Canadian Tourism Commission

Commission canadienne du tourisme

Brazil Market Profile

January 2013

Canada

Contents

Introduction

The Canadian Tourism Commission (CTC), in conjunction with various Canadian tourism industry partners, undertakes two major consumer research studies on a rotating basis: Global Tourism Watch, and Advertising Evaluation Studies.

This report summarizes findings from the CTC's research studies as well as analyses that the CTC has conducted with other data sources. In particular, this report provides:

- *An overview of market conditions and an outlook for 2013*
- *A profile of Brazilian visitors during 2011*
- *An overview of key long-haul competitors*
- *Highlights of marketing insights along the path to purchase.*

Executive Summary

Supported by a growing middle class with increasing affluence, Brazilian outbound travel within South America quadrupled and long-haul travel beyond South America tripled over the past decade. In comparison, Brazilian travel to Canada doubled over the same period. Most recently, Brazilian overnight visits to Canada increased 4% in 2011 and an estimated 9% in 2012. The CTC is forecasting this market to further expand 6% in 2013 to 86,000 overnight visitors.

Despite Brazil's economy rebounding towards the end of 2012, it posted GDP growth of just 1%, well below expectations. While unemployment is expected to decline even further during 2013, high inflation continues to be a challenge.

The Brazilian real depreciated against all major currencies in 2012 and is expected to weaken further against the US dollar, which will improve the competitiveness of Brazil's exports. The real is expected to remain stable against the Canadian dollar through 2014, providing a degree of price certainty for tourists planning trips, although those trips will be more expensive for Brazilians than in 2011.

While Canada is only served by one daily flight, it is one of just 17 countries outside South America with daily nonstop scheduled service in 2013. As a relatively early entrant in the market, Canada's efforts to develop inbound tourism from Brazil will yield benefits over the long term. In the short term, Canada must tap into air capacity via the US and Panama.

The US is by far the most mentioned destination, with 39% of Brazilian travellers considering a holiday there over the next two years. Canada is the seventh most mentioned long-haul holiday destination. While 36% of Brazilian travellers cite affordability as a top reason for not considering Canada, their perceptions of Canada as an affordable destination improve significantly after visiting.

With one in three Brazilian travellers choosing the US for a holiday, one opportunity to address Canada's affordability and value for money is to grow the volume of travellers visiting both nations. Many Brazilians already possess a multi-entry US visa and air service to the US will increase by nearly half a million seats in 2013. Cross-selling Canada to just 2% of the Brazilians occupying these additional seats would exceed the CTC's estimated growth for 2013.

Marketers should continue to employ a mix of traditional and modern mediums to influence prospective travellers as the travel trade is still an important distribution channel. A majority of recent visitors (82%) consulted with a travel agent for their holiday to Canada and 47% booked their holiday through an agent. Social media also plays an important role along the path to purchase. Over 90% of Brazilian travellers use social-networking sites. Recent visitors to Canada were just as likely to share their trip experiences on a social network as they were to share via e-mail or in person. About one quarter (26%) of recent visitors indicated that photos shared via social networks were influential in choosing to visit Canada or in deciding what to do while in Canada.

Although only 7% of Brazilian travellers have ever been to Canada, there is still an opportunity to amplify this advocacy. In fact, Brazil is a particularly social market with 27% of Brazilian travellers recalling having seen or heard information about travelling to Canada through friends and family on a social network. To capitalize on this opportunity, CTC has established a growing presence for Canada on Facebook, Twitter and YouTube in Brazil, and hosts Brazilian bloggers in Canada as a means of increasing the volume of positive Canadian stories being shared on influencer networks.

Brazil Market Conditions & 2013 Outlook

Although Brazil's economy rebounded in Q4 2012, it posted a **modest GDP growth of 1%** for the entire year. While the **pace is expected to accelerate to 3.9% in 2013, it is still below trend level and growth in other emerging markets, and inflation is forecast to rise to 5.7% in 2013** from 5.4% in 2012. However, Brazil does enjoy strong employment fundamentals, and the unemployment rate should decline in 2013 to 5.3% as consumer spending (+4.3%) and a return to exports growth (+4.9%) stimulate the economy.

