Canadian Tourism Commission

Commission canadienne du tourisme

Global Tourism Watch

Japan Summary Report - 2011

Canada

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1. Research Objectives

The Canadian Tourism Commission initiated a Global Tourism Watch (GTW) program in 2007 to expand the consumer-based intelligence in its key markets; the Canadian domestic market was later introduced in 2009. In 2011, India and Brazil were added to the study. The overall objectives of the GTW study are:

- To monitor awareness, travel intentions and other key market indicators for Canada and the regions;
- To assess perceptions of Canada and track brand performance over time;
- To identify the general experiences sought by travellers, assess Canada's competitive positioning on key products and identify growth opportunities;
- To identify motivators and barriers for travel to Canada, as well as media sources and images that lift Canada's appeal.

2. Methodology

The target population for the online survey was residents aged 18 and older, who had taken a pleasure trip in the past three years where they stayed at least four or more nights with at least one night in paid accommodations or plan to take such a trip in the next two years. Trips had to be outside of China and South Korea.

Pleasure trips included vacation or holiday trips, trips to visit friends and relatives, and combined business-pleasure trips.

In Japan, the target was n=1,500 long-haul pleasure travellers, with a quota of n=200 recent travellers to Canada. The survey was conducted in June 2011.

3. Market Outlook and Potential

The GTW study shows that 83% of Japanese travellers feel that long-haul travel is very or somewhat important to them. Importance has generally been on the decline since 2007 when it sat at 89%. The exception is 2009 when there was a brief spike in the 'very important' category as a result of less committed travellers temporarily exiting the market. This cooling trend reflects the stagnation of the Japanese outbound travel market over the last decade, with the 16.6 million departures in 2010 being 7% below 2000 levels. In addition to external factors such as 3/11 Tohoku Earthquake/ Tsunami and the global economic downturn, lifestyle changes are shifting the priorities of today's Japanese consumers, who are more inclined to purchase goods such as fashions, mobile phones and home entertainment than to spend on travel.

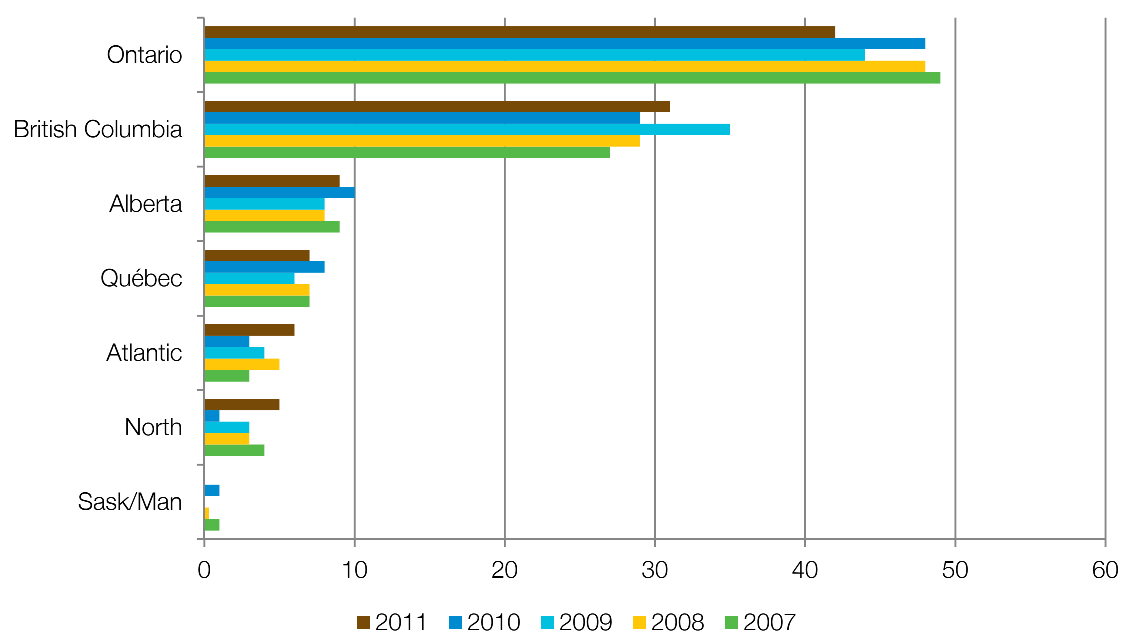
The GTW market outlook indicator (percentage difference between "will travel more" and "will travel less" in the next 3 years vs. the last 3 years) had been inching upward from its recession-driven plummet in 2008, to sit at +6 in 2010. However, at +5 in 2011, this forward-looking indicator shows no signs of further recovery, remaining far below the baseline level of +15. While improved over 2008, those who say they will travel more (28%) remains about 5 percentage points (ppt) below the baseline, while those who say they will travel less (23%)

continues to sit at 5 ppt above the baseline. Despite the positive long-term outlook for Asia as a driver of world tourism, the current situation in Japan suggests that the country has significant challenges to overcome if it is to resume growth.

