Competing for America

Changing U.S. Travel Trends to Canada, Findings

Canadian Tourism Commission- Industry Presentation

Presented 3/2/06

By

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Presentation Outline

- Background & Methodology
- Definitions Used
- Where Have We Been?
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  - Destination Satisfaction & Value Ratings
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  - Market Segments Driving Changes
- Where Are We Now ?
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- Executive Summary of Findings
- Next Steps - Research & Marketing Recommendations
  - Marketing Implications for Short-Haul Market
  - Marketing Implications for Mid- and Long-Haul Market

Research Objectives

- Explore why US travel to Canada declining?
- Determine where else people are traveling instead of Canada or have they stopped traveling outside the US?
- Determine the awareness, consideration and image of Canada relative to competitors
- Identify why peoples destination choices are changing?
- Identify and weight factors which deter travel to Canada
- Determine if impediments to travel to Canada differ across Short, Mid and Long Haul Markets
- Identify Target Markets/Segments for Growth

Studies Sourced for this Interim Presentation

Research Steps:

Qualitative:

1) 11 Qualitative Focus Groups conducted across the U.S. among active travelers.
   - Focus group sample was split evenly among Canada and Non-Canada travelers

2) A combined Qualitative and Quantitative Study with an Online Sample was conducted among 700 + Active Travelers (sample split between the Short, Mid and Long Haul Markets).

Quantitative:

3) U.S. Leisure Travelers to Canada analysis from the ongoing *DKS&A PERFORMANCE*/Monitor^{SM}
   - 500K Plus Annual Sample

4) Results from DKS&A *Value*PLUS^{SM} Study, 450 + Annual Sample
   - Visitors' ratings on destination quality and value plus a series of destination, hotel, and attractions attributes.

Full Report Pending:

5) A Quantitative study of 8000 Active US Travelers (Report underway).

Definitions Used in this Presentation

- STAY (Travel Party):
  A travel party visits one or more destinations on a trip. Each Destination captures a Stay (day or overnight) from the travel party.
- PERSON-STAYS:
  Adds to Stay the size of the travel party. A family of four visiting destinations A & B is four person stays for destination A and four person stays for Destination B for a total of 8 person stays.
- PERSON-DAY:
  The total number of people on a stay multiplied by the number of days they are on the stay.
- ROOM-NIGHTS:
  The room demand generated by a travel party staying in a hotel, motel, bed & breakfast, all-suite, and resort hotel. In this presentation we are excluding condo/timeshare ownership or rental, campgrounds, and second-home ownership or rental. A couple staying in a hotel for five nights is five room nights. For perspective, hotels and motels account for 98% of all paid accommodations on a trip basis.
- STATED IMPORTANCE:
  Travelers rating the importance of a set of attributes in selecting a destination to visit.
- DERIVED IMPORTANCE:
  The ability of an attribute to influence customers destination choice or repeat purchase preference.

DKS&A DIRECTIONS

Definitions Used in this Presentation

- UNAIDED CONSIDERATION/AD AWARENESS:
  Respondents are asked an open ended question of consideration or ad awareness.
- AIDED AWARENESS:
  Respondents are provided a list of brands/destinations and asked if they are aware of ads for those brands/destinations.
- Canada TRAVELER - CT:
  Visited in Past 2 years (Short Haul Markets), (5 Years Long Haul Markets)
- NON Canada TRAVELER - NCT:
  Short Mid Haul Market- Not visited in Past 2 Years or 5 years Long Haul Markets.
- AWARENESS GAP:
  Results presented are peoples' perceptions. If someone is unaware or has imperfect knowledge about a product or service they may rate it poorly. A poor rating that results because someone did not know a service or product was available often is termed an Awareness Gap. Ratings lower among non-visitors than visitors are often the result of an Awareness gap.
  - Response: Communication strategies can address the problem
- PRODUCT GAP:
  When visitors experience poor service or product quality, or can't purchase what they want, then a product gap exists. Visitor Ratings below those of non-visitors are often the result of a product gap.
  - Response: New product/service development, retraining to enhance service, repackaging of existing products or reinvestment to upgrade existing products will address Product Gaps

Where Have We Been?

Detailed Findings

Where Have We Been?	Market Assessment Destination Satisfaction & Value Ratings Travel Destinations Visited Market Segments Driving Changes
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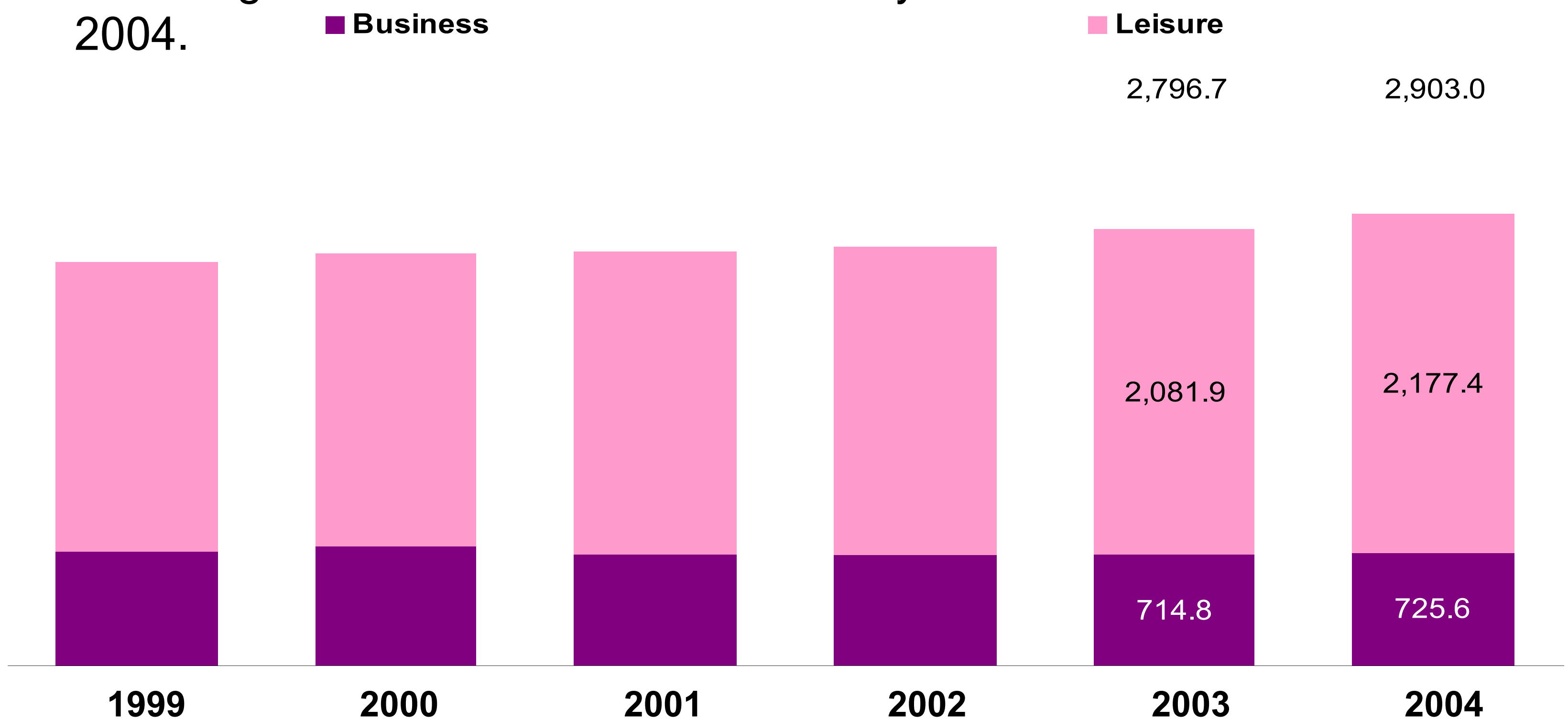
U.S. Person-Stays Volume: Business vs. Leisure
(1999-2004/millions)

- U.S. residents visiting U.S. destinations produced a record 2.90 billion Person-Stays in 2004 (+3.8%). The leisure segment led this growth (4.6%).
- By comparison, the business segment grew only 1.5% in 2004. Leisure grew from 71% of all Person-Stays in 1992 to a record 75% in 2004.

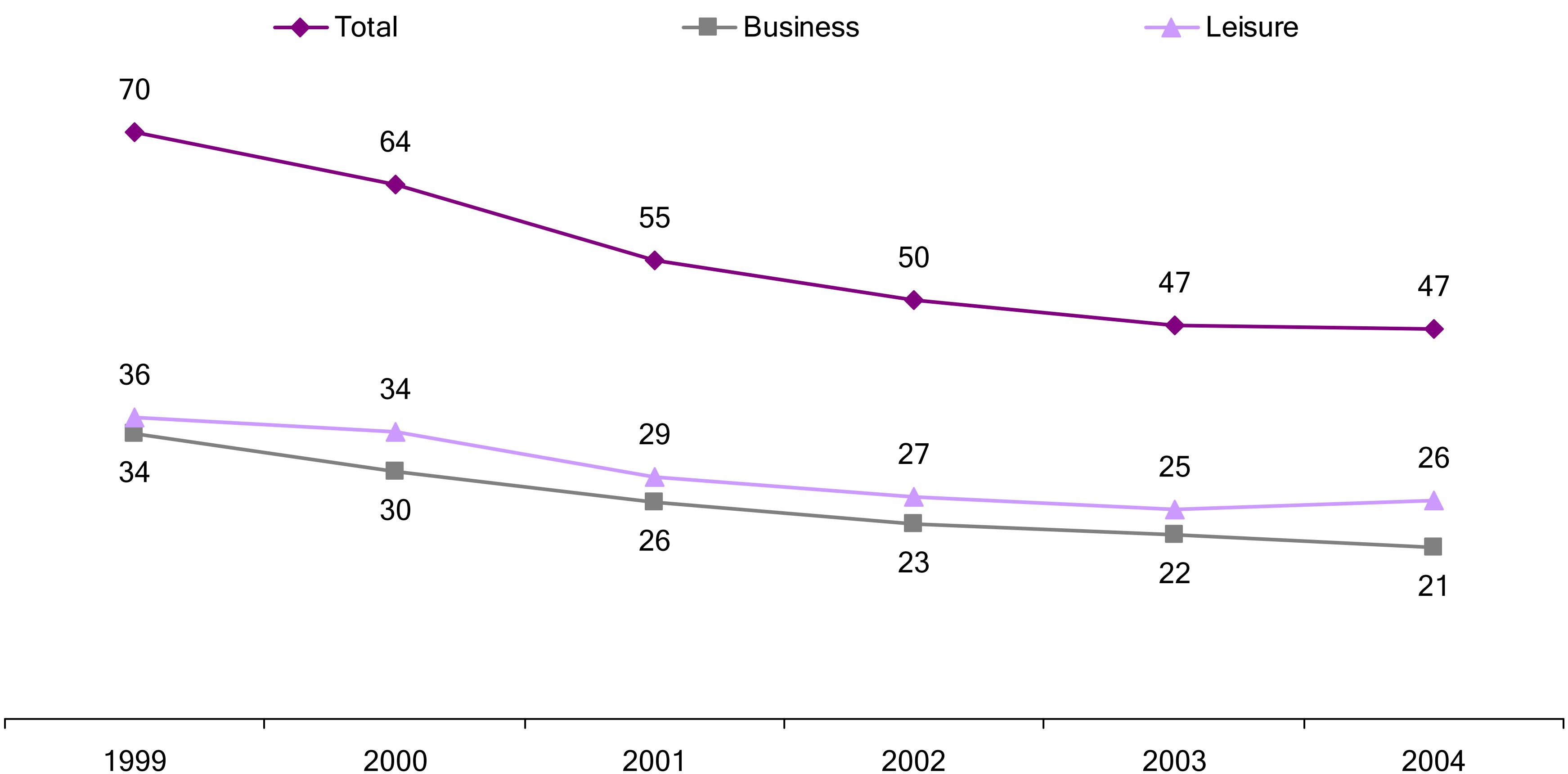


Source: *Performance*/Monitor[SM]

International Room-Night Travel Volume

(1999-2004/ Millions of International Room-Night by U.S. Residents)

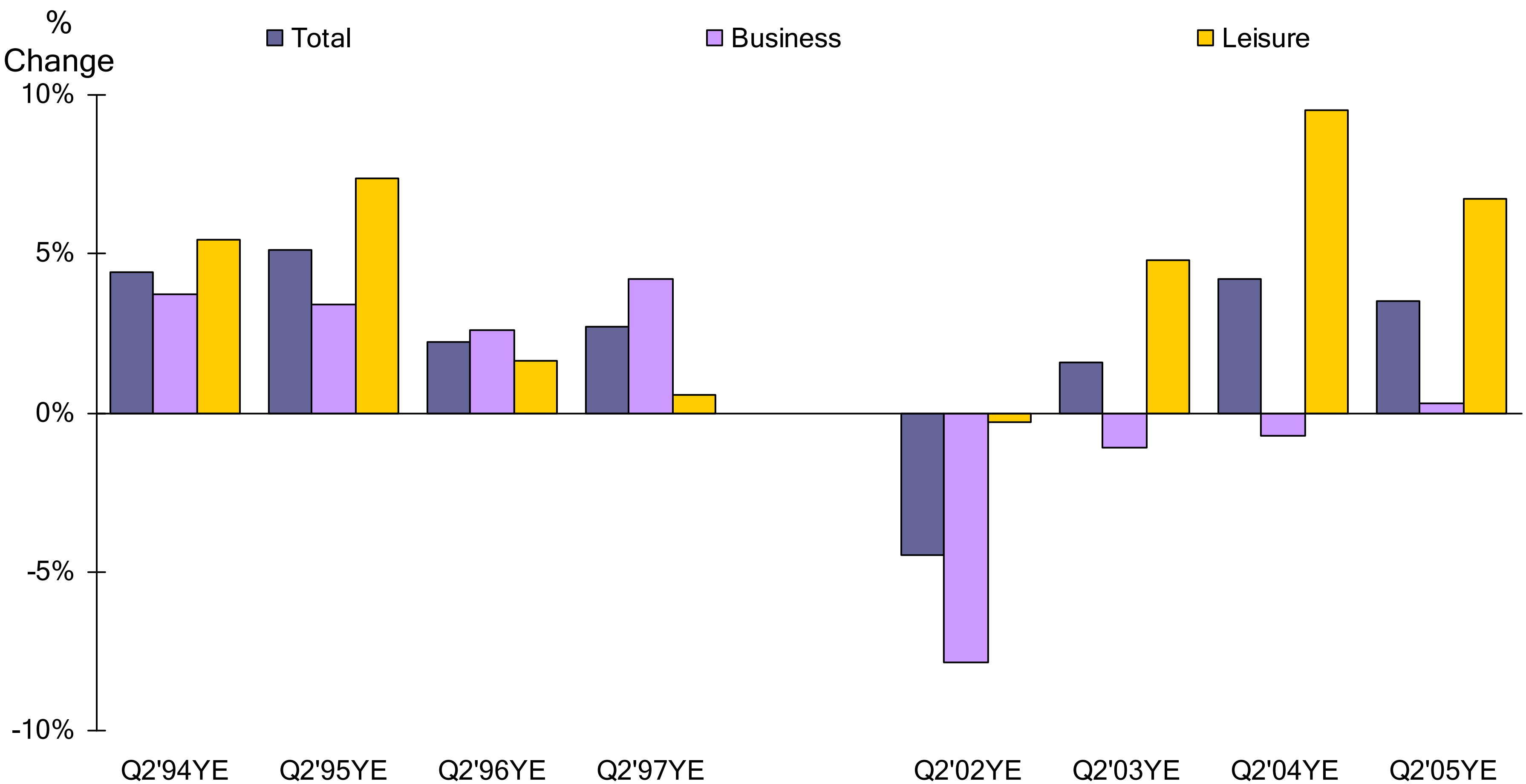
- International Business Room-Nights still declining, While Leisure is picking up again



Source: *Performance*/Monitor[SM]

In mid 90's Business and Total Industry Closely Matched- This Time Business Very Slow to Recover

(Q2'1994 - Q2'2005/ % of Paid Hotel Room-Nights)

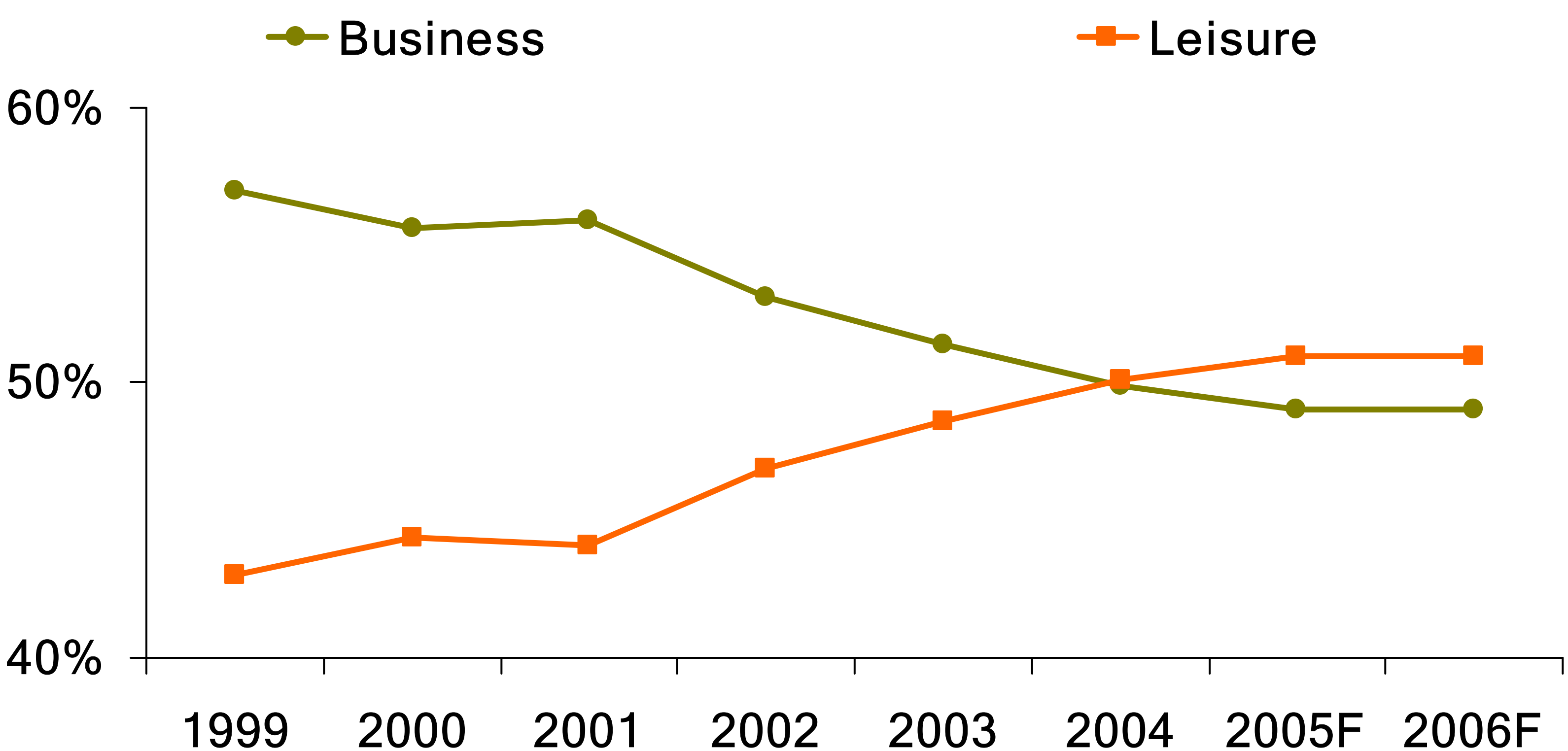


Source: *Performance*/Monitor[SM]

U.S. Domestic Room-Nights Volume: Business vs. Leisure

(1999-2006F % of Paid Hotel Room-Nights)

- In 2004, leisure room nights surpassed business room nights in share of total for the first time. Profound business shift occurring in the US market.

