Tourism Canada
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CANADIAN OUTBOUND TRAVEL MARKET

PRODUCT/MARKET MATCH

EXECUTIVE SUMMARY

Canada

Industry, Science and Technology Canada
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Product/Market Match Objectives

The *Canadian Outbound Travel Market: Product/Market Match* examines Canadian travel to the U.S. and identifies the volume and characteristics of those Canadian travellers seeking pleasure travel experiences in the U.S. which could be enjoyed at home. The report, a summary of which is presented in this document, includes an extensive review of Canada's tourism product lines, a description of the sub-segments within the Canadian Outbound Travel Market and an analysis of the extent to which Canada offers the products sought by outbound travellers to the U.S. The intention of the analysis is to determine, if, in fact, there is a portion of the outbound market which could be convinced to change their chosen destinations from outside to inside Canada. The emphasis is on the identification of the high-yield sub-segments within the Canadian Outbound Travel Market, who in light of their travel behaviour and product preferences, might be convinced to travel more in Canada.

Product/market matching is based on the characteristics of outbound travel sub-segments, product preferences, the destinations to which those travellers are currently travelling in the U.S. and the availability of similar products in Canada. Therefore, travel to states which are visited mainly for sun and sand, gambling, theme parks, warm weather in winter and accompanying activities, with which Canada cannot compete, is not considered in the analysis. The analysis does not include information on trends, economic factors, perceptions and travel attitudes and motivations, but is limited to market share analysis and the potential for import substitution. Other factors which affect the potential to reduce outbound travel will be analysed in the development of a strategy to counter outbound travel to the U.S.

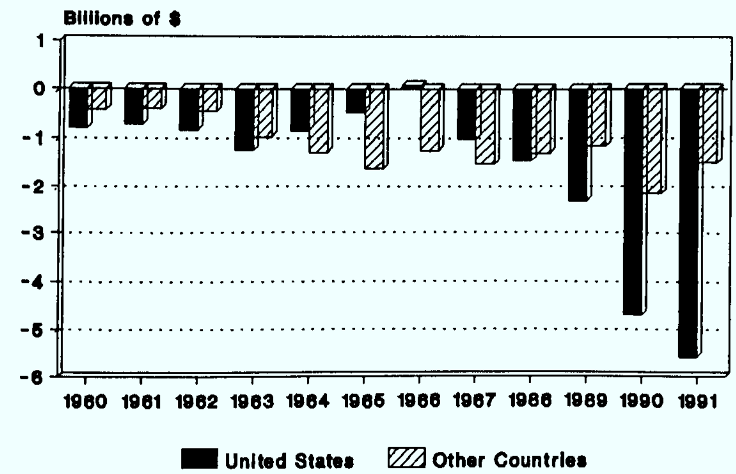
Outbound Travel By Canadians

Domestic travel, the main generator of tourism in Canada, is facing challenges. Travel within Canada declined 4% between 1986 and 1990. While domestic travel decreased, there was a 63% escalation in outbound travel activity by Canadians between 1980 and 1990. Travel to the U.S. during the same period increased 103%.

The majority of Canadians travelling to international destinations are tourists. In 1990, 52% of all overnight travellers were on pleasure trips. Visiting friends and relatives accounted for about 16% of international trips, while business travel accounted for about 14%. Only 5% of overnight trips had shopping as their primary activity.

In 1991, Canadian international travellers spent $14.8 billion abroad, $7.1 billion more than was brought into this country by foreign visitors. This travel deficit has more than doubled since 1989, rising almost $6 billion from its level of $1.2 billion in 1980. Figure 1 shows the increasing growth of Canada's travel deficit.

Figure 1: Travel Account Balance, 1980-1991



The U.S. is the most popular destination for Canadian international travellers, accounting for 84% of overnight trips in 1990 (see Figure 2). This is not surprising considering that Canada's population is concentrated near the U.S. border. The number of day trips taken to the U.S. has risen rapidly. In 1990, Canadians took 53 million trips of less than 24 hours, a 126% increase from 1980. Most of this traffic represents cross-border shopping. But Canadians also took more trips of one night or longer to the U.S. during the 1980s (see Figure 3). In 1990, over 17 million overnight trips to the U.S. were taken, an increase of 54% from 1980.

