



Canadian Tourism  
Commission

Commission canadienne  
du tourisme

# Brazil Market Insights - 2011



March 2012

Canada

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## Introduction

The Canadian Tourism Commission (CTC), in conjunction with various Canadian tourism industry partners, undertakes four market research studies on an ongoing basis: Global Tourism Watch; Advanced Path to Purchase; Explorer Quotient Research; and Ad Evaluation and Conversion studies.

This report summarizes findings from the CTC's research studies as well as from further analysis that the CTC has conducted on other data sources. It is intended to provide insights about Brazilian long haul travel and offer a glance into marketing and sales considerations moving forward for Canada. The CTC Research team is pleased to share these insights with our industry partners and welcomes your comments.

The CTC would like to acknowledge the following partners and suppliers that have contributed to the CTC's research efforts, enabling us to produce this report.

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## Executive summary

Supported by a growing middle class with increasing affluence and a strong currency, Brazil travel to long haul destinations (beyond South America) grew an average of 15% annually between 2005 and 2010. Brazilians took an estimated 4.5 million long haul trips in 2010. While Brazil's economy experienced a slowdown during 2011, it is expected to pick up by Q3 of 2012. Between 2010 and 2014, Brazil long haul travel is forecasted to grow an average of 8% annually.

The U.S. represents over one quarter of Brazil's long haul travel. Despite stringent visa requirements, arrivals to the U.S. grew an average of 20% annually between 2005 and 2010 and grew 26% in 2011 to 1.5 million arrivals. The U.S. has a strong emotional pull among Brazilians as a dream destination, while shopping and low airfare makes the U.S. a practical destination. Due to high taxes and inflation, goods are expensive to purchase in Brazil. Thus, the amount Brazilians save on buying goods in the U.S. can offset their travel costs.

Current air service to Canada is limited to one daily nonstop flight between São Paulo and Toronto. Brazil and Canada signed an updated bilateral air agreement in 2011, paving the way for new air service. However, a reciprocal visa requirement hinders travel in both directions, which may discourage or prolong airlines from adding new service.

Despite visa and air service challenges, Canada has experienced tremendous growth rates in Brazil arrivals: 25% in 2010 and 13% in 2011. Canada can maximize its existing strengths and opportunities to convert travellers in the short term. First, Canada is considered the *number one destination for Brazilians studying abroad*<sup>1</sup>; approximately 16,000 Brazilians came to Canada in 2010 to study. Second, *750K Brazilians have indicated a strong intent to visit Canada in the next two years*. Third, when all trip costs are considered, *Canada is price competitive*. Fourth, there is *excess air capacity via Panama and the U.S. and many Brazilian travellers who already possess a multi-entry U.S. visa*; in fact, most of Canada's growth in arrivals during 2011 connected over American Airlines' U.S. hubs and Copa's new Panama-Toronto service. Fifth, *Brazilians are less interested in beach holidays and more interested in cultural experiences, particularly multi-cultural experiences*. And finally, *Canada can offer Brazilians a balance between cultural experiences and good value for shopping*. President Obama's announcement to improve the efficiency of the visa process, however, poses a risk for Canada if the U.S. realizes the efficiencies quicker than airlines can respond to the increased demand.

Over the longer term and aside from air access and visa issues, Canada will need to broaden Brazilian travellers' perceptions of Canada. In general, Canada is associated with images of cold, barren landscapes with few relevant travel experiences and unaffordable. To change these perceptions of Canada, the CTC will be incorporating the Signature Experiences Collection (SEC) into its marketing initiatives and encouraging Canada's receptive operators to incorporate relevant product into itineraries.



## Market conditions

### ECONOMY

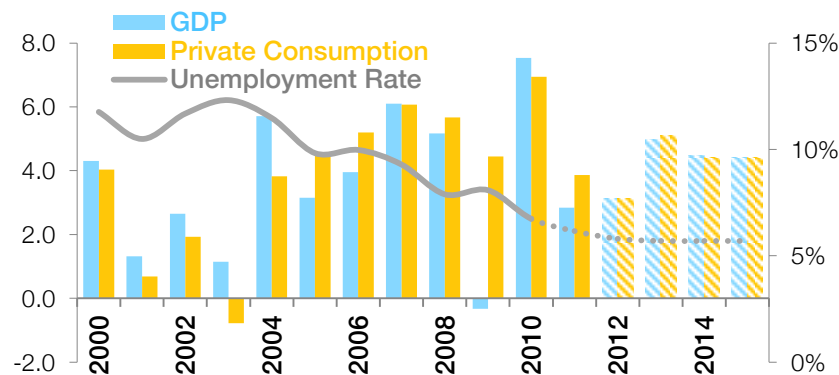
With over 190 million people, Brazil is the seventh largest economy in the world. According to PwC, Brazil is forecast to become the world's 5th largest economy by 2025 and would be of similar size or even larger than Japan by 2050<sup>ii</sup>.

During the 2009 global economic downturn, Brazil was one of the last countries to fall into a recession and one of the first ones out. Over the course of 2011 Brazil's economy slowed-down, however, this weakened economy is expected to be short-lived. **An improvement in global conditions is forecast to underpin a strengthening of the Brazilian economy over the course of 2012**, with this renewed momentum leading to GDP growth of 5% in 2013<sup>iii</sup>.

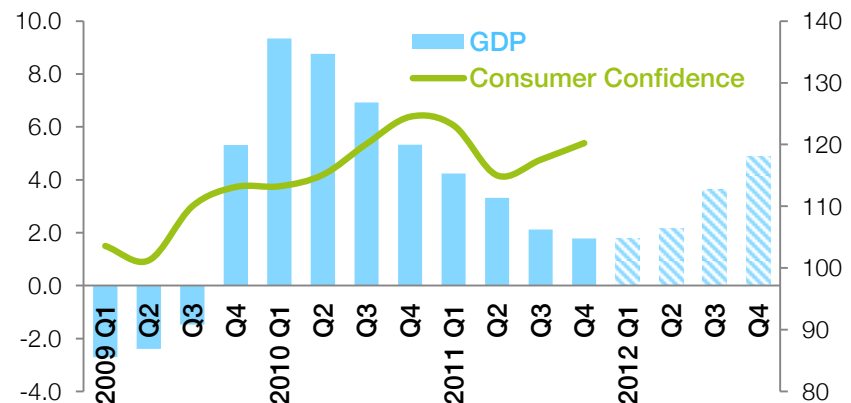
Brazil's low unemployment rate, which fell to a record low in December 2011, continues to prop up consumer confidence. The growth of job creation and rising salaries combined with government stimulus efforts are fueling spending even as Brazil's overvalued currency and Europe's debt crisis reduces demand for Brazil's exports. Employers continue to add jobs as Brazil invests in its oil finds and prepares to host the 2014 FIFA World Cup and 2016 Summer Olympics<sup>iv</sup>.

High inflation has been a major concern as the central bank's 2011 target of 4.5% +/- 2 pts was narrowly achieved, and it is forecasted to come in above the 4.5% target set for 2012. However, Brazil's consumer confidence index picked up in December 2011 for a third consecutive month, as inflation continued to show signs of slowing down.<sup>v</sup>

Low unemployment bolsters confidence and high inflation encourages consumer spending



Brazil's economy slowed over 2011, expected to pick up in Q3 2012



Source: Oxford Economics, December 2011.

## BRAZILIAN OUTBOUND TRAVEL

Overall international travel from Brazil has been increasing dramatically in recent years supported by growing disposable income, a strong exchange rate and greater confidence in the Brazil economy.

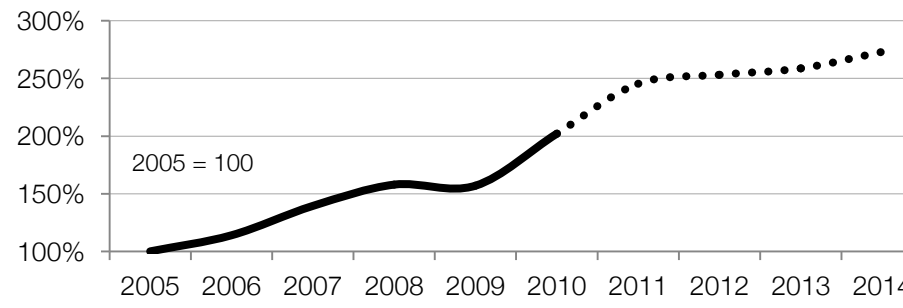
105 million Brazilians now belong to the middle class C, with an estimated 39.5 million Brazilians climbing to the middle class between 2003 and 2011. Increased affluence has translated into stronger demand for international travel. (Report by Fundação Getúlio Vargas).

Long-haul travel from Brazil, which has been defined in this report as Brazilian arrivals beyond South America, grew an average of 15% annually between 2005 and 2010. **This double-digit growth in recent years and excellent economic prospects make the emerging Brazilian travel market promising.** Tourism Economics has forecasted long-haul travel from Brazil to grow an average of 8% annually between 2010 and 2014.

**There are some potential threats when considering the growth of Brazilian long-haul travel.** The **continuing softness of the global economy** expected in 2012 is translating into uncertain demand for Brazil's exports, particularly when combined with the over-valued Real. While a strong currency has been conducive for outbound travel, it is a major threat as it diminishes Brazil's competitiveness. High debt payment (including mortgages) among those new middle-class consumers could be another possible dampening factor.

Many of Brazil's largest airports are operating beyond their capacity, which contributed to 1 in 20 flights cancelled in 2011<sup>vi</sup>. São Paulo's Guarulhos (GRU), Brazil's largest airport, is designed to handle 26 million passengers. In 2010, the airport handled 26.8 million passengers (pax) and traffic was up 14% for the first seven months of 2011, which would translate to over 30 million pax for the year. During 2012, however, the Brazilian government will start to privatize GRU with anticipation that the new operator will be able to expand its capacity in time for the 2014 World Cup.

**Brazilian outbound long haul travel forecasted to grow 8% annually between 2010 and 2014**



Source: Tourism Economics, December 2011.