In general, travel intentions held steady in 2011, but also remain shy of baseline levels. At 16% in total, the likelihood of visiting Canada remains extremely low, lower in fact than in any other GTW markets to date. Unfortunately, the challenge of increasing Japanese visitation to Canada in the near-term is compounded by Japan's continued economic struggles and the impact of the recovery from the catastrophic earthquake, tsunami and nuclear disaster in the Fukushima region. In view of this, the fact that travel intentions have held their ground since last year is a positive sign.

When asked about the destination they are most likely to visit in Canada, Ontario continues to hold a commanding lead (42%), despite an over-arching downward trend in likelihood levels since 2007. British Columbia continues to sit in second place, hovering at around the 30% mark. Alberta and Québec are considerably farther back, and have both maintained an even keel over the last five years. Consistent with previous results are the significant rebounds in the likelihood of visiting Atlantic Canada (up 3 ppt) and the North (up 4 ppt).

Exhibit 3.1 Canadian Destination Most Likely to Visit



Base: Those likely to visit Canada in the next 2 years and/or those who are considering, have decided to visit or have booked a trip there.

Exhibit 3.2 shows the immediate potential for the regional partners of the GTW study based on current levels of interest. The potential is clearly substantial for Ontario and British Columbia (in excess of two million travelers each), but the Japanese market also holds considerable promise for Québec and Alberta (over one million travelers each).

Exhibit 3.2 Size of the immediate potential for Canada

	CDA	BC	ON	QC	AB	YK	NU
Immediate Interest[1]	16%	77%	73%	45%	42%	8%	2%
Potential (M)[2]	2.9	2.2	2.1	1.3	1.2	0.2	0.06

Base: Long-haul pleasure travellers (n=1,516)

[1] Base for percentages is those likely to visit Canada in the next 2 years and/or those who are considering, have decided to visit or have booked a trip there.(n=672)

[2] Results are from the random telephone omnibus survey undertaken in 2010. Base is general population aged 18 plus.

Note: Regional estimates are not additive since travellers may visit more than one region on a single trip.

4. Unaided Destination Awareness

To measure top-of-mind awareness for Canada, respondents were asked to name destinations that come to mind for a long-haul vacation.

The top five destinations in terms of awareness among Japanese travellers have remained unchanged since the start of the GTW study. The US continues to be the clear market leader, largely the result of a strong showing by "Hawaii." Australia is a distant second, with only about half the number of mentions as the US. Both destinations suffered significant drops in 2009 as the economy faltered, but have since stabilized. However, Australia's commanding lead over Italy has diminished to just 6 ppt this year.

Italy, Canada and France continue to round out the top five destinations in terms of awareness, with the three of them having jockeyed for position over the course of the GTW. Italy had been on a downward slide, bottoming out at 14% in 2010 before rebounding by 4 ppt to move back into third spot this year. In addition, a 3 ppt gain for Canada, coupled with a 4 ppt drop for France, has enabled Canada to overtake France and climb into 4th spot for the first time in five years. While this boost in the rankings is a positive sign, it is a minor victory as Canada's awareness has simply returned to baseline levels and France could easily surpass it next year. Canada may want to set its sights on the coveted third spot, and work towards putting some real distance between it and the two European destinations over the next few years. At under 10% apiece, the remaining destinations do not pose a major threat to Canada at the moment.

Exhibit 4.1 Unaided Destination Awareness

(Showing top 5 countries only)

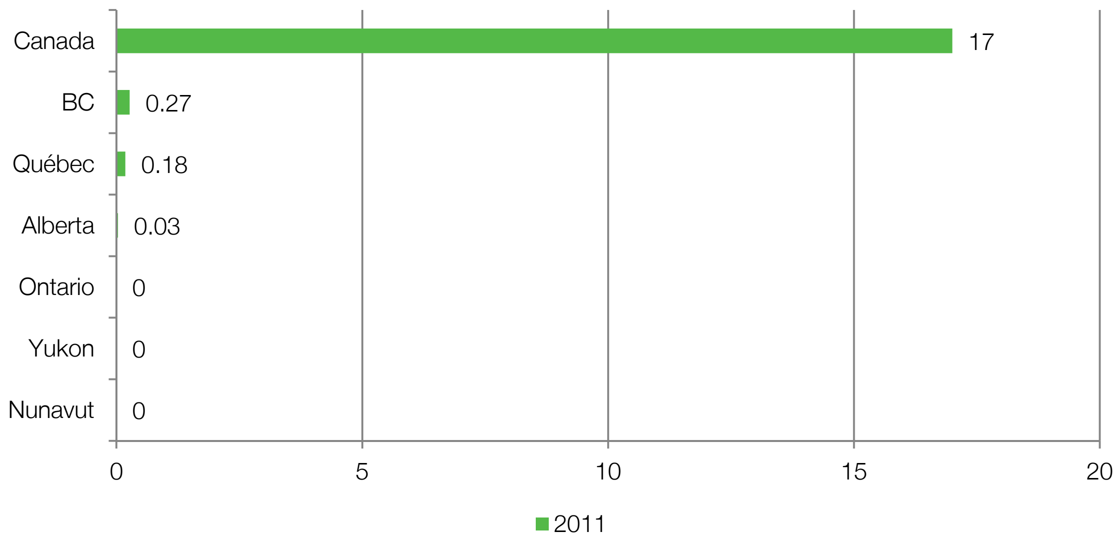
	2007	2008	2009	2010	2011
1. US	57%	57%	50%	50%	50%
2. Australia	34%	30%	24%	26%	24%
3. Italy	17%	21%	19%	14%	18%
4. Canada	17%	16%	16%	14%	17%
5. France	18%	17%	17%	20%	16%