Figure 2: Canadian Outbound Overnight Visits, 1990

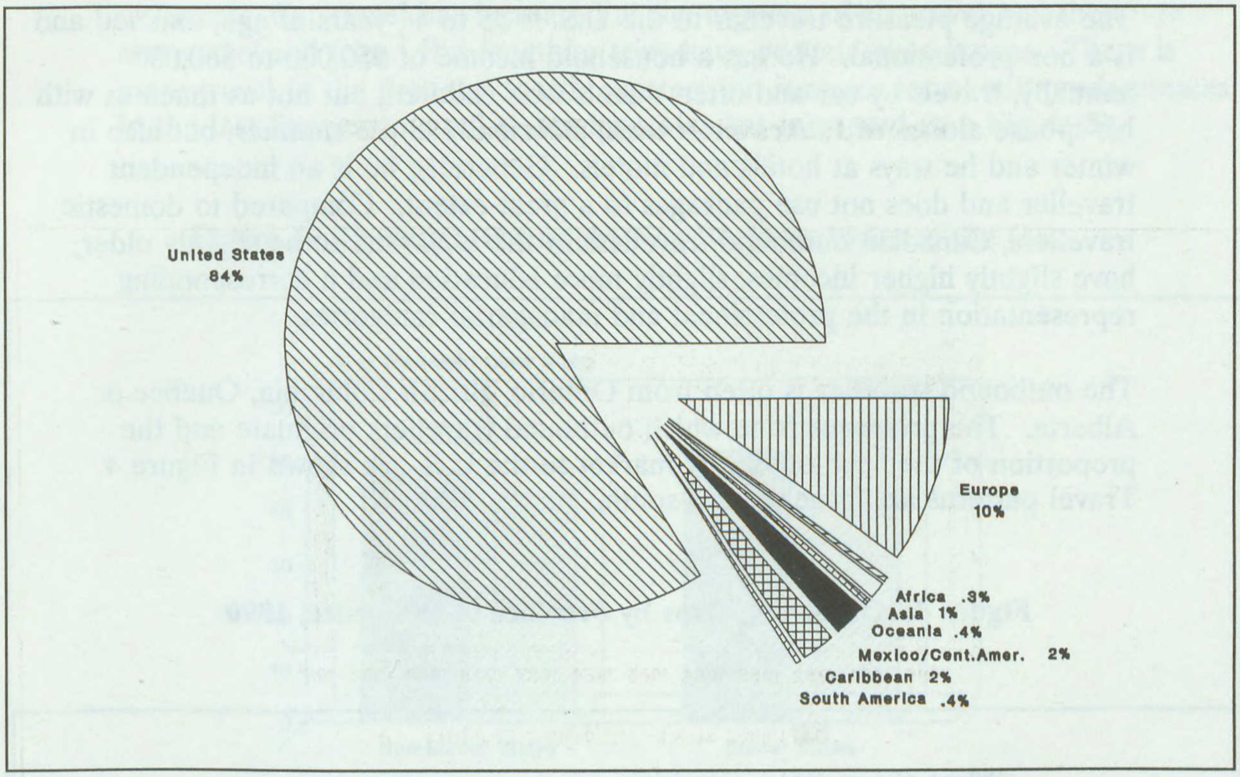
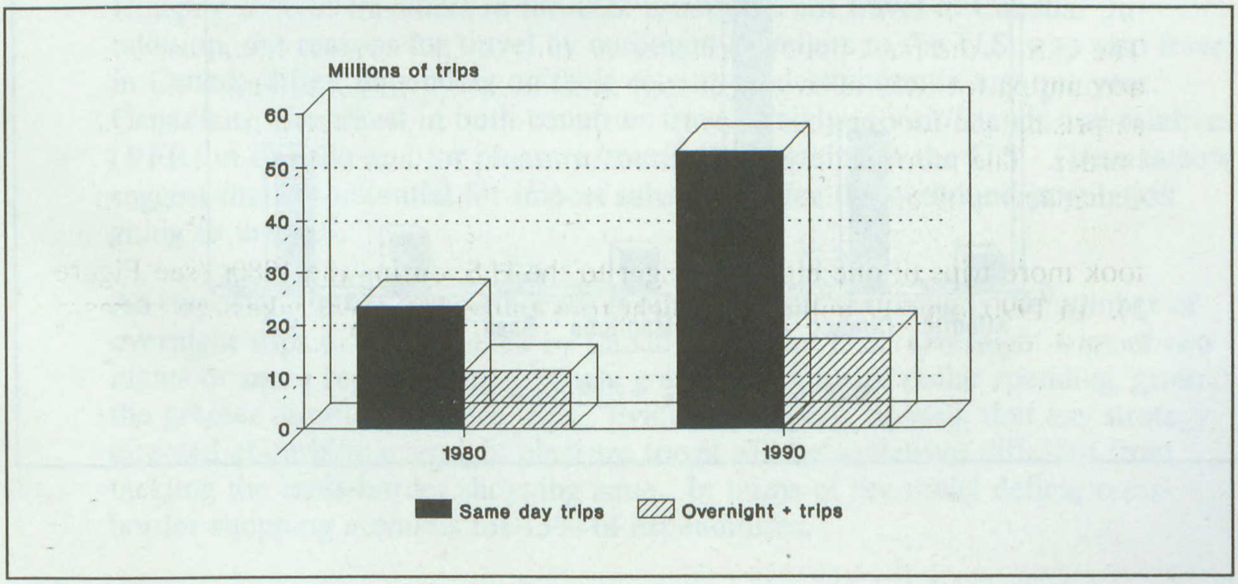