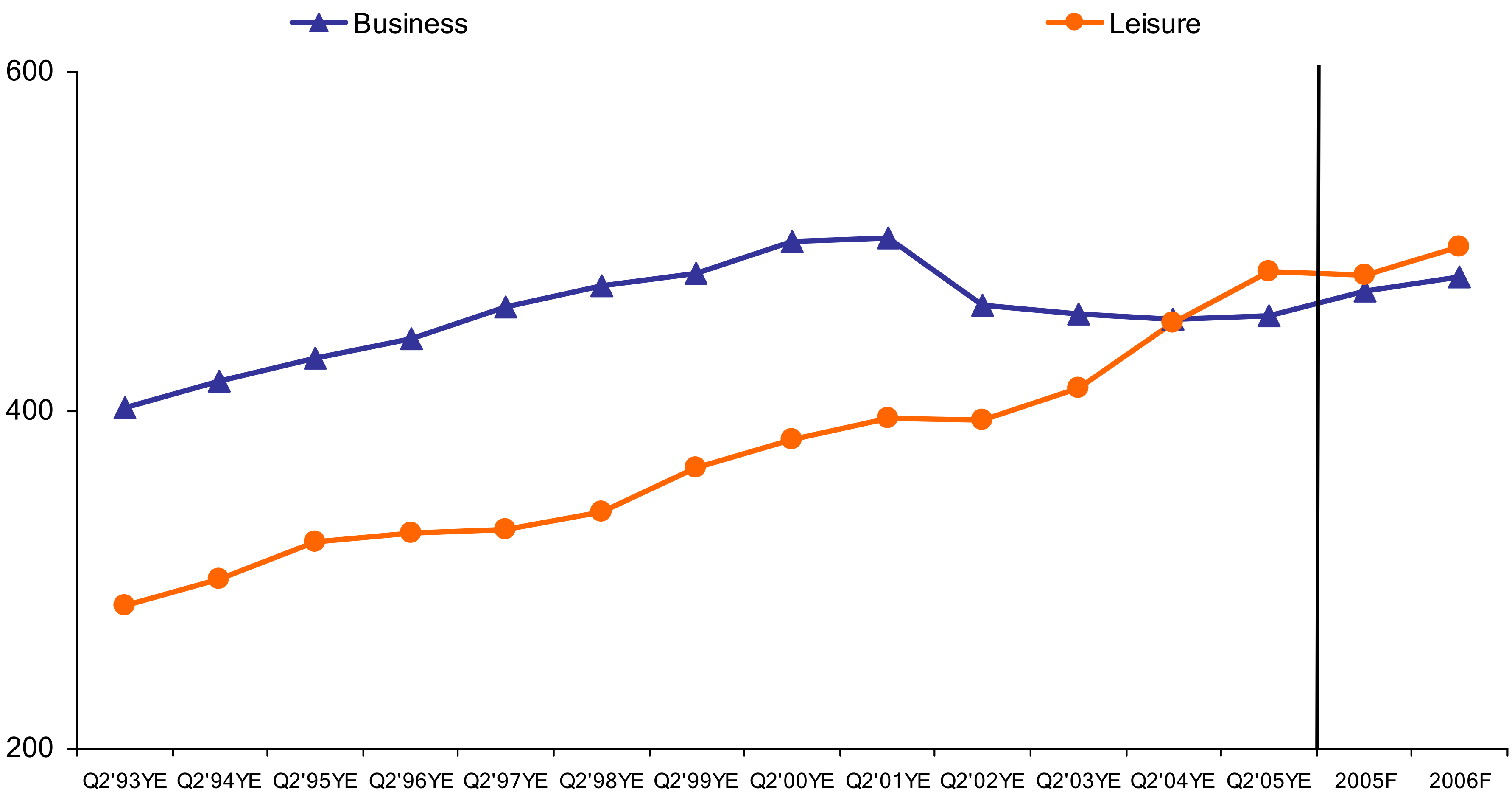


Forecast September 2005

Source: *Performance*/Monitor[SM]

U.S. Leisure Nights Now Surpassing Business

(1993 - 2006F/ Millions of Total Paid Hotel Room-Nights)



September 2005 Forecast

Leisure Guests

Now Provide The Most

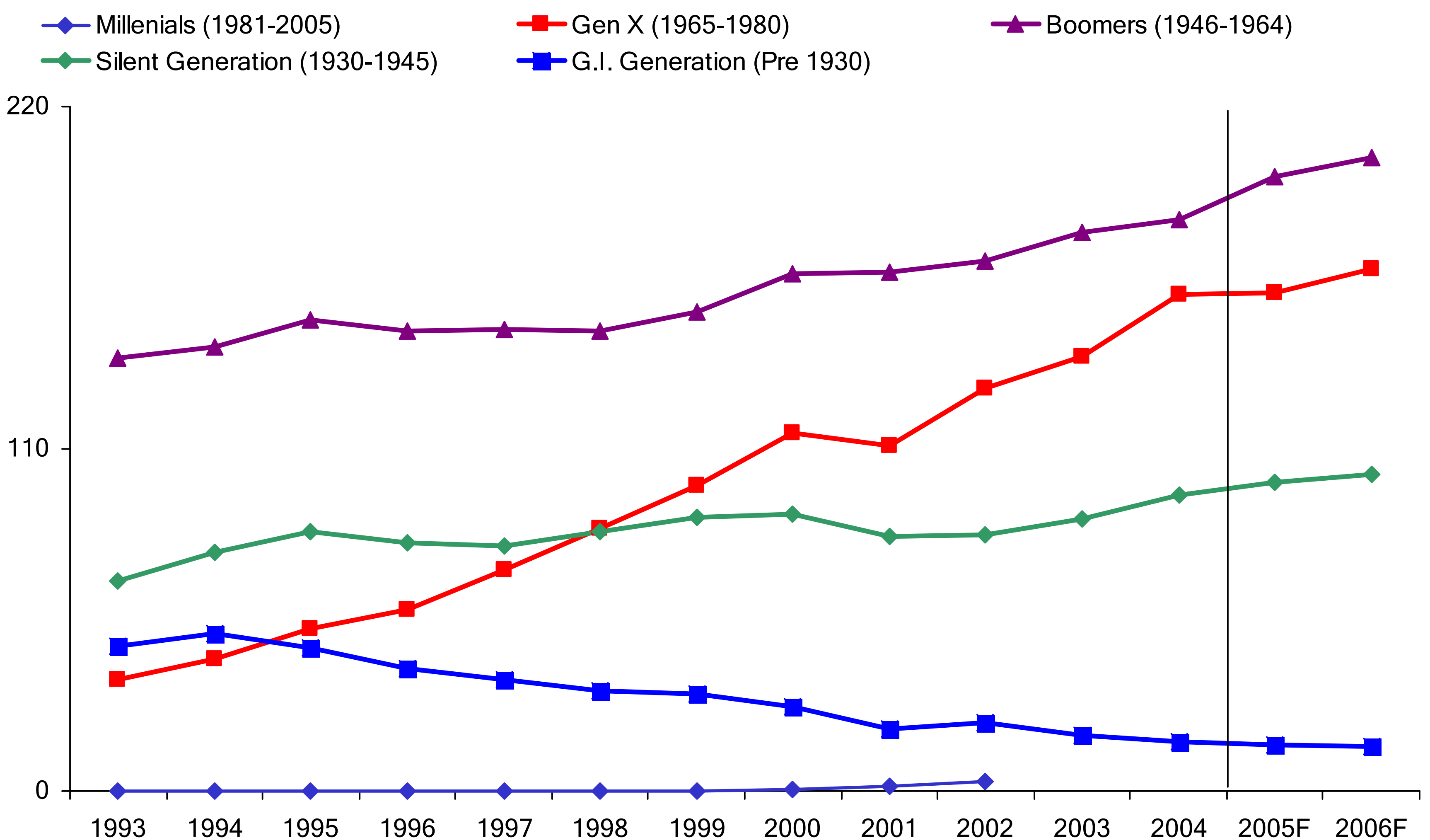
Industry Room-Nights.

Leisure Guests Are Changing

and Different

Gen X, Boomer Leisure on Rise

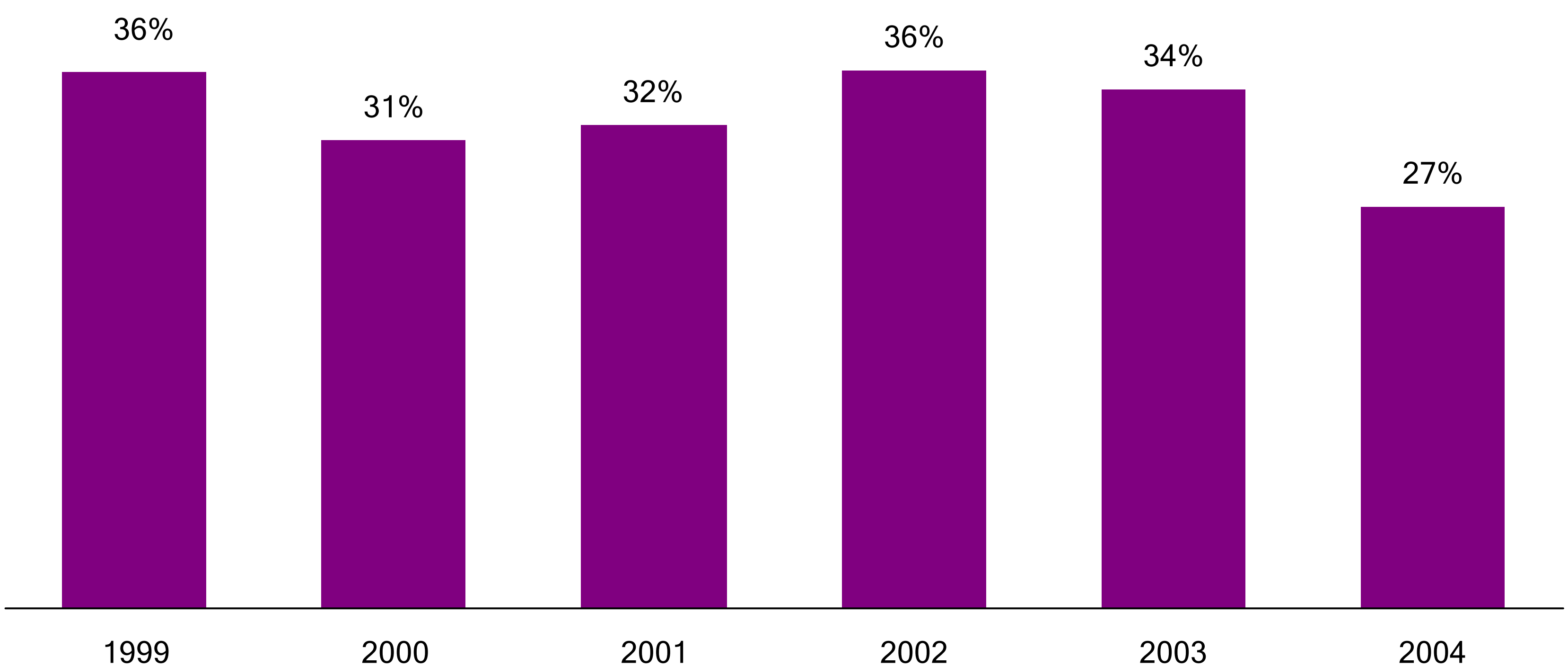
(1993-2006F/ Millions of Total Leisure Paid Hotel Room-Nights)



September 2005 Forecast

Canada's Share of U.S. Outbound Leisure Travel
(1999-2004/% of Leisure Canada Person-Stays by U.S. Residents)

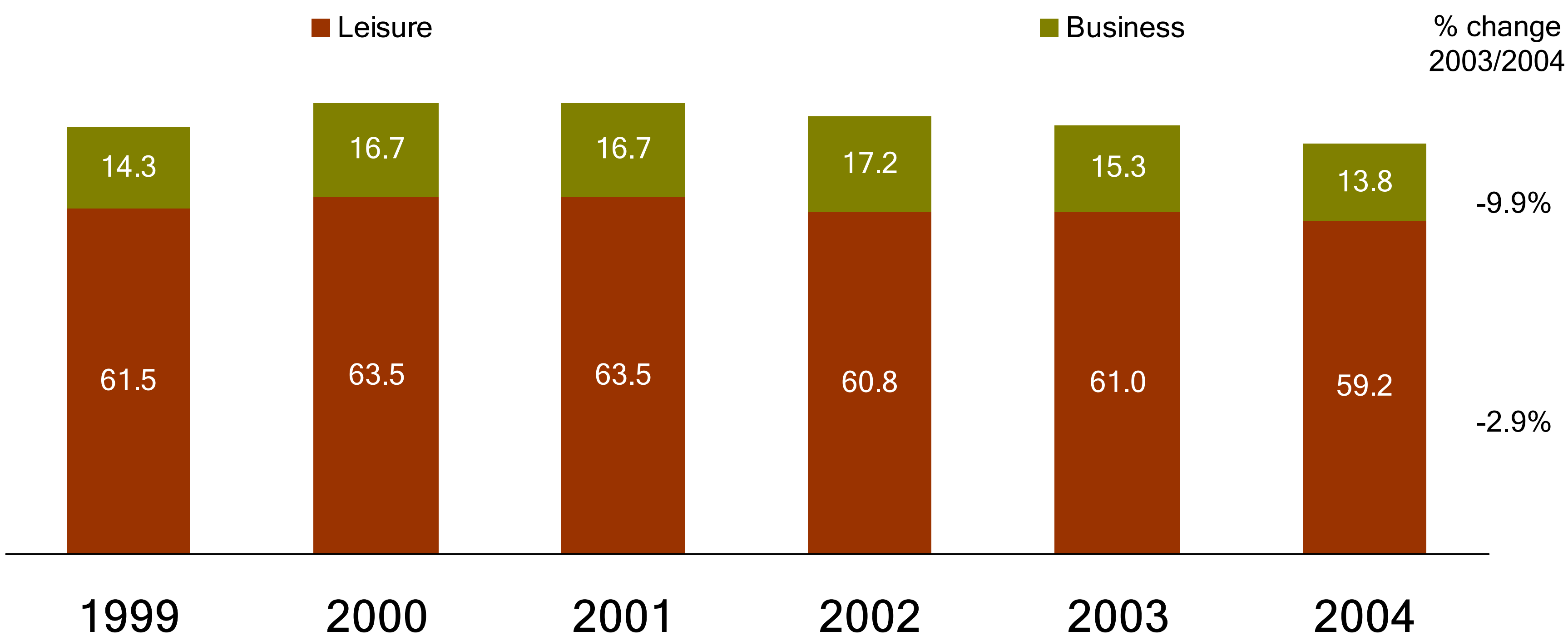
- Canada Gained some share of a declining US outbound market Post 9-11. (Immediate Post 9-11 Canada seen as safer than U.S.)
- Share gains dissolved in 2003-2004. 2005 shows minor share gains.



Source: *Performance*/Monitor[SM]

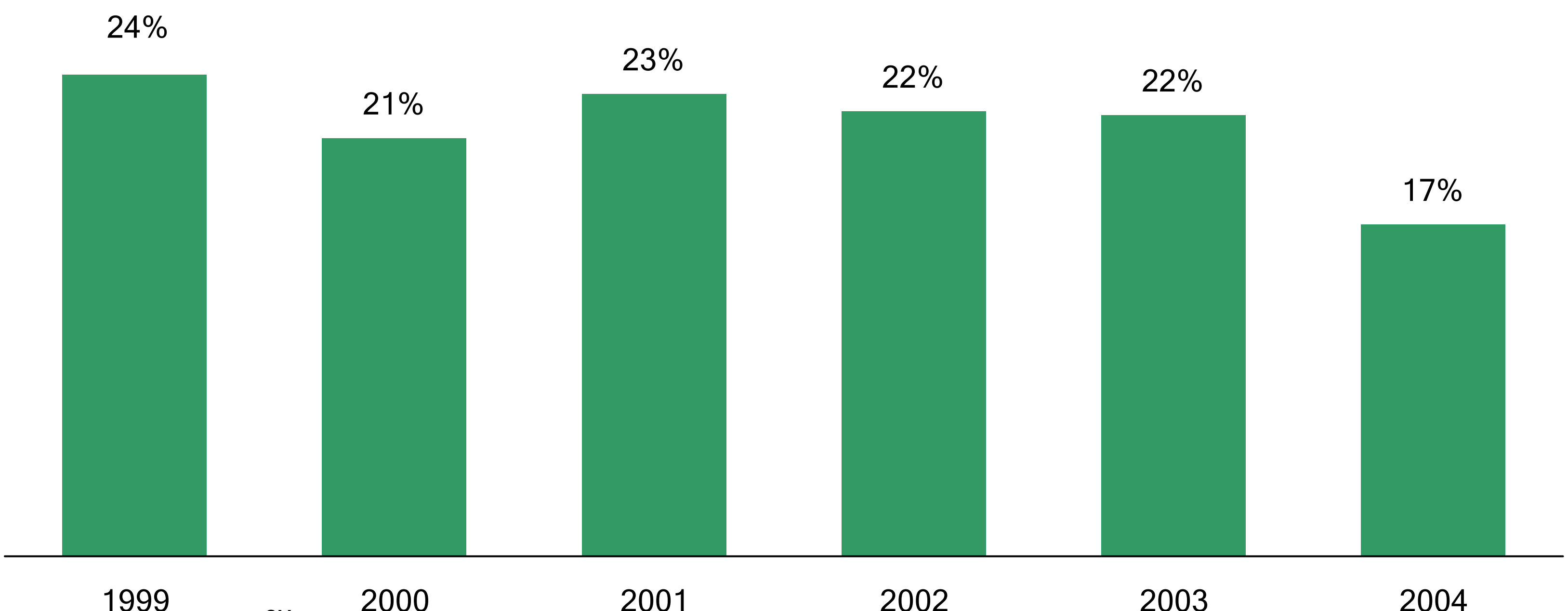
U.S. Travel Volume to Canada
(1999-2004/ Millions of Canada Person-Days by U.S. Residents)

- To identify corrective measures to counter declines, it is necessary to determine problem sources and impacts. In this effort, changes in the number of days in market are as important as changes in the number of visitors.



Canada's Share of U.S. Outbound Travel
(1999-2004/% of Leisure Canada Person-Days by U.S. Residents)

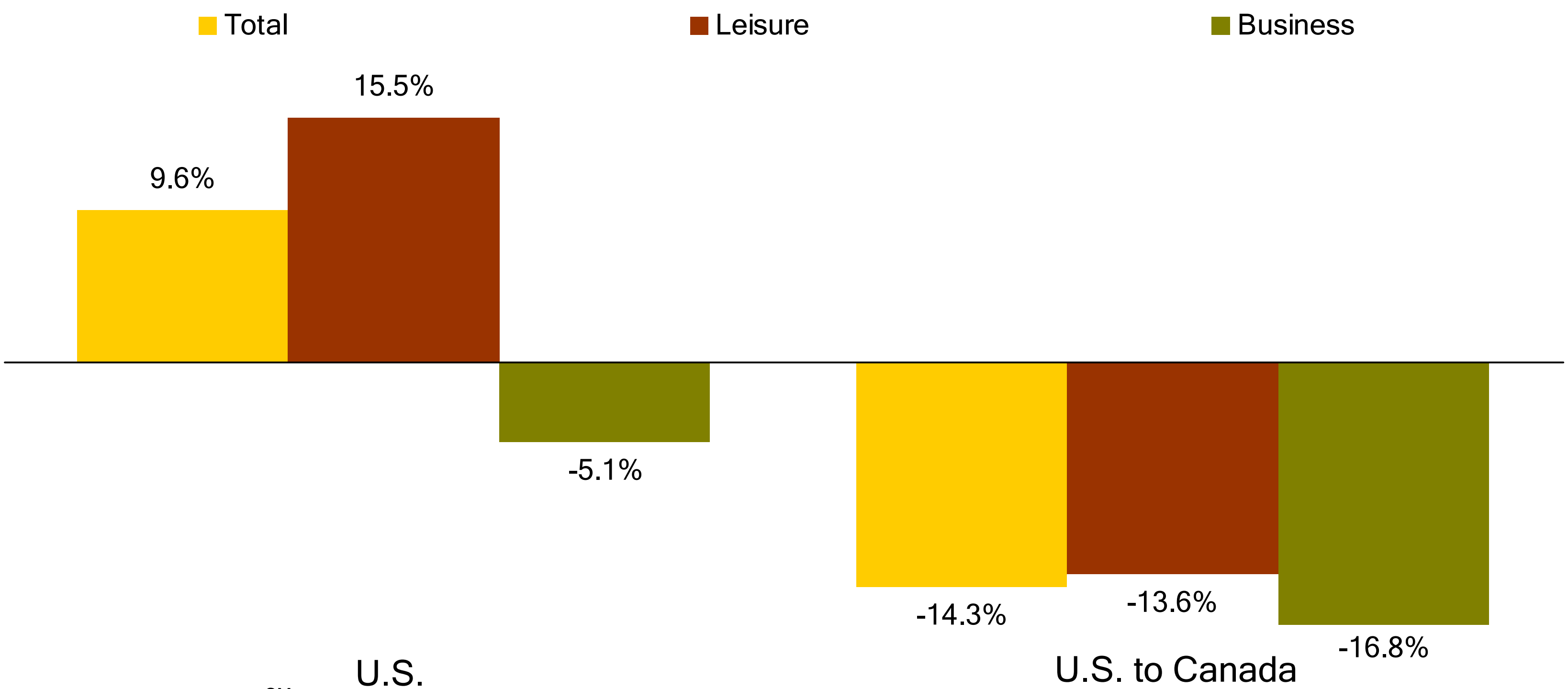
- 2001 saw drop in total US outbound trips which drove up Canada Share of Days.
- Longer trips declined steadily 01-03, Weekend getaways rose thru 04.
- 2002 Low income dropped out - gradual gains by 04.
- 2003 Loss of most affluent
- 2004 saw increase in shorter stay couples, and major drop in Short Haul lower income travelers. Gain in High Income, mid incomes share declined.



Source: *Performance*/Monitor^SM

Change in U.S. Travel Volume
(2000 vs. 2004 % of Person-Stays by U.S. Residents)

- US Business Travel slow to recover - slower still to Canada
- US Leisure Travel led US industry Recovery
- US Leisure to Canada rose 01-02 then fell and remains depressed
- Canada net losses are significant.