Base : Long-haul pleasure travellers (2011 n=1,516)

Roll-up of brand mentions by country, e.g., percentage who said Canada or any destination in Canada.

Exhibit 4.2 shows that Japanese travellers continue to have very limited top-of-mind awareness of specific destinations within Canada, with mentions of individual cities and provinces being very low. In fact, the sum total of these mentions increases Canada's total awareness by less than 1 ppt.

Exhibit 4.2 Unaided Awareness of Canada's regions



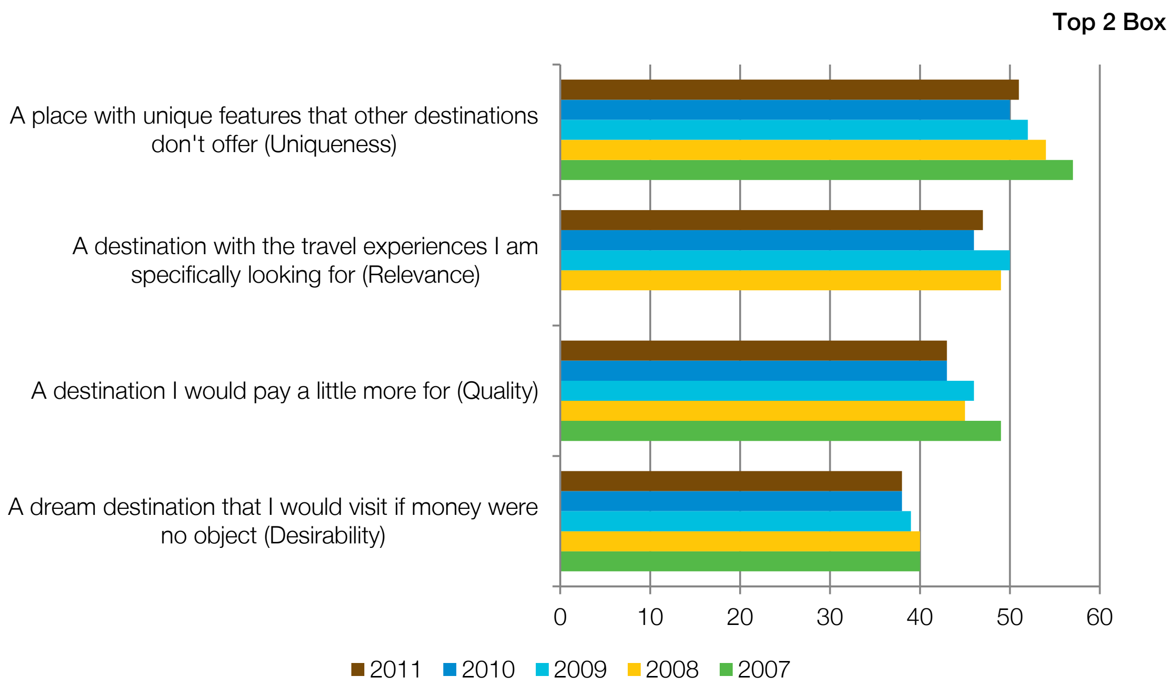
Base: Long-haul pleasure travellers (n=1,516)
Note: Only GTW regional partners are included.

5. Canada's Value & Price Perceptions

Canada's success as a travel destination cannot be measured only by the degree to which its brand has established itself. It is important for Brand Canada to be perceived as offering value at a good price.

Exhibit 5.1 shows that after four years of downward pressure, the Value Perceptions measure remains unchanged in 2011 with all of the individual value attributes having stabilized. However, "Uniqueness" and "Quality" again fall short of their 2007 highs. Japan's economy continues to struggle, and as in many markets, travellers are becoming increasingly value-conscious. If Canada wants to stay in the game, it needs to up the ante and aggressively market and deliver travel options that offer real value to the Japanese traveller. While Canada's value proposition leaves something to be desired on all four attributes, "Desirability" and "Quality" are the most critical areas to focus on.

Exhibit 5.1 Value Perceptions



Base: Long-haul pleasure travellers (2011 n=1,516)

Note: Top 2 Box refers to a rating of 4 or 5 on a 5-point scale where 1 is "Strongly Disagree" and 5 is "Strongly Agree".