From a currency standpoint, the **real depreciated broadly in 2012 against all major currencies**, falling 16.4% against the US dollar, 7.5% against the euro, and 15.2% against the Canadian dollar. The real:USD exchange rate is now equivalent to its level in 2007, although this is still 31% higher than in 2002. Going forward, the **real is expected to weaken further against the US dollar**, depreciating 2% in 2013 and 19% by 2016, which will **improve the competitiveness of Brazilian exports** and continue to drive growth in that sector. The **real is expected to remain stable against the Canadian dollar through 2014**, providing a degree of price certainly for tourists planning trips—although those trips will be more expensive for Brazilians than in 2011.

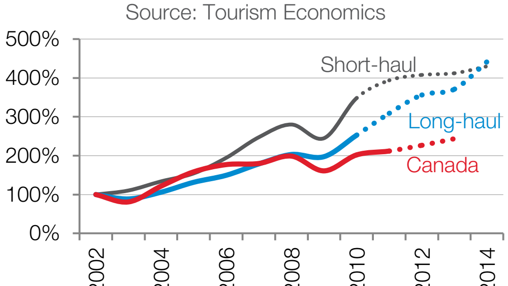
	The Brazilian Economy				
	2010	**2011**	**2012**	**2013**	**2014**
Real GDP (% YOY)	7.5	2.7	1.0	3.9	4.8
Unemployment (%)	6.7	6.0	5.5	5.3	5.0
Inflation (%)	5.0	6.6	5.4	5.7	5.0
Consumer spending (% YOY)	6.9	4.1	3.0	4.3	5.1
Exports (nominal % YOY)	29.6	26.0	(5.0)	4.9	11.2
Exchange rate (CAD/BRL)	0.585	0.592	0.514	0.515	0.517

Source: Oxford Economics, 2013; Bank of Canada, 2013

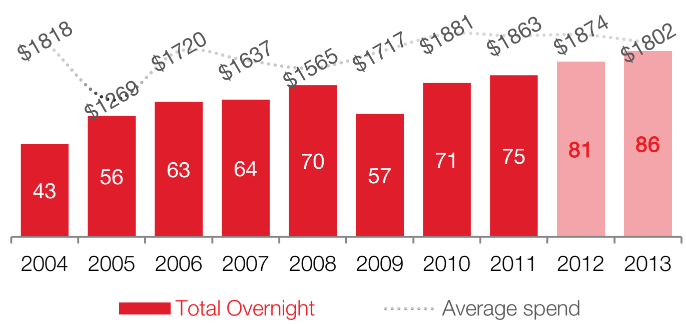
OUTBOUND TRAVEL

Over the past decade, the number of Brazilian arrivals to international destinations has boomed: short-haul travel within South America quadrupled, long-haul travel outside of South America tripled and travel to Canada doubled. During the 2009 recession, travel to all destination types declined but quickly recovered to pre-recession levels in 2010. The CTC has forecast strong growth of 6% in arrivals to Canada for 2013, although this remains below the expected trend growth in Brazilian arrivals to international destinations.

Brazilian arrivals to international destinations, 2002=100
Source: Tourism Economics



Overnight Arrivals and Spend, 2004 to 2013
Source: Statistics Canada, CTC Forecasts

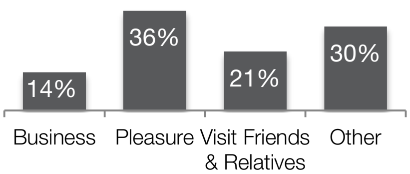


Brazil Travel to Canada

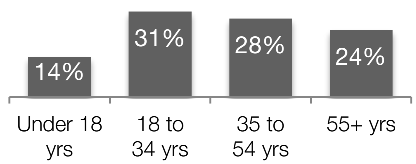
TRAVELLER CHARACTERISTICS

In 2011, 57% of Brazil trips to Canada were made for pleasure or to visit friends and relatives (VFR). Although pleasure travel remains the primary purpose to visit Canada, the number of pleasure trips has grown at an average rate of just 1% annually since 2000. Over the same period, travel to Canada for VFR and other purposes (study, personal, etc.) have grown annually an average 11% and 7% respectively. In particular, students arriving to study in Canada represented 17% of all arrivals during 2011. Just under one third of all trips were made by the younger demographic aged 18 to 34, and 40% of all trips were taken during the third quarter.

