between key cities;
- Hotel information and pricing;
- Transit times between hotels and attractions;
- Shopping opportunities and store listings;
- Food specialties;
- Restaurant listings;
- Up to date listings of local festivals, exhibitions, sporting events;
- Listings of conventions, conferences and trade shows;
- Museum descriptions;
- Entertainment options;
- Information on potential suppliers and partners for the trade;
- Listings of local travel organizations;
- Recommendations for local guides;
- Good photographs of the destination and attractions;
- Feedback from travellers and articles by reporters; and
- Visa application procedures and timelines.

- In terms of local receptives, the trade prefers to partner with market leaders who have the critical mass to negotiate the lowest prices for hotels and transportation. They also seek partners who can speak their language and understand their culture, interests and special needs.
- Many of the marketing success stories in China (e.g., Australia, Singapore, Thailand) have used some combination of TV and newspaper advertising, travelogues and newspaper articles when targeting consumers, supported by regular road shows, FAM tours and exhibitions for the trade. Taken together, these activities demonstrate that a destination values Chinese tourism and welcomes China's travellers to its shores. Below are some of the newspapers that are felt to have particularly good travel sections, along with some of the key trade and travel magazines consulted:

Daily Newspapers

- Shenzhen Economic Daily;
- Shenzhen Special Zone Daily;
- Beijing Youth Daily;
- Beijing Evening News;
- Shanghai Morning Post;
- Shanghai Times;
- Guangzhou Daily;
- Yangcheng Evening News.

Trade Press / Travel Magazines

- Traveler;
- Trend Travel;
- National Geographic Traveler;
- Travel China;
- Travel Weekly;
- China Tourism News;
- Travel Times;
- Tourism Tribune.

- The personal touch is important when marketing travel products in China, with mass media initiatives usually supported by more personalized approaches such as customer promotions, direct mail, street and mall intercepts, and group or in-home presentations by agency sales teams.

PERCEPTIONS OF CANADA

- Along with the US, Canada is perceived by the Chinese as being the epitome of a rich, well-developed nation. The trade views Canada as a desirable place to live, with good quality of life and a large Chinese community. It is also seen as a vast and beautiful country, with wide-open spaces and extraordinary scenery. The image of the maple leaf stands out clearly in the minds of the trade, and is the icon most closely associated with Canada.
- As a tourism destination, Canada is seen as having rich scenery and nature, with both autumn and winter imagery predominating. Linked to this imagery is a feeling of peace and relaxation, which is felt to make Canada an ideal holiday destination for the Chinese.
- These images are juxtaposed with those of Canada's modern cities, with Toronto, Vancouver and Ottawa all being top-of-mind destinations. In fact, it is this juxtaposition of natural beauty and high-tech metropolises that lies at the heart of Canada's strength in this market.
- Virtually all of the trade representatives are aware of the Toronto-Niagara Falls-Ottawa region to some degree and it is considered a must-see. The Vancouver-Victoria region also enjoys high awareness, with Vancouver seen as having parallels to cities in China. The Calgary-Edmonton region is perhaps the least familiar and suffers from some serious misperceptions due to lack of awareness.

POTENTIAL FOR CANADA

- The potential for Canada post-ADS is felt to be very good to excellent, driven by a strong curiosity factor and the desire of the Chinese to see its modern cities and western culture first-hand. Sustaining the market, however, will depend on the strength of Canada's marketing programs and how it handles the all-important visa and air capacity issues.
- Touring and sightseeing offer the best immediate potential for Canada as Chinese visitors to a new destination inevitably want an overview of the country. The Chinese are still very generalized travellers who enjoy variety in their sightseeing, so tour products should incorporate a good combination of nature and cities, along with a taste of history and culture.
- Longer-term, Canada's strength in China, as in most international markets, lies in its nature and scenery products. Canada is felt to have superior scenery to the US and more unique nature than Australia, allowing it to compete successfully in China, as well as on the world stage.
- Skiing and golf are high-end products that appeal to more affluent Chinese, and both are felt to offer some future potential for Canada. At this point, however, the market for specialized products is still very small, and Canada will need to develop special marketing and sales channels if it wishes to reach these market niches.
- A challenge that must be addressed almost immediately is lack of awareness in the marketplace. The Chinese travel industry knows very little about Canada's tourism attributes, and consumers even less. The trade strongly recommends that Canada start ramping up its marketing activities now, particularly those that will help the trade get up to speed.
- Canada needs to develop a strong brand image in China, as the Chinese are deeply influenced by a destination's "character." Canada also needs to start building the reputation and cachet of its cities and attractions as the Chinese are drawn to "famous" places. Canada should also highlight its distinctive regional variations to appeal to the Chinese sensibilities of visiting several different "countries" on a single trip.

