Navigate

New directions in tourism, hospitality and leisure

Volume 2 | Summer 2011

In this issue

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Deloitte.

TIAC AITC
TOURISM INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION DE L'INDUSTRIE TOURISTIQUE DU CANADA

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Navigate

This is the second edition of our semi-annual publication: *Navigate*. Each issue will provide a pulse on the Canadian tourism, hospitality and leisure industry and highlight future trends. Each issue will also explore a "hot" topic that is having significant influence on the industry.

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What's next?

The long-anticipated summer travel season is almost upon us. As we enter summer 2011, the economies in many of our source markets continue to strengthen. Additionally, pricing in the Canadian accommodation sector is improving and holding up well compared to international destinations such as New York, Los Angeles and Madrid. Nearly 87% of Canadians are planning a personal vacation and over 75% of business travellers are likely to travel within Canada in the coming year.

However, we've seen a dip in both arrivals and receipts from many source markets when measured against the Vancouver Winter Olympics period in 2010. The outlook for many source markets – such as the U.S. – remains questionable, and our strong Canadian dollar continues to increase our travel deficit – a trend we'd all like to see reversed.

Another interesting trend is the changing nature of the travellers we are welcoming to or within Canada. In this edition of Navigate, we focus on youth (those aged18-24) – the demographic that values travel more than any other. They're price conscious, technology savvy, and much more comfortable booking last minute. And while all these characteristics are challenging, the repeat business and long-term loyalty of the youth market presents a great opportunity.

We would like to thank the Deloitte and TIAC teams for their efforts in producing this publication, as well as David Pierzchala and his Ipsos team for their valuable perspective on travellers' intentions. We also extend our gratitude to the faculty and fourth year students of the Bachelor of Applied Business – Hospitality Operations Management program at George Brown College's Centre of Hospitality and Culinary Arts, who helped us to better understand the unique habits of the youth traveller.

We hope you enjoy our second edition of *Navigate*. As always, we appreciate your feedback.

Sincerely,

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David Goldstein
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Tourism Industry Association of Canada (TIAC)

A pulse on tourism

The global tourism industry continued to improve in 2010 and early 2011, as both arrivals and receipts are up across the globe. Our survey showed that Canadians plan to travel domestically as much or more in 2011.

Year in review

2010 marked a strong recovery for tourism in all regions of the world. While emerging tourism economies recovered faster than most other destinations, Canada experienced its fair share of growth, partially fueled by the Vancouver Winter Olympics in 2010.

Global tourism arrivals grew nearly 7% for the 12 months ending February 2011, while receipts were up by 8% as at the end of 2010. Canada's travel deficit, however, continues to rise, as Canadians spent more money abroad, taking advantage of the country's strong dollar.

Canada's performance over the past 12 months

Canadian tourism arrivals increased by 9% for the 12 months ending in March 2011, driven by more domestic travel. Canadian tourism receipts experienced a more modest increase, fueled by a growth in spending from international visitors (outside of the US). National occupancy and revenue per available room rates were up slightly while average daily rates remained relatively flat.

Outlook

Our poll of Canadians showed that 86.6% of respondents are more or as likely to travel within Canada over the coming year for personal travel while 75.8% of respondents anticipate traveling the same or more within Canada for business.