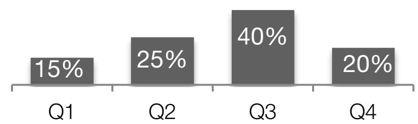
Trip purpose
Source: Statistics Canada, 2011



Visitor age
Source: Statistics Canada, 2011



Seasonality
Source: Statistics Canada, 2011

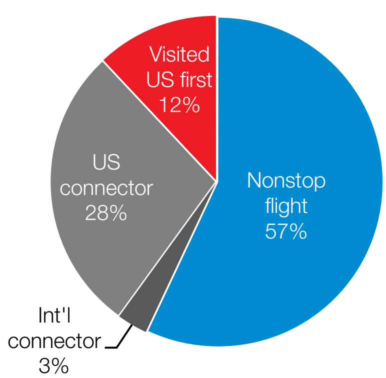


TRAVELLER ROUTINGS TO CANADA

The CTC has estimated that nearly 60% of Brazilians who visited during 2011 arrived in Canada via a nonstop flight. A further 28% connected in the US, and 12% arrived following a visit in the US.

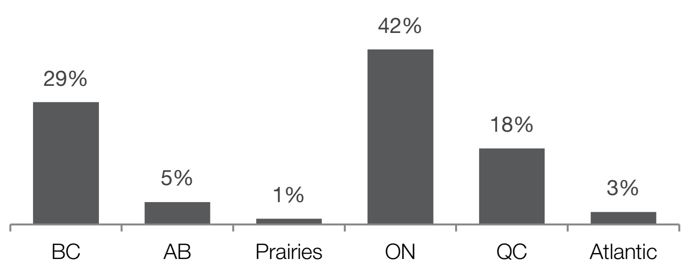
Among travellers who booked their flight through a travel agent or online retailer, 42% travelled to Ontario, 29% to BC and 18% to Québec.

Nonstop seat capacity between Brazil and Canada is scheduled to increase by 3% (3,000 seats) in 2013. Although Canada may be dwarfed in air service compared to other destinations, Brazil is still limited in air service beyond South America. **Canada is one of only 17 countries outside South America with daily nonstop scheduled flights in 2013**. As a relatively early entrant in the market, Canada's efforts to develop inbound tourism from Brazil will yield benefits over the long term. In the short term, inbound arrivals will grow modestly due to limited air service and visa requirements.



Source: CTC estimates based on the International Travel Survey with air traffic data from Diio Mi FMg

Share of airline passengers by province
12 months ending November 2012
Source: Diio Mi FMg

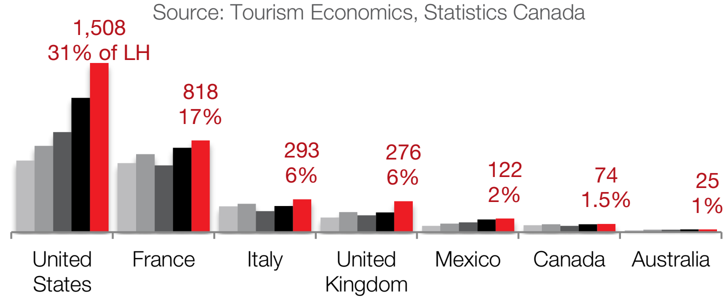


Competitive Environment

ARRIVALS

Brazilians love travelling to the US. Nearly one in three long-haul trips during 2011 were bound for the US. **Canada has grown its inbound tourism at a respectable rate given that air service has been limited to only one daily flight.**

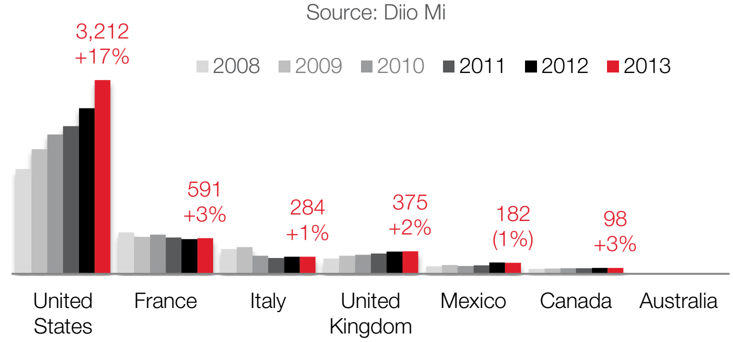
2007 to 2011 Arrivals in competitor destinations (,000s)
Source: Tourism Economics, Statistics Canada



AIR SERVICE

President Obama's request to shorten the visa processing time from four months to three weeks appears to have been realized. **Scheduled seat capacity between Brazil and the US will increase by nearly half a million seats in 2013**, or the equivalent of an additional 25 weekly flights.