Figure 3: Canadian Travel to the United States, 1980-1990

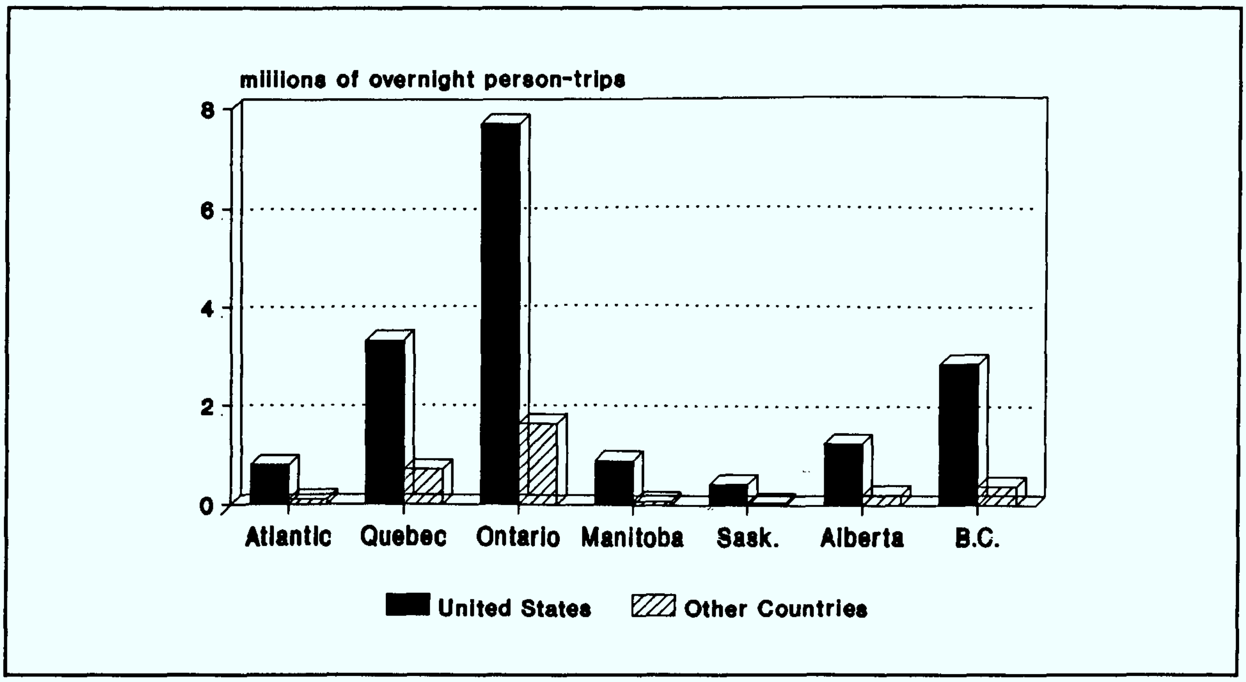


The Canadian Outbound Travel Market

The average pleasure traveller to the U.S. is 25 to 44 years of age, married and is a non-professional. He has a household income of $50,000 to $60,000 annually, travels by car and often travels with children, but not as much as with his spouse alone. He takes short trips, principally in the summer, but also in winter and he stays at hotels and motels. Generally, he is an independent traveller and does not use packages to a great extent. Compared to domestic travellers, Canadian outbound travellers to the U.S. tend to be slightly older, have slightly higher incomes, slightly more education and a corresponding representation in the professional and managerial categories.

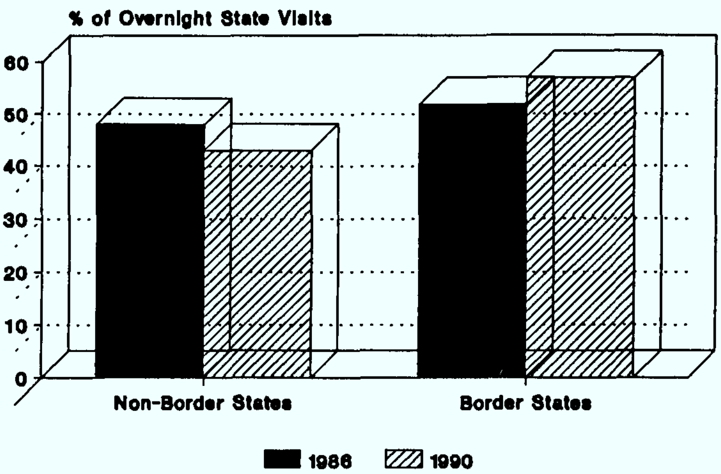
The outbound traveller is often from Ontario, British Columbia, Quebec or Alberta. The provinces from which outbound travellers originate and the proportion of the total outbound market to the U.S. are shown in Figure 4. Travel patterns are largely north-south.

Figure 4: Outbound Trips by Province of Residence, 1990



Trends suggest that more married people, travelling as couples, compared to families, are taking trips to the U.S. More professionals are travelling shorter distances. Car travel has increased at the expense of air travel and there are more weekend trips. But lengthier trips have become even longer. There is more travel in the first and fourth quarters but summer travel still predominates. In the last five years travel to border states has increased (see Figure 5).

Figure 5: Canadian Overnight Non-Business Visits to the U.S.