RECOMMENDATIONS FOR CANADA

A golden opportunity lies before Canada. Opening up to Chinese tourists ahead of the US, it will draw the attention of many Chinese, curious to get their first glimpse of a powerful western nation. According to the trade, interest will be strong initially, but the challenge will be for Canada to sustain the market beyond curiosity-seeking and to build it into a flourishing and vibrant market in the coming years. The Chinese travel trade had a number of key suggestions and recommendations for the Canadian tourism industry in this regard.

MARKETING RECOMMENDATIONS

- **Start now.** A clear message from the trade is that Canada should begin its marketing activities prior to obtaining final ADS approval. The trade acknowledges that Canada has launched some activities, but feels these are “far from enough.” Although there is high social awareness of the country, consumers and industry alike know very little about its tourism attributes. Canada needs to start enhancing its overall profile in China, developing its “word-of-mouth reputation” as a tourism destination, and making Chinese aware that it is more than an adjunct to the US.

“The most important thing is to establish recognition and reputation. Consumer recognition is crucial.”

“Canada needs to start now. We don’t see any promotion activities.”

- **Use the web.** One of the first steps should be to establish a consumer website in Chinese. This website should include very detailed information on Canada and be linked to popular consumer portals in China, such as Sina and Sohu. Sina has a travel section containing links and articles on long-haul travel. Sohu also has a travel section with information on a variety of different countries – Canada is not currently among them.
- **Engage the Chinese travel trade.** Canada also needs to get the Chinese travel trade up to speed and on side. While most of the trade can name some of the key cities and sights in Canada, they have difficulty actualizing them due to lack of detail. They would like to start learning more about individual destinations within Canada, and what there is to do and see at each one. There is an immediate need for materials such as VCDs, brochures, catalogues and directories so the trade can start to prepare.

As final ADS negotiations progress, Canada should begin doing large-scale road shows, FAM tours and product launch seminars for the Chinese trade and the media. This is considered the best way of introducing a new destination and establishing an initial working relationship with the trade.

Canada will also need to mobilize its outbound agent training programs to help the trade get up to speed on how to sell Canada. This is a must, as the trade will not sell destinations that they are not familiar with.

“The industry is the main force in popularizing travel to Canada.”

“Although Canada has started marketing activities now, it is far from enough. They need to do much more so that we become familiar with in a short amount of time.”

■ **Harness the power of television.** The trade was pretty well unanimous in recommending the use of television as the main platform for Canada’s consumer advertising. Although expensive, television is by far the most powerful and influential of the mass media. According to the trade, Australia, Singapore and Thailand have all launched successful TV campaigns that have made a deep and lasting impression on Chinese travellers. Television initiatives should be supported by newspaper advertising, which is also an effective way of reaching and influencing high-end consumers.

Developing travelogues or travel documentaries for Chinese television will also help to cultivate the interest of potential travellers. One way to do this is to invite Chinese reporters to travel across Canada and cover the trip through a travelogue. Africa did this quite successfully with its “Walk Into Africa” program.

“Advertising through television is most important.”

■ **Use newspaper for depth.** To support Canada’s television initiatives, the trade recommends the use of travel features and articles in the newspaper. Most affluent Chinese read the newspaper regularly and prefer written text to impart detail. Well-written travel articles will help to build depth in Chinese perceptions of Canada beyond what can be conveyed in television advertising.

■ **Showcase famous places.** In China, it is critical to understand the allure of “famous” places. A destination may not necessarily be that attractive, but as long as it is “famous,” it will hold some interest for the Chinese. Moreover, it is not sufficient for the trade to tell customers that a city or attraction is famous, travellers need to see it on television, in books and in the press to believe it. This is partly why the use of mass media is so critical.

According to the trade, Canada benefits from the fact that Toronto, Vancouver and Niagara Falls already qualify to some extent as “famous” among the Chinese. Canada’s marketing efforts should showcase these places, as well as build up the fame and cachet of other products such as Banff National Park.

- **Use celebrity endorsements.** Some long-haul destinations have met with good success using well-known celebrities to promote them. One industry representative suggested that Canada use Dashan, one of the most famous Canadians in China, as a spokesperson. A cultural icon across the nation, he regularly appears on Chinese television. An endorsement by him or someone similar would carry significant weight in China.
- **Develop a strong brand image.** According to the trade, Canada lacks a distinct and vivid image in the minds of Chinese consumers. Strong branding themes are a must for this market, not only for destinations, but also for individual products. Canada's success in this market hinges on the creation of a unique brand image and a solid market positioning. The trade's initial feelings are that this image should be built around scenery and nature on a grand scale, but this needs to be confirmed through consumer research. Naturally, a good slogan should be developed to convey to consumers the essence of travel to Canada.

“Chinese people choose destinations with a prominent character.”

“As long as Canada has its own character or unique positioning, it will do well.”