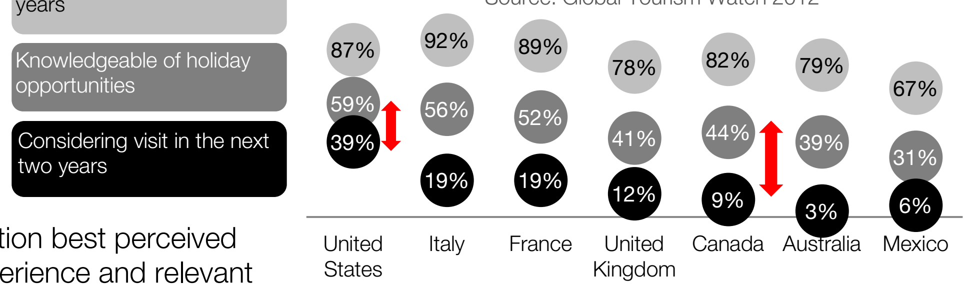
Scheduled seat capacity (,000s)
Source: Diio Mi



MARKETING PERFORMANCE

With 9% top-of-mind consideration, **Canada was the seventh most mentioned long-haul destination that travellers were considering for a holiday in the next two years** (fifth most mentioned among key competitors).

Marketing Performance Indicators
Source: Global Tourism Watch 2012



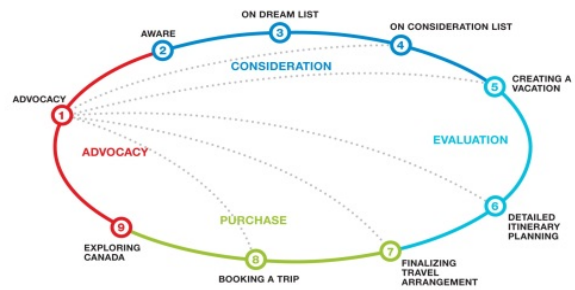
Italy dominates as a destination best perceived for offering an authentic experience and relevant travel experiences. No destination is particularly strong for offering good value for money.

Brand and Value Perceptions
Source: Global Tourism Watch, 2012

Given the US, France and Italy lead in both relevancy and in arrivals, **Canada should continue its efforts to promote relevant travel experiences through the *Signature Experiences Collection*®**.

Marketing along the Path to Purchase

The path-to-purchase model aids in understanding the decision journey of a traveller and the opportunity to influence it. It effectively identifies motivators and blockages to building destination awareness, consideration, evaluation and ultimately, purchase of Canada.

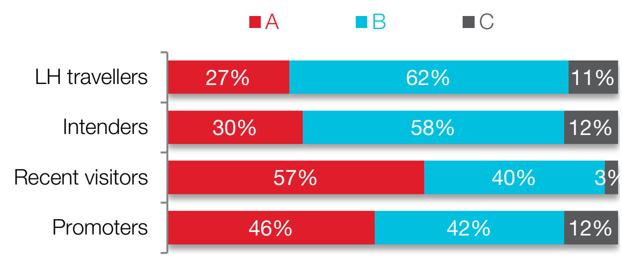


TRAVELLER PROFILE

The traveller profile charts illustrate the distribution of travellers along the path to purchase:

- *Long-haul (LH) travellers represent all travellers on the path to purchase.*
- *Intenders are those at the consideration and evaluation phases.*
- *Recent visitors came to Canada in the past three years for a holiday.*
- *Promoters have visited Canada at least once and are very likely to recommend Canada for a holiday.*

Social Class
Source: Global Tourism Watch, 2012



A larger proportion of travellers from social class A are visiting Canada. Canada could **consider the feasibility of attracting more travellers in social class B** as they represent 58% of intenders. Travellers in social class A cite affordability as the main reason for not visiting Canada just as much as travellers in social class B.