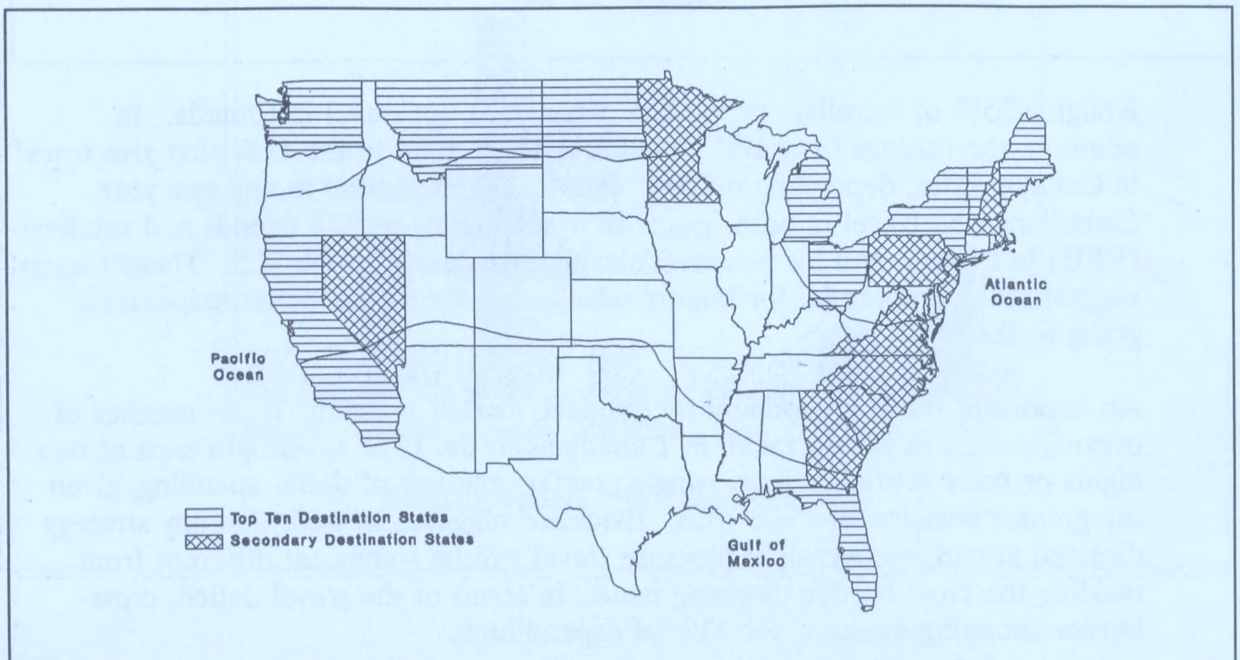
Roughly 25% of travellers to the U.S. usually do not travel in Canada. In addition, the reasons for travel by outbound travellers to the U.S. who also travel in Canada differ, depending on their country of destination in any one year. Canadians who travel in both countries travel mainly to visit friends and relatives (VFR) in Canada and for pleasure/touring/sightseeing in the U.S. These factors suggest there is potential for import substitution for the outbound population going to the U.S.

An important travel component for product/market matching is the number of overnight trips or longer taken by Canadians to the U.S. Overnight trips of two nights or more represent increasingly greater amounts of dollar spending, given the greater duration of these trips. Evidence suggests, as well, that any strategy directed at curbing overnight pleasure travel will be somewhat different from tackling the cross-border shopping issue. In terms of the travel deficit, cross-border shopping accounts for 13% of expenditures.

To determine the potential for import substitution, the characteristics of travellers travelling up to 1,600 kilometres from major Canadian urban centres into the U.S. were examined. This travel to border and mid-range states represents about 6.6 million pleasure trips, out of a total of over 9 million overnight trips taken annually. It represents approximately 2 to 4 days of car travel to destinations which most likely offer travel experiences which could be enjoyed in Canada. This distance also includes all but one (Florida) of the top twenty destinations to which Canadians travel in the U.S., given below in descending order (see also Figure 6):

1.	New York	11.	Nevada
2.	Florida	12.	Ohio
3.	Washington	13.	Minnesota
4.	Michigan	14.	South Carolina
5.	Maine	15.	Massachusetts
6.	Vermont	16.	Virginia
7.	North Dakota	17.	New Hampshire
8.	Montana	18.	New Jersey
9.	Pennsylvania	19.	North Carolina
10.	California	20.	Georgia