The trade recommends that Canada play up its four distinct seasons, with both the fall (e.g., fall colours, maple leaves) and winter imagery (e.g., snow-covered mountains, glaciers, skiing) being particularly appealing. Some suggested that the maple leaf be a focus of Canada's marketing initiatives in China as it is such an attractive and unique icon.

“It is important to promote more season-branded imageries for Canada.”

The trade also suggests that Canada should convey a message of “tranquility” and “relaxation” to appeal to its target market of high-end consumers – in other words, a quiet, stress-free paradise in which to relax and unwind. This will be a particularly important angle when Canada eventually has to compete against the US.

- **Emphasize culture – and cultural differences.** Nature alone will not sell Canada. Marketing initiatives also need to give consumers a sense of its unique culture and heritage and how this differs from what they can see in China. This is a must to build interest and intrigue for any destination in this market. Canada should showcase its modern cities and western lifestyles, the French influence in Quebec, and its indigenous cultures. Canada should also focus on its large Chinese communities, as travellers are very curious to see how their fellow Chinese live elsewhere in the world.

- **Play up regional variations.** Although part of the same country, each of Canada's regions has a distinctive flavour. According to the trade, this is a unique selling point for Canada, akin to seeing several different countries on a single European trip. Canada should play up the distinct characteristics, imagery and culture of each region in its marketing efforts. This will not only make Canada as a whole seem more appealing, but will also help to promote "deep" travel and repeat visits as the market matures.

"There are many things we could choose: the modernity and fashion of Toronto, Ottawa and Vancouver, the beauty and relaxing nature of Banff Park, and the special cultural flavour of Quebec."

"Every region should have a unique selling point."

- **Develop consumer promotions and events.** One of the things that Canada can start doing almost immediately is holding special promotions and events to introduce Chinese consumers to the country. This could include the following:

- Consumer roadshows and exhibitions in ADS cities;
- A special Canada Travel Week or Canada festival to emphasize the country's culture and heritage;
- Contests or lucky draws (like Switzerland does in conjunction with Visa);
- Cultural exchanges; and
- Events in conjunction with high-end clubs and special interest groups.

OTHER RECOMMENDATIONS

The trade also had a number of other recommendations for Canada.

- **Cultivate good political relationships with China.** To a large degree, tourism flows to Canada depend on maintaining strong economic and political ties with China. Japan is a good example – although it has been open as a tourism destination for over five years, the market only heated up recently, after ties between the two governments had strengthened.
- **Resolve visa issues prior to opening.** As discussed in detail throughout this report, visa issues have the potential to severely constrain market development. Canada will need to streamline its application procedures, develop clear acceptance/rejection policies, and speed up turnaround times.

Because Canada is a highly desirable immigration location for the Chinese – more so than Asia or Europe – the potential for illegal overstays is great. Consequently, the trade feels that Canada should open the market slowly in a limited number of cities (which it is doing) and authorize a few of the largest and most reputable travel agencies to apply for visas.

“A selective partnership is important.”

Agencies should be given partial responsibility for screening and ensuring the quality of their customers, using penalties (e.g., loss of ADS rights) in the case of failure. This would put the onus on agencies to be stringent in their recommendations and help to improve visa pass rates. According to the trade, Chinese agencies know many of their customers personally and can tell which ones are simply travelling for pleasure.

■ **Improve air access and pricing.** It goes without saying that Canada will need to increase air access and flight capacity (e.g., more direct flights, more departure and arrival points) to prepare for the anticipated influx of Chinese travellers. The trade also feels that Chinese airlines should be permitted to increase their routes into Canada (at the moment, the only direct flight offered by Air China is the Beijing-Vancouver route). Airfare discounts are also recommended when the market first opens to jump-start travel flows and prevent the market from stalling out due to the high costs.

The trade also urged for greater flexibility in terms of booking air. Currently, Air Canada requires them to book and pay a deposit several months ahead of time. Chinese travellers simply refuse to book that far in advance, and moreover, visa rejections often come at the last minute. It is felt that Canada’s airlines needs to develop a better working relationship with Chinese travel agencies and cater to the special needs of this market like the European airlines have done.

■ **Train local staff on how to service the Chinese market.** Canada should begin to prepare for the imminent market opening. This means adding Chinese signage to airports, hotels and attractions. More importantly, it means training local receptives, guides and service staff across all sectors to understand the Chinese mentality and culture, service and quality standards and how to handle the special requirements of Chinese travellers. These preparations should be started as soon as possible so that everything is in place for the first wave of travellers. This will help to avoid slow-downs in market growth through bad word-of-mouth from returning travellers.

Visa regulations, air capacity and the training of local staff appear to be fairly basic issues, but all have added complexities in the Chinese market that warrant special attention. If not handled deftly from the start, each has the potential to severely hinder market development. Played right, however, and Canada will be welcoming Chinese tourists for years to come.