## Brazil and Canada

Brazil was Canada's 9<sup>th</sup> largest export market in 2010, up from 14<sup>th</sup> in 2009. In dollar terms, Canada's exports increased from \$1.6B in 2009 to \$2.6B in 2010. This 60% increase was largely driven by fertilizers, pharmaceutical products and mineral fuels and oils. Including imports, Canada-Brazil bilateral merchandise trade was \$5.9 billion in 2010. An estimated 400 Canadian companies currently operate in Brazil.

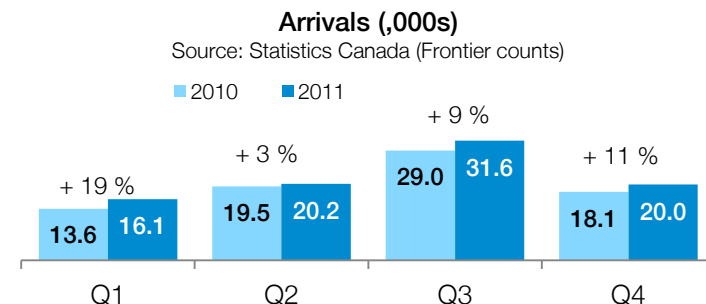
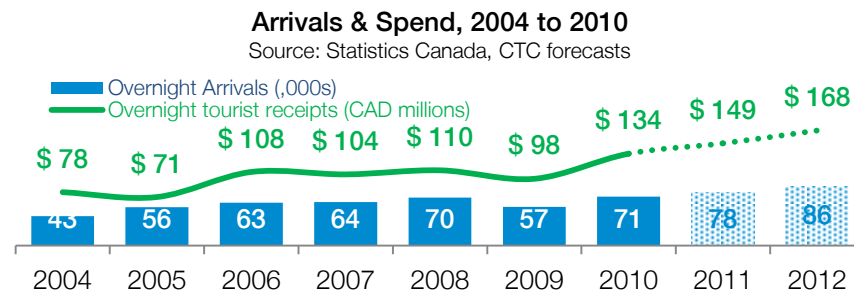
During 2011, Canada signed several agreements with Brazil to enhance the flow of goods and services between the two countries. Among the agreements signed was an **updated bilateral air transport agreement**. The new agreement provides more rights for airlines in both countries and more flexibility in route selection, pricing and frequency of flights. The leaders also agreed to enhance educational ties and increase the number of student exchanges; approximately 16,000 Brazilian students studied in Canada during 2010.

**Both Canada and Brazil impose visas on travellers visiting each other's country, hindering travel in both directions.** Brazilians require a visa to enter or transit through Canada. A single-entry visa is valid for six months upon arriving in Canada and costs \$75 and the multiple-entry visa is valid for 10 years for a fee of \$150. Citizenship and Immigration Canada has advised that the São Paulo office processes most visa applications within 21 days. Similarly, Canadians must have a visa prior to arriving in Brazil, and the visa must be used within 90 days of issuance. In 2010, the 90-day requirement was lifted but has not been fully implemented.

### BRAZILIAN TRAVEL TO CANADA

Brazilian arrivals increased from 43K per year in 2004 to an estimated 78K in 2011. Based on air traffic data and Statistics Canada border counts, the CTC has estimated that this growth most benefitted Ontario, BC and Atlantic Canada.

- BC's growth markets were São Paulo, Belo Horizonte and Curitiba;
- Ontario's growth markets were Porto Alegre, Belo Horizonte and Rio de Janeiro;
- Atlantic Canada's growth market was São Paulo



## Competitive Environment

In the *Global Tourism Watch*, the CTC has defined Canada's competitor set for Brazil as the US, France, Italy, UK, Australia and Mexico. Portugal and Spain were omitted from the competitor set due to Brazil's natural affinity toward these two countries as well as the need to balance the competitor set with countries beyond Europe. Where possible, the analysis includes other competitors.

To assess Canada's position among its competitors, three areas were examined:

- ✓ **Accessibility:** includes competitor visa requirements, air capacity to competitor destinations and an analysis of demand versus capacity;
- ✓ **Affordability:** includes a price competitiveness index and the appreciation/depreciation of competitor currencies against the Brazilian Real; and
- ✓ **Marketing Performance:** compares Canada's position on the Global Tourism Watch key performance indicators (Destination interest, Destination awareness, Destination consideration, and unique selling propositions)

### ACCESSIBILITY: VISA

**Canada's visa process is a major barrier for growth compared to competitor destinations.** Brazilians do not require visas when travelling to the European Union. The U.K. requires Brazilians to apply for a visa upon arrival and almost all are granted entry, however there is a risk of being denied. Australia and Mexico do require visas but are considered to have efficient application processes. The U.S. and Canada both have complex processes. However, travellers tolerate the U.S. process because their desire to visit outweighs the hassles.

Visa waived	EU countries
More efficient visa process	U.K.
	Australia
	Mexico
Less efficient visa process	Canada
	U.S.



#### A NOTE ON CANADA'S VISA PROCESS

In 2011, the CTC commissioned a qualitative study in Brazil with several objectives, which included determining the impact of Canada's visa requirements on Canada's image and the impact on the travel trade's ability to sell Canada. The interviews concluded that:

- *Air access is a larger barrier for Canada than visa requirements. Many countries require Brazilians to have visas, including the U.S. The U.S. remains the most popular destination for Brazilians because the desire to visit the U.S. is stronger than the challenges of obtaining a visa;*
- *Visa requirements do not hurt Canada's image, however, Canada could attract many more Brazilians by easing visa requirements;*
- *Longer processing times creates anxiety;*
- *The cost of a visa is minor relative to the overall cost of the trip, so the expense of a visa is not a major concern for travellers;*
- *Both the U.S. and Canada have complex visa requirements, although the U.S. process is perceived as more complex and longer.*

While it is true that Brazilians tolerate the U.S. visa process, the U.S. travel industry believes its visa requirement is a barrier for growth. In fact, President Obama requested a 40% increase to the visa processing capacity, which would shorten the process from four months to three weeks. The U.S. Travel Association estimates that the improvements could result in the creation of 1.3 million jobs and add \$850 billion to the U.S. economy by 2020.

**Depending on how quickly the U.S. is able to realize efficiencies, the airline industry may be unable to respond quickly enough to keep pace with the expected increase in demand. A lag in supply from the airlines would present a risk to Canada.** Currently, 40 to 45 percent of Brazilian visitors to Canada arrive through the U.S. Moreover, Canada's short term opportunities for growth are heavily dependent on the excess capacity via the U.S.

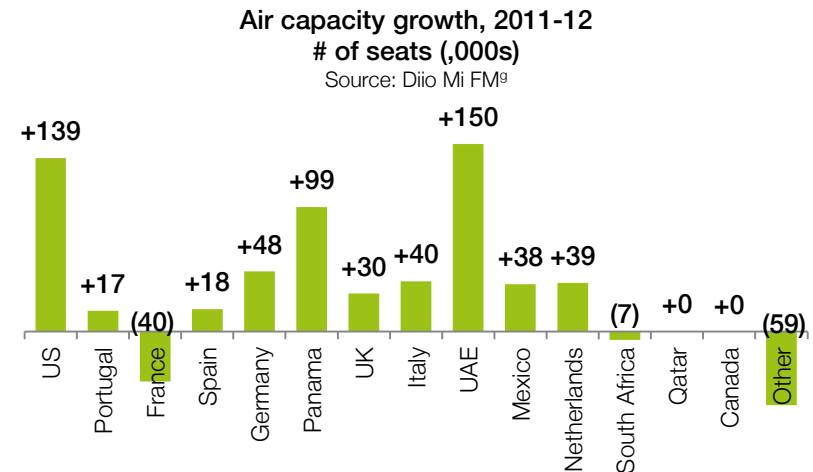
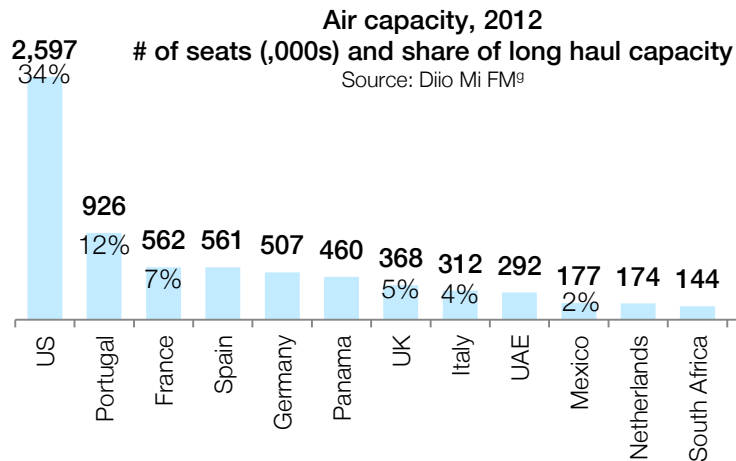
The travel trade also noted that Brazilians who do visit Canada are thrilled by their experience; some even said that Canada is the destination with the highest satisfaction for Brazilian travellers. Brazilians find Canadians friendlier than Americans and appreciate the mix of European and American culture. The removal of barriers relative to the U.S. is key and attentiveness to visa requirements is not inconsequential. However, in practical terms, this means promoting advantages of Canada's visa process over the U.S. process.

### ACCESSIBILITY: NONSTOP AIR SERVICE TO COMPETITOR DESTINATIONS

Capacity to Canada represents a mere 1% of total long haul capacity (flights beyond South America) in 2012. Moreover, capacity was added to all major competitor destinations in 2012 except Australia, France and Canada.

**With nonstop service limited to one daily flight between São Paulo and Toronto, a shortage of air capacity combined with the lack of airline competition results in higher airfares.** Higher fares are good for an airline's profitability, especially in an era of slim margins, but present more challenges for growing tourism.