In addition to brand image and destination value, cost plays a major role when it comes to destination decision-making. All four of the individual price components that make up the index have been bearing downward during this period. A major contributing factor is Canada's strong currency. While the Yen has soared over the past few years, the Loonie has also been appreciating. The net result is that although the Yen has strengthened against the Canadian dollar, the gains against other currencies have been much greater. Between the 2009 and 2011 waves of the GTW, the Yen rose 16% against the US dollar and 13% against the Euro, versus only 4% for the Canadian dollar. This has certainly not helped to improve price perceptions. The bottom line is that Canada continues to be viewed by Japanese travellers as an expensive vacation option. Without substantial discounts and/or value-added offers, these perceptions aren't likely to change any time soon.

Exhibit 5.2 Price Perceptions

Base: Long-haul pleasure travellers (2011 n=1,516)

Note: Top 2 Box refers to a rating of 4 or 5 on a 5-point scale where 1 is "Strongly Disagree" and 5 is "Strongly Agree".

6. Product Interest

Consistent with the flagging importance of long-haul travel in the Japanese market, interest in many travel products is declining, with eleven of the twenty-three products having experienced a significant downward trend since 2009 (see **Exhibit 6.1**). Another six products saw significant declines in 2010, remaining well below 2009 levels this year. Despite the slippages, the top product interests remain unchanged. In fact, the top 13 products have been the same since 2009, with only a couple of minor shuffles in their rank order.

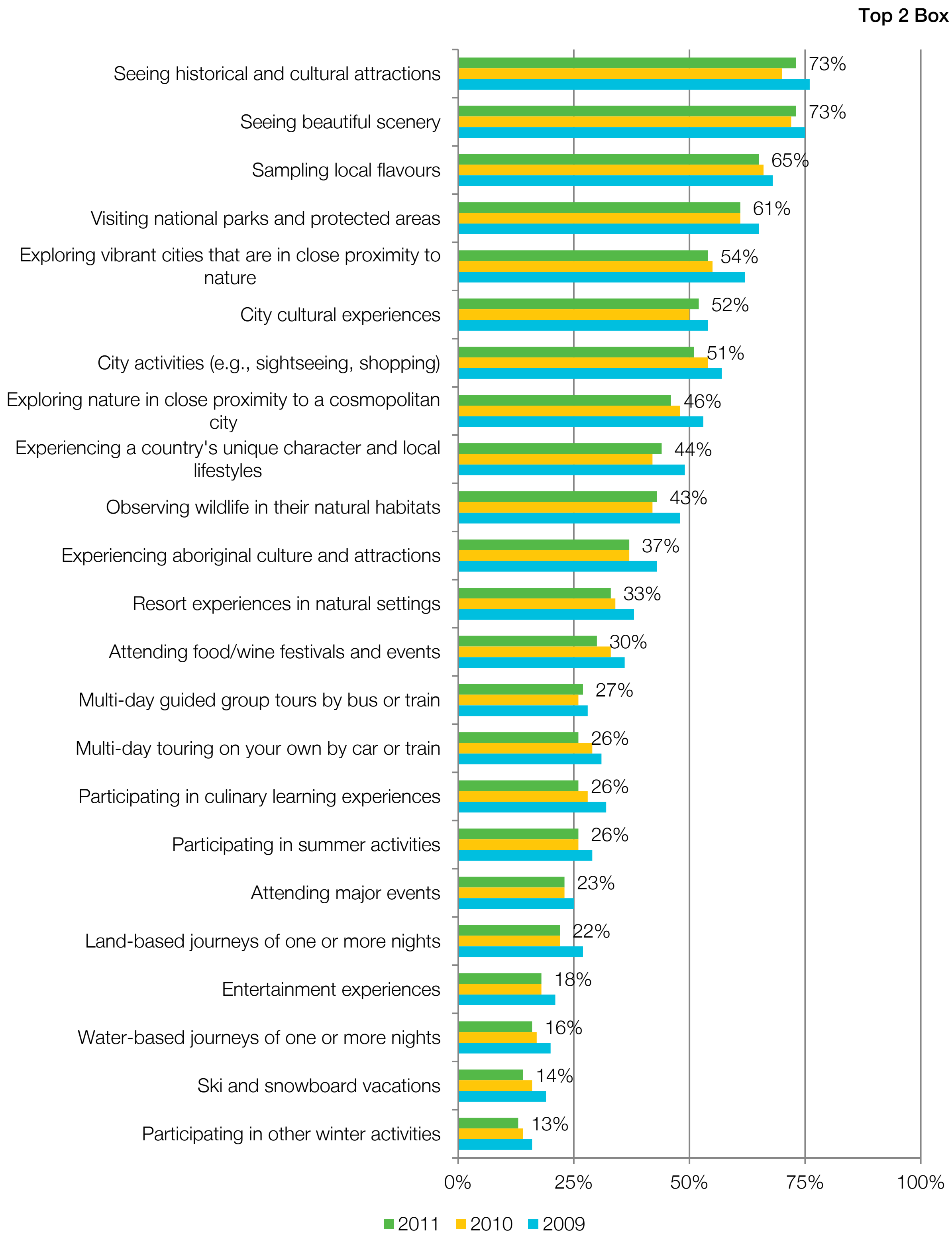
Historical/cultural attractions and beautiful scenery continue to fight it out for the number one spot, appealing to almost three-quarters of travellers and emphasizing the importance of both culture and nature products in the Japanese market. With a strong showing for national parks in fourth place, nature products may have a slight edge, especially when combined with a city experience. On the culture front, many travellers seem reluctant to explore it in any depth, with related motivations such as experiencing local lifestyles and aboriginal culture being of considerably less importance than historical/cultural attractions. In fact, at position number nine, local lifestyles is ranked lower than in any other GTW market.