Figure 6: U.S. Destinations

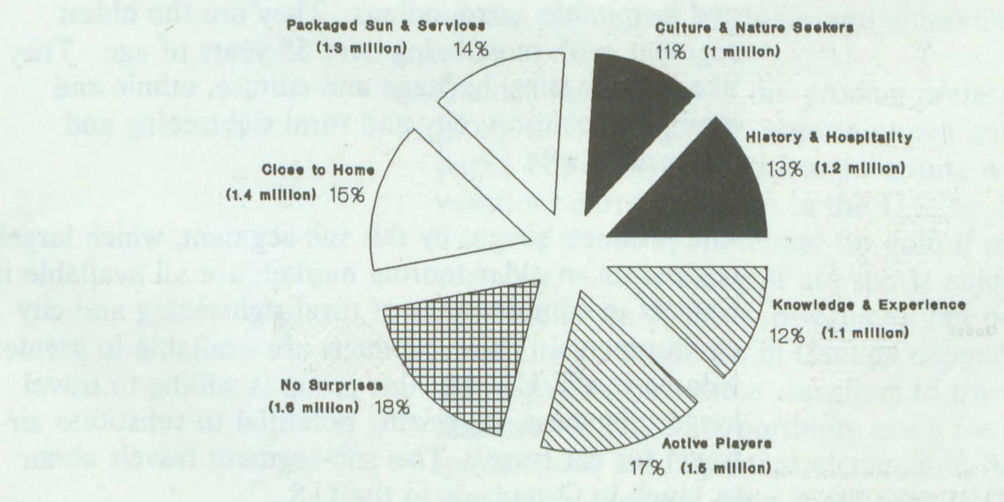


Canadian Outbound Market Sub-Segments

The overall characteristics of travelling Canadians, although important to identify trends, are of little use in determining sub-segments within the Canadian Outbound Travel Market and the market share for each sub-segment. Therefore, the market was segmented to identify the principal groups within it. Market criteria are based on data collected by the Angus Reid Group for the study of Canadian Outbound Travel to the United States and Mexico in 1992. In addition, factors and trends evident through analysis of the Canadian Travel Survey (CTS) and the International Travel Survey (ITS) were included in the analysis.

The seven segments within the outbound market and their respective market shares are shown in Figure 7. Following market segmentation, product/market matching analysis determined the potential for import substitution. Potential is based on factors such as product preferences for each sub-segment, product availability in Canada, demographics, travel behaviour including distance travelled, seasonality, origins and destinations and market share.

Figure 7: Segments of the Outbound Pleasure Travel Market



The segments and their potential for import substitution are:

1. **HIGH POTENTIAL**

Culture and Nature seekers are pure outdoors or wilderness travellers who like to travel independently to inexpensive places where they can enjoy local culture and nature. They believe that spending money on a vacation is money well spent but they want value for money. They like adventure, parks and Native and ethnic cultures in particular.

The products sought by this sub-segment are all available in Canada. In particular Native and ethnic cultures, national parks, festivals and events and adventure activities are available and of internationally competitive calibre. A deterrent to potential could be the fact that this sub-segment already travels more in Canada than other sub-segments. But, because they enjoy these Canadian products already, they may more easily be convinced of the value of additional Canadian trips.

2. **MEDIUM TO HIGH POTENTIAL**

History and Hospitality travellers are most interested in sampling local history through group tours where they can be assured of convenient, safe transportation and hospitable surroundings. They are the oldest segment, with most being over 55 years of age. They like historic sites, heritage and culture, ethnic and aboriginal cultures, city and rural sightseeing and performing arts.

The products sought by this sub-segment, which largely represents an older touring market, are all available in Canada in combinations of rural sightseeing and city environments. These products are available in greater volume in the U.S. but this group is willing to travel longer distances, suggesting potential to substitute air travel for car travel. This sub-segment travels about as much in Canada as in the U.S.

3. LOW TO MEDIUM POTENTIAL

Knowledge and Experience travellers are independent city travellers interested in cultural experiences, but of a more civilized or urbanized variety. They yearn to learn about new and different aspects of life but they avoid forests and parks. They consider travel as an investment. They like high quality cuisine, nightlife and city sightseeing.

The city product in Canada offers only limited potential for import substitution for this sub-segment, especially in shoulder periods. We do not have the nightlife and entertainment sought by this group to the volume and extent of that available in Nevada, New Jersey and in Europe. Market segmentation does not present a clear picture of this sub-segment's travel behaviour and product preferences, other than these travellers seem interested most interested in the city experience.

4. LOW TO MEDIUM POTENTIAL

Active Players are interested in games of all types, from sports, both watching or participating, to gaming and gambling. They have a pre-disposition toward luxury and like to travel in style, even though they have a lower level of income. They like spectator sports, skiing, golf, nightlife and amusement parks.