**Trends to watch will be capacity increases to the UAE and to Panama.** With the launch of Rio – Dubai, the UAE now represents 4% of long haul capacity and Brazilians have easier access to Asian destinations. In terms of seats, Panama is now the 6<sup>th</sup> largest long haul destination; the Panama Tourism Authority has been aggressively promoting throughout Latin America.



### ACCESSIBILITY: NONSTOP AIR SERVICE TO COMPETITOR DESTINATIONS BY BRAZIL AIRPORT

Many of Canada's competitors have nonstop service from both São Paulo and Rio and six competitor destinations are also connected with Brazil's secondary airports. **Thus, Canada is at a further disadvantage compared with the U.S. and European competitors in terms of air access to regions outside of São Paulo.**

**Long haul capacity growth in 2012 is focused on Rio de Janeiro** with the launch of service to Dubai and additional capacity on Panama, New York and several European routes.

Among the secondary airports, **Belo Horizonte** will see additional capacity to Panama and Miami, **Porto Alegre** will see more capacity to Panama and Lisbon, and **Brasilia** to Panama and Atlanta.

**Table 1: Long haul capacity (beyond South America) by Brazil airport, scheduled flights**

Airport	YOY growth	2012 Seat capacity ,000s (share)	Destinations served, 2012																	
			⬆️⬆️ indicates the YOY trend in seat capacity ✓ indicates minimal change in seat capacity																	
			U.S.	Portugal	Spain	France	Germany	Italy	U.K.	Netherlands	Switzerland	Mexico	Canada	Panama	UAE	Qatar	Turkey	South Africa	Cape Verde	Angola
Sao Paulo Guarulhos (GRU)	1.8%	4,455 (59%)	⬆️	✓	⬆️	⬇️	⬆️	⬇️	✓	✓	✓	⬆️	✓	⬆️	✓	✓	✓	⬇️		⬇️
Rio de Janeiro (GIG)	22%	1,841 (24%)	⬆️	✓	⬇️	✓	⬆️	⬆️	⬆️	⬆️				⬆️	⬆️					⬇️
Brasilia (BSB)	13%	282 (4%)	⬆️	✓										⬆️						
Belo Horizonte (CNF)	23%	231 (3%)	⬆️	✓										⬆️						
Recife (REC)	(13%)	171 (2%)	✓	✓			⬆️													
Salvador (SSA)	1.8%	154 (2%)		✓	⬆️		✓													
Manaus (MAO)	(3%)	101 (1%)	✓											✓						
Fortaleza (FOR)	1%	99 (1%)		✓															⬆️	
Porto Alegre (POA)	82%	81 (1%)		⬆️										⬆️						
Natal (NAT)	(4%)	73 (1%)		⬇️				⬆️												
Sao Paulo Viracopos Campinas (VCP)	8%	41 (1%)		✓																

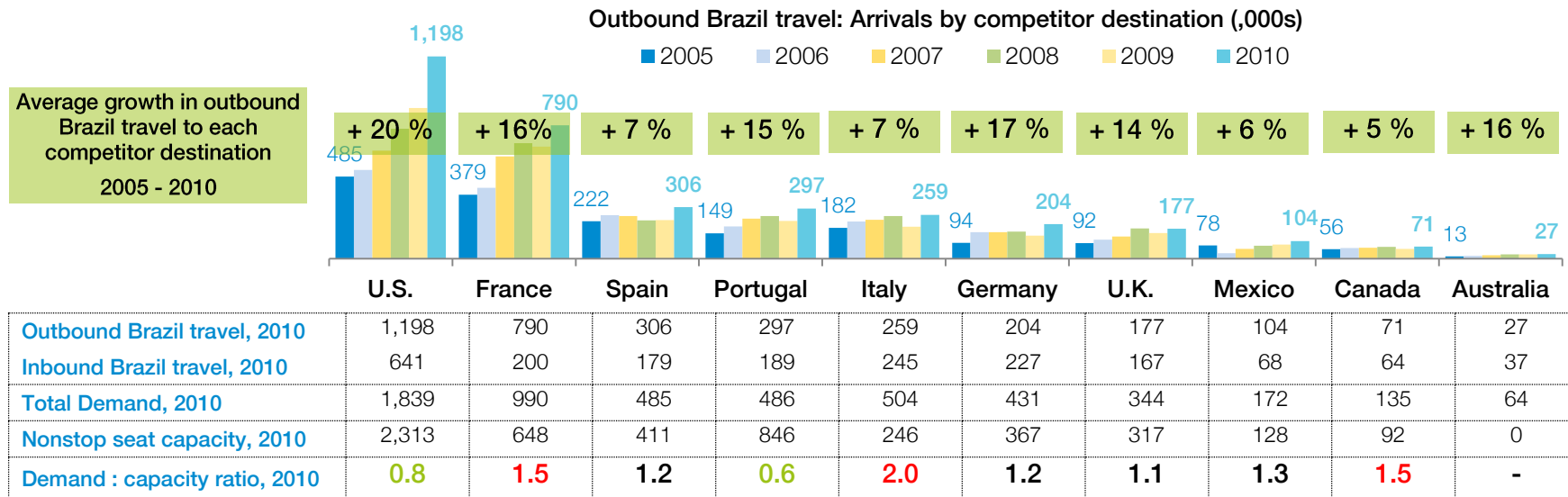
Source: Diio Mi FM<sup>9</sup>, January 2012.

### ACCESSIBILITY: TOTAL TRAVEL DEMAND VERSUS NONSTOP CAPACITY

Between 2005 and 2010, the U.S. and France were the main recipients of the growth in Brazil's long haul outbound travel. In fact, many of Canada's competitor destinations recorded double digit growth rates. During the same period, Brazil arrivals in Canada grew by just 5% annually.

When evaluating if a destination has sufficient air access, it is important to consider the total demand between the two countries, that is, inbound travel plus outbound travel demand (e.g. inbound Canadians to Brazil plus outbound Brazilians to Canada).

When comparing total demand with nonstop seat capacity, **Canada's demand was 1.5 times greater than capacity in 2010**. France and Italy also had high demand:capacity ratios, however, excess capacity via Portugal serviced this excess demand. In Canada's case, **an estimated 40 to 45 percent of demand travelled through the U.S.**



Source: Tourism Economics; Statistics Canada; Diio Mi FM<sup>9</sup>.

The five European countries combined had a demand : capacity ratio of 1.1

## AIRLINE UPDATE: BACKGROUND INFORMATION OF INTEREST TO CANADA

**In addition to Air Canada's nonstop flight, the Star Alliance offers connector opportunities over their U.S. hubs.**

Air Canada currently operates a daily flight between São Paulo (GRU) and Toronto, the only nonstop flight between Brazil and Canada. Through its Star Alliance partners, Brazilians can connect to western Canada through Chicago and Houston; and Ontario and Québec through Washington-Dulles. The Star Alliance represents 19% of Brazil-U.S. seats without Brazil-based TAM, and 49% with TAM.

**If the newly formed LATAM joins oneworld as expected, the alliance will represent 64% of Brazil-U.S. seat capacity.**

The merger between Chile-based LAN Airlines and TAM (LATAM) should be completed by April 2012. TAM currently represents 41% share of domestic capacity and 20% share of international capacity. LATAM will have a combined fleet of 240 aircraft, with 220 on order including 32 Boeing 787s and 27 Airbus 350-900s. Based on 2009 figures, LATAM will become the 15<sup>th</sup> largest airline based on revenues and 11<sup>th</sup> largest in terms of passengers. The two airlines will retain their own brands and independent operations – TAM will continue to operate in Brazil and Paraguay, and LAN will continue to operate in Chile, Argentina, Peru and Ecuador. Regardless of the alliance they choose, LATAM's U.S. route will enable Brazilians to travel to Canada via a connection onto a U.S. airline partner. Additionally, TAM's Fidelidade loyalty program has over 7 million members, a sizeable audience for marketing promotions.

**American Airlines (AA), a oneworld member, represents 34% of Brazil-U.S. seat capacity and offers the best connector opportunities for Canada.**

AA operates from six points in Brazil (see Appendix A for specific city pairs). Brazilians can connect over Dallas for western Canada and over Miami and New York (JFK) for eastern Canada. In addition, AA and WestJet signed a codeshare agreement in 2011.

**Gol's strategic alliance with Delta Airlines presents longer term opportunities as a feeder into Delta's U.S. flights.**

Gol is primarily focused on domestic travel and represents 35% of domestic air capacity. As a low cost carrier, Gol has been an important player in making air travel accessible to more Brazilians. Gol is not a member of any alliance but is generally aligned with SkyTeam. It has numerous interline agreements with foreign airlines, however, it does not have one with Air Canada nor United Airlines.

**Combining Delta's strategic alliance with Gol and codeshare with WestJet, the Gol-Delta-WestJet link may provide long term opportunities to use Delta as a bridge between Brazil and Canada**

Delta represents 16% of Brazil-U.S. seat capacity and has, on average, grown its Brazil routes by 10% annually over the past five years. As Delta expands its seat capacity on Brazil over the coming years and expands its codeshare agreement with WestJet, Canada should proactively identify opportunities to support the Gol – Delta – WestJet partnerships.