Source: *Performance*/Monitor℠

Detailed Findings

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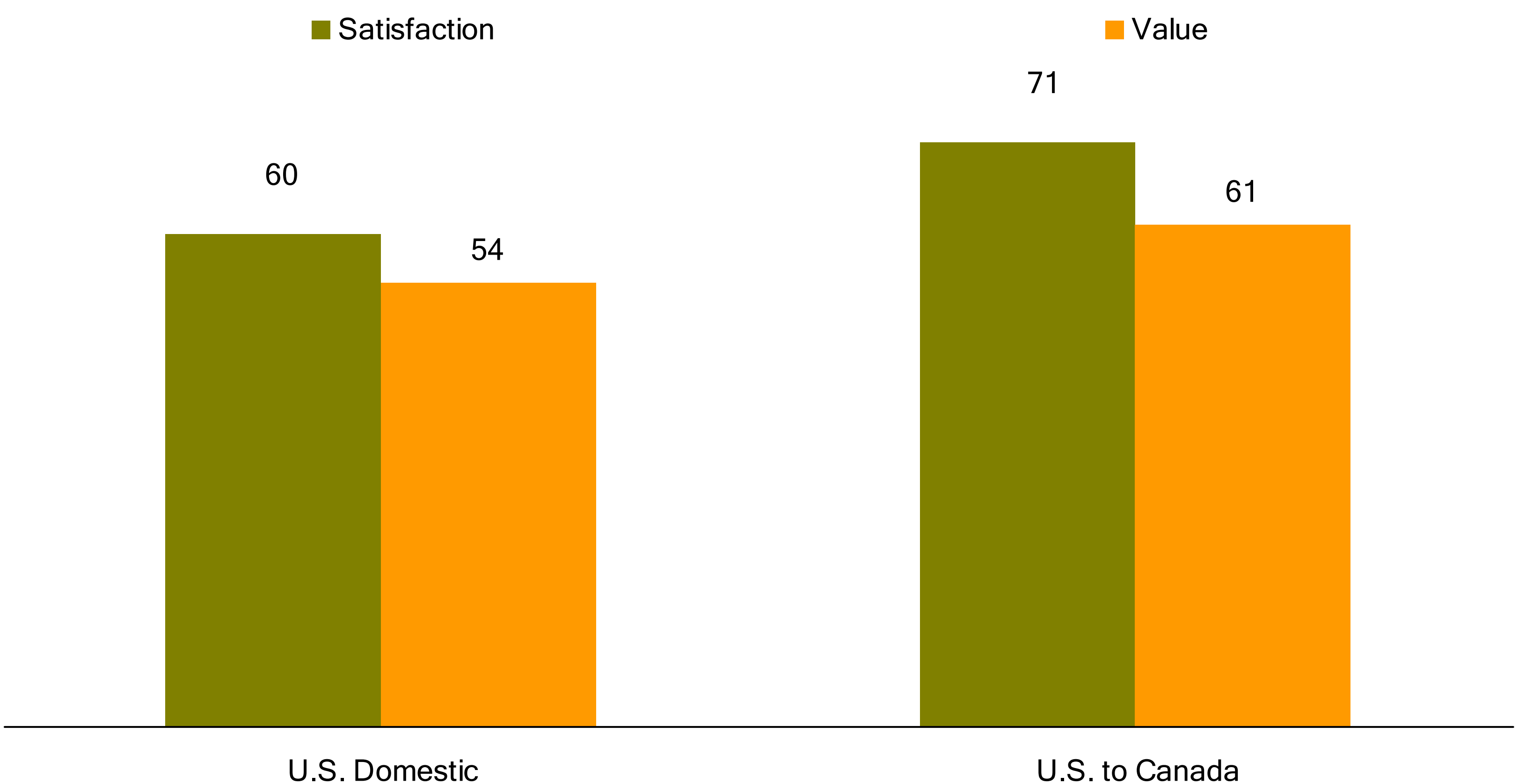
DKS&A DIRECTIONS

Leisure Satisfaction & Value Excellent Ratings (8-10)

(2004 % of Leisure Person-Stays by U.S. Residents)

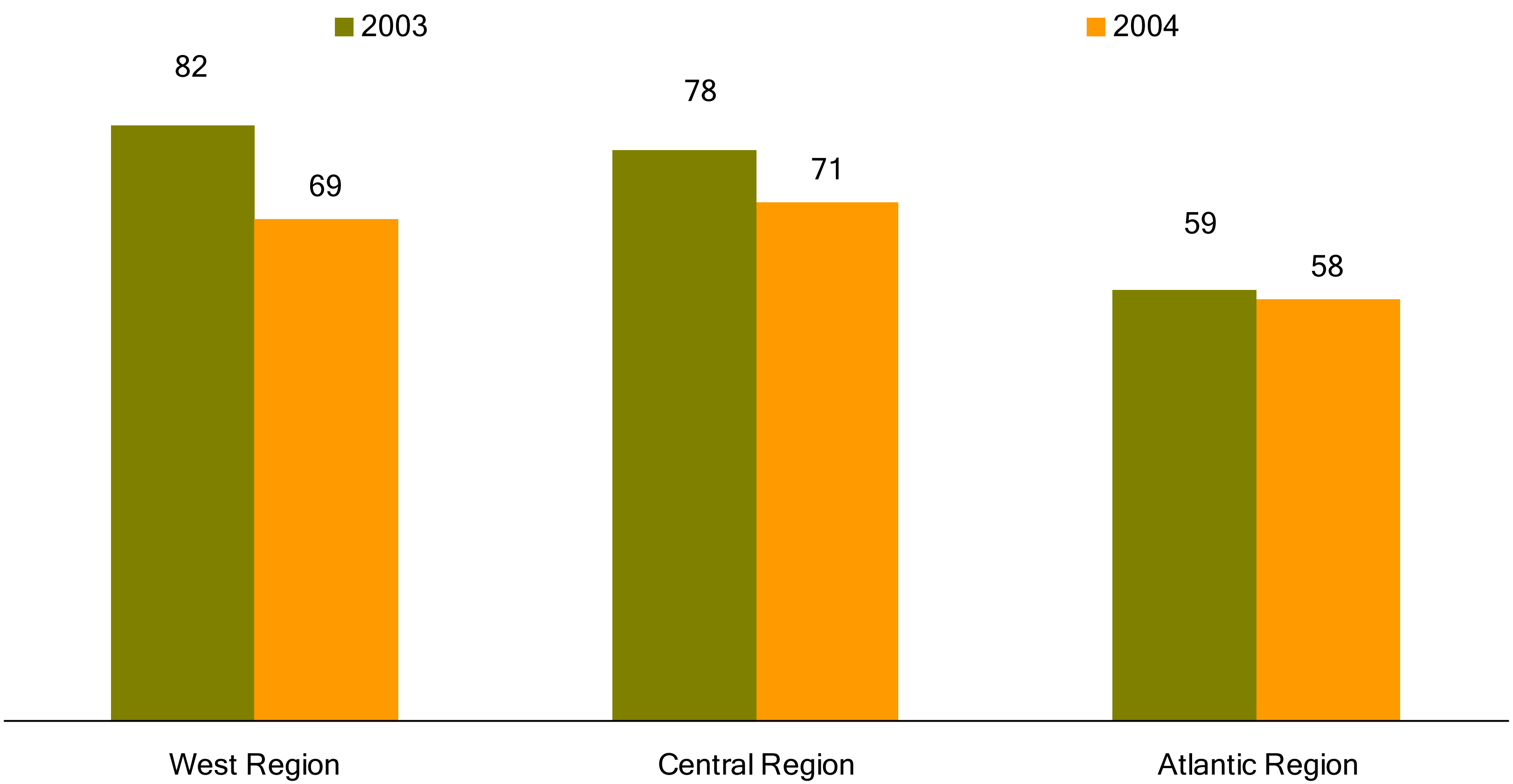
- US Visitors to Canada rate their Stays higher in Satisfaction and Value than their Stays in the US.



 Source: *Performance*/Monitor[SM]

Canada's Satisfaction Excellent Ratings (8-10)
(2003 vs. 2004 % of Canada Person-Stays by U.S. Residents)

- US Traveler Ratings Vary Across Canada

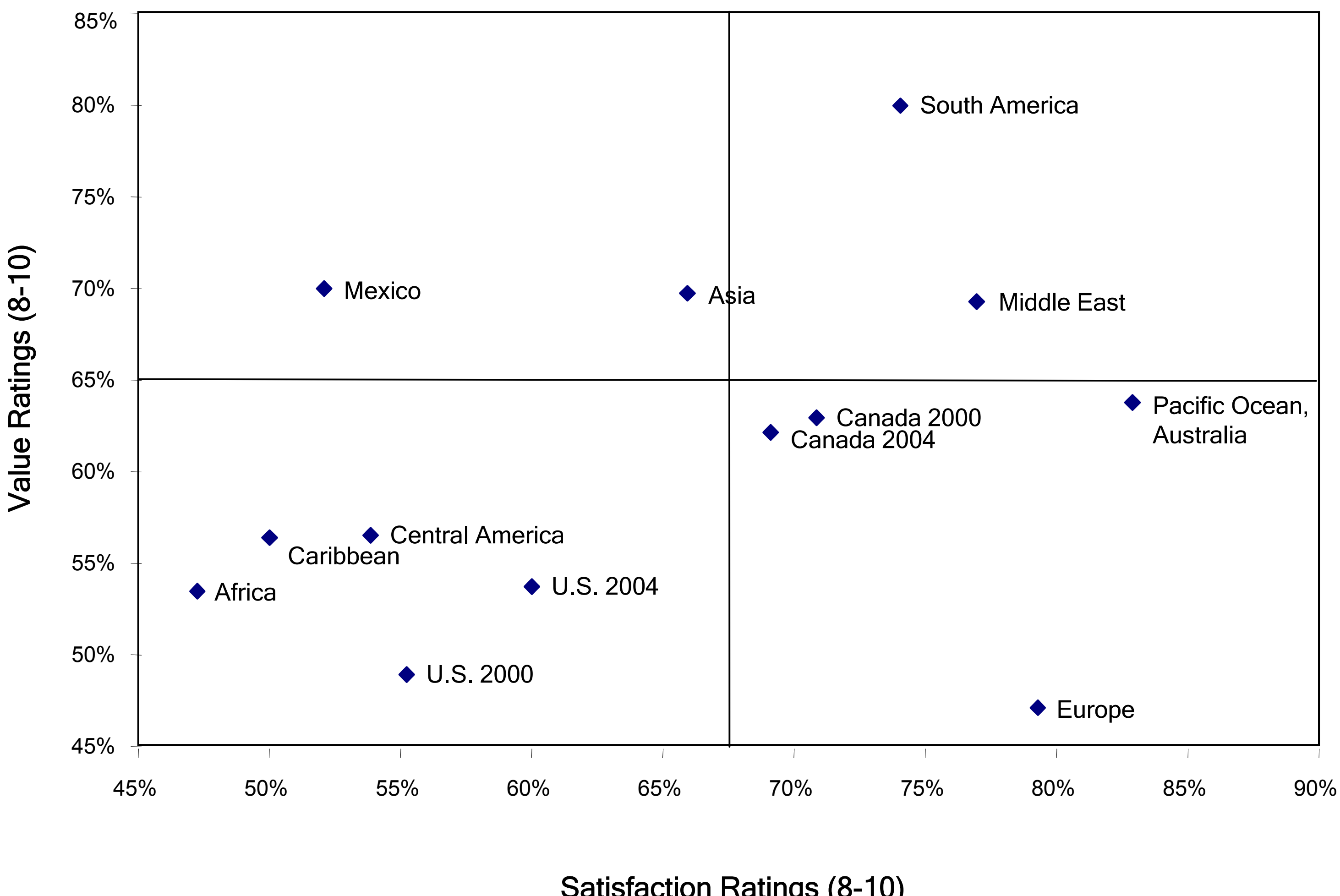


 Source: *Performance*/Monitor^{SM}

International Destination Satisfaction & Value Ratings

(2004 % of Total International Person-Stays by U.S. Residents)

Note: Canada is declining, US is rising.



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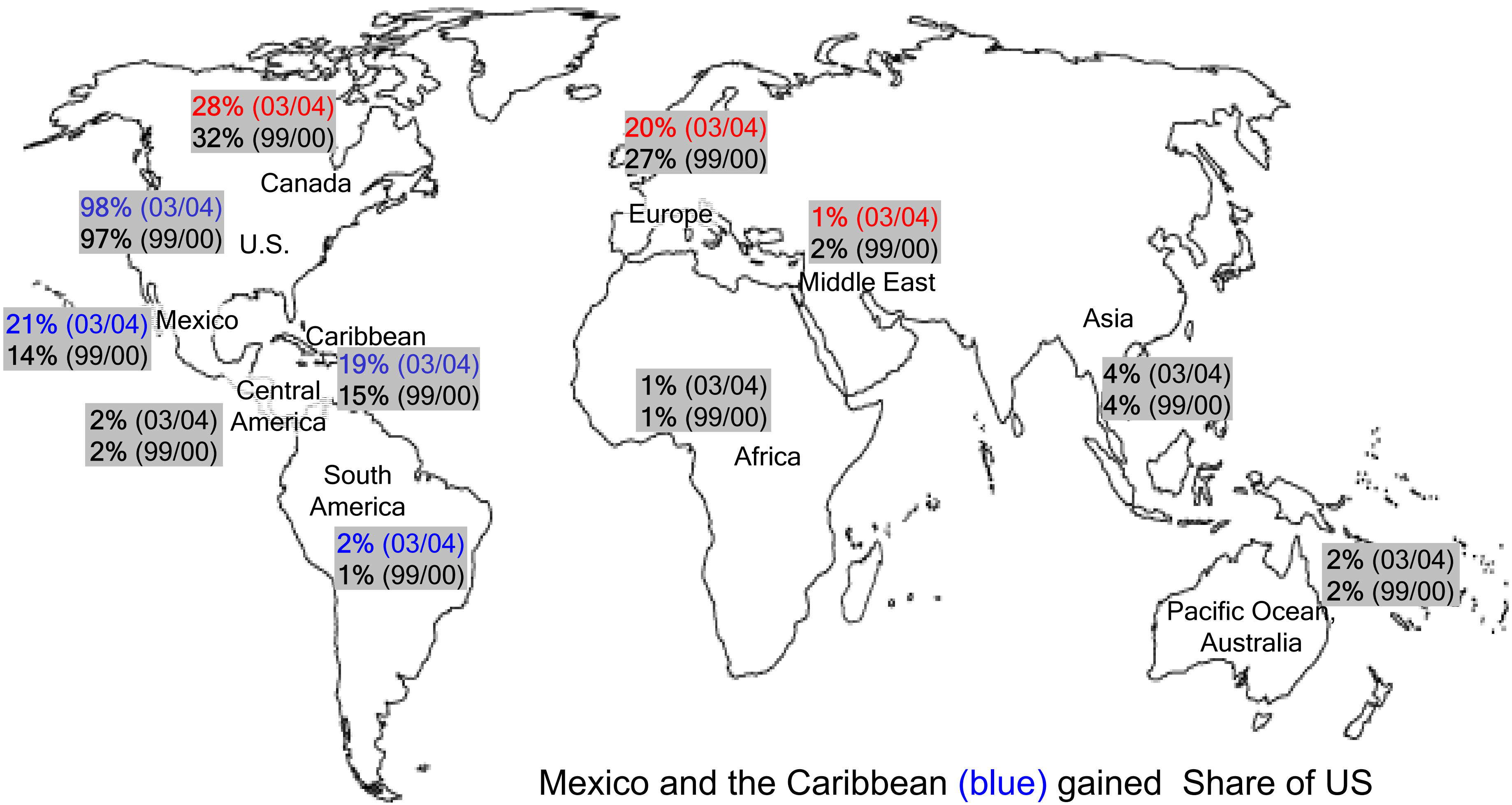
Where Are U.S. Residents Traveling? Share of Outbound Volume

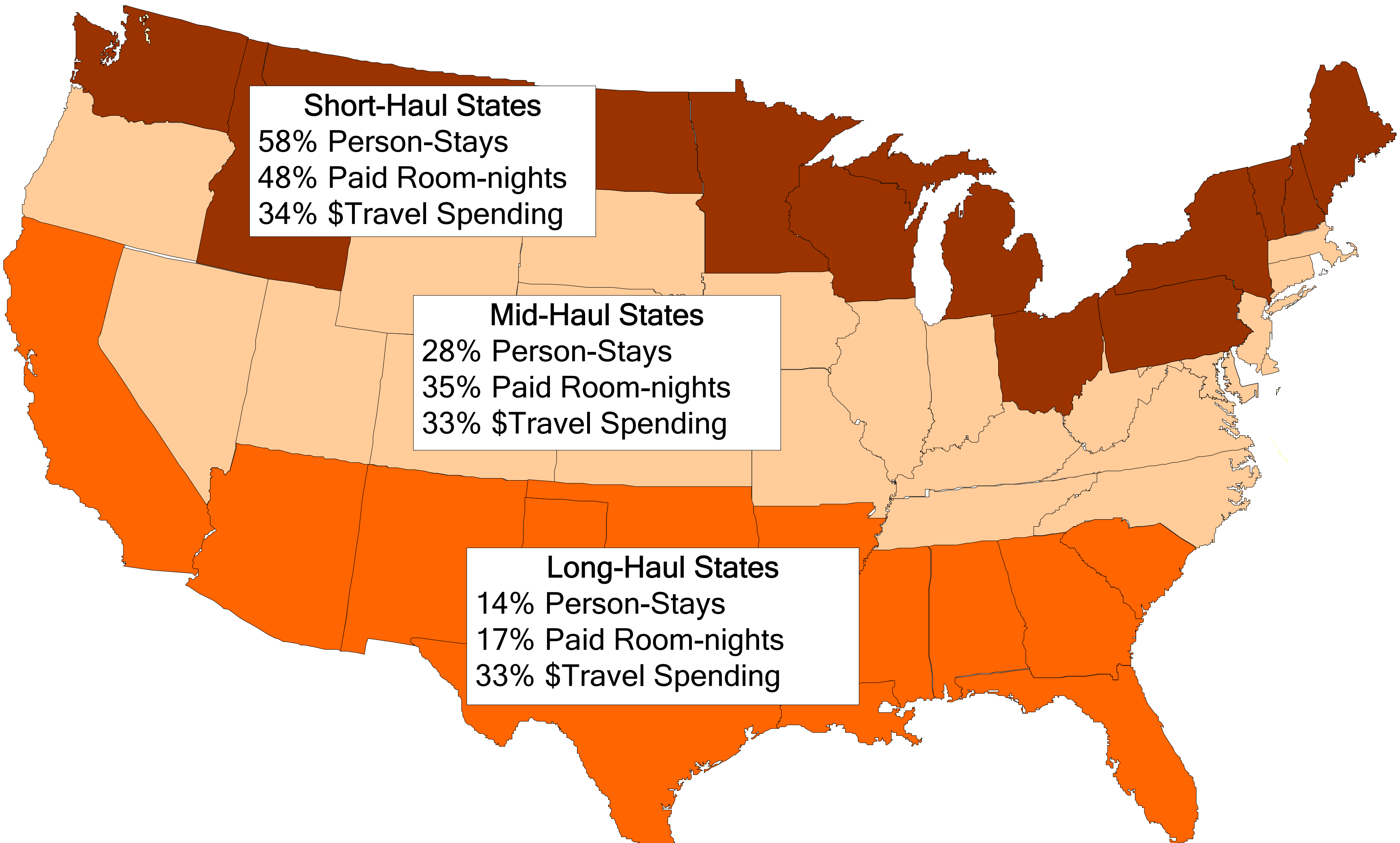
(1999/2000 vs. 2003/2004 % of International Person-Stays by U.S. Residents)



Mexico and the Caribbean (blue) gained Share of US Outbound Travelers

Source: *Performance*/Monitor[SM]

Origin State's Share of U.S. Leisure Outbound Travel to Canada
(2002-2004 % of Total U.S. Residents)



Source: *Performance*/Monitor[SM]

Destinations Visited

Short-Haul Market

- Most likely to travel to Canada, followed by Caribbean and Europe

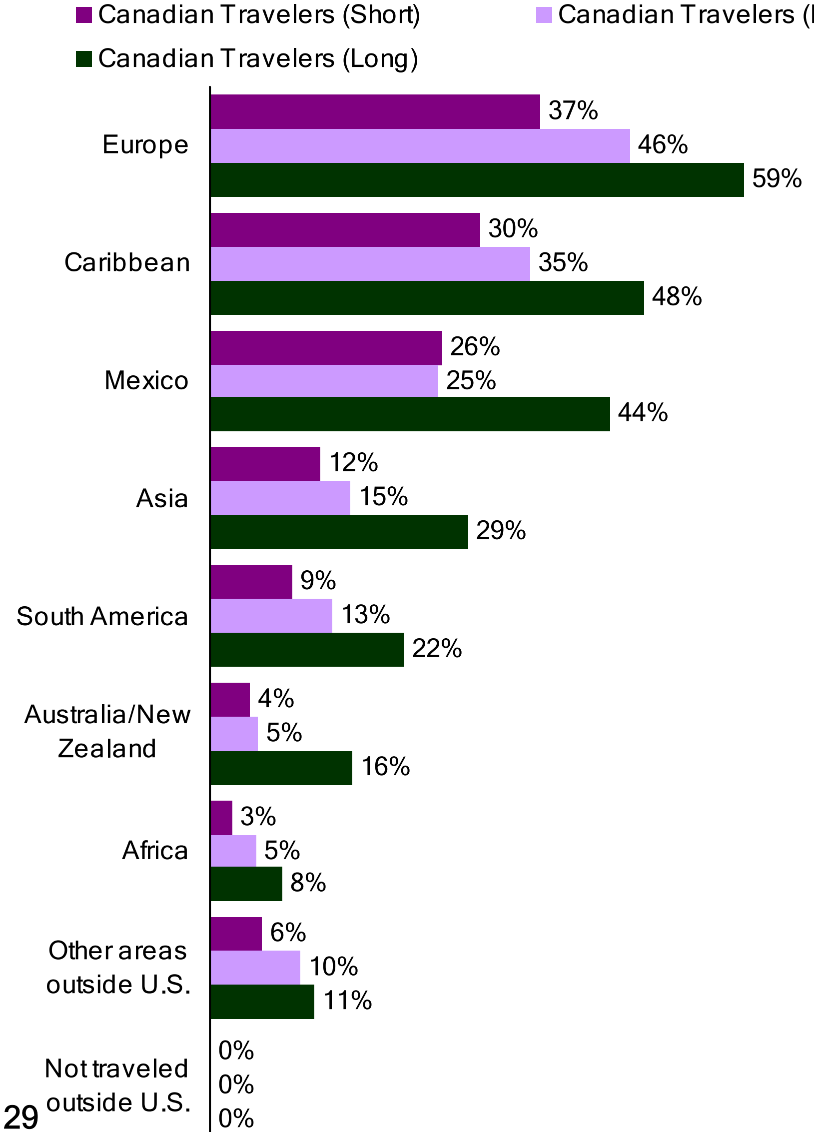
Mid-Haul Market

- Most likely to travel to Canada, followed by Europe, and Caribbean

Long-Haul Market

- Most likely to have traveled outside the U.S.
- Prefer to travel to Europe, followed by Canada and Mexico

Competing Destinations Visited in Past Years by US Travelers to Canada
(Paid Overnight Leisure)

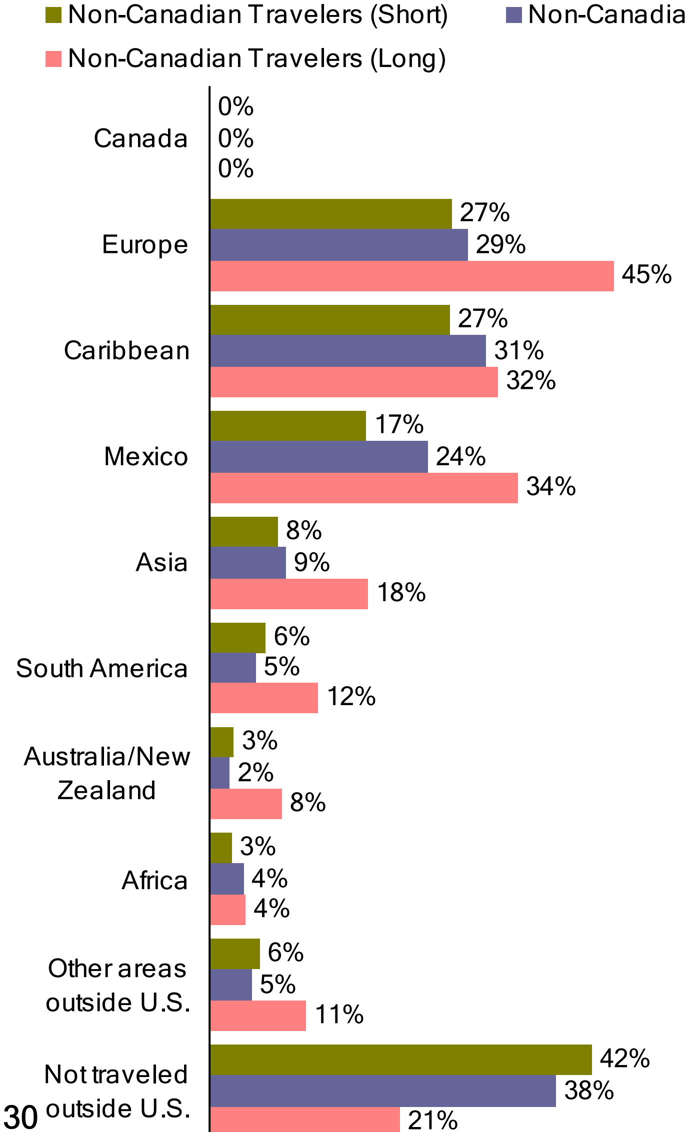


Canada travelers

- Long-haul market is more likely to travel to all destinations than the Short and Mid-Haul markets, esp. Europe, Caribbean, and Mexico
- Europe received most of their visitors from Long-Haul, followed by Mid-Haul market
- Mexico and Caribbean compete very closely for Long Haul Market