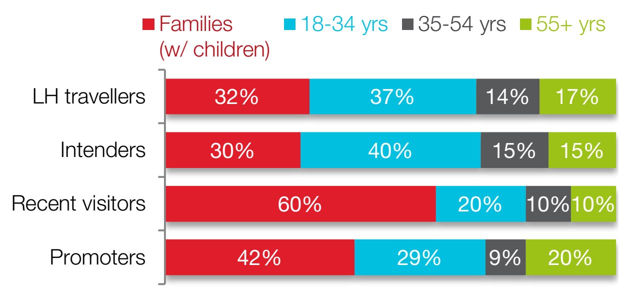
The CTC's recent Ad Evaluation Study showed that perceptions of affordability were significantly higher among recent visitors than among those who have never been to Canada.

A greater proportion of recent visitors were **families with children under 18 years**.

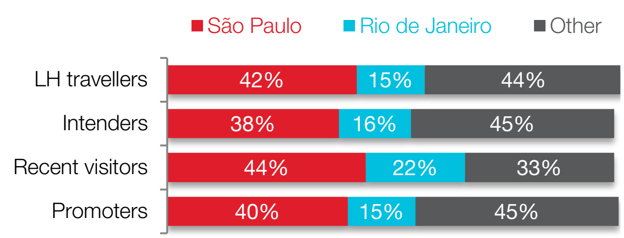
Among travellers who have visited Canada in the past, 68% said they would be very likely to recommend Canada to friends and family. **A majority of the promoters (71%) are young families with children under 18 years or singles and couples between 18 and 34 years.**

A greater proportion of recent visitors reside in São Paulo and Rio de Janeiro.

Age/Lifestage
Source: Global Tourism Watch, 2012



Residence
Source: Global Tourism Watch, 2012



Consideration: 72% of long-haul travellers

MOTIVATORS

A recent study identified the most important **drivers for destination preference** among Canada's competitors. While there is some alignment with Canada's brand, **Canada could examine the market potential for family holidays.**

Most important drivers for destination preference

Great place for a **driving** holiday
An **exciting** place
Good place for **families** to visit
Provides **unique** holiday experiences
A place where I would feel **welcome**

BARRIERS

Many travellers at the consideration stage (30%) cite **affordability** as a reason preventing them from visiting. About 20% admit that there are **other places** they would rather visit and about 20% also cite an **unfavourable exchange rate**. **10% say there are no reasons not to visit Canada** in the next two years.

SOURCES FOR TRIP INSPIRATION

Word of mouth plays a more important role at the early stages of the path to purchase.

Evaluate: 23% of long-haul travellers

MOTIVATORS

Brazilian travellers indicated that visiting historical sites, experiencing an interesting culture, visiting friends and relatives, and trying different cuisines were top experience motivators for visiting Europe. Shopping is the most important motivator for visiting the US.

When it comes to Canada, travellers mentioned that **visiting family and friends, experiencing an interesting culture, studying and visiting a nature preserve were the top reasons for choosing Canada**. Some Brazilians are also attracted to the **multicultural experiences** Canada offers, as well as the blend of European and American cultures.

BARRIERS

As travellers start actively thinking about and/or planning a trip to Canada, **85% cite some reason that may prevent them from visiting in the next two years**. The more prevalent reasons are **costs**, an unfavourable exchange rate, **other places** they would rather visit, **visa** requirements and poor **weather**.

SOURCES FOR TRIP PLANNING

The top planning sources are TV travel shows, travel and destination websites, magazine articles and travel advertising.

PLANNING TIMEFRAME

Nearly half of Brazilian travellers (45%) **start planning their trip at least six months prior** to travelling.

Purchase: 5% of long-haul travellers

SOURCES FOR DECIDING WHAT TO DO IN CANADA

In choosing to visit Canada and in deciding what to do while in Canada, recent visitors were **most influenced by past visitors** plus a mix of **traditional media**, **online sources** and **social networks**.

Influential sources

Past visitors (38%)
Travel guides/books (29%)
TV (28%), Photos or videos online (28%)
Photos shared via social networks (26%)
Advertising (25%)
Magazine/newspaper articles (24%)

TRIP TYPE

Recent visitors were just as likely to travel independently as they were to either complement their holidays with guided tours or travel on fully guided holidays.

Trip type

Travel independently (37%)
Combined independent travel with some guided tours (29%)
Fully escorted or guided tour (8%)
Cruise (8%)
Resort stay (18%)

BOOKING TIMEFRAME

Over half of Brazilian travellers (60%) book their holiday within three months of travelling; just **20% book more than six months prior to travel**.

BOOKING METHOD

Among recent visitors, **82% consulted with a travel agent for their holiday to Canada**. Almost one half booked their Canadian holiday through a travel agent. About one quarter booked their flights and hotels directly with airlines and accommodation providers, and about 20% used an online retailer.