**Copa Airlines launched nonstop service between Panama City and Toronto offering lower fare connector opportunities, particularly for travellers who do not have a U.S. visa.**

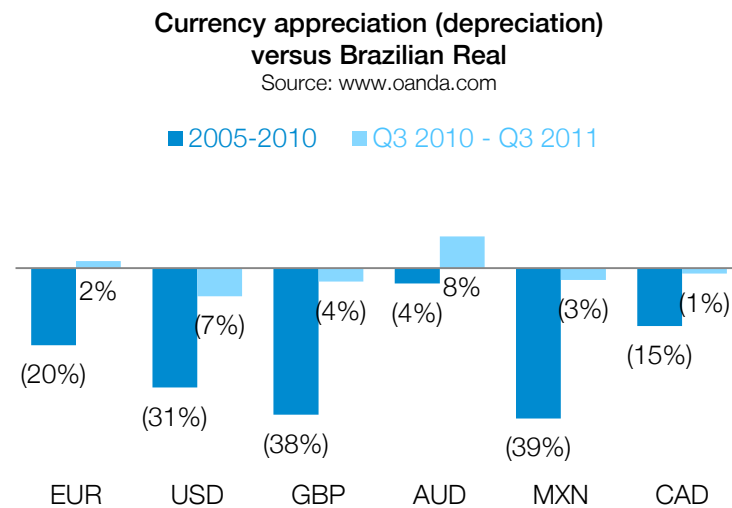
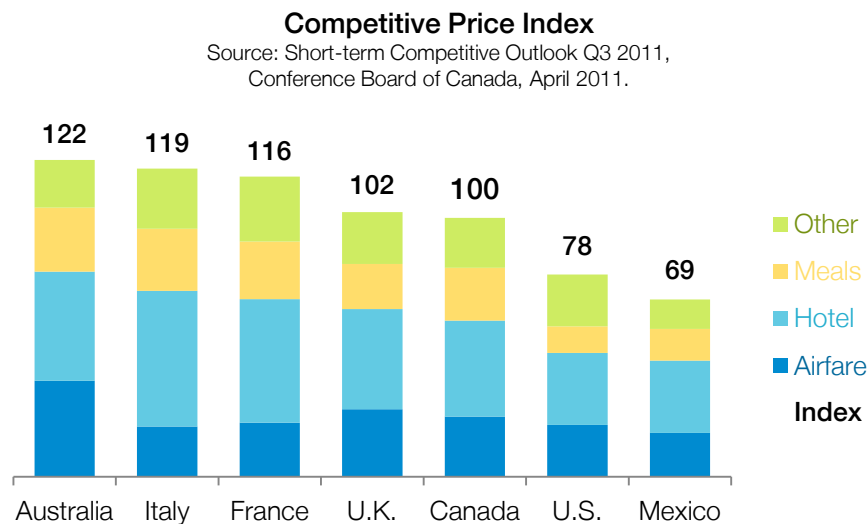
Copa's flight launched in June 2011 and operates four times a week (departs Panama on Sun, Tue, Thu and Fri and departs Toronto on Mon, Wed, Fri and Sat) with an annual capacity of 31K seats. Copa limits passengers to one checked luggage.



### AFFORDABILITY OF COMPETITOR DESTINATIONS

The Conference Board of Canada calculated a competitive price index for Brazil in March 2011 based on a 10-night holiday in Q3 2011. The index results concluded that Australia was the least price competitive destination (i.e. most expensive) among Canada's competitor set and Mexico was the most price competitive (least expensive).

Based on airfare alone, only the U.K. and Australia were more expensive than Canada. **Once hotel costs were considered, Canada became more price competitive than Australia and European competitors but still more expensive than the U.S. and Mexico. Thus, it may be advantageous to advertise "air and hotel" prices or hotel only.**



From a currency standpoint, the Brazilian Real appreciated between 2005 and 2010, particularly against the Mexican peso, U.K. pound, U.S. dollar and Euro. While the CAD was 15% cheaper in 2010 than in 2005, the Euro, U.S. dollar, pound and peso had depreciated by even more, making Canada relatively more expensive. Between the summer of 2010 and the summer of 2011, the U.S. dollar depreciated by a further 7% while the CAD depreciated by 1%.

What is even more striking is the purchasing power of the Brazilian Real. High inflation and taxes have made Brazil an expensive place to manufacture and purchase goods. For example, at the time of writing this report, Apple's 8gb iPod Touch<sup>TM</sup><sup>vii</sup> cost R\$719 to purchase in Brazil, but only R\$350 (plus taxes) to purchase in the U.S. or Canada. Across the pond, it cost R\$455 in France and R\$465 in the U.K.. Thus, **the amount Brazilians save by buying goods abroad can offset their travel costs.**

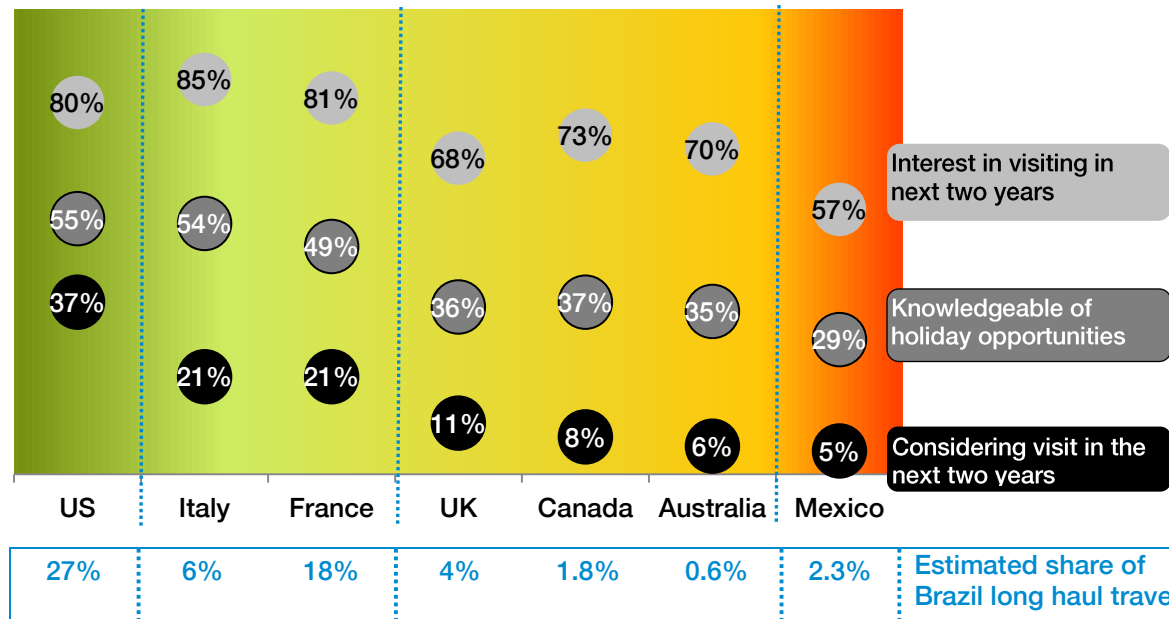
## MARKETING PERFORMANCE: KEY PERFORMANCE INDICATORS

Compared with competitor destinations, Brazilian travellers have a strong interest in visiting Canada (73%) and good knowledge of holiday opportunities in Canada (37% destination awareness). When Brazilian travellers were asked to list up to three destinations they were seriously considering for a holiday in the next two years, 8% mentioned that they were seriously considering Canada. **Given that 8% of travellers consider Canada yet Canada represents less than 2% of Brazilian outbound long haul travel, the gap represents an existing opportunity for Canada to increase its share of Brazilian travel.**

In absolute terms, the U.S. is the strongest competitor for converting traveller consideration into actual visits (37% vs. 27%). France, however, appears to be the most efficient competitor for converting travellers: 21% are considering a trip to France and France receives about 18% of Brazilian travellers; but is less effective than the U.S. in getting travellers to consider a trip to France. Italy, on the other hand, shows comparable KPI results as France but has only a 6% share of Brazil travel. Please note that the share of Brazilian long haul travel includes business travel. Thus, the comparison will be skewed in favour of those destinations with a high proportion of business travel.

## Marketing Performance Indicators

Source: Global Tourism Watch 2011



### MARKETING PERFORMANCE: CANADA'S UNIQUE SELLING PROPOSITIONS

Among competitors, Brazilian travellers have poor perceptions of Canada for four of the five USPs. Canada is only ranked higher for *Active adventure among awe-inspiring natural wonders*. However, aside from *Award-winning local cuisine*, no destination is perceived as offering Canada's USPs by the majority of travellers. Thus, **Canada has an opportunity to take the lead in associating these experiences with a trip to Canada.**

	Vibrant cities	Personal journeys	Active adventure	Cuisine	Connecting with Locals
Strong				Italy 58% France 52%	
Moderate	U.S. 39% France 32% Italy 30%	Australia 30% Italy 30% France 30% U.S. 29%	Australia 37% <b>Canada 36%</b> U.S. 32%		Italy 36% France 33% Mexico 32%
Poor	Australia 24% U.K. 23% <b>Canada 21%</b> Mexico 15%	<b>Canada 23%</b> U.K. 19% Mexico 19%	Italy 20% France 19% Mexico 18% U.K. 14%	Mexico 25% U.S. 15% Australia 13% U.K. 13% <b>Canada 12%</b>	U.S. 26% Australia 23% U.K. 21% <b>Canada 16%</b>

Source: Global Tourism Watch, 2011.

## Competitive Environment: Summary

### Accessibility

Total demand for travel between Brazil and Canada (outbound Brazilians plus inbound Canadians) was 50% greater than nonstop capacity in 2010. Total demand for France and Italy was also 50% to 100% greater than respective capacity but this pressure was alleviated with connector capacity via Portugal. Similarly, excess capacity to the U.S. services Canada traffic, however, Brazilians require a visa to transit through the US.

A recent review by the CTC revealed that Canada's visa process is less efficient than the processes employed by Australia and Mexico. Moreover, Brazilians do not require a visa to enter the EU. And, while the U.S. process is even more onerous than Canada's process, Brazilians tolerate the U.S. process because of their strong desire to visit.

**Canada ranks below its competitors for both air access and visa requirements.**

### Affordability

Based on airfare alone, Canada is more expensive than most of its competitors. However, a recent study by the Conference Board of Canada suggests that once hotel costs are considered, Canada is more price competitive than Australia and European destinations.

As a result of high taxes and inflation in Brazil, consumer goods are often twice as expensive to purchase in Brazil versus in the U.S. While the euro, pound and peso have depreciated versus the real by more than the Canadian dollar, Canada retains an advantage in terms of purchasing power.

**Overall, Canada has a competitive price advantage compared to Europe, the U.K. and Australia. Although Canada may offer similar purchasing power as the U.S. on select goods, even Canadians flock to the U.S. to shop.**

### Marketing Performance

Brazilian travellers have a relatively high level of awareness and interest in visiting Canada. In terms of top of mind consideration, however, there is a large gap between the 8% of travellers who are considering a visit to Canada versus the 37% who are considering the U.S., or even the 21% who are considering France and Italy.