Source: Quant Study

Competing Destinations Visited in Past Years by Non-Canada, US Outbound Travelers
(Paid Overnight Leisure)



Non-Canada Travelers

- 79% of Long Haul Market traveled outside the U.S., esp. Europe, Mexico, and Caribbean
- 60% of Short and Mid Haul Market traveled outside U.S.
- Short & Mid Haul Markets split trips evenly between Europe and the Caribbean
- Long Haul Market favors Europe and Mexico (closely followed by the Caribbean)

Source: Quant Study

Detailed Findings

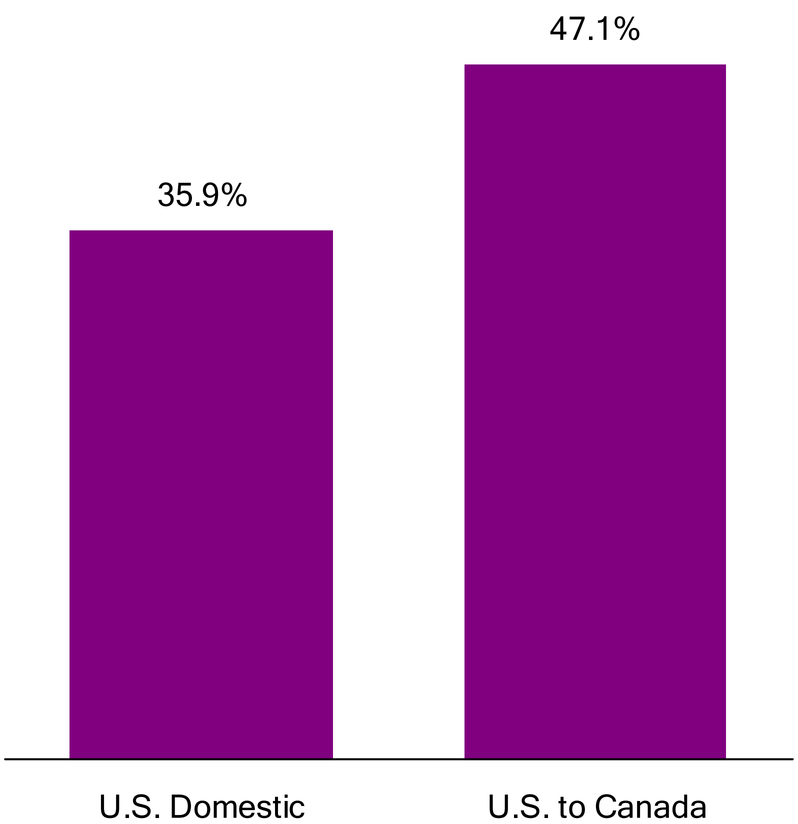
Average HH Income of Total U.S. Paid Overnight Leisure Travelers

(2003 vs. 2004/$000 of Person-Stays by U.S. Residents)

- Average Income of US visitors to Canada rose in 2004.
- This was driven by share growth in older more affluent travelers and a share drop in younger less affluent travelers.

Source: *Performance*MonitorSM

College Graduate Level of Total U.S. Paid Overnight Leisure Travelers
(2004/ % of Person-Stays by U.S. Residents)



- Among US residents, Canada captures a higher share of educated travelers than the does the US.

Source: *Performance*/Monitor[SM]

LifeStage Analysis

LifeStage analysis combines three variables

1) age
2) household income, and
3) presence of children in the household

Into one variable creating seven mutually-exclusive segments.

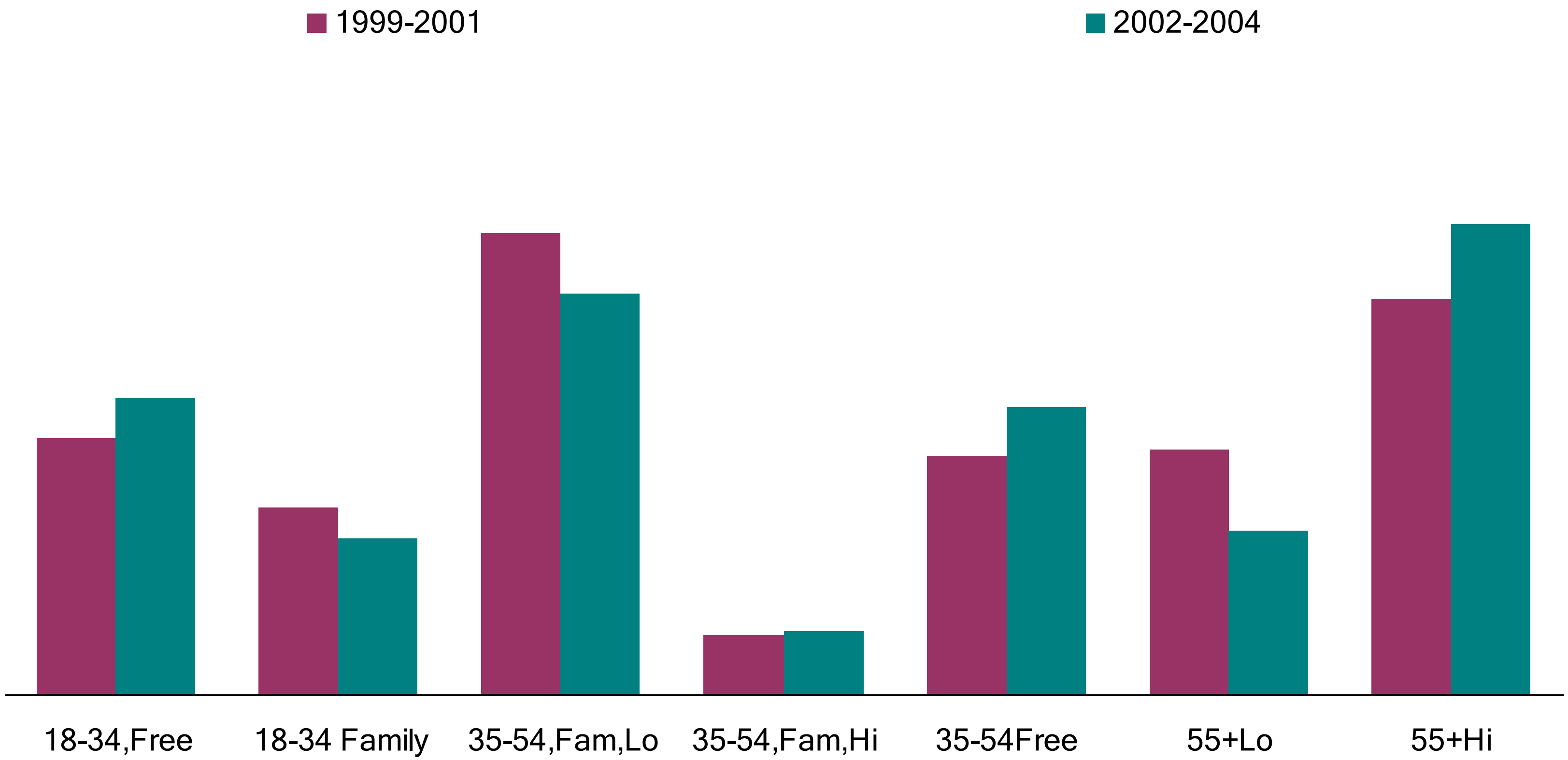
Age: 18-34	Age of the household head.
1) Free	No children under 18 in the household
2) Family	One or more children under 18 in the household.
Age: 35-54	Age of the household head.
3) Free	No children under 18 in the household
4) Lo Fmly	HH Income under $50K, 1+children
5) Hi Fmly	HH Income $50K or higher,1+children
Age: 55+	Age of the household head.
6) Lo Free	HH Income under $50K and no children
7) Hi Free	HH Income $50K or higher

Change in Leisure Share by Lifestage

(1999-2001 vs. 2002-2004

% of Overnight Paid Leisure Room-Nights by U.S. Residents to Canada)

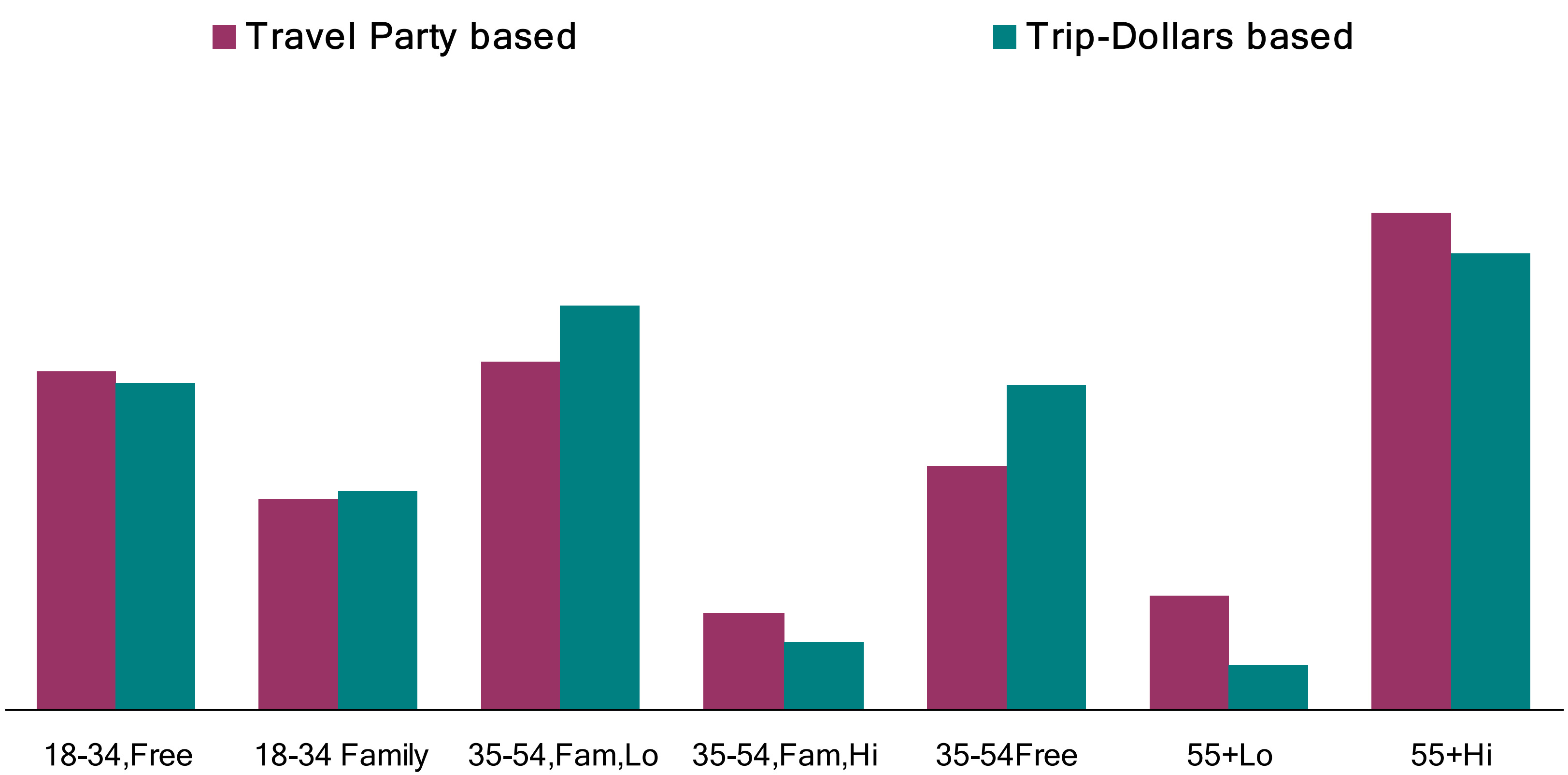
- Greatest growth among 18-34 free, affluent: 35-54 couples & 55+Hi couples
- Greatest loss among less affluent, 35-54 Families Lo & 55+ Lo.
- While 18-34 free up in stays, down in nights.



 Source: *Performance*/Monitor[SM]

Lifestage Distribution

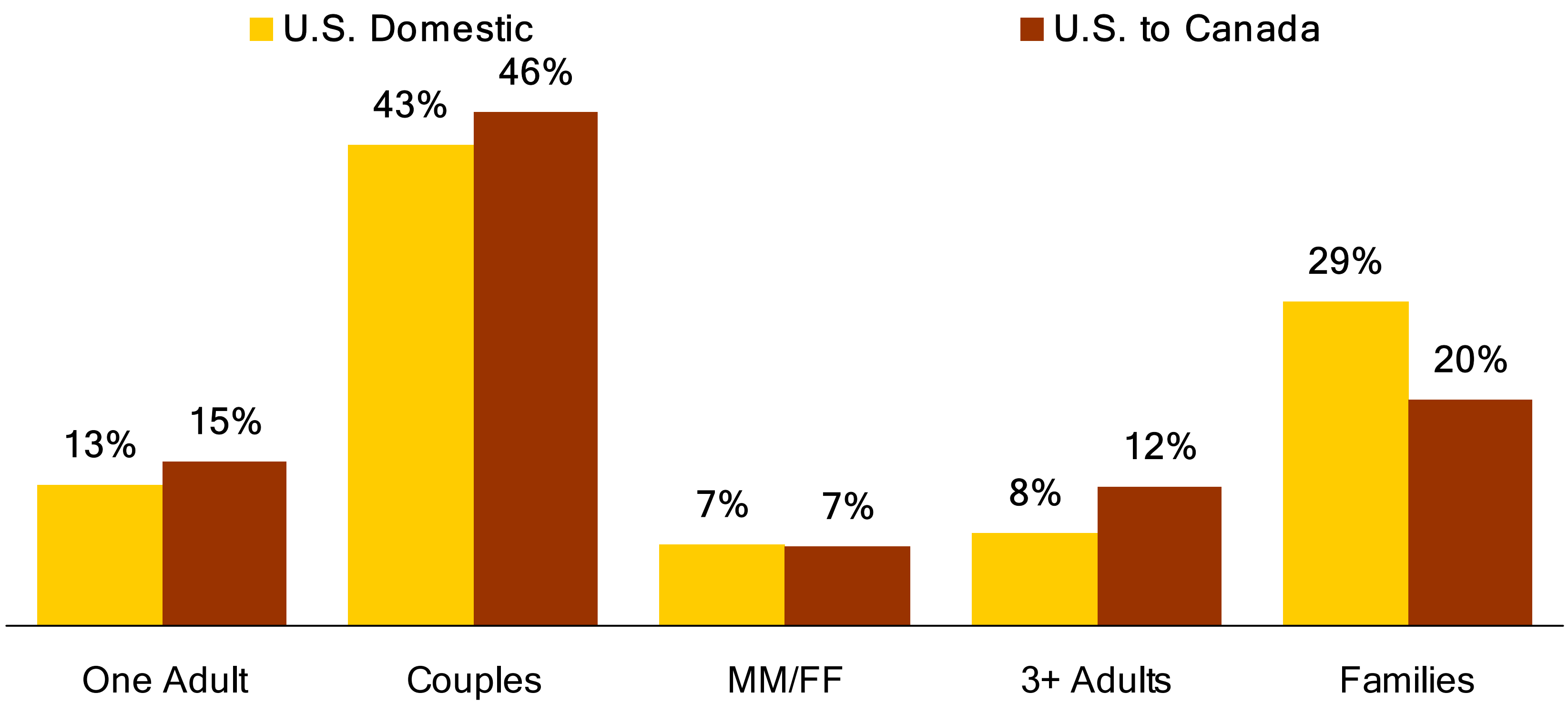
(2004 % of Overnight Paid Leisure U.S. Residents to Canada)



Source: *Performance*/Monitor[SM]

Travel Party Composition

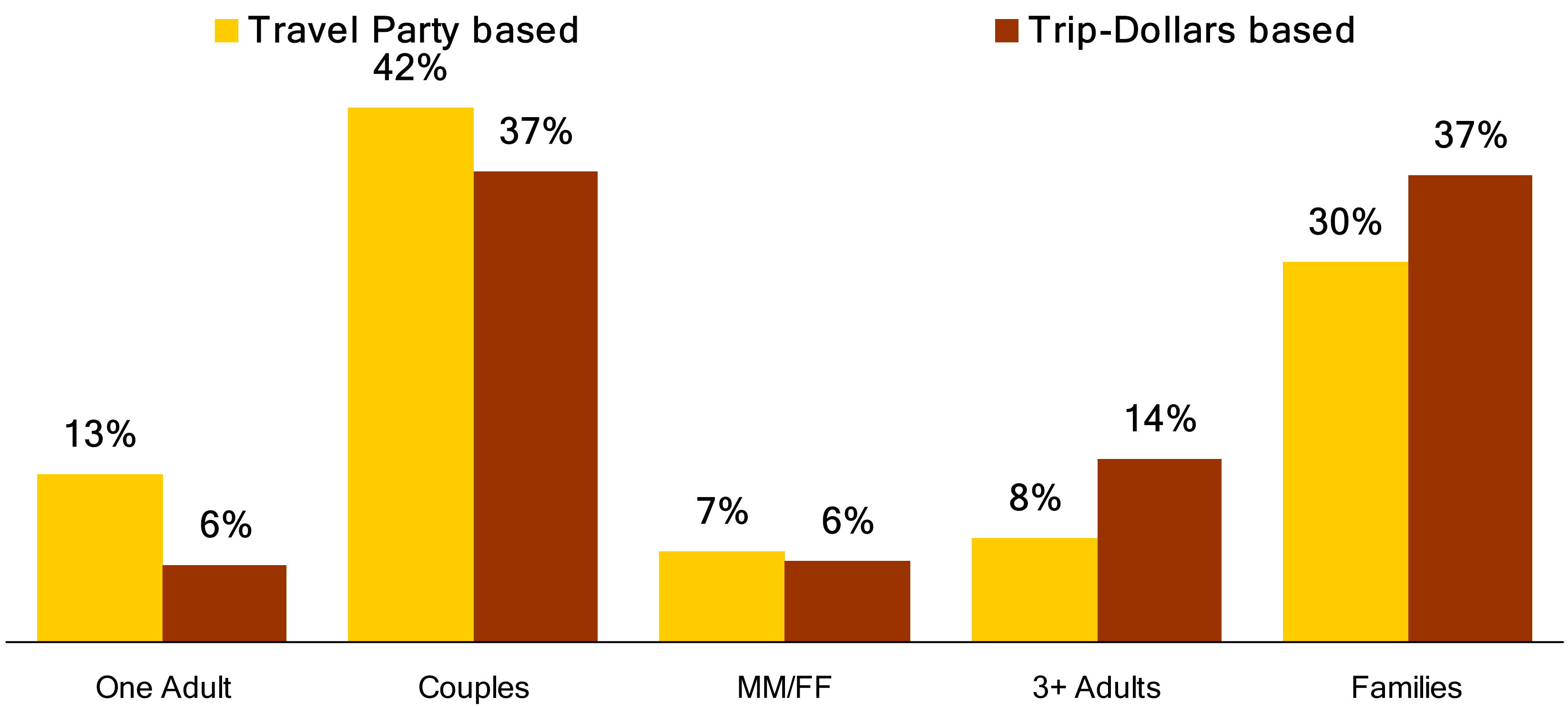
(2004 % of Overnight Paid Leisure Travel Party by U.S. Residents)



Source: *Performance*/Monitor℠

Travel Party Composition

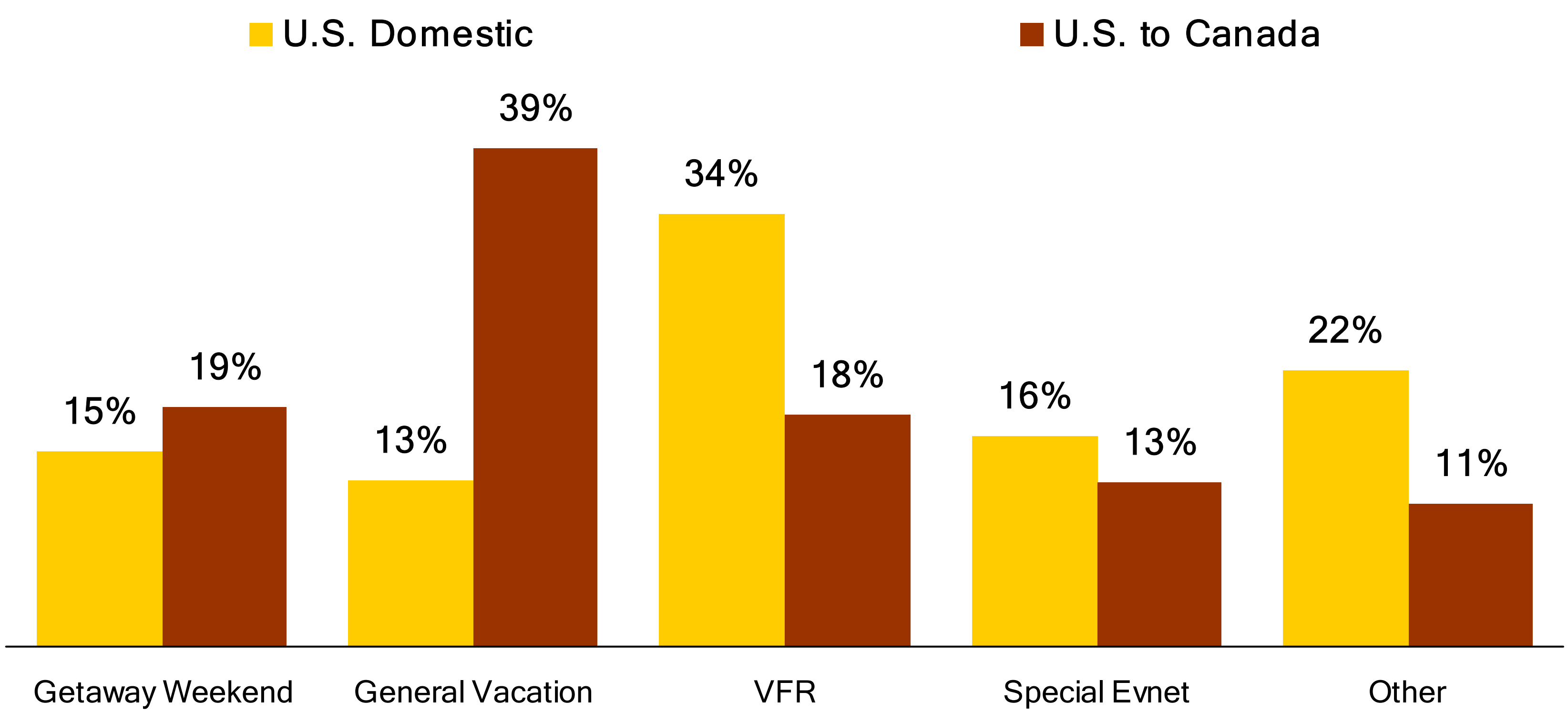
(2002-2004% of Total U.S. Paid Overnight Leisure Residents to Canada)