As in other markets, sampling local flavours rates strongly on the list of motivations (at 65%). However, with other gastronomical motivations sitting in the bottom half of the chart, culinary experiences as a whole are not a stand-out product for Japanese travellers.

Urban experiences also continue to appeal to this market, especially (as stated above) when combined with nature. City culture and city activities such as sightseeing and shopping continue to be of broad interest, being favoured by over half of the market. However, Japanese travellers are not necessarily looking for the complete city package as other city pursuits such as entertainment and major events are of limited appeal.

Outdoor activities represent a limited marketing opportunity in the Japanese market. The five outdoor activities are all in the bottom seven spots and appeal to a quarter or less of Japanese travellers. In addition, interest in the active outdoors is not picking up in Japan as it is in many other GTW markets.

Exhibit 6.1 Product Interests



Base: Long-haul pleasure travellers (2011 n=1,510; 2010 n=1,496; 2009 n=1,515).
Notes: Top 2 Box refers to a rating of always or often important on a 4-point importance scale.
Results not comparable to previous years due to changes to the product list in 2009.

7. Competitive Product Positioning

Exhibit 7.1 provides more detailed results showing how Canada ranks against its six competitors on each specific product.

Canada continues to hold seven first place rankings in 2011, which is the highest among the destinations within the competitive set. While the exhibit confirms that Canada is strong on outdoor activities and nature products, there is fierce competition from both Australia and New Zealand. Clearly, Canada could benefit by differentiating itself as the premier outdoor and nature destination rather than simply one of three great choices.

When it comes to city, culinary and culture products, Canada's performance in Japan continues to be very weak. While not in the leadership race, Canada does register in third place for local lifestyles and fourth for aboriginal culture, sitting only 9 ppt back of the destination immediately ahead of it. This points to some good opportunities for the CTC to grow the culture segment and broaden Canada's appeal.

Interestingly, the three European countries are ranked in succession on all products except for two. Moreover, for about 70% of the products, they are rated within 6 ppt of each other, suggesting that they are very much viewed as a region in terms of their product offerings.

With respect to shifts in Canada's ratings, little has changed since 2010. The only significant shift is a 3 ppt post-Olympics loss for Canada on major events, dropping it from 5th to 6th place this year. As a result, Canada is losing ground to both the US and the European destinations, which have stayed put or are up minutely this year. Canada is also down directionally on other urban experiences, including nature close to cities, city culture and entertainment experiences.

As for the gastronomical front, Canada has improved one spot (moving from 7th to 6th place) on both culinary learning and food/wine festivals, which is primarily attributable to declines in New Zealand's score. New Zealand has also faltered on local flavours this year, making it less appealing in the eyes of those seeking local and gourmet dining experiences.

The results are mixed when it comes to nature and outdoor activities. While Canada has strengthened its lead over second placed New Zealand on ski vacations and scenery, this gain is largely irrelevant given the already wide gulf between the two. However, a 3 ppt gain on resort experiences has enabled Canada to gain traction over New Zealand in third place and narrow the gap with Australia in first place. Canada has also moved up a notch on land-based journeys as a result of a 3 ppt slippage by Australia, although the top three destinations remain fairly close to each other in score, with the lead within the grasp of each competitor for 2012.

On the downside, Australia is closing in on Canada's first place spot on national parks and has widened its lead over Canada on wildlife. Moreover, Canada's scores on nature close to cities and summer activities have softened this year, although not significantly so.