With respect to perceptions of Canada's USPs, Brazilian travellers rank Canada poorly on all but one of the five USPs. Brazilians do, however, perceive Canada as second best behind Australia for offering active adventure.

**Improving Brazilian perceptions of what makes Canada unique should improve Canada's relative performance for all indicators.**

#### UPDATE ON COMPETITOR MARKETING INITIATIVES

Competitor destinations are entering Brazil more aggressively than ever. They are present at all trade shows and have comparatively large budgets for consumer advertising and broadcast PR initiatives. **Canada's budget is dwarfed by its new competitors and progress that has been made for Canada over the past three years is at risk of being diminished.**

**Florida's** budget is twice the size of Canada's and has been investing in Brazil for over 20 years. SeaWorld and Universal partnered with Visit **Orlando** in 2011 for a consumer marketing campaign, which ran from April through December with peak engagement during Apr-May and Aug-Oct. The campaign used a mix of print, digital, broadcast and cable television as well as promotions, travel trade communications, publicity and direct mail. Florida is the top U.S. vacation destination for Brazilian travellers with many of them visiting to shop and visit the theme parks. Brazilians are also buying up real estate in South Florida: the Miami Association of Realtors has indicated that 20% of Miami homes and apartments sold in 2011 will be purchased by Brazilians.

Over 400,000 Brazilians visited **New York** in 2010 and 700,000 were expected to visit in 2011. New York's tourism marketing organization ran a \$4.5 million media campaign in 2011, which included travel incentives through American Airlines.

The **Las Vegas** Convention and Visitors Authority (LVCVA) is developing a strategy to increase its proportion of international visitors from 18 percent to 30 percent within ten years. LVCVA has been present in Brazil for 10 years. Copa Airlines will launch service to Las Vegas via Panama City in June 2012.

The **European Commission** has embarked on a collaborative pilot project with South America, with the goal of increasing low season travel between the two regions by 50,000 tourists in 2012-13.

Prince Harry will visit Brazil in March 2012 and launch Visit**Britain's** "GREAT" campaign.

**Dubai's** tourism organization recently hosted Recardo Kaka, from Brazil's national team, on a 10-day family holiday tour to promote sports tourism.

Visit **Mexico's** Mundo Maya campaign launched in 2011 and showcases the Mayan civilization and introduces the new Hispanic cultural museum and new archaeological sites.

**Panama** invested \$600K to produce television ads for its new advertising campaign "Panama – Where the World meets". The campaign promoted its beaches, cosmopolitan capital, nature, its rich history, the Panama Canal and its ethnic groups. Furthermore, the campaign emphasized Panama's connectivity to the world (80 direct flights). TV and print ads were run throughout the U.S., Latin America and Europe. The Panama Tourism Authority also launched CurtaPanama, a social media platform on Facebook, to engage with potential travellers. In partnership with Copa Airlines, a "visit Panama for free" campaign invited Copa's Latin American-based passengers to stop over in Panama for free.

**Peru** entered Brazil three years ago conducting PR with broadcasters and a GSA to promote new routes. In 2012, Peru is increasing its budget to twice that of Canada's and will broaden its scope to include consumer marketing and travel trade initiatives.

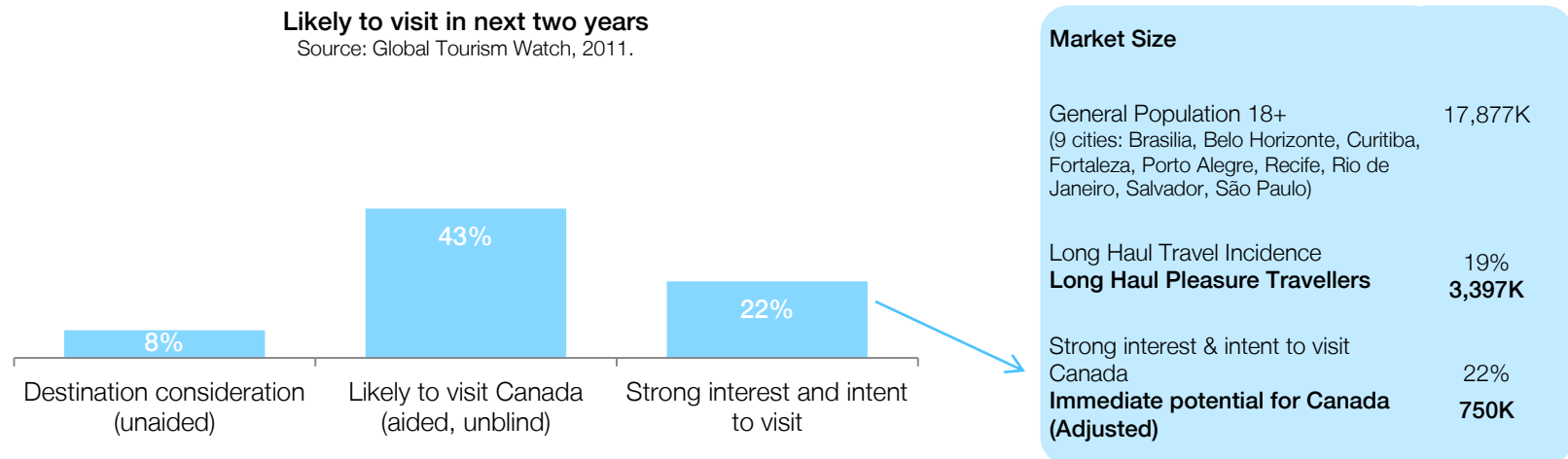


## Market potential

### MARKET SIZE

In terms of visit intentions, 8% of Brazil's long haul travellers indicated that they were seriously considering visiting Canada in the next two years *without being prompted and prior to revealing Canada as the study sponsor* (unaided consideration). After revealing Canada as the study sponsor, 43% indicated that they were "likely to visit in the next two years". The CTC believes that actual visit intentions lie somewhere between 8% and 43%.

To determine a conservative potential market size, the CTC adjusted the "likely to visit" measure for overstatement (by qualifying only those who indicated a strong interest in visiting Canada prior to revealing Canada as the study sponsor). The adjusted visit intention of 22% was used to size the **immediate potential for Canada: 750K travellers with strong interest and intent to visit.**



## REGIONAL POTENTIAL

For the most part, Brazilians are travelling to the provinces they say they are most likely to visit.

Nearly 80% of the 71K Brazilian visitors to Canada in 2010 visited Ontario even though less than half selected it as the most likely province they would visit, which is at least partially a reflection of the nonstop flight between São Paulo and Toronto.

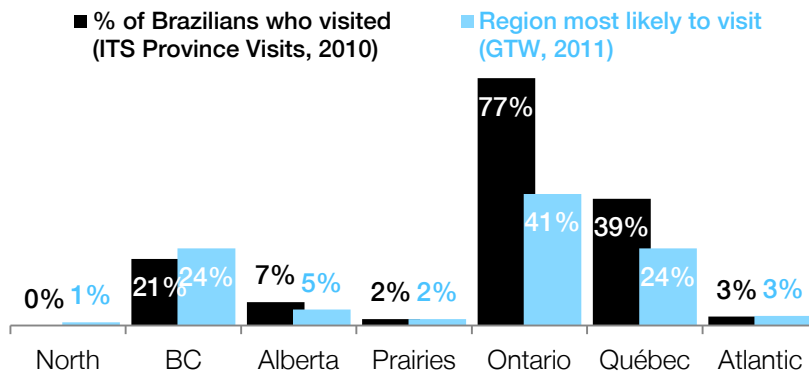
Despite limited air access to western Canada, 21% of Brazilian visitors spent time in B.C.

Using the immediate market potential for Canada of 750K travellers and where travellers say they are most likely to visit, the CTC has calculated *potential* demand to each region over the *next two years*.

The results show that about **225K Brazilians have a strong desire to visit western Canada (North, BC, Alberta) over the next two years and 525K would visit central/eastern Canada.**

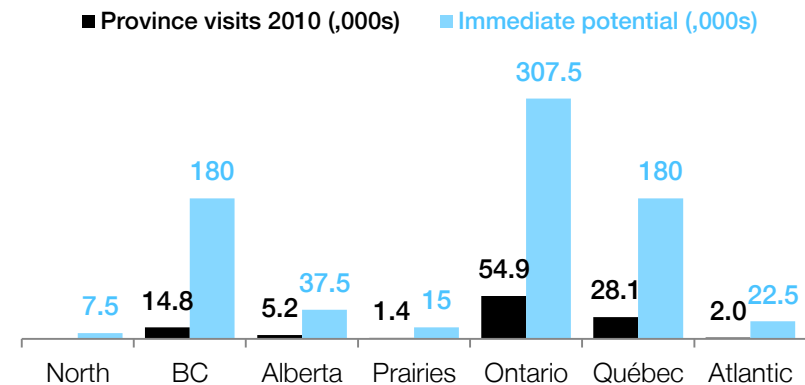
### Brazil province visits versus region most likely to visit

Source: International Travel Survey, Statistics Canada  
Global Tourism Watch, 2011



### Immediate potential by region

Source: International Travel Survey, Statistics Canada  
Global Tourism Watch, 2011

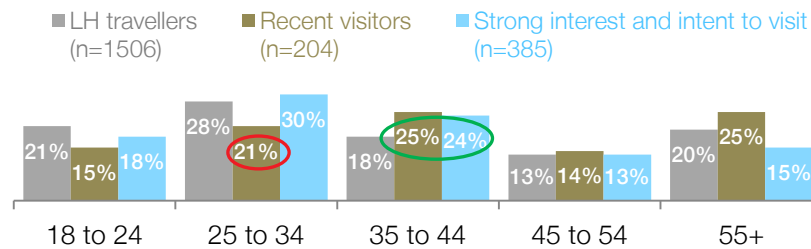


## Marketing to Brazilian travellers

### Traveller profile

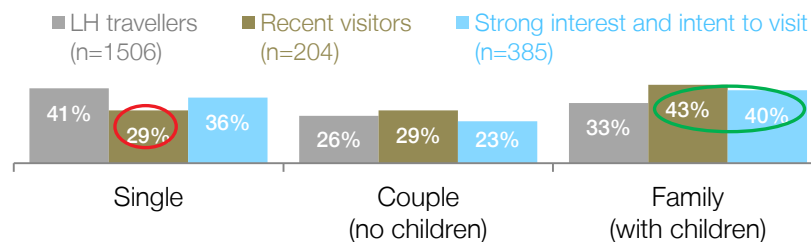
**25 to 44 year olds represent the primary age target for Canada.** Brazilian long haul travellers tend to be younger, with nearly half under 35 years. 35 to 44 year olds, however, show a much stronger interest and intent to visit Canada in the next two years. While interest in Canada is also high among 25 to 34 year olds, recent visitors tended to be older.