Source: *Performance*/Monitor[SM]

Leisure Purpose of Stay

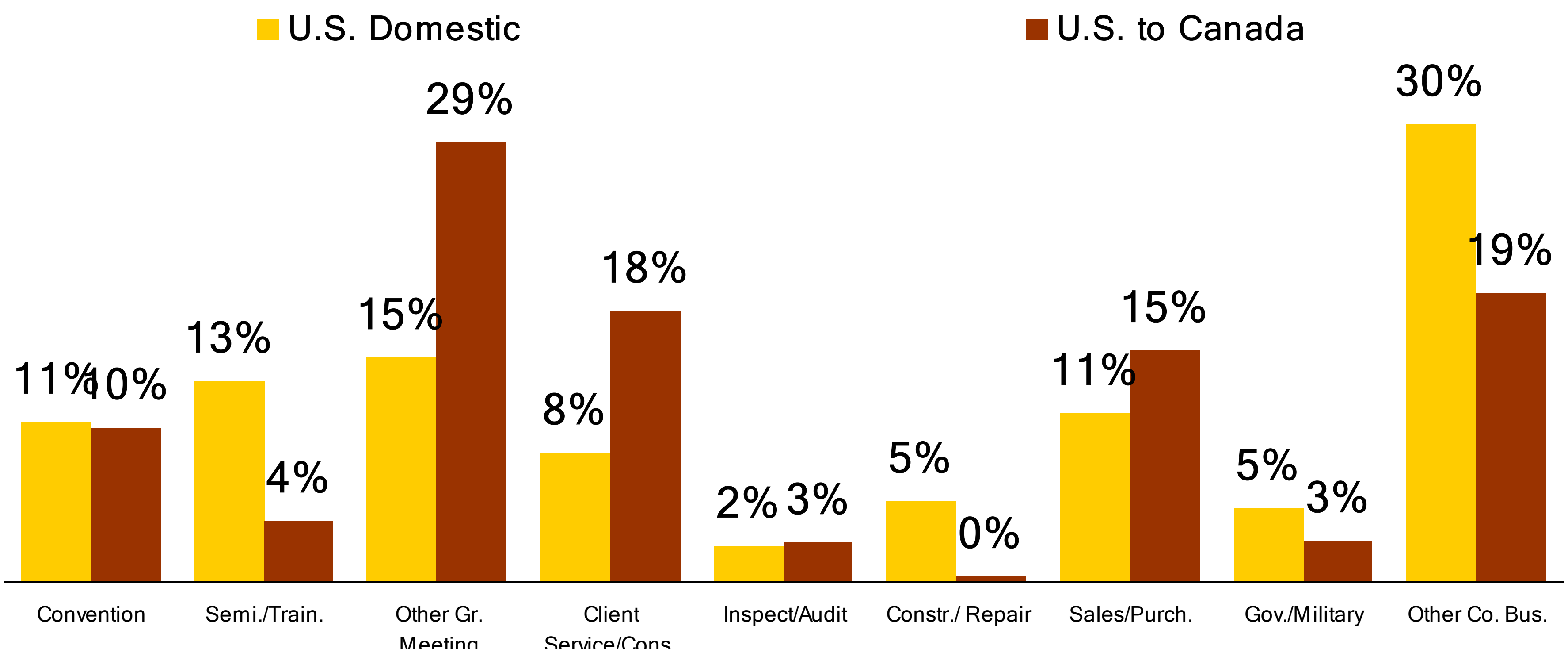
(2004 % of Paid Overnight Leisure Person-Stays by U.S. Residents)



Source: *Performance*/Monitor[SM]

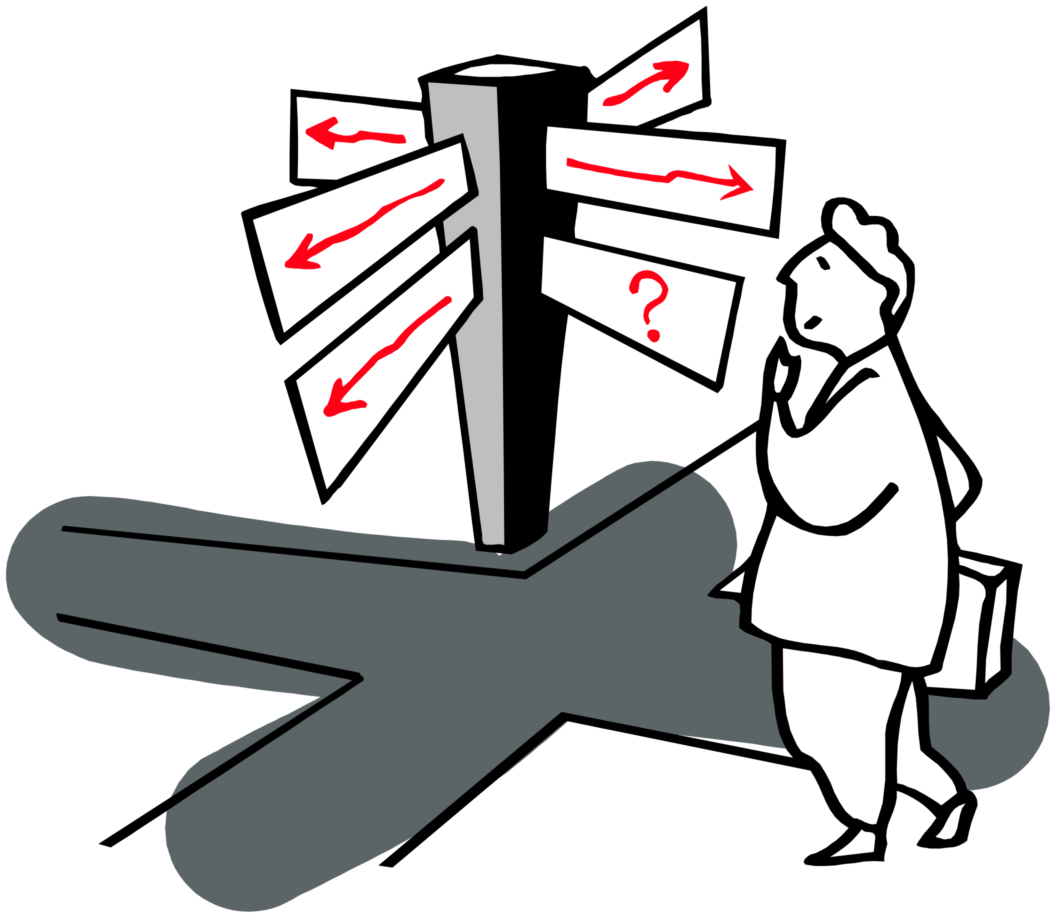
Business Purpose of Stay
(2004/% of Business Person-Stays by U.S. Residents)

- Business strength in Company Bus./Meetings, Client Service and Sales/Purchasing



Source: *Performance*/Monitor[SM]

Where Are We Now?
Destination Consideration & Ad Awareness



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Destination Consideration- Next 12 Months

Canada Travelers (23% US Outbound)	Non-Canada Travelers (77% US Outbound)
• More likely to consider visiting Canada within the next year than Non-Canada travelers	• Consideration of Canada much lower than Canada travelers
• Besides U.S., Canada and Europe next highest consideration	• More likely to consider Caribbean and Europe than Canada
Spring/Summer travel consideration	
U.S. (96%)	U.S. (94%)
Canada (66%)	Caribbean (34%)
Europe (39%)	Europe (29%)
Caribbean (36%)	Canada (28%)
Would not seriously consider (10%)	Would not seriously consider (39%)
Fall travel consideration	
U.S. (92%)	U.S. (89%)
Canada (62%)	Caribbean (28%)
Europe (33%)	Canada (27%)
Caribbean (28%)	Europe (24%)
Would not seriously consider (16%)	Would not seriously consider (44%)
Winter travel consideration	
U.S. (85%)	U.S. (80%)
Canada (45%)	Caribbean (35%)
Caribbean (38%)	Canada (17%)
Europe (21%)	Europe (14%)
Would not seriously consider (39%)	Would not seriously consider (63%)

Source: Quant Study

Non-Canada Traveler Destination Consideration- Next 12 Months

Short-Haul Market

- U.S. primary competitor, All Seasons
- Caribbean and Mexico more considered in Winter season only
  - Get away to warm weather beach vacations

U.S., Can. (38%), Carib. (35%), EU (29%) (Spring/Summer)

U.S., Can. (36%), Carib. (28%), EU (23%), Mex. (20%) (Fall)

U.S., Carib. (35%), Mex. (25%), Can. (17%), EU (14%) (Winter)

➢ Competition: CARIBBEAN and MEXICO (Winter)

Mid & Long-Haul Market

- U.S. primary competitor
- Canada rarely in consideration set

Mid-Haul Market

- Caribbean and Europe strongly considered in Spring/Summer/Fall seasons, followed by Canada

  U.S., Carib. (37%), EU (27%), Can. (24%) (Spring/Summer)

  U.S., Carib. (27%), EU (24%), Can. (23%) (Fall)
- Caribbean and Mexico strongly considered in Winter season, followed by Canada

  U.S., Carib. (37%), Mex. (20%), Can. (13%) (Winter)

➢ Competition: CARIBBEAN and EUROPE (Spring/Summer), CARIBBEAN and MEXICO (Winter)

Non-Canada Traveler Destination Consideration-Next 12 Months (con't)

Long-Haul Market

- Almost equal consideration for Mexico and Caribbean as Fall/Winter destination

  U.S., Carib. (33%), Mex. (30%), Can. (17%) (Fall/Winter)

- Europe, Caribbean, and Mexico equally considered as Spring/Summer/Fall destination

  U.S., EU (32%), Carib. (31%), Mex. (31%), Can. (21%) (Spring/Summer)

  U.S., Carib. (27%), Mex. (27%), EU (25%), Can. (20%) (Fall)

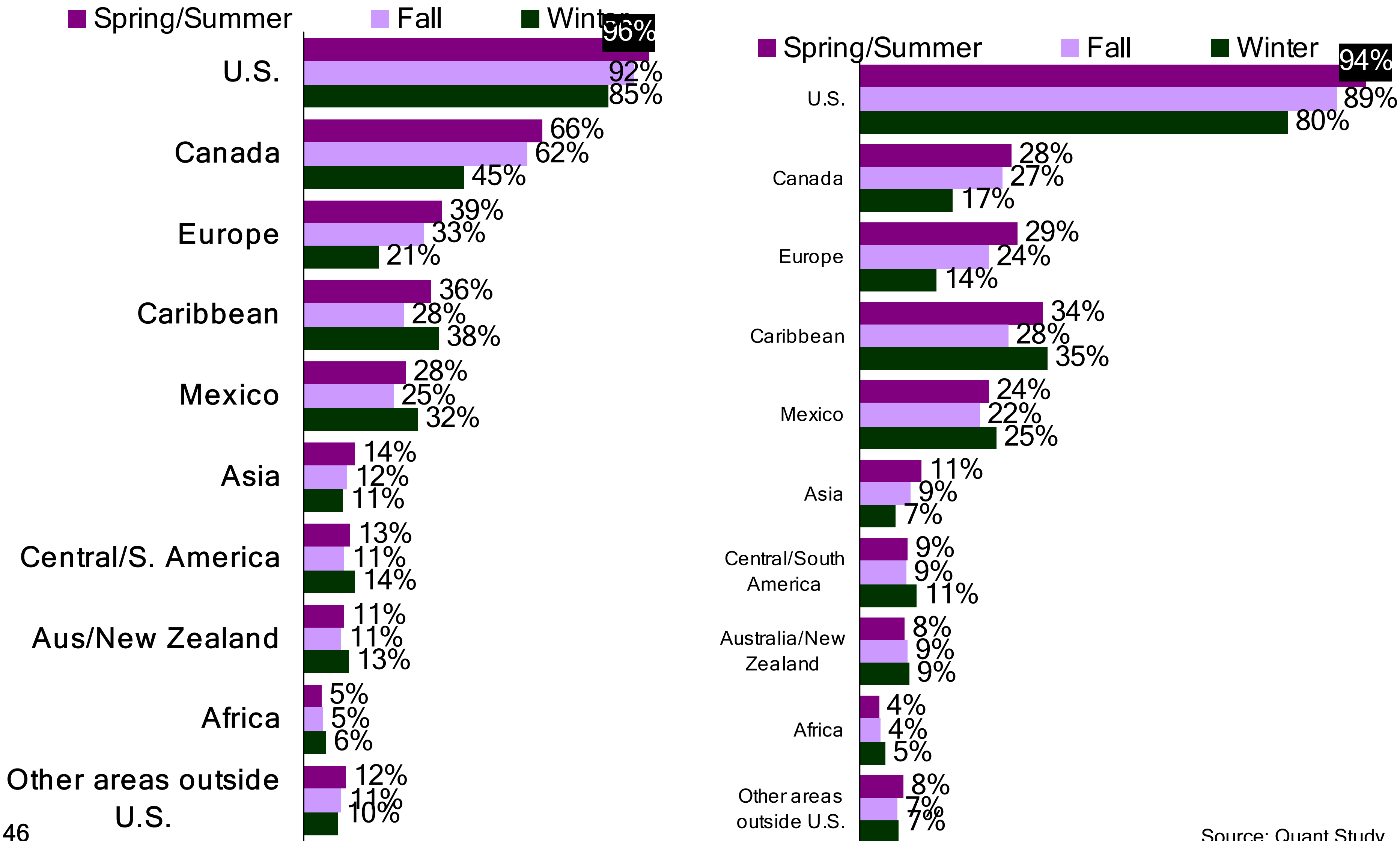
➢ Competition: EUROPE, CARIBBEAN, and MEXICO (Spring/Summer/Fall), CARIBBEAN and MEXICO (Winter)

Destination Consideration Within the Next 12 Months

(Paid Overnight Leisure)

Canada Traveler

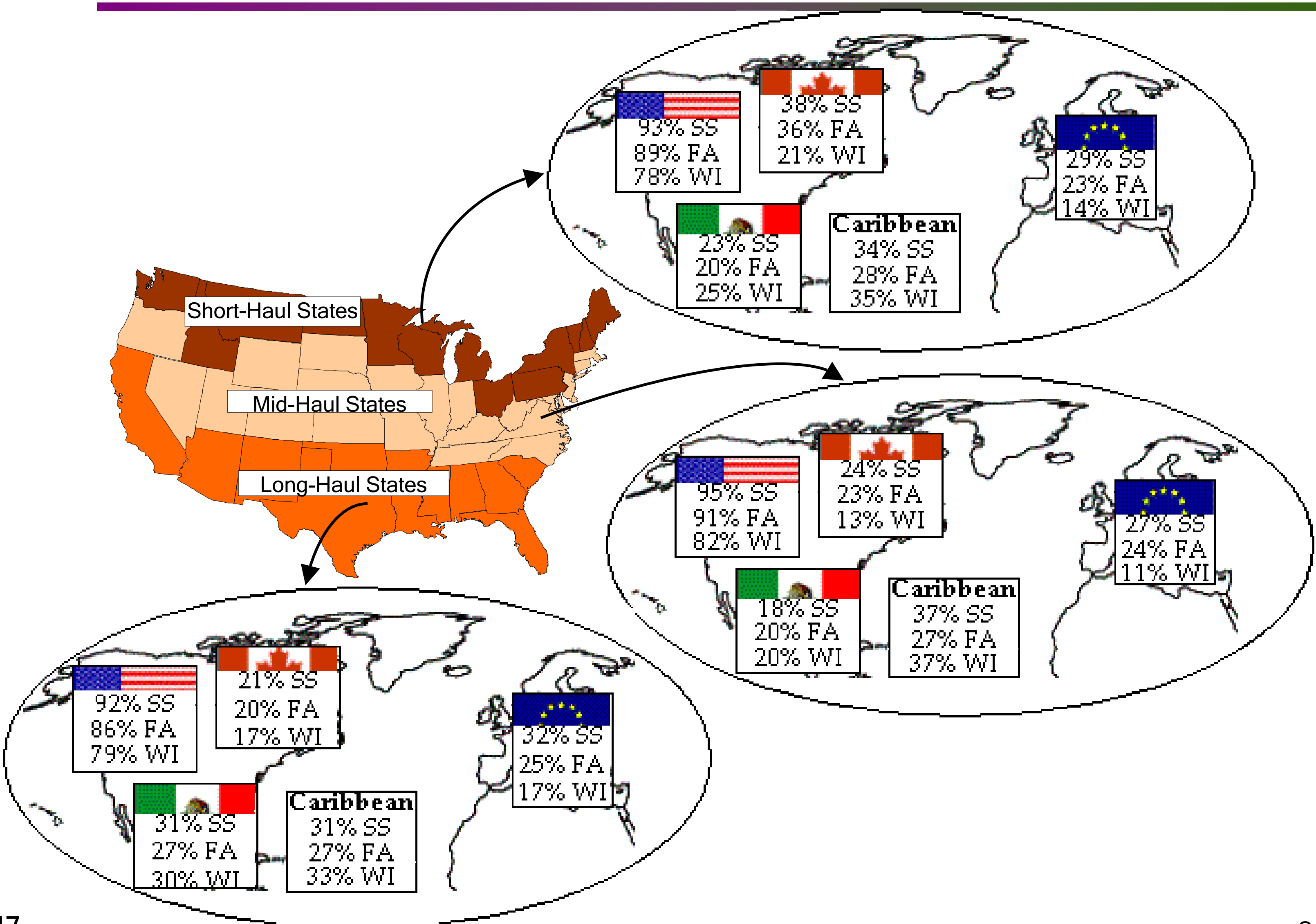
Non-Canada Traveler



Source: Quant Study

US Outbound Destination Consideration by Season

(SS - Spring/Summer, FA- Fall, WI-Winter)
(Paid Overnight Leisure)