Canada lacks some of the product preferences of this group such as nightlife, entertainment and theme parks, but offers potential to substitute water sports vacations currently taken in the U.S. by Active Players. There is a growing potential for golf, if marketed correctly. Skiing and golf are sports enjoyed by high-yield members of this sub-segment, but potential to substitute ski vacations in Canada depends on the ability to convince these travellers to travel longer distances. Limited opportunity exists for spectator sports which are important elements in Active Player trips. This segment takes more trips in Canada than in the U.S.

5. **LOW POTENTIAL**

No Surprises travellers are very risk adverse, preferring to have all arrangements settled before embarking on a trip and avoiding changes in schedule or location upon arrival. They play golf more than other segments. They like tennis, beach, resorts, sunny, reliable weather and go on southern trips in the spring.

Canada does not have the sunny reliable weather sought by this sub-segment or nightlife, but has some potential to offer the stay-put, no-risk vacations sought by No Surprises travellers in a rural or resort environment offering opportunities for beach, tennis and golf. There is some potential for import substitution, given the considerable travel done by this segment during the summer months and the fact that this sub-segment generally travels in the U.S. more than in Canada at the present time.

6. **NO POTENTIAL**

Close to Home travellers travel less frequently for social or family reasons and seek economy vacations. They do not believe one has to travel to have a good vacation. They like parks, campgrounds, budget accommodation and restaurants and visiting friends and relatives.

Even though they can enjoy the outdoor activities and parks which Canada has to offer, these travellers are already travelling a good deal in Canada. They represent the lowest yield segment of all outbound travellers, in terms of their activities, their spending and their choice of accommodation.

7. **NO POTENTIAL**

Packaged Sun and Services travellers like organized luxury holidays in exotic and foreign destinations. This segment is most likely to go to the Caribbean and Mexico.

Canada generally does not offer the products sought by this sub-segment.

Characteristics and Travel Behaviour By Sub-Segment

Culture and Nature

Travel Behaviour

- spontaneous
- stylish
- pure outdoor
- wilderness
- independent
- inexpensive travel important
- new and different lifestyles
- discounts/reduced fares
- longer trips
- risk takers
- make own arrangements
- want value for money
- combine business and pleasure
- VFR

Demographics

- average income
- more females
- highly educated
- spend more
- 55% single
- mean age 34 years

Potential Products

- climbing/hiking
- wildlife/wilderness
- parks/forests
- native culture
- archaeology
- other cultures
- mountainous areas
- local crafts
- galleries and museums
- festivals and events
- rural sightseeing/scenery
- lakes and rivers
- historic cities
- bed and breakfast
- campgrounds

History and Hospitality

Travel Behaviour

- local history
- short group tours
- convenient, safe transport
- hospitality
- easy access
- comfortable accommodation
- local history
- sightseeing
- predictable
- seek knowledge
- organized trips
- good service
- VFR

Demographics

- female
- 55% over 55
- 63% married
- lower/average income

Potential Products

- historic sites
- museums and galleries
- local crafts
- performing arts
- native and other cultures
- interesting towns and villages
- sightseeing, city and countryside
- bed and breakfast

Source: The Canadian Pleasure Travel Market Segmentation Study: Outbound Travel Presentation. Toronto: Angus Reid Group, Inc., February 7, 1992.

Active Players

Travel Behaviour

- seek to be involved
- sports
- gaming/gambling
- luxury
- easy access
- spectator sports
- reliable sunny weather
- packages
- participation in sports
- exotic atmosphere
- willing to pay for quality
- takes longer trips
- use travel agents
- feeling at home away from home
- environmental concerns
- thrills and excitement
- escaping from the ordinary

Demographics

- male
- high school education
- 25-34
- 50% married
- mean age 31

Potential Products

- water sports
- nightlife/gambling
- amusement parks
- skiing
- fast food restaurants
- resorts
- golf
- cruises
- fishing
- hiking/climbing
- seaside
- mountainous areas
- lakes/rivers
- family activities

Knowledge and Experience

Travel Behaviour

- seeks variety
- untraditional
- seek knowledge
- travel is an investment
- new and different lifestyles
- independent
- different cultures
- language unimportant
- foreign destinations

Demographics

- male
- 25-34 years
- high income/education
- 55% single
- mean age 33

Potential Products

- heritage
- local and quality cuisine
- nightlife/entertainment
- city sightseeing

Source: The Canadian Pleasure Travel Market Segmentation Study: Outbound Travel Presentation. Toronto: Angus Reid Group, Inc., February 7, 1992.