**Age** Source: Global Tourism Watch, 2011.



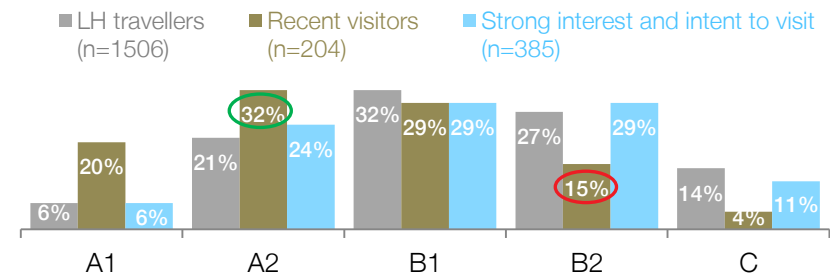
**Intent to visit Canada is highest among families.** Singles have the next highest visit intentions, but are underrepresented among recent visitors

**Life stage** Source: Global Tourism Watch, 2011.



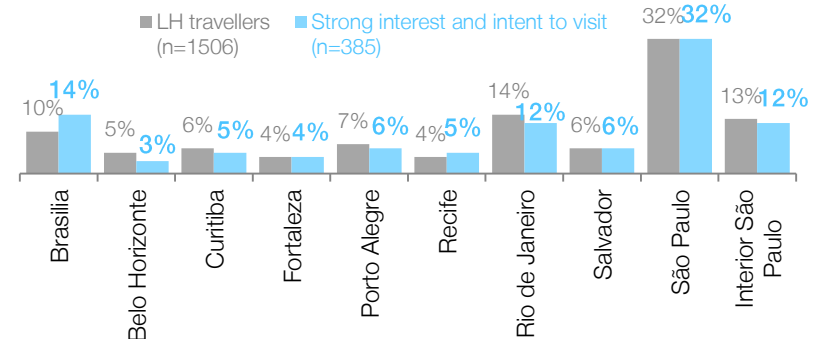
**Social classes A2, B1 and B2 represent 82% of travellers interested in Canada** whereas 81% of recent visitors to Canada were classified in the higher social classes (A1, A2, and B1). Canada should consider initiatives to reach the B2 class.

**Social class** Source: Global Tourism Watch, 2011.



**São Paulo represents one third of travellers intending to visit Canada, followed by Interior São Paulo, Rio and Brasília.**

**Region** Source: Global Tourism Watch, 2011



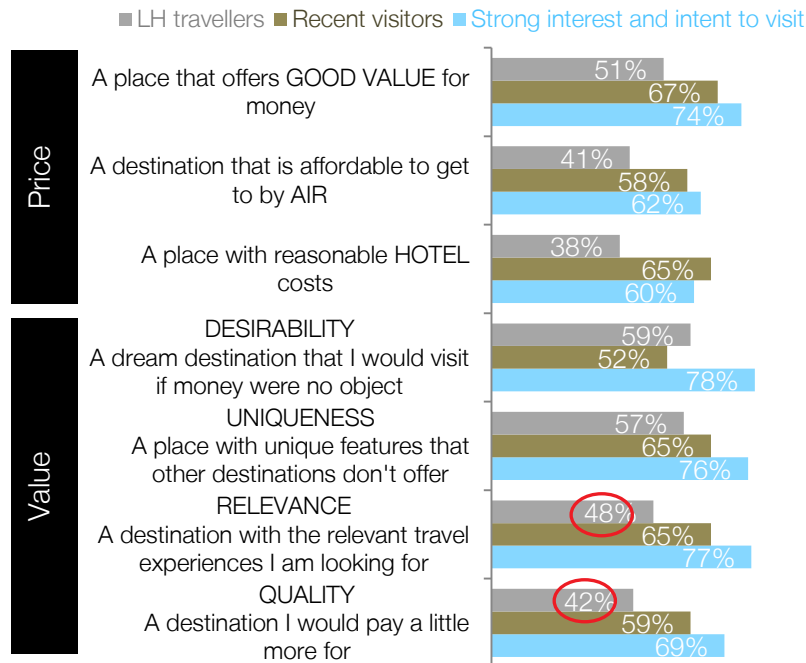
## Price and value perceptions

In general, long haul travellers have mediocre impressions of Canada when it comes to value and price. However, recent visitors have a much more positive impression, as do travellers representing Canada's immediate potential, suggesting that **travellers perceive Canada as more expensive than reality.**

From a value perspective, **Canada would benefit from improving traveller perceptions for offering relevant experiences and reasons for choosing Canada over other destinations.**

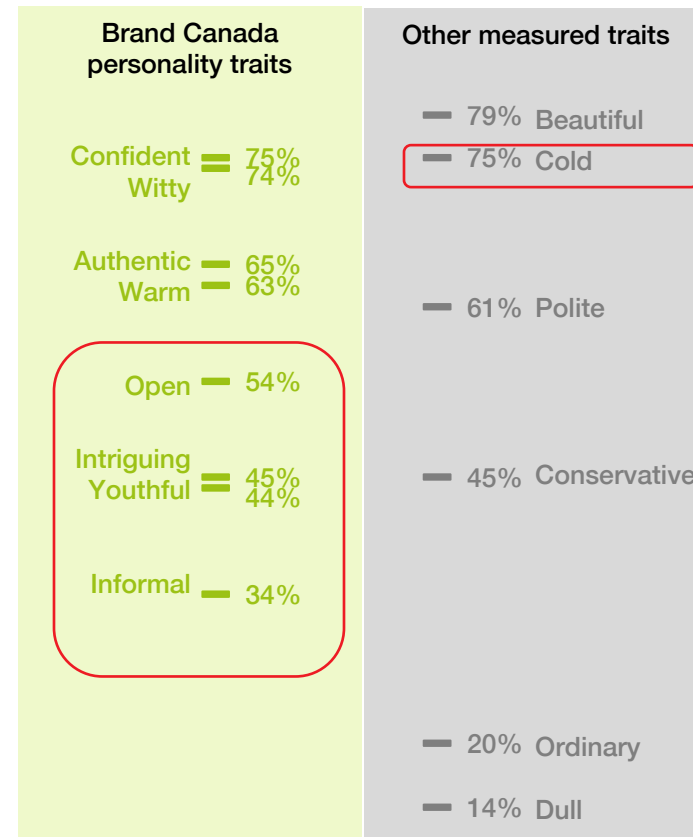
### Price and Value perceptions

Source: Global Tourism Watch, 2011.



## Brand perceptions

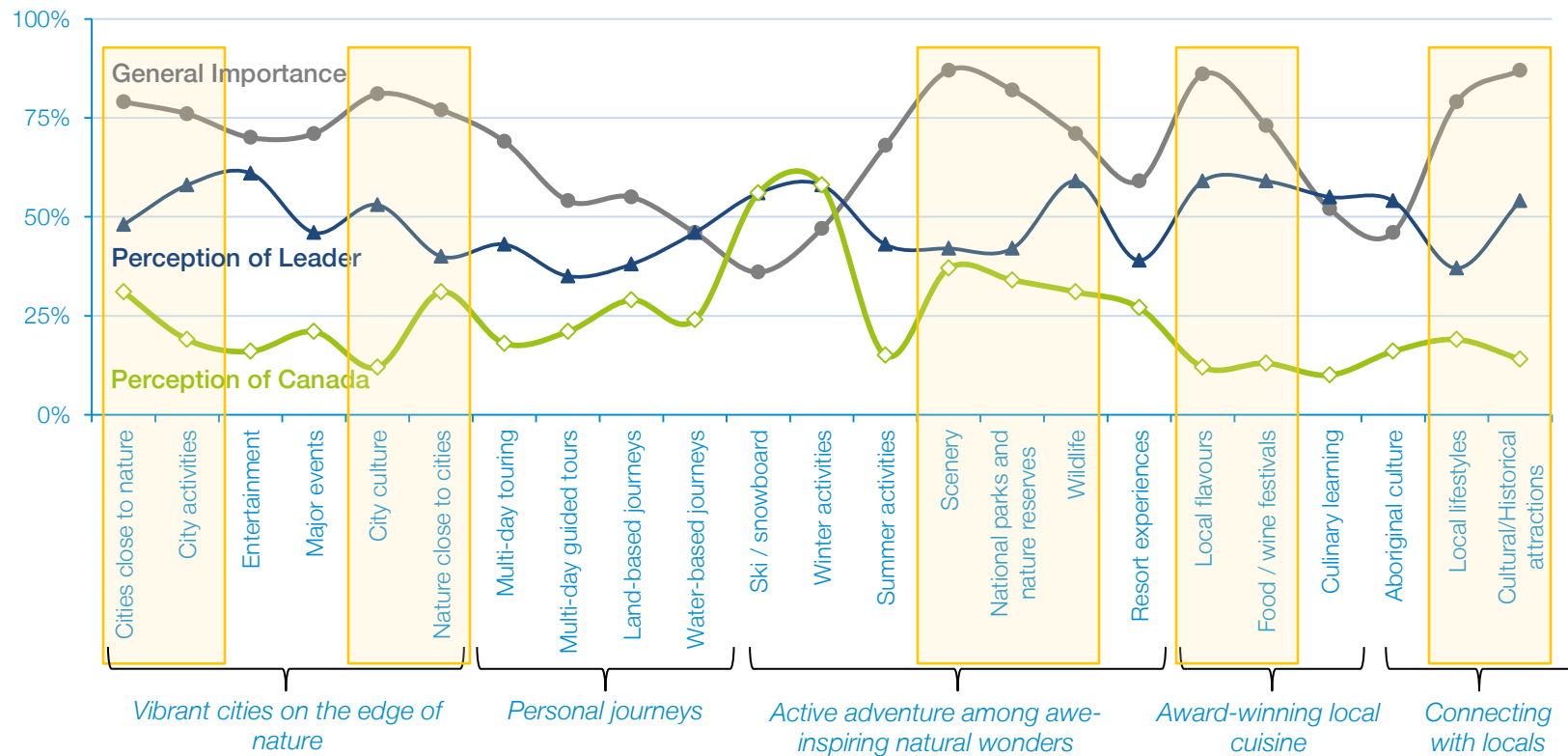
Brazilian travellers generally perceive Canada as *confident*, *witty*, *authentic*, *warm*, and beautiful but also cold. **Canada's brand traits that should be elevated are open, intriguing, youthful and informal.** The other perceptions of being cold and beautiful can be leveraged to promote winter experiences and seeing winter scenery.