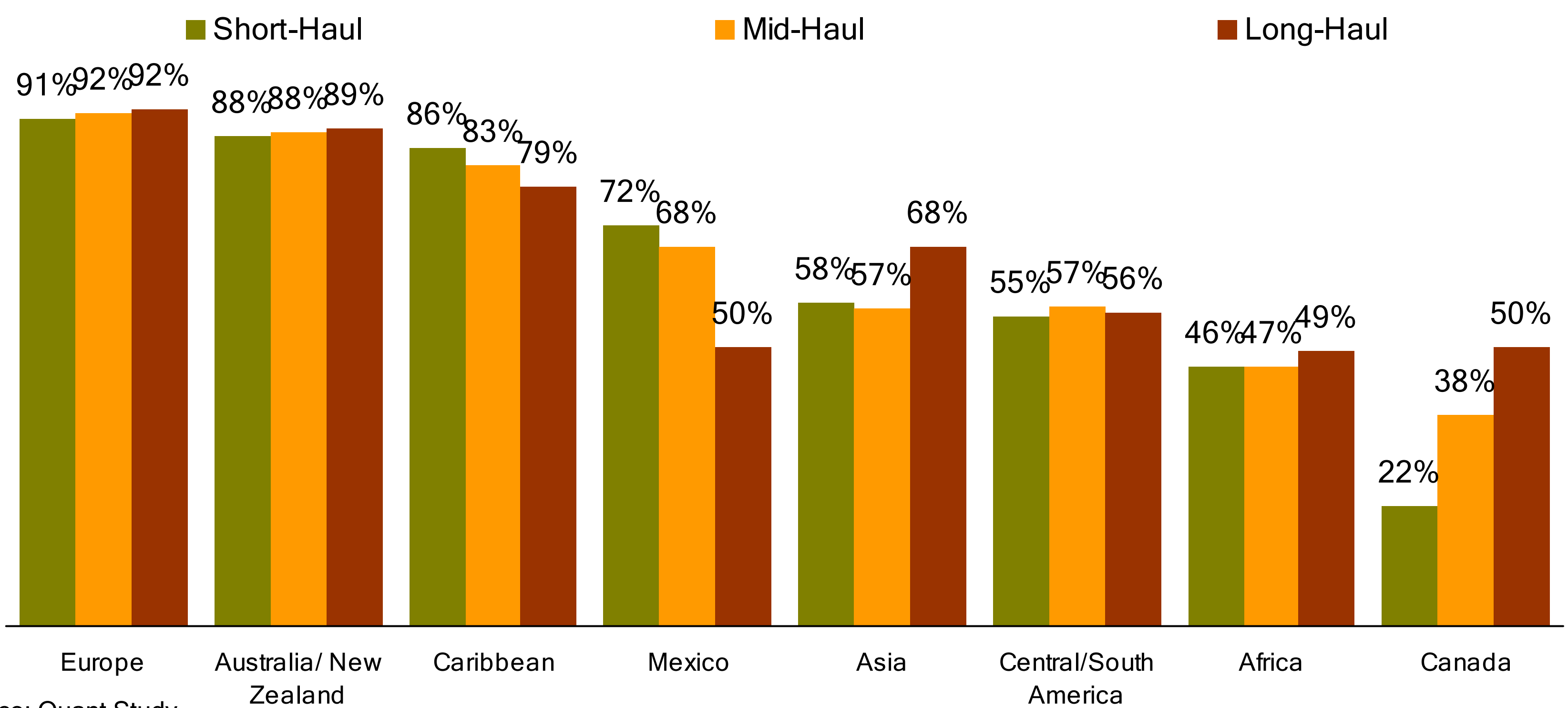


Source: Quant Study

Non-Canada Traveler Primary Vacation Destination

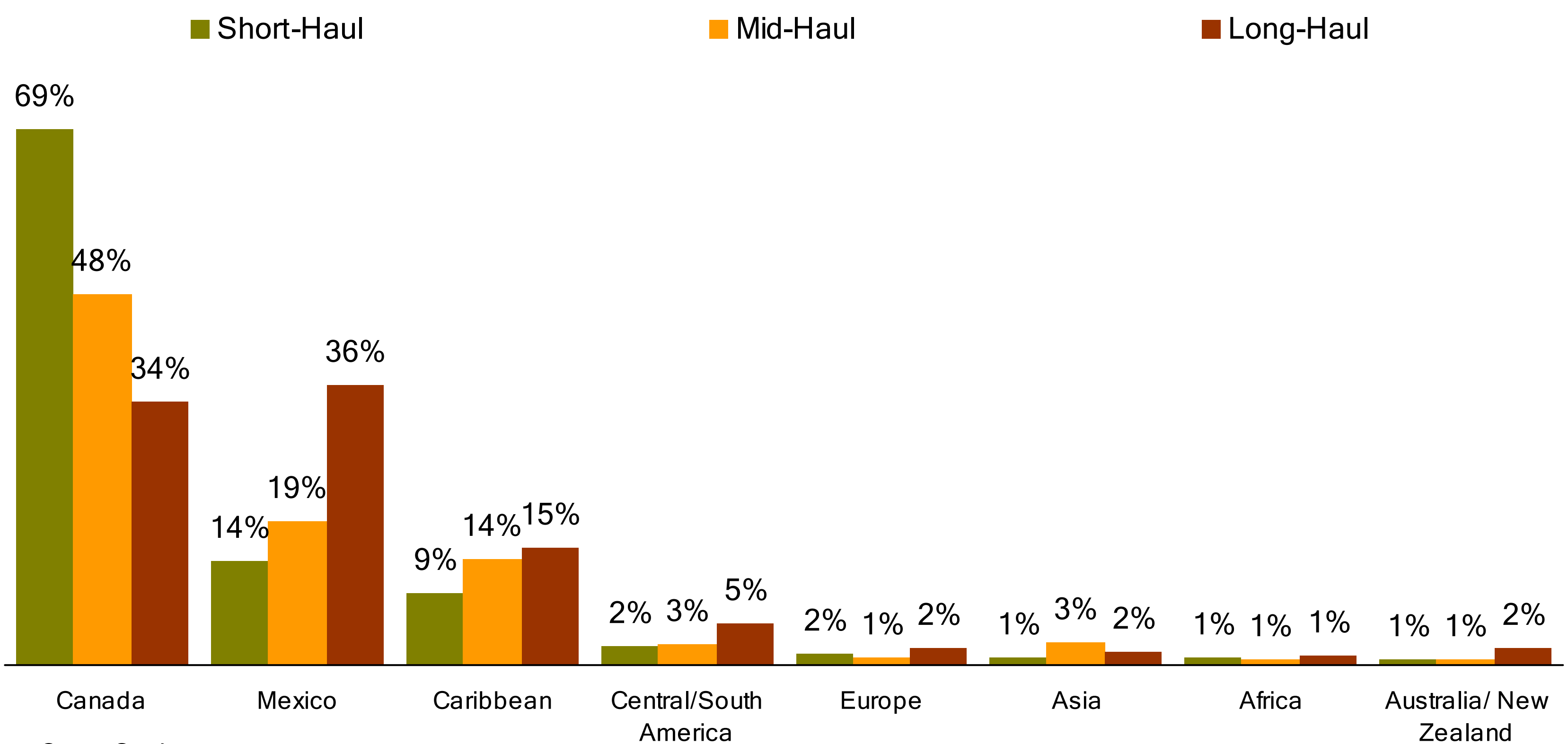
- Do you consider the following countries as:

1) A Weekend Getaway destination, or
2) A Primary Vacation Destination, or
3) Someplace you would not visit?



Source: Quant Study

Non-Canada Traveler Weekend Getaway Destination



 Source: Quant Study

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Marketing & Research Implications

Destination Advertising Awareness

- Unaided and aided awareness of Canada advertising declined gradually with greater distance from Canada. (Quant)
- Canada Travelers stated higher aided recall of Caribbean, Mexico and Europe advertising followed by Canada (Quant)
- Threat : Non Canada Travelers Aided recall was higher for the Caribbean, Mexico, Europe, Australia/New Zealand than for Canada (Quant)

 Source: Quant Studies

Destination Awareness

Short-Haul Market

- Aware of what Canada has to offer
- Total Awareness highest of regions (42%) yet unaided awareness at half of all competitors.

Mid Haul Market

- Unaided Canada Awareness (7%) less than half of competitors' levels. Total Awareness also near or below half of competitor's levels. Positive responses to Canada but it is not top of mind.

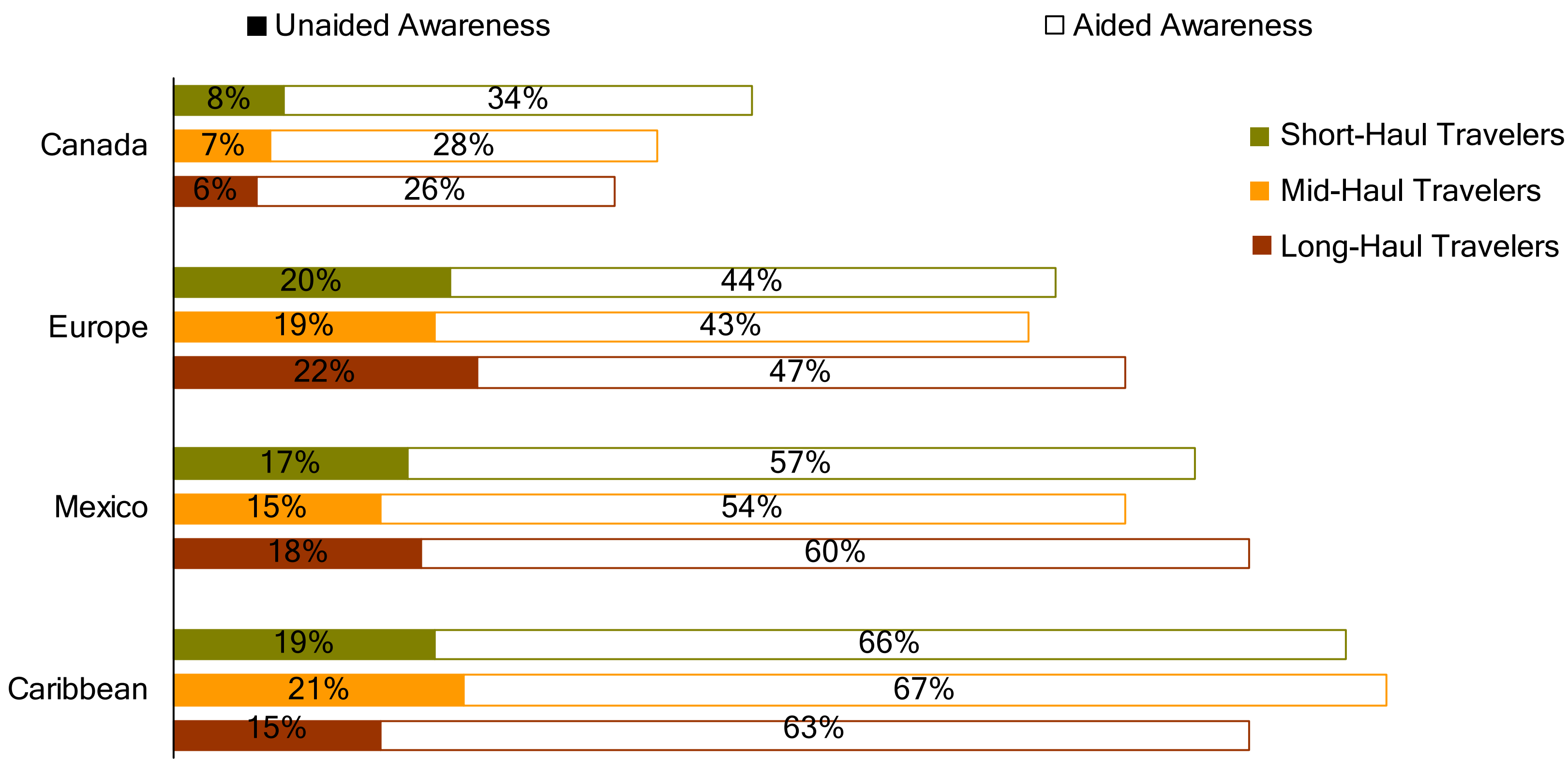
Long-Haul Market

- Lack compelling reason to visit Canada because they don't know what Canada has to offer:
  - Canada has lowest unaided awareness among Short, Mid & Long-Haul
  - Canada has lowest unaided awareness among Canada, Europe, Mexico, and Caribbean

 Source: Quant & Focus GroupStudies

Aided and Unaided Advertising Awareness in Past 12 Months by Target Consumers from the Short-, Mid- & Long-Haul Market

(Paid Overnight Leisure)



DKS&A DIRECTIONS®

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Where Have We Been?	Market Assessment
	Destination Satisfaction & Value Ratings
	Travel Destinations Visited
	Market Segments Driving Changes
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	Destination Awareness
	Barriers to Travel
	Destination Positioning Elements
	Attributes: Importance & Performance
	Drivers of Visitation
Communication Targeting	Activity Participation
	Trip Frequency
	Market Segment Indices and Targets
	Executive Summary of Findings
Where Are We Going?	*Marketing & Research Implications*

DKS&A DIRECTIONS®

Barriers to Travel

Unaided Travel Barriers:

- 4 in 10 travelers see barriers to travel to Canada
- 7 in 10 travelers see barriers to travel to Europe
- Costs and cold weather most significant unaided barriers
- The older the traveler, the fewer unaided barriers noted

Source: Qual-Quant Study

Aided Canada Travelers

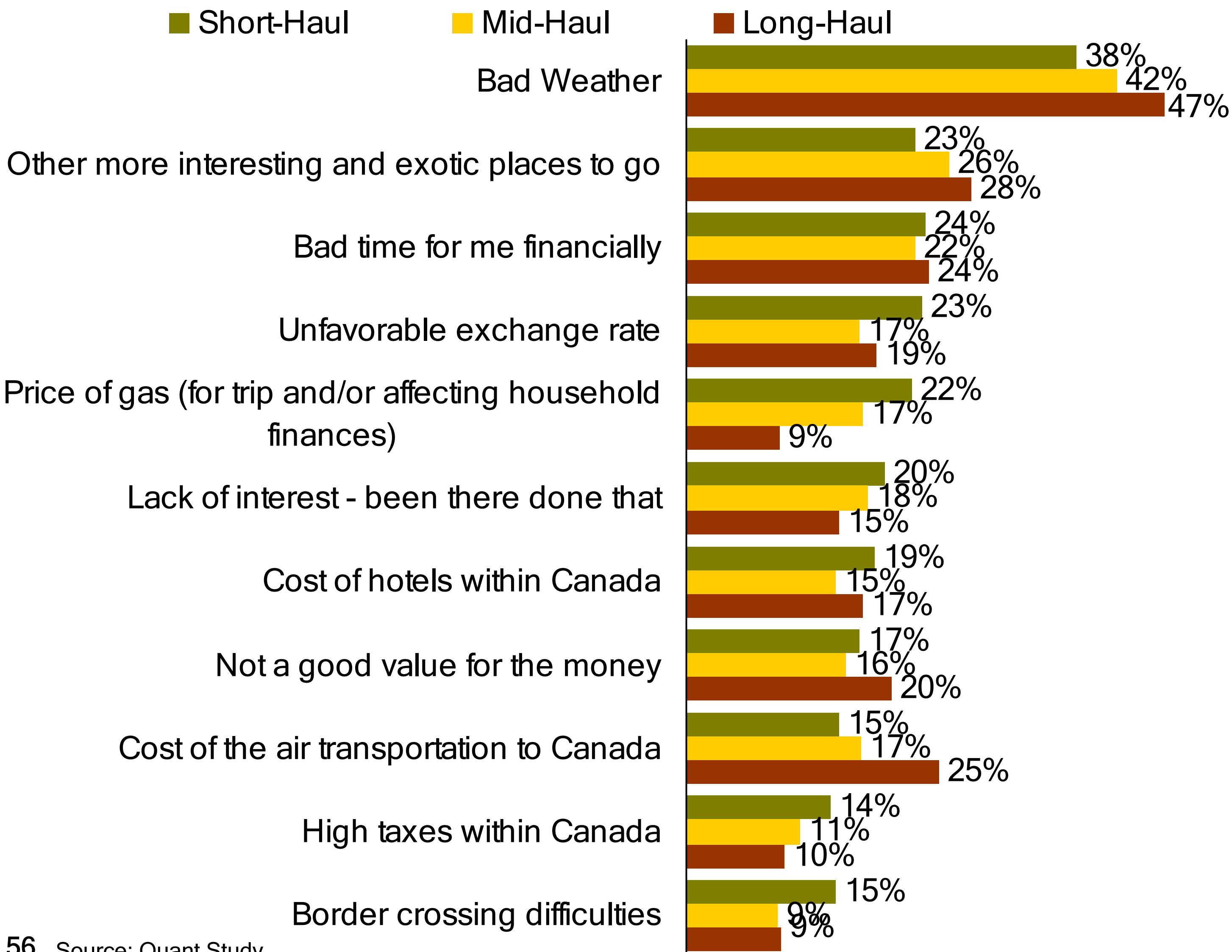
- Bad weather (40%)
- Other more interesting and exotic places to go (24%)
- Unfavorable exchange rate (21%)
- Price of gas (19%)
- Lack of interest "been there done that" (19%)

Aided Non-Canada Travelers

- Bad weather (40%)
- Other more interesting and exotic places to go (29%)
- Cost of air transportation (21%)
- Cost of hotels within Canada (20%)
- Not a good value for the money (18%)
- Unfavorable exchange rate (17%)

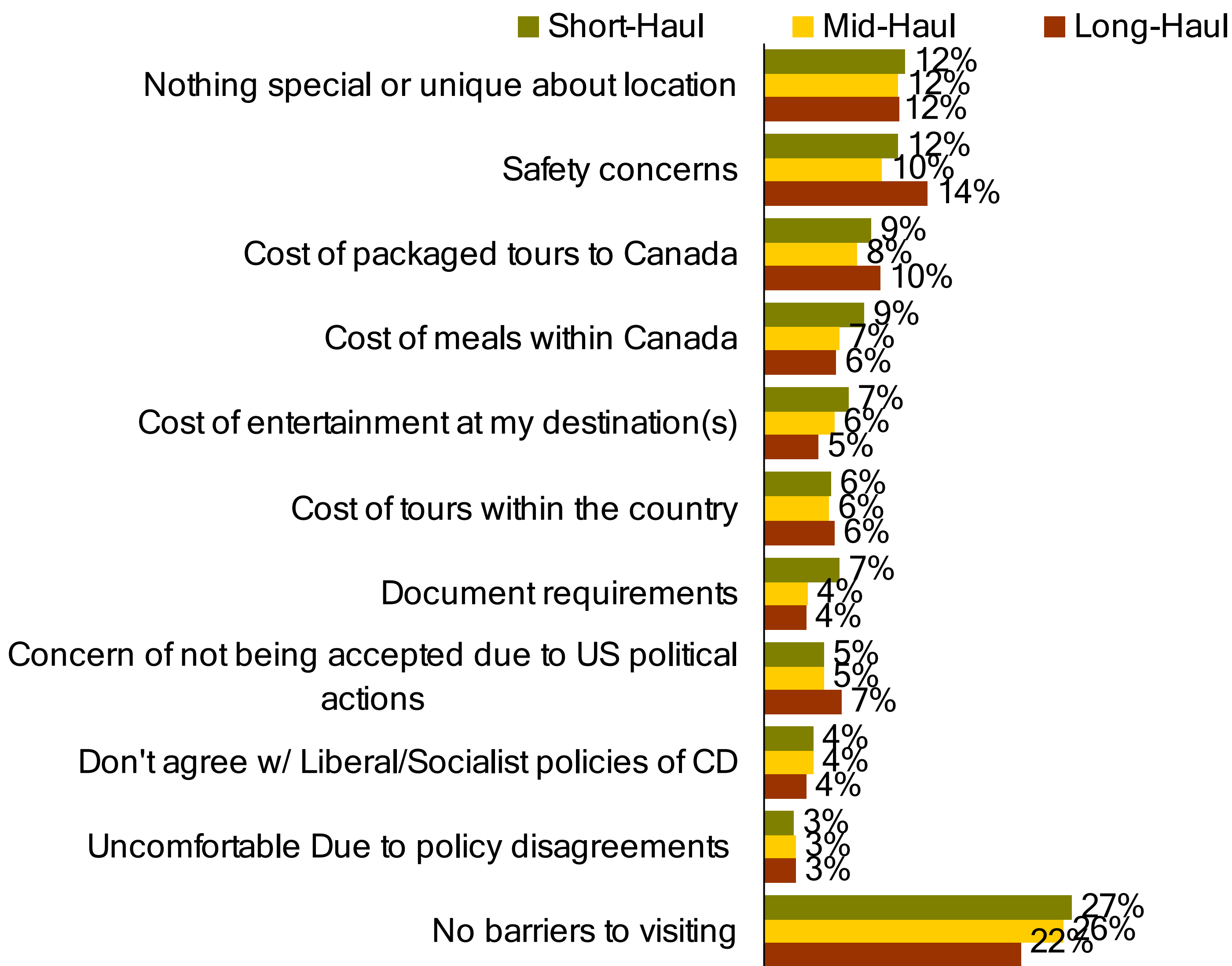
Source: Quant Study

Aided Travel Barriers to Canada by Canada Travelers from Short-, Mid- & Long-Haul Market



Source: Quant Study

Aided Travel Barriers To Canada by Canada Travelers from Short-, Mid- & Long-Haul Market (Con't)



Source: Quant Study

US Outbound Travelers - Aided Travel Barriers to Canada

Short-Haul Market

- Familiar with product of Canada
- But continuous increase of barriers give rise to a "Been There Done That" (Worth It?) syndrome
- Results: respondents search elsewhere within the US for leisure destinations
- Travel concerns:
  - Bad Weather (40%)
  - Bad time for me financially (24%)
  - Other More Interesting and Exotic Places to Go (28%)
  - Price of Gas (20%)
  - Cost of Hotels within Canada (17%)
  - Unfavorable Exchange Rate (20%)
  - Border Crossing Difficulties (12%)
  - All Social-Political concerns (3-6%)

Mid- & Long-Haul Market

- High air travel prices & strong competitive market,
- Other More Interesting and Exotic Places to Go (Mid 33%, Long 31%)
- The price of Hotels (M17%,L 21%)and Air Transportation (M 20%,L 24%) was a greater barrier than unfavorable exchange(M15%,L 18%) rates or the price of gas M 14%,L 10%)
- Concerns about "not a good value for the money" higher for long-haul travelers (20%) versus Short (16%) or Mid (16%) markets
- Concern over "nothing special or unique about destination" was consistent across S,M,L regions at 14% or 15%
- Border crossing difficulties (7-9%) lower concerns for Mid- and Long-haul markets than short-haul market
- All Social Political Concerns Insignificant (3-6%)

Source: Quant Study

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Destination Attributes

Performance Rating Analysis has Two steps:

1) Canada is rated and compared to the "ideal or preferred destination"
2) Canada ratings are compared to the competitors' ratings

- Among the US Outbound Travelers, Canada scores favorably in peaceful/relaxing, authentic experience, exploration, and safety

- Among the US Outbound Travelers, Europe scores favorably on conveying a feeling of exploration, delivering authentic experience, romantic atmosphere, insight into other cultures, and uniqueness.

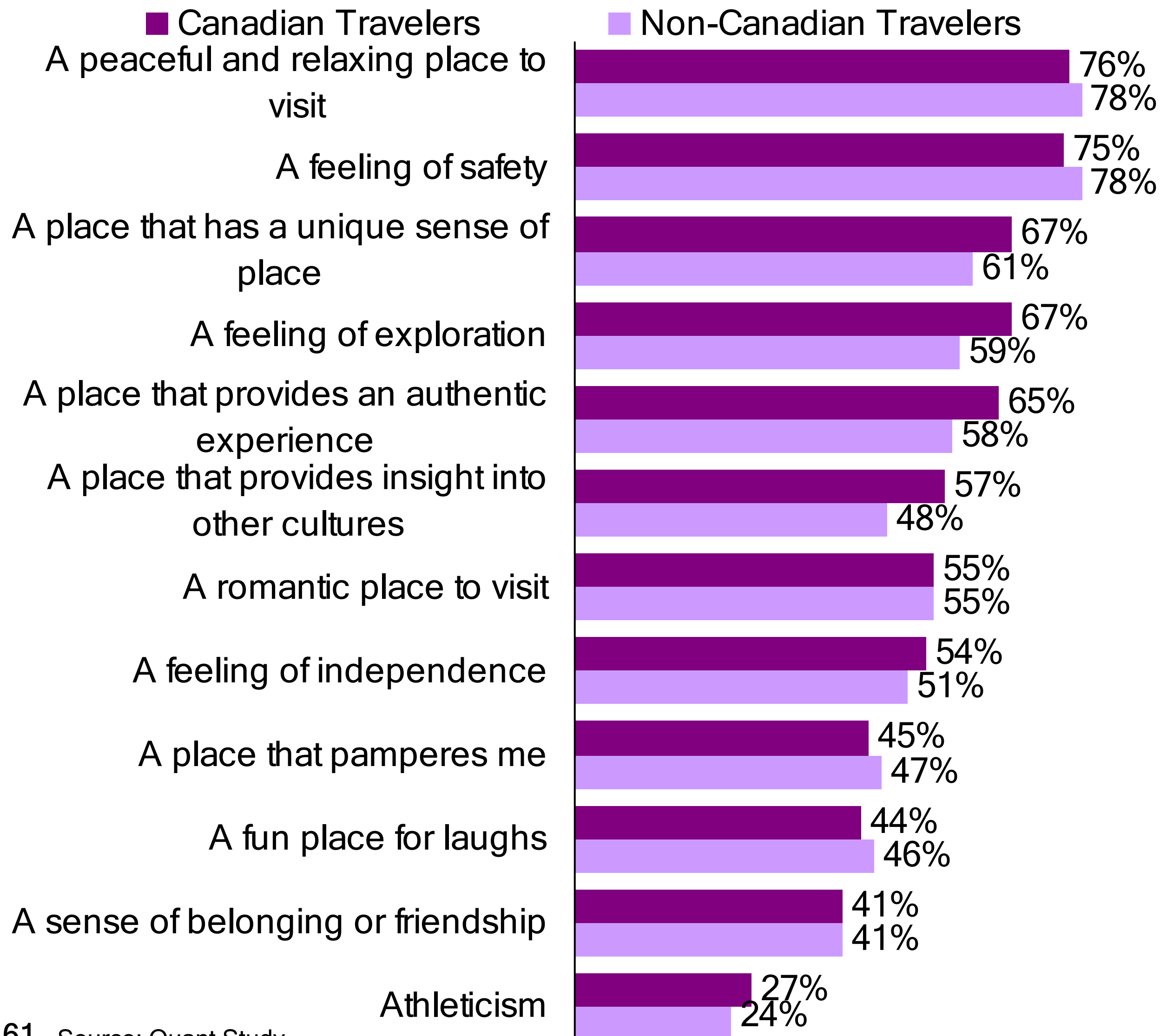
Performance-Competitive Position:

- Canada's strength: safety, sense of exploration, peaceful/ relaxed
- Canada's weakness: consumers prefer
  - A more authentic experience
  - Beach and waterfront experiences
  - More unique experience
  - Greater insight into other cultures

Source: Quant Study

DKS&A DIRECTIONS

Stated Importance of Attributes
(Paid Overnight Leisure)



- No difference in rank of importance of attributes for selecting a leisure destination among all three geographies
- THREAT: Canada travelers seek more destinations providing authentic experience, insight into other cultures, uniqueness, and a feeling of exploration.