No Surprises

Travel Behaviour

- predictable vacation
- risk adverse
- arrangements in advance
- repeat destinations
- higher travel to the U.S.
- predictable
- sunny weather
- reliable/familiar surroundings
- stay put

Potential Products

- golf
- gambling
- tennis
- beach

Demographics

- male
- higher income
- mean age 43
- 69% married

Close to Home

Travel Behaviour

- traditional
- less frequent travellers
- short distance trips
- social/family reasons
- price/value perceptions are important
- economy travel
- VFR
- cleanliness/hygiene
- use of their own language
- organized trips
- lots to do and see
- environmental concerns
- short guided excursions

Potential Products

- family activities
- parks/forests
- amusement parks
- wildlife
- campgrounds/trailer parks
- inexpensive restaurants
- budget accommodation
- local crafts
- festivals and events
- VFR

Demographics

- female
- high school education
- lower income
- mean age 42 years
- 71% married

Source: The Canadian Pleasure Travel Market Segmentation Study: Outbound Travel Presentation. Toronto: Angus Reid Group, Inc., February 7, 1992.

Packaged Sun and Services

Travel Behaviour

- organized holidays
- indulging in luxury
- doing nothing at all
- lower budget accommodation
- more travel to the U.S.
- organized holidays
- stylish
- sun vacations
- arrangements in advance
- guided tours
- exotic atmosphere
- foreign destinations
- environmental concerns
- reliable weather
- sun
- cleanliness/hygiene
- friendly local people
- packages

Potential Products

- quality restaurants
- seaside
- first class hotels
- resorts
- nightlife/entertainment

Demographics

- female
- high school educations
- 49% married
- mean age 38
- 58% 25-44 years

Source: The Canadian Pleasure Travel Market Segmentation Study: Outbound Travel Presentation. Toronto: Angus Reid Group, Inc., February 7, 1992.

Conclusions

The sub-segments offering the greatest potential for import substitution are the Culture and Nature and History and Hospitality sub-segments. These two groups represent a potential of 2.2 million overnight trips annually. This market share compares favourably with the volume of customers visiting Canada from France, Britain, Germany and Japan, with a combined total of approximately 1.5 million trips in 1991. If import substitution were effected for 2.2 million person trips, it would result in the creation of 22,700 jobs and increased revenues of $511 million.

Through identification of high-yield market sub-segments, we can determine Canada's products of greatest strength and those which appeal to the outbound market. Analysis indicates that our product strengths are:

- heritage and culture
- parks
- adventure
- festivals and events
- ski
- golf
- water sports
- rural resorts

In spite of demand, products which are not as readily available are:

- city and rural tours
- educational tourism
- nightlife and entertainment
- spectator sports
- city experiences
- theme parks

The potential for each sub-segment points to opportunities which can be incorporated into specific marketing strategies and action plans. This analysis also points to additional work which remains to be done. Existing surveys do not present a complete picture of Canadian awareness and knowledge of the domestic tourism product. Canadian perceptions concerning travel experiences and products in Canada in comparison with their perceptions of travel experiences available in other countries remains to be explored further. The reasons underlying travel decisions for both domestic and international travellers and whether there are fundamental differences in the attitudes and motivations of travellers who journey in Canada and those who choose to travel outside the country, are unknown.

Additional analysis is required to refine the findings in this report. Important factors to be considered are the travel experiences enjoyed by Canadians when travelling at home, compared to the purposes for which they travel outside Canada. If Canadians are travelling both inside and outside Canada, and doing different things during these trips, there may be greater potential for import substitution. Preliminary research indicates that this is, in fact, the case. Further investigation is required to answer these questions. Knowledge of these behaviours will allow us to effectively reach the customer through targeted marketing.

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