Booking method

Travel agent (47%)
Direct (26% flights, 23% hotels)
Online retailer (22% flights, 17% hotels)
Visitor information centre (8% hotels)

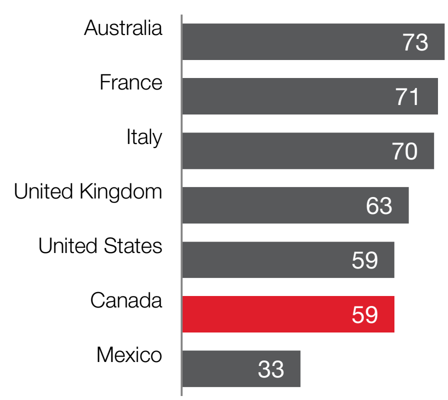
Advocacy

TRAVELLER PROFILE

Among the 7% of Brazilian long-haul travellers who have been to Canada, **68% would be very likely to recommend Canada** for a holiday (promoters) while only 9% would not recommend the country (detractors). Thus, **Canada has a net promoter score of 59**, comparable to the US but well behind Australia, France and Italy.

Net Promoter Score

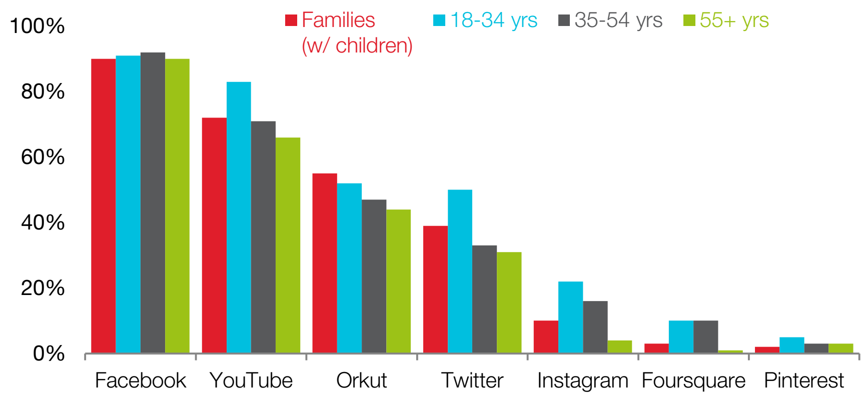
Source: Global Tourism Watch 2012



Base: Past visitors of each country
6% of Brazilian LH travellers have visited Australia, 21% have visited France, 19% Italy, 11% UK, 37% US, 7% Canada, and 13% Mexico.

Online social networks can facilitate destination advocacy by providing past visitors a platform to share their experiences and opinions with like-minded prospective travellers. A vast majority **of Brazilian long-haul travellers (90%) use Facebook**, regardless of age. YouTube and Twitter are also popular but to a lesser degree among travellers over 35 years or those with children.

Social networks used in the past three months
Source: Global Tourism Watch 2012



ADVOCACY WHILE EXPLORING CANADA

During their holiday in Canada, **91% of recent visitors shared their trip experiences while travelling**: 45% by sharing photos or messages on a social network using a PC and 39% via mobile devices.

Advocacy while exploring Canada

Shared photos or messages on a social network via computer (45%)
Shared photos or messages on a social network via mobile (39%)
Sent postcards (29%)

POST-TRIP ADVOCACY

After returning home from their trip to Canada, **over 90% of recent visitors shared their travel experiences**.

While traditional means remain the most prevalent form of advocacy, 56% of recent visitors shared photos or messages on a social network and 17% said they blogged about their trip.

Post-trip advocacy

In person, with friends and family (64%)
Shared photos with friends and family via email or in person (62%)
Shared photos or messages on a social network (56%)
Submitted opinions about specific attractions, hotels, restaurants (25%)
Blogged about the trip (17%)

MEDIA RECALL

Over the past year, **92% of long-haul travellers recalled seeing or hearing information about travelling to Canada**. Note that word of mouth through social networks is just as prevalent as personal conversations with friends and family.

Media recall

Travel shows on TV (33%)
Magazine/newspaper articles (28%), Travel guides/books (28%)
Online advertising (27%), Friends and family via social networks (27%)
Friends and family (in person) (25%)
Travel agency brochure (23%)