Exhibit 7.1 Competitive Positioning

	1	2	3	4	5	6	7
Participating in other winter activities	**CAN 77%**	USA 15%	NZ 15%	AUS 14%	GER 6%	FRA 6%	ITA 4%
Ski and snowboard vacations	**CAN 77%**	NZ 16%	AUS 14%	USA 14%	FRA 9%	ITA 6%	GER 5%
Seeing beautiful scenery	**CAN 70%**	NZ 33%	AUS 30%	USA 26%	GER 10%	FRA 7%	ITA 6%
Visiting national parks and protected areas	**CAN 56%**	AUS 51%	USA 40%	NZ 37%	GER 6%	FRA 5%	ITA 4%
Water-based journeys of one or more nights	**CAN 49%**	NZ 42%	AUS 39%	USA 17%	GER 3%	FRA 3%	ITA 3%
Exploring vibrant cities that are in close proximity to nature	**CAN 45%**	AUS 40%	NZ 33%	USA 25%	ITA 13%	GER 13%	FRA 12%
Exploring nature in close proximity to a cosmopolitan city	**CAN 39%**	AUS 38%	NZ 28%	USA 27%	GER 15%	FRA 14%	ITA 11%
Resort experiences in natural settings	AUS 50%	**CAN 46%**	NZ 37%	USA 29%	GER 5%	FRA 5%	ITA 4%
Land-based journeys of one or more nights	NZ 42%	**CAN 40%**	AUS 40%	USA 19%	GER 10%	FRA 7%	ITA 6%
Multi-day touring on your own by car or train	USA 34%	**CAN 27%**	AUS 26%	GER 23%	FRA 23%	ITA 18%	NZ 17%
Observing wildlife in their natural habitats	AUS 63%	NZ 45%	**CAN 43%**	USA 19%	GER 3%	FRA 2%	ITA 2%
Participating in summer activities	AUS 50%	NZ 42%	**CAN 30%**	USA 27%	GER 5%	ITA 5%	FRA 5%
Experiencing a country's unique character and local lifestyles	AUS 40%	NZ 34%	**CAN 25%**	USA 21%	ITA 20%	GER 17%	FRA 14%
Experiencing aboriginal culture and attractions	AUS 62%	NZ 39%	USA 31%	**CAN 22%**	FRA 5%	ITA 5%	GER 4%
Multi-day guided group tours by bus or train	ITA 37%	FRA 35%	GER 34%	USA 24%	**CAN 22%**	AUS 20%	NZ 11%
Attending major events	USA 55%	ITA 20%	GER 19%	FRA 18%	AUS 15%	**CAN 13%**	NZ 8%
City activities (e.g., sightseeing, shopping)	USA 64%	FRA 46%	ITA 39%	GER 16%	AUS 10%	**CAN 8%**	NZ 5%
Seeing historical and cultural attractions	ITA 67%	FRA 65%	GER 50%	USA 11%	AUS 11%	**CAN 8%**	NZ 6%
Sampling local flavours	ITA 69%	FRA 61%	GER 34%	USA 12%	AUS 8%	**CAN 7%**	NZ 5%
Participating in culinary learning experiences	FRA 65%	ITA 56%	GER 28%	USA 10%	AUS 7%	**CAN 5%**	NZ 4%
Attending food/wine festivals and events	FRA 69%	ITA 55%	GER 40%	USA 8%	AUS 8%	**CAN 5%**	NZ 4%
City cultural experiences	FRA 63%	ITA 50%	USA 38%	GER 27%	AUS 6%	**CAN 4%**	NZ 3%
Entertainment experiences	USA 83%	FRA 14%	ITA 11%	AUS 6%	GER 6%	**CAN 4%**	NZ 3%

Base: Long-haul pleasure travellers (n=1,516).

Notes: Figures represent the percentage of respondents choosing the destination among the top 3 places to go for each attribute.

Legend: CAN = Canada, AUS = Australia, USA = United States, NZ = New Zealand, FRA = France, GER = Germany, ITA = Italy.

8. Sources of Information on Canada

Exhibit 6.2 shows that almost two-thirds of Japanese travellers saw information on Canada in the past three months, which is fairly low by GTW standards.

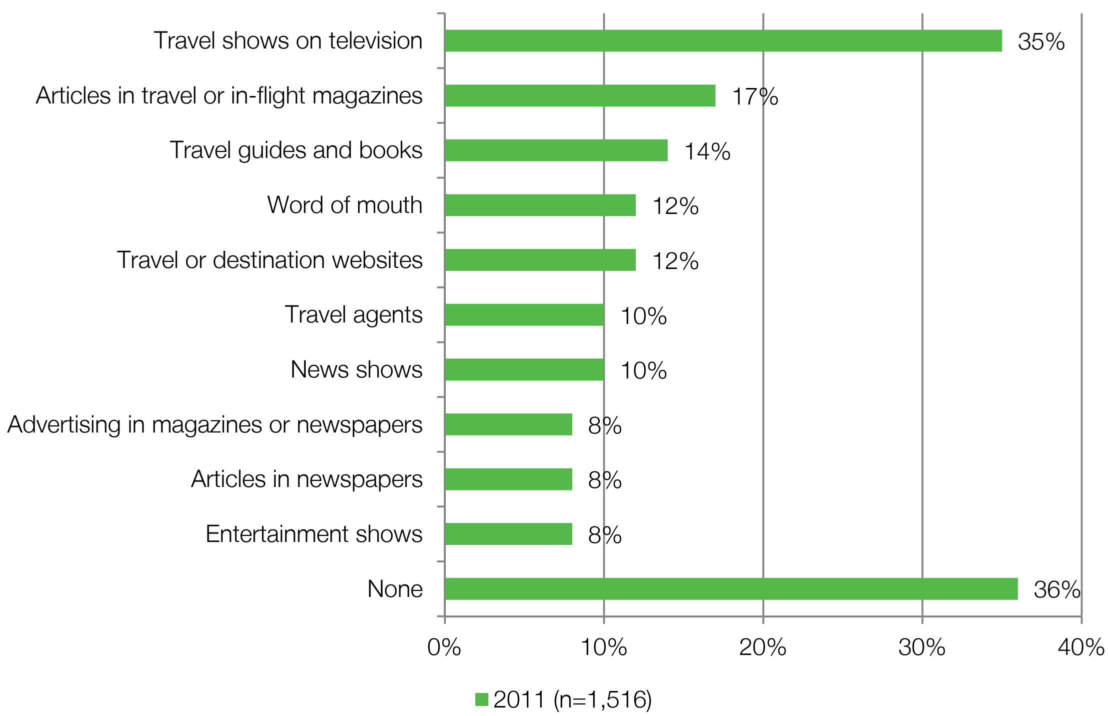
Among the individual sources, travel shows on television have the most significant reach by a wide margin, with over a third of Japanese travellers seeing information on Canada there. Travel-specific publications, including travel magazines and travel books/guides, are next at 17% and 14%, respectively. Word-of-mouth and travel/destination websites (both at 12%), round out the top five information sources.