Source: Quant Study

Destination Attributes

Canada's Gap Analysis:

- A large gap exists between visitor ratings versus the target market ratings of Canada's ability to deliver authentic or unique experiences
- Canada travelers rate Canada higher across all attributes than do Non-Canada visitors
  - Canada travelers rate Canada above expectations on belonging/friendship, laughs, exploration, safety and independence
  - Canada travelers rate Canada low on unique sense of place, insight into other cultures, being pampered, and peaceful-relaxing
  - US Outbound Market rates Canada below expectation for all attributes except belonging/friendship

➢ AWARENESS GAP ⇨ address through marketing and PR efforts

➢ Canada needs unique emotive element to separate from competitors

➢ Emotive ads can add the essential glue that turns Canada into a special and unique destination for each traveler

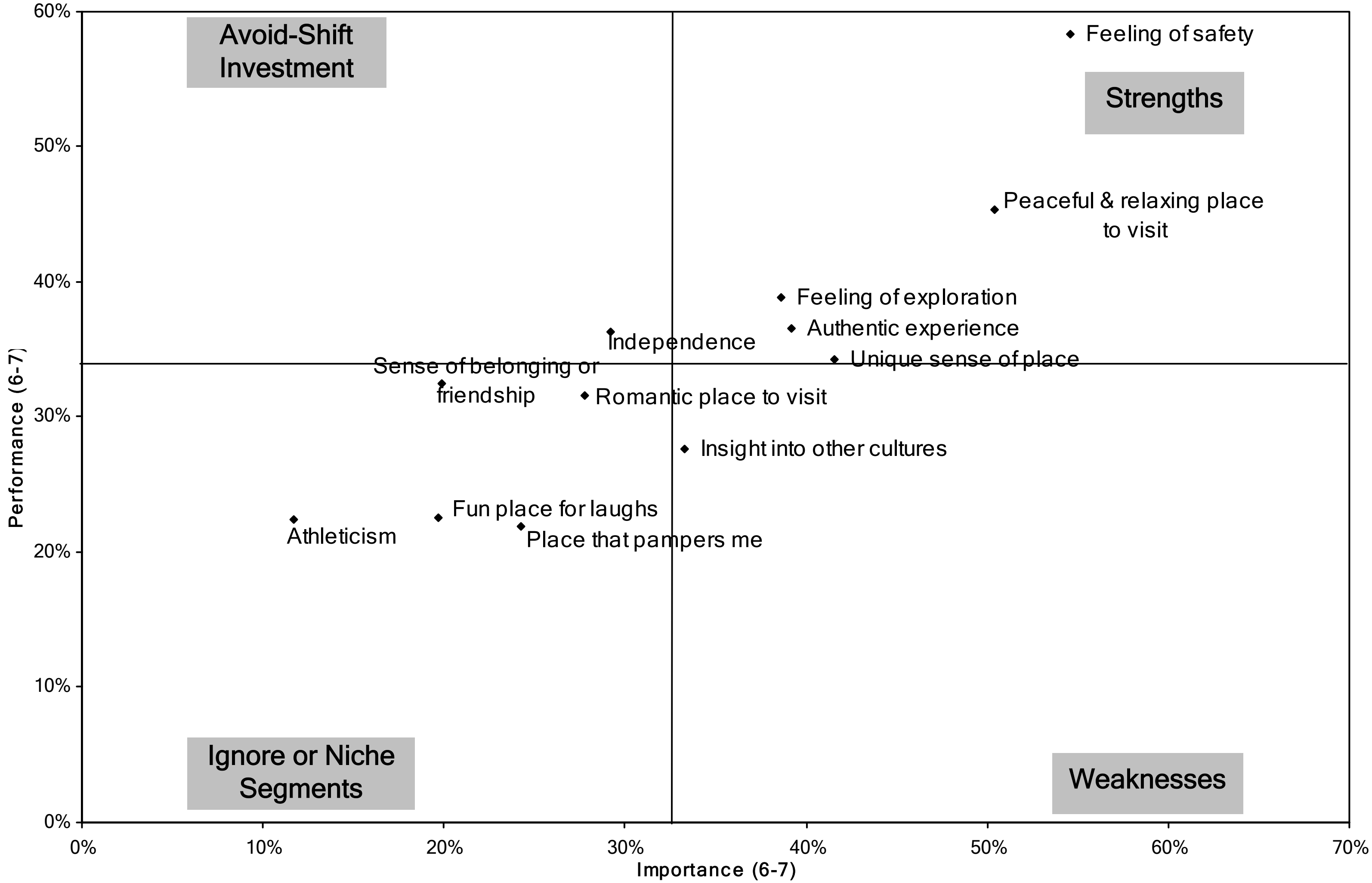
 Source: Qual-Quant Study

Drivers of Visitation - Awareness & Product Gaps

Driver Attributes	Ratings for Preferred Destinations	Canada Visitor Ratings Vs. Importance	Target Market . Ratings Vs. Importance	Awareness & Product Gaps
Beach Lake Waterfront	2 of 3 Demand Hi Rating	-13	-26	Weakness- Awareness & Product Gap
Ease of Getting Place to Place	3 of 4 Demand Hi Rating	-8	-22	Weakness- Large Awareness Gap
Peaceful-Relaxing	3 of 4 Demand Hi Rating	-3	-17	Relative Strength, but Awareness Gap
Variety of Restaurants	60 % Demand High Rating	8	-8	Strength, but Awareness Gap
Core Requirements	**Preferred Ratings**	**Canada Visitor**	**Target Market .**	**Awareness & Product Gaps**
Authentic Experience	Most Imp to 55+	Meets Expectation	-12	Weakness-Awareness Gap 35+ Rate Hi
Insight into Other Cultures	50%+ rate Hi, esp. CDN TVLS	-4	-14	Weakness, yet sig. higher rating among 35-54& 55+
Unique Sense of Place	Almost 2/3 rate Hi, esp. 55+	-5	-17	Weakness, Product/ Awareness Gap
Exploration	64% rate Hi, esp. 18-34	3	-7	Relative Strength among 35-54 &55+ Canada travelers
Safety	Uniform Demand	4	-6	Relative Strength

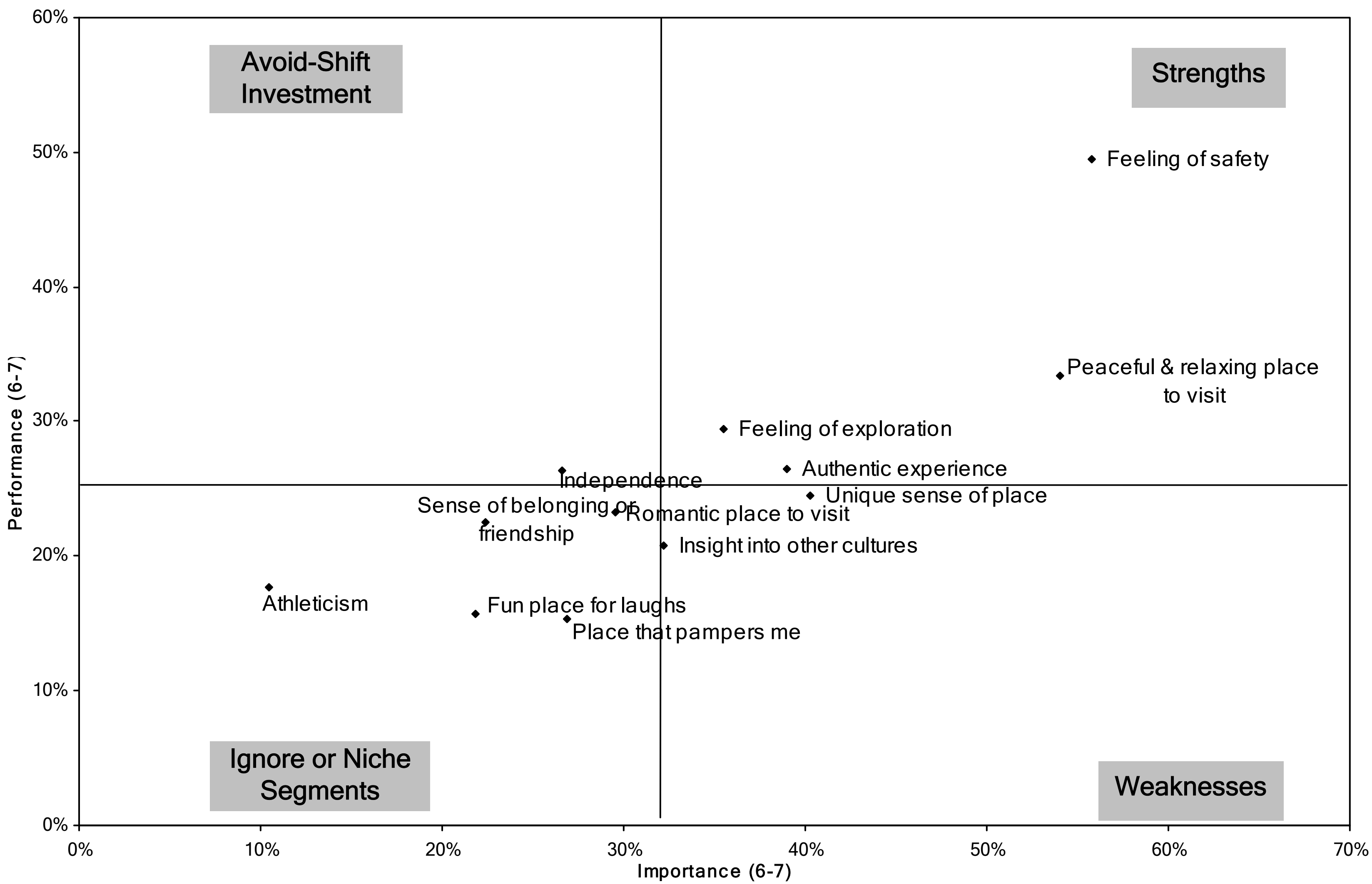
Source: Quant Study

Importance vs. Canada's Performance of Attributes by Canada Travelers
(Paid Overnight Leisure)



Source: Quant Study

Importance vs. Canada's Performance of Attributes by U.S. Outbound Travelers
(Paid Overnight Leisure)

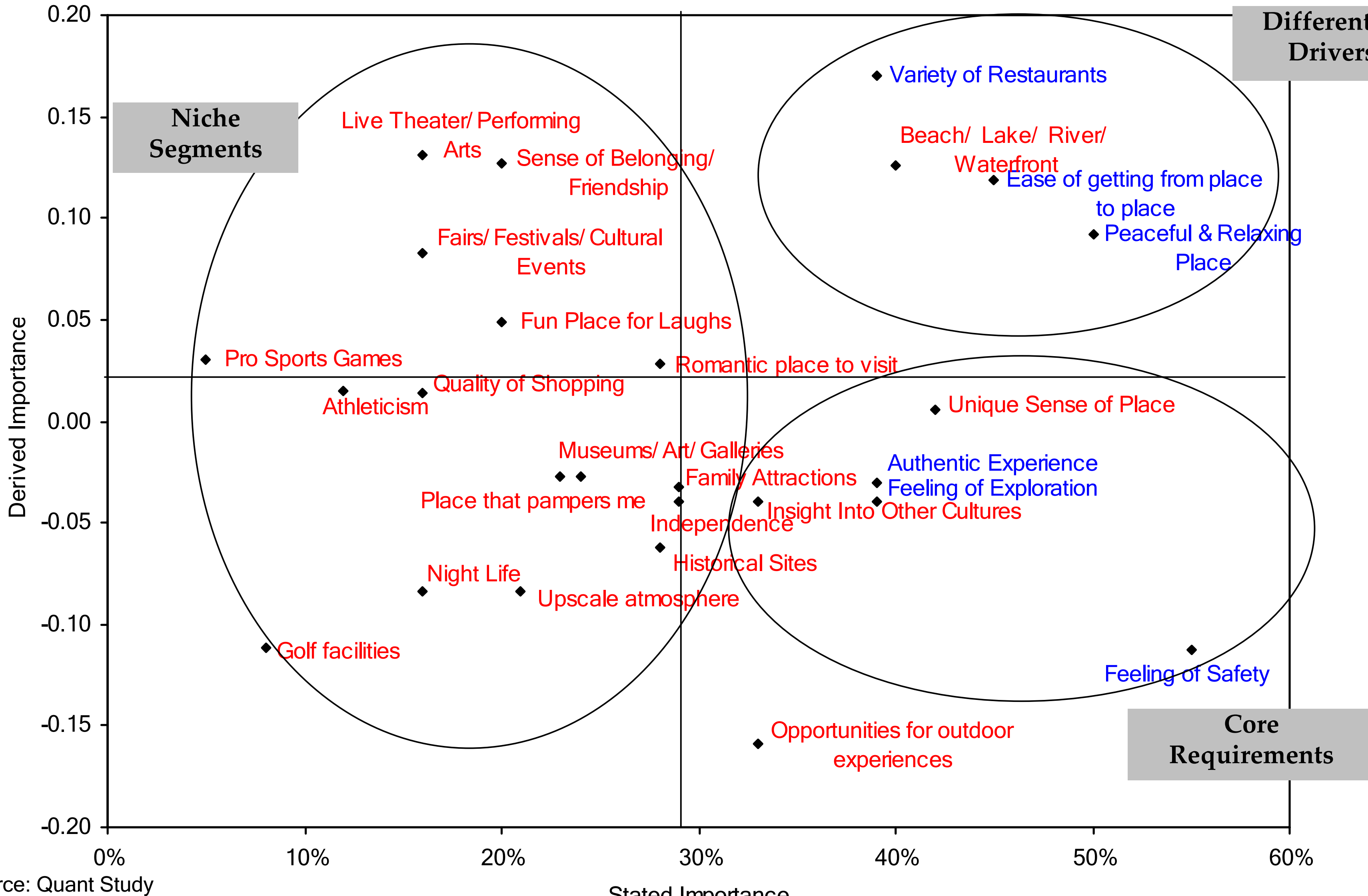


Source: Quant Study

Stated vs. Derived Importance of Attributes

(Canada Travelers for Paid Overnight Leisure)

(Red = US Outbound Performance Ratings of Canada below Avg. Blue = Above Avg.)



Source: Quant Study

Drivers of Visitation - Communication Positioning

Key Driver Attributes	Ratings for Preferred Destinations	Canada Ratings Vs. Importance	U.S. Ratings Vs. Importance	Europe Ratings Vs. Importance	Relative Status Regarding Competition
Beach Lake Waterfront	2 of 3 Demand Hi Rating	-26	11	-21	Weakness
Peaceful-Relaxing	3 of 4 Demand Hi Rating	-17	-7	-24	Relative Strength, but Awareness Gap
Ease of Getting Place to Place	3 of 4 Demand Hi Rating	-22	-1	-19	Relative Parity with Europe
Variety of Restaurants	60% Demand Hi Rating	-8	18	15	Weakness - Awareness Gap

Source: Quant Study

Drivers of Visitation - Communication Positioning

Core Requirements	Preferred Destinations' Ratings	Canada Ratings	U.S. Ratings	Europe Ratings	Relative Competitive Status
Authentic Experience	Most Imp to 55+	-12	-5	17	Weakness-35+ Rate Hi
Insight into Other Cultures	50%+ rate Hi, esp. Canada travelers	-14	-17	27	Weakness, higher rating among 35+
Unique Sense of Place	Almost 2/3 rate Hi, esp. 55+	-17	-11	17	Weakness, Product/ Awareness Gap ratings up with age
Safety	Uniform Demand	-6	-9	-33	Relative Strength
Exploration	64% rate Hi, esp. 18-34	-7	4	14	Weakness, strength among 35-54 &55+ Canada travelers
Niche Requirements	**Ratings for Preferred Destinations**	**Canada Ratings**	**U.S. Ratings**	**Europe Ratings**	**Relative Status Regarding Competition**
Romantic Atmosphere	65% of 18-34 rate Hi	-13	4	14	Weakness-Big Awareness Gap, All CDN TVL rate 57%+
Independence	Half rate Hi	-2	19	4	Relative Strength but Awareness Gap

Source: Quant Study

DKS&A DIRECTIONS

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Non-Canada Activity Participation in Past 2 Years

- Among eight competing destination and apart from the U.S., Canada is the top country choice for participating in the following activities:

	Reason for Trip
– Hiking/Trekking (58%) but closely followed by Australia/New Zealand and Europe	7.3%
– Downhill Skiing and Snowboarding (57%)	9%
– Snowshoe/Snowmobile/Cross-Country Skiing (47%)	3.5%
– Visiting National Parks (45%)	13.8%
– Hunting/Fishing (44%)	5.2%
– Camping/RV (43%)	8.7%
– Canoe/Rafting/Kayak/Whitewater Rafting (27%) but closely followed by Australia/New Zealand, Caribbean, and S. America	3.5%

Source: Quant Study

Non-Canada Traveler Activity Participation in Past 2 Years

- Canada ranked one of the last countries for the following activities:
  - Visiting Farms, Orchards, Ranches, Wineries (16%)
  - Boating/Sailing (12%)
  - Visiting beaches/waterfront areas (7%)
  - Swimming (5%)
- In comparison to Europe, U.S. travelers take Canada less into consideration for the following activities:
  - Having a Cosmopolitan Experience (84% vs. 38%)
  - Visiting Historical Sites/Architecture (82% vs. 30%)
  - Dining at Great Restaurants (75% vs. 33%)
  - Attending Cultural Activities - Performing/Visual Arts (72% vs. 34%)
  - Staying at Great Hotels (63% vs. 44%)
  - Visiting Farms, Orchards, Ranches, Wineries (61% vs. 16%)
  - Shopping in Great Stores (60% vs. 25%)
  - Experiencing Great Night Life (59% vs. 30%)
  - Biking (51% vs. 35%)
  - Playing Golf/Tennis (34% vs. 21%)
  - Visiting a Spa/ Resort (32% vs. 20%)
  - Visiting beaches/waterfront areas (27% vs. 7%)
  - Boating/Sailing (23% vs.12%)
  - Swimming (23% vs. 5%)
  - Visiting Theme/Amusement Parks (16% vs. 7%)

Reason for Trip

10.9%
17.1%
7.9%
10%
15.3%
8.1%
8.2%
7.8%
2.7%
5.8%
13.8%
37%
4.8%
7.3%
18.2%

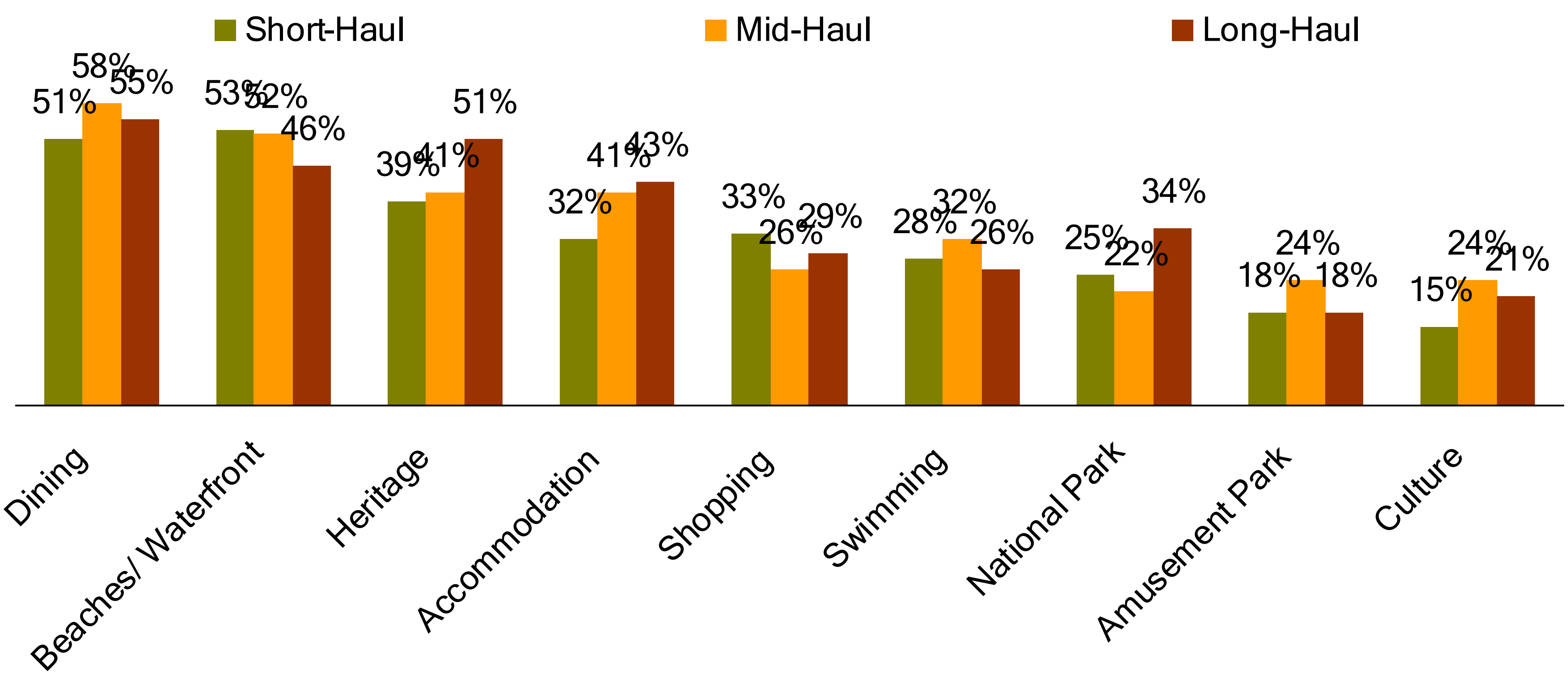
Source: Quant Study

Canada Activity Participation
(2000 vs. 2004 % of Canada Leisure Stays by Total U.S. Residents)

Activity	2004	%change 2000 vs. 2004	
Touring/Sightseeing	56%	+7.1%	Up
Dining	44%	+2.7%	Up
Shopping	37%	-0.9%	Flat
Entertainment	35%	-2.3%	Down
Parks: National, State+	11%	-2.5%	Down
Visit Historic Site	11%	-7.5%	Down
Gamble	10%	-5.1%	Down
Night Life	10%	-1.7%	Down
Museum, Art Exhibit	10%	-2.3%	Down
Group Tour	7%	-3.0%	Down
Concert, Play, Dance	5%	+0.4%	Flat
Hunt, Fish	5%	+1.4%	Up
Boat/Sail	5%	+1.4%	Up
Nature/Culture: Eco-Travel	5%	+2.0%	Up
Beach/Waterfront	4%	-2.3%	Down
Festival, Craft Fair+	4%	-0.9%	Flat
Hike, Bike	3%	-1.7%	Down
Watch Sport Events	3%	-2.1%	Down
Snow Ski	3%	+0.4%	Flat
Theme/ Amusement Park	2%	-2.8%	Down
Other Adventure Sports	2%	+1.7%	Up
Camping	2%	-1.8%	Down
Play Golf	1%	0.0%	Flat
Look At Real Estate	1%	n.a.	Color = 2 time> change than in U.S.