### Canada's Unique Selling Propositions

The experiences cited below were used as indicators to represent, and to measure performance of Canada's USPs. Highlighted are the ten most important experiences for a long haul trip among Brazilian travellers. Note that this list only represents experiences that Canada offers, and is not an exhaustive list of all travel experiences.

**As noted earlier, Brazilian travellers have poor perceptions of Canada's USPs. However, Canada is well known for *skiing, snowboarding and other winter activities*. Compared to competitors, Canada is also perceived relatively well for *seeing beautiful scenery, visiting national parks and exploring nature in close proximity to a cosmopolitan city*.**



Source: GTW 2011, Base: Brazil long haul pleasure travellers, n=1506.



### Priority experiences to market in Brazil

The CTC's quantitative results suggest establishing a lead on *Active adventure* while raising the profile of *Personal journeys* and supporting with *Vibrant cities* with an emphasis on culture:

- ✓ scenery, both summer and winter;
- ✓ participating in summer activities;
- ✓ ski and snowboard vacations (via niche channels);
- ✓ independent touring by car;
- ✓ multicultural experiences;
- ✓ experiencing Canada's unique character and local lifestyles;
- ✓ sampling local flavours; and
- ✓ city activities (e.g. dining, entertainment, shopping)

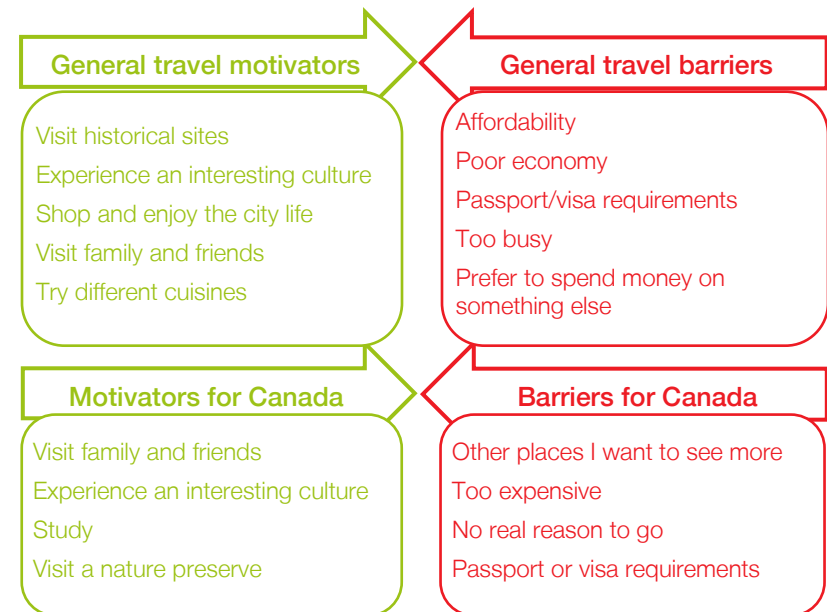
Furthermore, qualitative insights from the CTC's 2009 study and from local experts suggest that Canada:

- ✓ promote the mix of European and American culture;
- ✓ address mental images of cold and barren;
- ✓ focus on differentiating from the U.S.;
- ✓ highlight good value shopping: outdoor activity brands (e.g. The North Face), women's clothes and accessories (e.g. LaSenza, cosmetics), Alberta for west coast itineraries (i.e. no taxes);
- ✓ promote Canada's unique culinary products such as maple syrup and ice wine.

### Motivators & Barriers

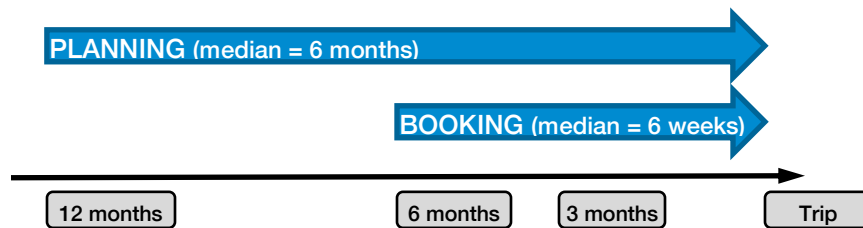
Brazilian travellers indicated that visiting historical sites, experiencing an interesting culture, VFR and trying different cuisines were the top experience motivators for visiting Europe. Shopping was the most important motivator for visiting the U.S.

**The top barriers that Canada should address are value for money, reasons to visit Canada instead of other destinations and visa requirements.**



### Planning & booking timeframes

**Brazilians spend considerable time planning their long haul pleasure trips**, partly a reflection of the lead time required to visit the U.S. In terms of the booking timeframe, **50% of travellers booked their trip within six weeks before departure** while only 17% booked at least six months prior to travelling.



Source: Canadian Tourism Commission's Consumer and Trade Research in Brazil, TNS Canadian Facts, April 2010.

### Media sources

Word of mouth is by far the most inspirational source when choosing a destination to visit. T.V. travel shows, travel and destination websites, articles and travel advertising are the most prevalent trip planning sources.

#### Inspiration

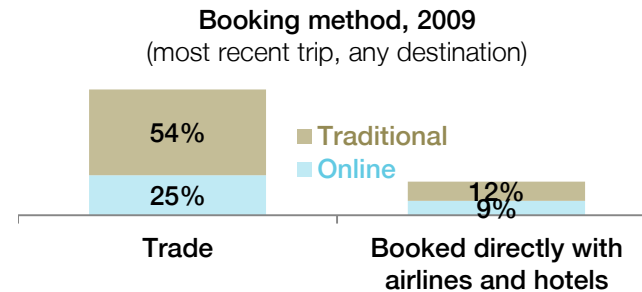
Friends or relatives

#### Planning

T.V. travel shows  
Travel or destination websites  
Magazine articles  
Travel advertising

### Product Distribution

When researched in 2009, nearly 80% of Brazilian travellers indicated that they had booked their most recent trip through the travel trade and 20% had booked directly with airlines and hotels. At that time, about one third booked their trip online.



Recent observations suggest that Brazilians have started to book more of their flights online yet continue to book accommodation through tour operators.

**To reach the majority of Brazilian travellers, Canadian travel products must be saleable through traditional retailers** (travel agents, tour operators including receptive operators) **and online retailers** (e.g. decolar.com and submarinoviagens.com).

**Travellers are definitely researching online, so information for planning a trip to Canada must be easily accessible.**

## SWOT

### STRENGTHS

Strong interest to visit Canada – almost three quarters of long haul travellers said they would be interested in visiting Canada

750K immediate potential travellers who already have a strong intent to visit Canada in the next two years

An updated bilateral air agreement

The majority of Brazilians who visit Canada are high yield travellers

Canada's product strengths of most relevance to Brazilians are: (i) educational opportunities; (ii) Canadian culture, specifically multicultural experiences and the blend of European and American culture; (iii) visitor satisfaction: Canada is known among the travel trade as one of the top destinations for delivering the highest satisfaction among visitors; and (iv) Canada is considered a cool destination with "status".

### OPPORTUNITIES

Purchasing power of the Brazilian Real, and Canada's price competitiveness versus Europe

Copa Airlines connector capacity via Panama and excess capacity via the U.S.: American Airlines and Star Alliance in the short term; all three alliances in the long term

Social media: three quarters of our primary target are on facebook, 68% on orkut; moreover, recent visitors had very positive experiences and Canada would benefit by leveraging social media to amplify those experiences.

While Canada is not perceived well for its USPs, either are the competitors. With the exception of cuisine, Canada can take the lead in associating the relevant experiences with a trip to Canada.

### WEAKNESSES

Air access, particularly to western Canada

Visa requirements

Less competitive on airfare alone (although more competitive than Europe when hotel costs are considered)

Low awareness of Canada, leading to weak perceptions of what makes Canada unique and why one would visit Canada

Low visitor volume in turn means less word of mouth to influence others to visit Canada (see social media opportunity)

### THREATS

Short term growth is largely dependent on excess air capacity via the U.S., which may disappear if the U.S. is able to realize efficiencies in their visa processing quicker than airlines can respond

New destinations: Panama, Vegas, Asia (via Dubai), Turkey, South Africa

New destinations may challenge Canada's price competitiveness

Brazil's overvalued currency, which diminishes its competitiveness, and uncertainty in global economy threaten long haul travel

High debt that's amplified by high interest rates could dampen the middle class' ability to travel

## Considerations & Implications

**An estimated 750K Brazilians have a desire to visit Canada in the next two years. The most important challenge in converting this demand is air access. Any growth in the short term needs to travel via the U.S. or Panama.**

- ➔ Relying on connector service through the U.S. is not an ideal solution for long term growth; it does however offer some short term opportunities. An in-depth review of connector opportunities should be undertaken to maximize short term growth;
- ➔ Seat capacity from Brazil to the U.S. will be difficult to secure during peak periods;
- ➔ Furthermore, when evaluating new service opportunities, airlines will consider many factors such as passenger mix (corporate, leisure), future demand, current demand and if that demand is growing. Airlines have limited aircraft and will be evaluating multiple options. Canada must demonstrate growth in demand, which can only be done through connector capacity.