The top five sources are the same for potential visitors to Canada, with the exception of word of mouth, which is replaced by travel agents. However, the proportion recalling each source is significantly higher among intenders to Canada than for the travelling population in general (almost double in some cases), likely because of higher salience among those who are actually interested in Canada. Whether it is travel to Canada or elsewhere, destination campaigns should clearly be targeted via travel-specific media.

Aside from travel/destination websites, online media generally do not play a significant role in the mix, with only email promotions being cited as a source by more than 5%.

Exhibit 8.1 Top sources of information on Canada in the past three months

(List top 10 sources only)



Base: Long-haul pleasure travellers (n=1,516)

Note: Question changed in 2011, so results are not comparable to previous years.

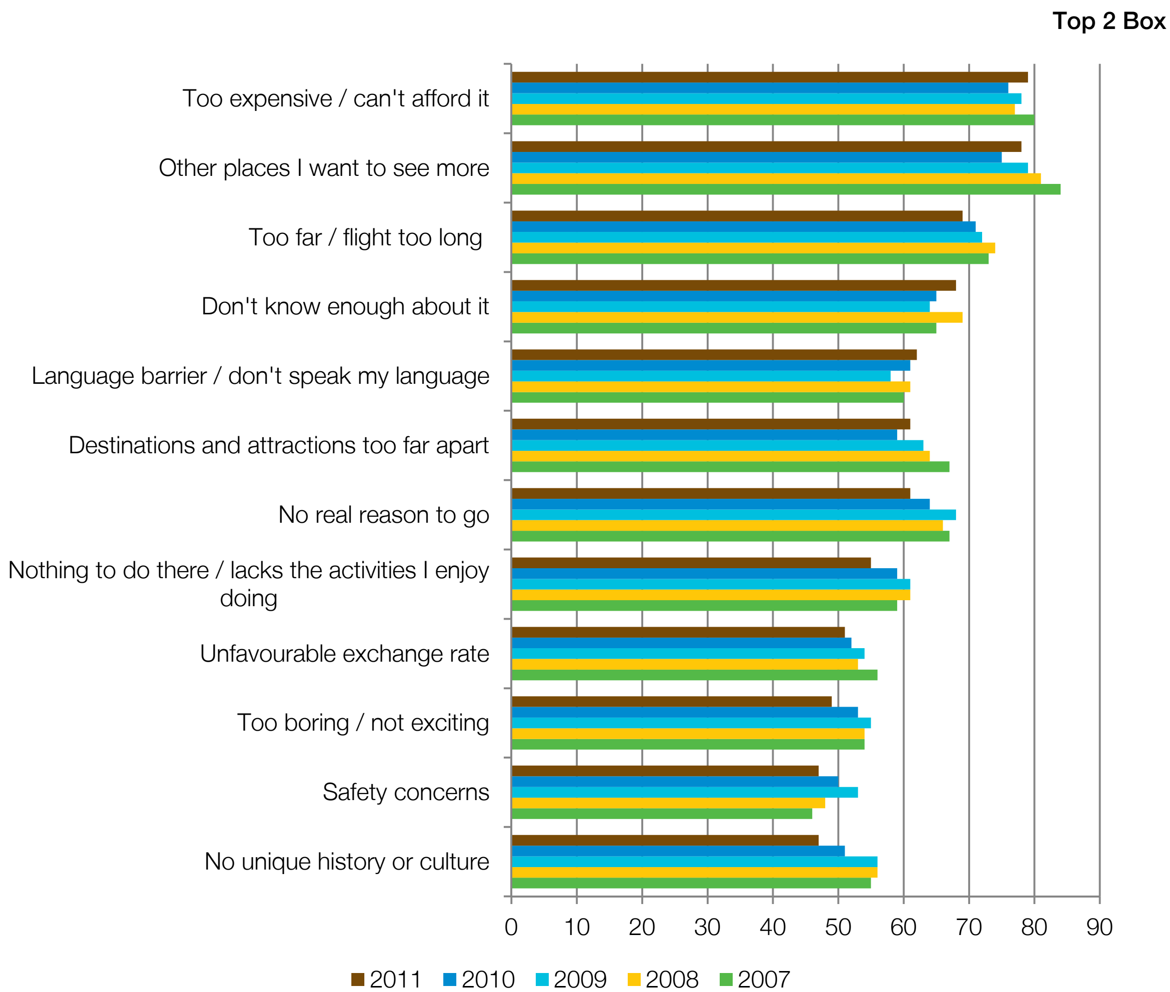
9. Key Barriers for Travel to Canada

Exhibit 9.1 shows why Japanese long-haul pleasure travellers are unlikely to visit Canada in the near-term. These results are important because, more likely than not, travellers that are likely to visit may have similar concerns that could ultimately lead them to select alternate destinations.

As in several other markets, many of the barriers for travel to Canada have been easing since 2008/2009, including both image-related barriers and some of the general travel deterrents. Consistent with the easing of negative brand personality perceptions (e.g., conservative, ordinary and dull), Canada has made some progress in divesting itself of its boring façade, with the reasons “too boring/not exciting”, “nothing to do”, “no unique history/culture” and “no reason to go” all declining by 6 to 9 ppt from their 2009 highs. In fact, all four are now sitting at new five-year lows.

Exhibit 9.1 Key Barriers for visiting to Canada

(List top 12 barriers only)



Base: : Long-haul pleasure travellers who are unlikely to visit Canada in the near future.

Note: Percentage is the sum of major barrier and minor barrier responses.

10. Conclusions: Key Take-Aways

Overall, the key long-haul travel indicators in Japan have remained stable since last year, which is fairly remarkable given the triple disaster that struck the country in March, 2011. Both the intensity and importance of long-haul travel have remained flat this year, with the market outlook indicator also in a holding pattern. The lack of upward movement is not surprising given the current climate in Japan.

- The Tohoku disaster obviously had a massive impact on all areas of society early in the year of 2011, with the country currently engaged in rebuilding efforts. In addition, the economy remains a major challenge for Japan as it labours to climb out of a second quake-induced recession, while facing a slowing global economy, rising public debt, a record high yen and sluggish consumer demand.