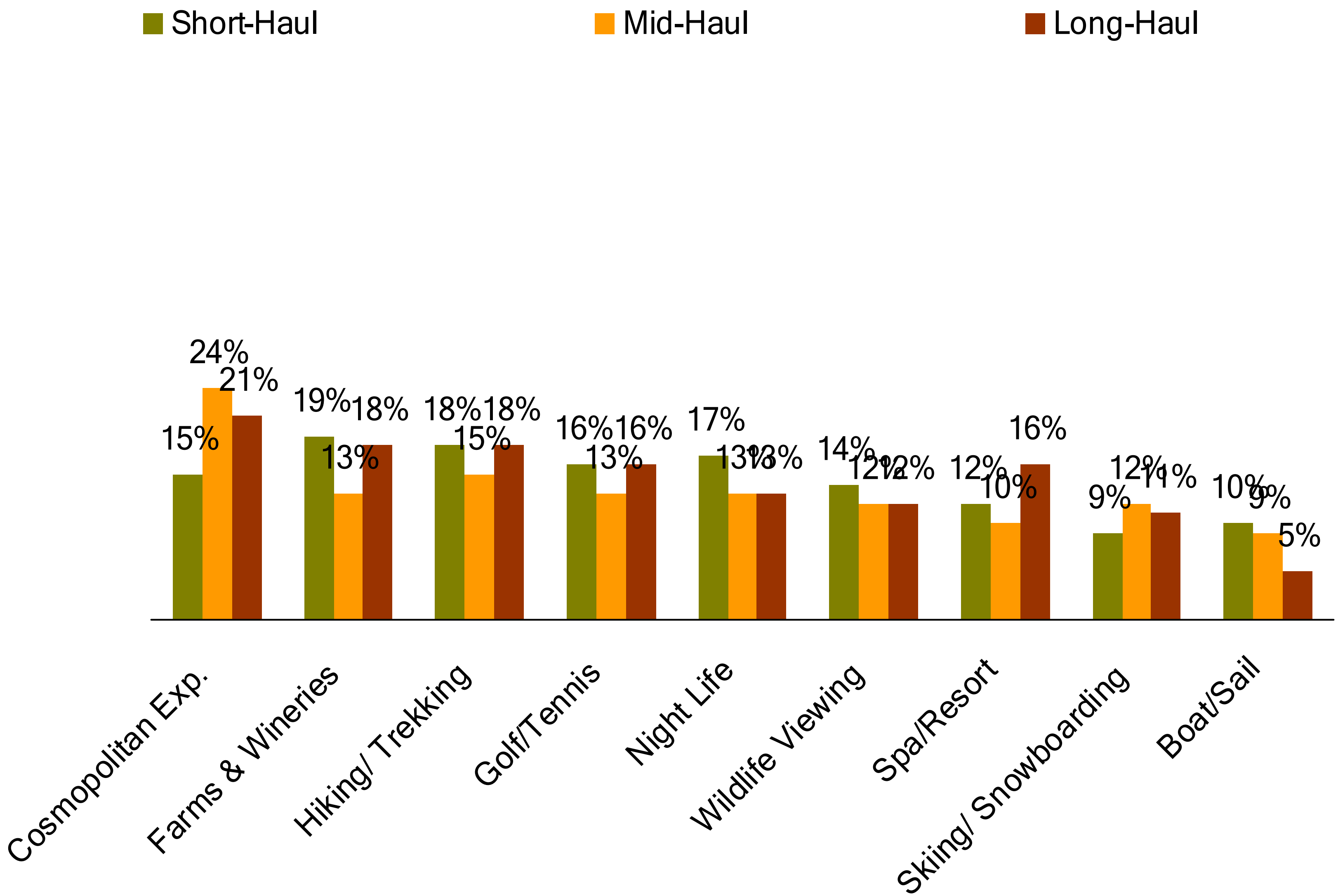
Source: *Performance*/Monitor^{SM}

Activity Participation in Past 12 Months
(Paid Overnight Leisure)



Source: Qual-Quant Study

Activity Participation in Past 12 Months (Con't)
(Paid Overnight Leisure)



Source: Qual-Quant Study

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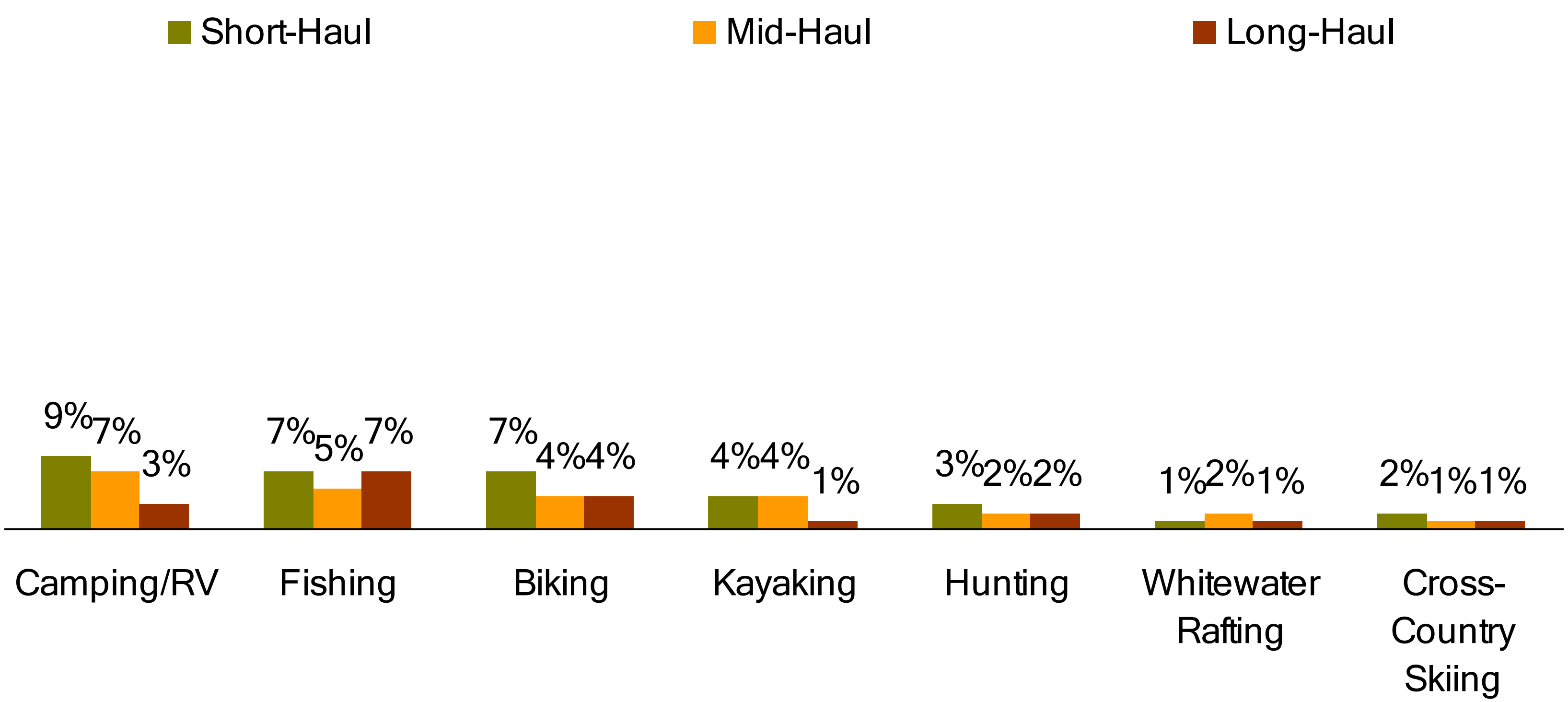

Source: Qual-Quant Study

DKS&A DIRECTIONS®

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Trip Frequency
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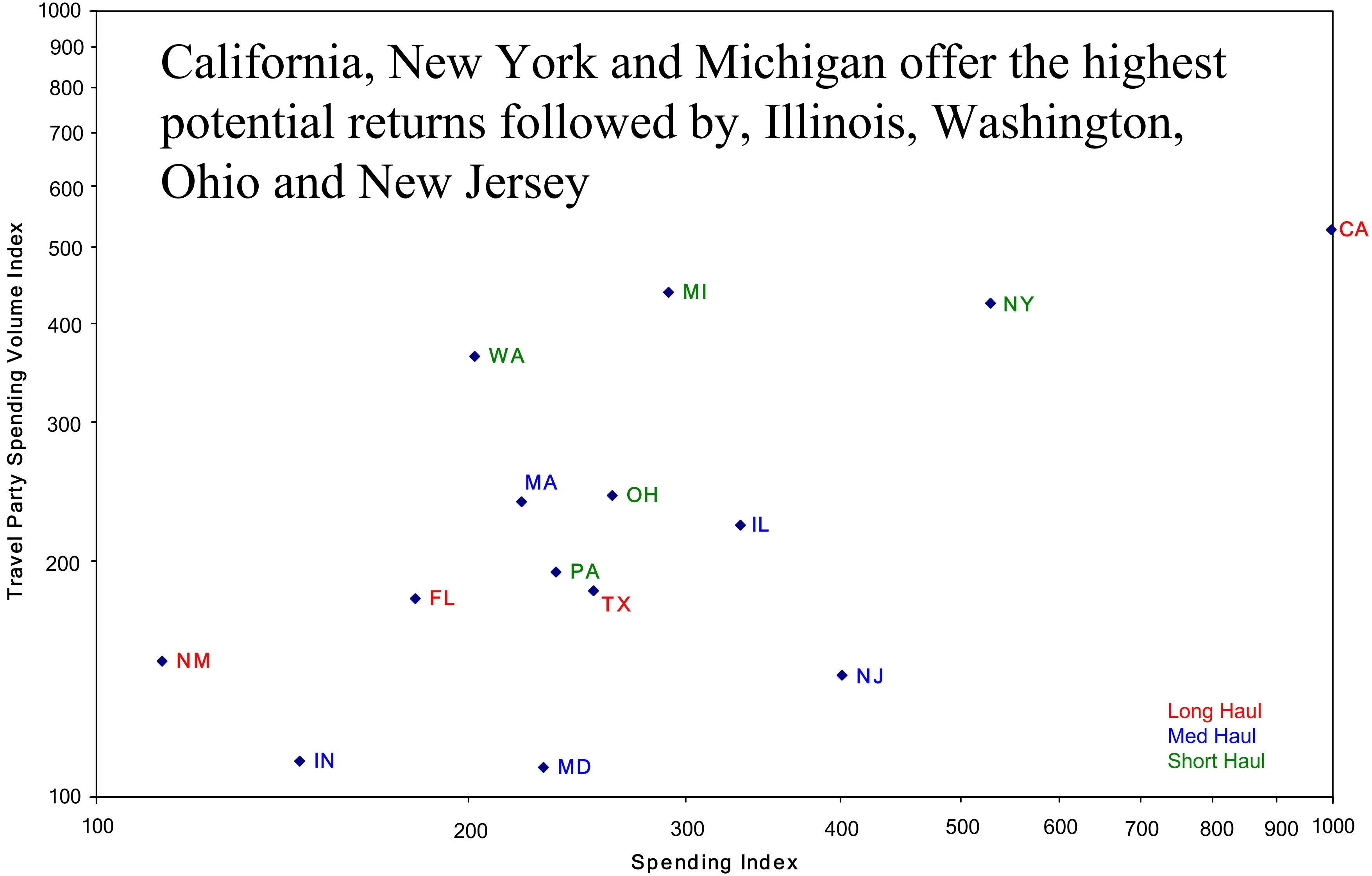
Marketing & Research Implications

Trip Frequency

- Canada visitors travel more frequently for leisure than Non-Canada travelers
  - Short-Haul Market travel on average less frequently than Mid- and Long-Haul travelers
- Canada travelers more likely to visit new places
  - True across all three origin regions

Expected Relative Returns from Select Origin States

California, New York and Michigan offer the highest potential returns followed by, Illinois, Washington, Ohio and New Jersey



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Overall Consideration and Awareness for Canada - Canada Advertising Impacts Significantly Lag Competitors' Ads

Destination Consideration

- Consideration declines with distance from Canada
- Highest among Short-Haul Markets
- Short & Mid Haul consider Canada as a weekend getaway
- Vacation Consideration rises from Mid to Long Haul Markets

Canada's Awareness

- Strongest competition from U.S. domestic markets
- Second important competitor is Europe, but less in the Short Haul Market and increasingly in Mid to Long-Haul Markets

Unaided Ad Awareness

- Significantly higher for Europe, Mexico, & Caribbean than Canada

Total/Aided Ad Awareness

- Canada lags all major competing markets in total awareness
- Declines significantly (45% to 32%) with distance from Canada
- Significantly higher for Europe, Mexico, and the Caribbean
- Data suggests ad content, targeting and share of voice may all contribute to low performance
- Advertising message and targets should be reviewed & modified relative to findings

General Summary - Image Elements to Use & Avoid in Brand -Image Advertising

Elements to Include

- Unique-Special
- Relaxing
- More than a Weekend Getaway
- Providing an Authentic Experience
- Different than Home
- Romantic
- Variety of Dining, Etc.
- Outdoor Opportunities
- Insight to Other Cultures
- Safe (background element)

Elements to Avoid/Minimize*

- Cold Bad Weather
- A Simple Getaway
- A Weekend Getaway
- Similar to Home
- Too much outdoor
- Rugged Outdoor
- Your Neighbor next Door-Right Next Door

* Elements to avoid vary by Short Mid and Long Haul Markets- Refer to detailed report.

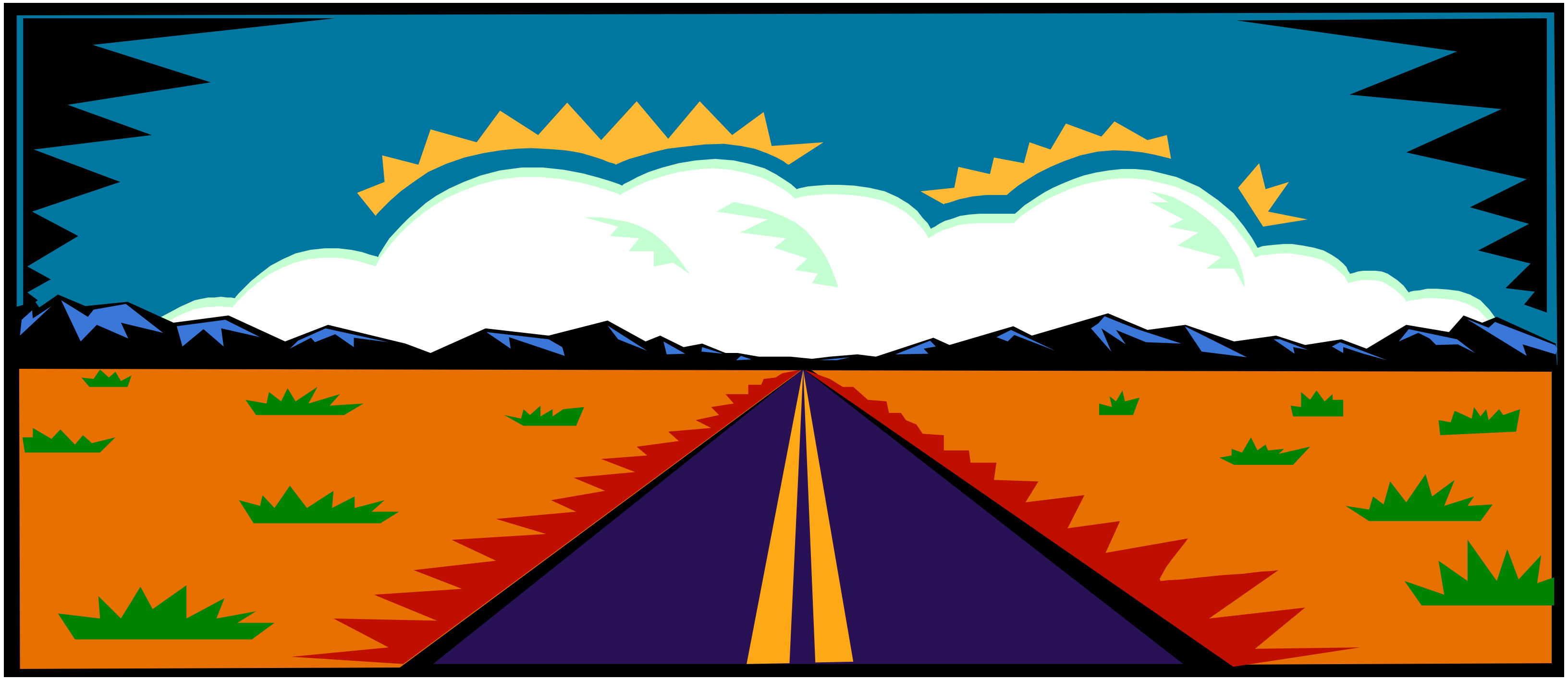
DKS&A DIRECTIONS®

Summary - Travel Barriers: Canada is not seen as exotic/interesting nor price competitive.

- **Other more interesting places** to see (31%)
- **Cost** focused Air (20%), Hotel (18%), & Value (17%)

  (Universal concern across all markets. Intensity grows significantly with distance)
- **Price of Gas** (Only Significant for Short Haul Markets - 20%)
- **Feeling of** "Been There, Done That" (16% - declines with distance)
- **Border** crossing issues (12% - Only significant for Short-Haul Markets)
- **Cultural/Political** Differences (**Insignificant** at less than 5%)

Where are we Going ?



Fundamental Principals for More Effective Marketing

- Understand Your Competitors
  - Understand your image strengths and weaknesses relative to competitors (Done)
  - Understand share of advertising voice (Data Needed)
- Target where greatest impacts can be achieved.
  - Target for greatest efficiencies with high spending returns (Needed)
- Communicate Effectively
  - Right images, copy and spokesperson that “Speak to your Customer” (Needed)
- Sell to your strengths
  - Believable in your customers “Own Words” (Needed)
  - Focused on high performing markets and segments (Analysis underway)
  - Focused on high efficiency markets (lowest cost per visitor markets with the highest dollar return) (Analysis Needed)

General Communication Recommendations

- Canada Needs:
- Brand Icon
  - Canada needs an advertising and popular culture icon that will universally be recognized as "Canada" across all markets
- Frequency in Short Haul Markets
  - Canada is well known (due North only) in Short Haul Markets
  - Frequent reminders, "Value" and time sensitive "Reasons to Visit" are needed
- Brand Identity and Information in Mid and Long Haul Markets
  - Advertising must be brand focused with a direct response element.
  - Ads should include specific niche segment offers.
  - Market timing for offers is critical relative to competitors.
  - Multi-channel and highly targeted marketing is key.

US Origin Markets for Consideration

Top 7 High Volume and
$ Return Markets*

- New York
- Michigan
- Washington
- California
- Ohio
- Massachusetts
- Pennsylvania.

Top 7 Markets with Highest
Potential Efficiencies of Return**

- California
- New York
- Michigan
- Illinois
- Washington
- Ohio
- New Jersey

* Markets need refinement to age/income sectors and DMAs
** Further efficiency modeling needed including media costs/reach by market.

US Market Segments for Target Consideration

Segments Generating 2000-2004 Losses

Highest Room Night Losses

- High spenders per day being lost to competitors
  - 18-34 No Kids - Shift to Shorter Stays, Less Frequent Visits, Fewer Travelers Per Party
  - 35-54 Couples - Fewer Visits, Shorter Stays
- 55+ Couples with Mid to High Income - Prime target, sharp 2004 increase
- 50-64 Couples - No Kids, Mid- Low income - Not a prime target

Highest Losses in Visitors

- 35-54, Couples Mid/Hi Income, Big spenders, Fewer visits & Less Weekend Getaways
- 35-54 Families – Low Income, Not a Prime target
- 50-64 Couples - No Kids, Mid/Low income - Not a prime target

Additional Research/Intelligence Needed

- Need for better competitive intelligence
  - Share of advertising voice is needed in aggregate and for specific target markets to more effectively select target markets
- Need to understand capacity, growth opportunities before ad-investment
  - Annual analysis of direct flight (City-Pair) US-CA lift capacity including seasonal pricing, total lift and load factors are needed to understand where Canada can compete and which markets can quickly absorb growth to meet demand generated by marketing/offers.

Additional Research/Intelligence Needed

- Better design-execute communications
  - Pre-production quantitative advertising testing will aid in refining creative, avoid wasted production costs and wasted media spending on ads that do not perform to norms or standards.
- Target advertising & PR more effectively
  - Further modeling of visitation and spending from AC Neilson US DMAs for effective and efficient media targeting is needed.
  - Results should then be integrated with media cost/reach estimates by market to select high efficiency/return markets thus refining the media plan & targets.

Thank You!

Changing U.S. Travel Trends to Canada Findings

Canadian Tourism Commission

Presented 3/2/06

By

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