**The U.S. visa processing efficiency initiative poses a threat to this short term growth as well as a risk to existing arrivals.** Any efficiencies the U.S. is able to realize will increase Brazilian travellers to the U.S., thereby displacing seats for connector traffic to Canada. The CTC has estimated that 40 to 45 percent of current Brazilian visitors arrive through the U.S.: 34% by commercial air and the remainder by vehicle, cruise or other methods.

**Aside from accessibility, improvement of Brazilians' perceptions of Canada is needed over the medium to long term.** Most Brazilians have low awareness of Canada and why they would visit. To fully capitalize on the potential opportunity, Canada's marketing efforts should focus on the fundamentals:

- ➔ Provide travellers with reasons to choose Canada over other destinations
- ➔ Inform them of relevant travel experiences and why Canada is the best place for these experiences
- ➔ Differentiate Canada from the U.S.
- ➔ Focus on the brand attributes that Brazilians currently do not associate with Canada: informal, youthful and intriguing. Leverage the existing impression that Canadians are friendlier than Americans.
- ➔ Consider promoting air plus hotel pricing instead of air only. It is also suggested that price points be used in trade-led co-op marketing, enabling the CTC to focus on the branding of Canada (without price points) in its consumer marketing.
- ➔ Further to the above point, ensure alignment between the experiences marketed by the CTC and any trade-led advertising. This also means that Canada needs to work with receptive tour operators to update their itineraries, incorporating Canada's Signature Experiences. Some of the escorted tours currently offered are weighted heavily towards sitting in a bus looking at scenery, leaving less time for travellers to experience the destinations.

**The travellers comprising the 750K immediate potential are fairly aligned with our current target profile:**

- Primary age target is 25 to 44 years; 18 to 24 is also important to capture more students;
- All life stages are important, although consider placing slightly more emphasis on reaching singles as it appears that Canada may be underrepresented in actual visits from that group. The fact that the family segment is strong may be linked with VFR or that Canada represents a safe holiday for children;
- Explore opportunities to facilitate growing the student market with Canada's colleges, universities and language schools;
- Primary focus should be in São Paulo and Rio, secondary focus in Brasilia.

**Social media, print media and travel retailer websites are important sources to reach Brazilian travellers**

- With three quarters of the CTC's primary target from the 2011 campaign on facebook, social media should be a top priority;
- Emphasis should be given to media initiatives to generate articles in magazines; specific titles recently tested with high readership among our primary target were *Veja Nacional* and *Viagem e Turismo*;
- The CTC should ensure presence of Canadian product and travel information on travel retailer sites;
- The CTC should support trade-led co-op advertising, and because trade plays such an important role in booking travel, it would make sense to let their brand lead for purchasing;
- Over the longer term, the CTC should consider joint marketing efforts with TAM to their frequent flyer members, and showcasing Canada through TV travel shows.

**Monitor the formation of the airline alliances in Latin America and develop plans to work with each one to both support their services and improve connectivity to Canada.**

**Consider a larger budget for Brazil to enable Canada to better compete with other destinations and to keep pace with inflation** (e.g. New York ran a \$4.5 million media campaign in 2011, Florida's budget is twice the size as Canada's and has been in the market for over 20 years)



## Appendix

### Appendix A: Air Carriers relevant for Canada, Short term growth opportunities

Carrier	Markets served (frequency, 2012 seat capacity)	
Air Canada (AC)	Sao Paulo – Toronto (daily, 93K seats)	
Other Star Alliance Continental (CO) United (UA) US Airways (US)	São Paulo – New York EWR (daily, 73K) São Paulo – Chicago ORD (daily, 102K) São Paulo – Washington IAD (daily, 102K)	São Paulo – Houston (daily, 64K) Rio – Houston (daily, 87K) Rio – Charlotte (daily, 75K)
TAM (JJ)	São Paulo – New York JFK (2x daily, 164K) São Paulo – Miami (2x daily, 164K) São Paulo – Orlando (2x daily, 164K) Rio – New York JFK (6x weekly, 70K)	Rio – Miami (daily, 75K) Brasilia – Miami (4x weekly, 43K) Belo Horizonte – Miami (3x weekly, 32K) Manaus – Miami (daily, 75K)
American (AA)	São Paulo – Dallas (daily, 106K) São Paulo – New York JFK (daily, 90K) São Paulo – Miami (3x daily, 277K) Rio – Dallas (3x weekly, 35K) Rio – New York JFK (daily, 84K) Rio – Miami (daily, 92K)	Brasilia – Miami (6x weekly, 60K) Belo Horizonte – Miami (3x weekly/daily, 62K) Manaus – Miami (4x weekly, 19K) Recife – Miami (daily, 68K)
Copa (CM)	Panama – Toronto (4x weekly, 31K) São Paulo – Panama (3x daily, 170K) Rio – Panama (2x daily, 91K) Brasilia – Panama (4x weekly, 32K)	Belo Horizonte – Panama (daily, 57K) Manaus – Panama (4x weekly, 22K) Porto Alegre – Panama (daily, 45K) Recife – Panama (4x weekly, 14K)
Delta Air Lines (DL)	São Paulo – Atlanta (daily, 90K) São Paulo – Detroit (daily, 80K) São Paulo – New York JFK (daily, 90K)	Rio – Atlanta (daily, 82K) Brasilia – Atlanta (daily, 64K)

Source: Diio Mi FM<sup>9</sup>, January 2012.

## Appendix B: Other sources of information

### ABOUT BRAZIL

<http://blog.marketing-soc.org.uk/2011/11/10-things-you-should-know-about-brazil/>

<http://brazilglobal.net/about-brazil/>

<http://brazilglobal.net/category/culture/>

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### BRAZIL TRAVEL

[http://www.visitbritain.org/Images/Brazil%20Luxury%20%20Exec%20Summary\\_tcm29-15227.pdf](http://www.visitbritain.org/Images/Brazil%20Luxury%20%20Exec%20Summary_tcm29-15227.pdf)

<http://www.visitbritain.org/insightsandstatistics/markets/americas/brazil/tradeprofile.aspx>

<http://www.fastcompany.com/most-innovative-companies/2011/profile/azul.php>

<http://www.csmonitor.com/World/Americas/Latin-America-Monitor/2011/0811/Brazilians-fanatical-travel-to-US-helps-drive-Brazil-s-economic-boom>

### MARKETING TO BRAZILIANS

[http://www.ethnographic-solutions.com/index.php?option=com\\_content&task=view&id=32&Itemid=40](http://www.ethnographic-solutions.com/index.php?option=com_content&task=view&id=32&Itemid=40)

[http://www.effie.org/downloads/State\\_of\\_the\\_Industry\\_Brazil.pdf](http://www.effie.org/downloads/State_of_the_Industry_Brazil.pdf)

<http://www.forbes.com/sites/ricardogeromel/2011/08/31/even-without-amazon-brazils-e-commerce-is-booming-record-breaking-figures-in-2011/>

<http://www.forbes.com/sites/marketshare/2012/01/20/those-who-survive-will-never-be-as-before-another-bric-in-the-wall-for-advertising/>

[http://www.meioemensagem.com.br/home/meio\\_e\\_mensagem/brazil\\_briefing.html](http://www.meioemensagem.com.br/home/meio_e_mensagem/brazil_briefing.html)

<http://www.forbes.com/sites/andersonantunes/2011/10/11/selling-luxury-goods-in-brazil-lessons-from-an-insider/>

[http://csi.mckinsey.com/Knowledge\\_by\\_region/Americas/~/\\_media/Extranets/Consumer%20Shopper%20Insights/Reports/Brazil\\_Luxury\\_consumer\\_luxury\\_market.ashx](http://csi.mckinsey.com/Knowledge_by_region/Americas/~/_media/Extranets/Consumer%20Shopper%20Insights/Reports/Brazil_Luxury_consumer_luxury_market.ashx)

### SOCIAL MEDIA IN BRAZIL

<http://adage.com/article/global-news/top-social-media-campaigns-brazil-china-hungary/227440/>

<http://www.allaboutgeomarketing.com/volkswagen-uses-twitter-google-maps-for-the-biggest-music-festival-in-brazil/>

<http://blogs.wsj.com/tech-europe/2012/01/18/facebook-ousts-googles-orkut-as-brazils-top-social-network/>

<http://www.socialbakers.com/blog/390-social-media-statistics-of-facebook-youtube-for-brands-in-brazil-january-2012/>

## References

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<sup>i</sup> (2011, October). Hard working Brazil. *Study Travel Magazine*, 204, 26-27.

<sup>ii</sup> Hawksworth, John and Anmol Tiwari (2008), *The World in 2050* (PricewaterhouseCoopers).

<sup>iii</sup> Oxford Economics. (2011). *Brazil Economic Forecast*, 14 November 2011.

<sup>iv</sup> Soliani, A. & Colitt, R. (2011, December 22). Brazil Jobless Rate Falls to Record as Central Bank Warns of Inflation. *Bloomberg*. Retrieved January 2012, from <http://www.bloomberg.com/news>

<sup>v</sup> Fundação Getulio Vargas (2011). Retrieved January 2012 from [portalibre.fgv.br](http://portalibre.fgv.br)

<sup>vi</sup> Bland, D. (2012, February 8). Airport infrastructure to see US\$1.17bn public investment – Infraero president. *Business News Americas*. Retrieved April 2012, from <http://www.bnamericas.com/news/infrastructure/airport-infrastructure-to-see-us117bn-public-investment-infraero-president>

<sup>vii</sup> A trademark of Apple Inc.