- The travel environment in Japan at the time of the GTW was daunting, as jittery Japanese consumers moved into a mode of self-restraint in the aftermath of the earthquake. As a result, consumer confidence plummeted and consumer spending dried up. That the airlines cut back or decreased capacity on many of their international routes did not help matters, and outbound travel diminished significantly in the first half of 2011.
- Unaided awareness level for Canada in Japan continues to be among the lowest of the GTW markets. Moreover, the 16% who are "likely to visit Canada" remains well behind the postings seen in any of the other international markets to date. And while Canada has kept pace with, or overtaken, some of its competitors on certain metrics, this is due in large part to lacklustre performance by competitors rather than to notable gains for Canada.
- With respect to price perceptions, Canada continues to be seen as a relatively expensive destination among Japanese travellers. While travel costs have been declining as a result of the strengthening yen, the appreciation of the loonie has partially counter-acted this, minimizing the positive impact for Japanese travellers. As a result, the yen's gains vs. weaker currencies (e.g., the US dollar and the Euro) have been far greater, enhancing the cost-effectiveness and appeal of the associated destinations. This calls for Canada to shore up its struggling Price Perceptions by introducing budget-friendly products, deals on airfare and other measures to keep its prices competitive.
- While price is important, value continues to be the great equalizer in purchase decisions, and with the ongoing economic struggles in Japan, this is not about to change any time soon. While Canada is struggling on all of the Value Perception components, "Quality" and "Desirability" are the areas of greatest concern. Canada certainly has high quality products and world class dream vacation experiences necessary to entice Japanese travellers, particularly in the nature/outdoor arena. The challenge is to truly showcase these attributes, perhaps by showing how Canada can package multiple types of quality experiences into a single trip in a way that other destinations cannot.
- With interest in most vacation pursuits softening in the Japanese market, competition for a dwindling number of Japanese travellers will stiffen over the next few years, making it more challenging for Canada to build awareness and grow its market share.

While Canada continues to be seen as a premier destination for nature and the great outdoors, it fails to hit the mark with Japanese travellers on culture, culinary or city products. Moreover, both Australia and New Zealand have sterling reputations when it comes to nature and culture, offering Japanese travellers an ideal product mix. Until Canada can find a way to reinvent its image as a country that offers more than just spectacular nature, it will continue to struggle in establishing itself as a truly desirable destination in the Japanese market.