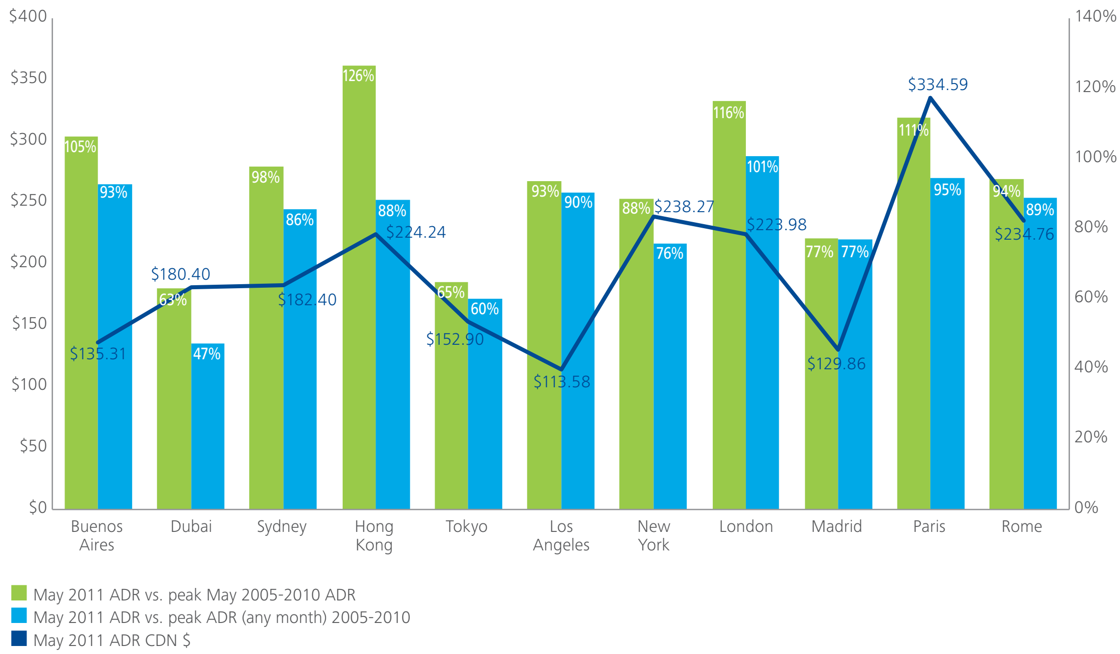
A pulse on the tourism industry

Industry snapshot – International	
Global tourism arrivals – LTM as of February 2011	940M (+6.9%)
Global tourism receipts – 2010	$920B CDN (+8.0%)
Canada's international travel deficit – LTM as of March 2011	$2.7B (+22%)
Industry snapshot – Canada	
Canadian tourism arrivals – LTM as of March 2011	
Domestic	54.99M (+14.0%)
U.S.	19.93M (-2.0%)
All other countries	4.41M (+5.0%)
Total	**79.33M (+9.0%)**
Canadian tourism receipts – LTM as of March 2011	
U.S.	$7,163M CDN (+2.0%)
All other countries	$9,029M CDN (+6.0%)
Total	**$16,192M CDN (+4.0%)**
Hospitality – Canada	
Canadian hospitality metrics – LTM as of May 2011	
Occupancy rate	61.4% (+3.7%)
Revenue per available room (RevPAR)	$78.29 CDN (+2.6%)
Average daily rate (ADR)	$126.87 CDN (-0.13%)
Traveller outlook	
Percentage of respondents (Canadian) who are more or as likely to travel to a specified destination this year for a personal vacation	
Within Canada	86.6%
To the U.S.	67.6%
Outside North America	49.1%
Percentage of respondents (Canadian) who are more or as likely to travel to a specified destination this year for business travel	
Within Canada	75.8%
To the U.S.	65.0%
Outside North America	46.7%

Sources: UNWTO; Smith Travel Research; Ipsos; Statistics Canada. LTM = Last Twelve Months. M = Million. B = Billion.

The following graphs compare May 2011 RevPAR and ADR metrics to both peak rates in May between 2005 and 2010 and to previous peak rates for any month between 2005 and 2010.

Global ADR – May 2011

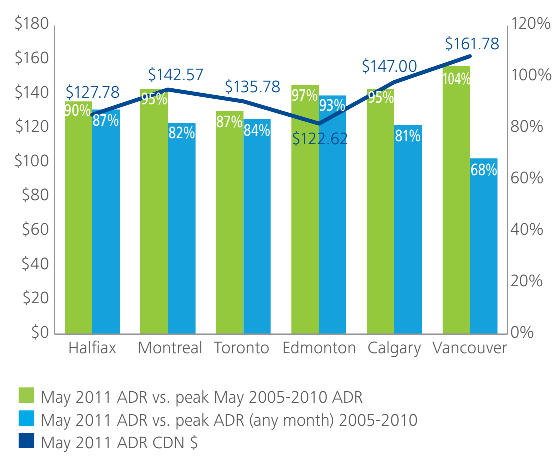


Source: Smith Travel Research.

- Seven out of the 11 global cities analyzed recorded average daily rates that were over 90% of their five year peaks for the month of May. Only Buenos Aires, Hong Kong, London and Paris recorded average rates that exceeded their previous five year peak rate for the month. With the exception of London, all other cities' average rates for the month were below their previous full year peaks, reaffirming the notion that although rates are recovering across the globe, they continue to be below historical highs in many destinations.

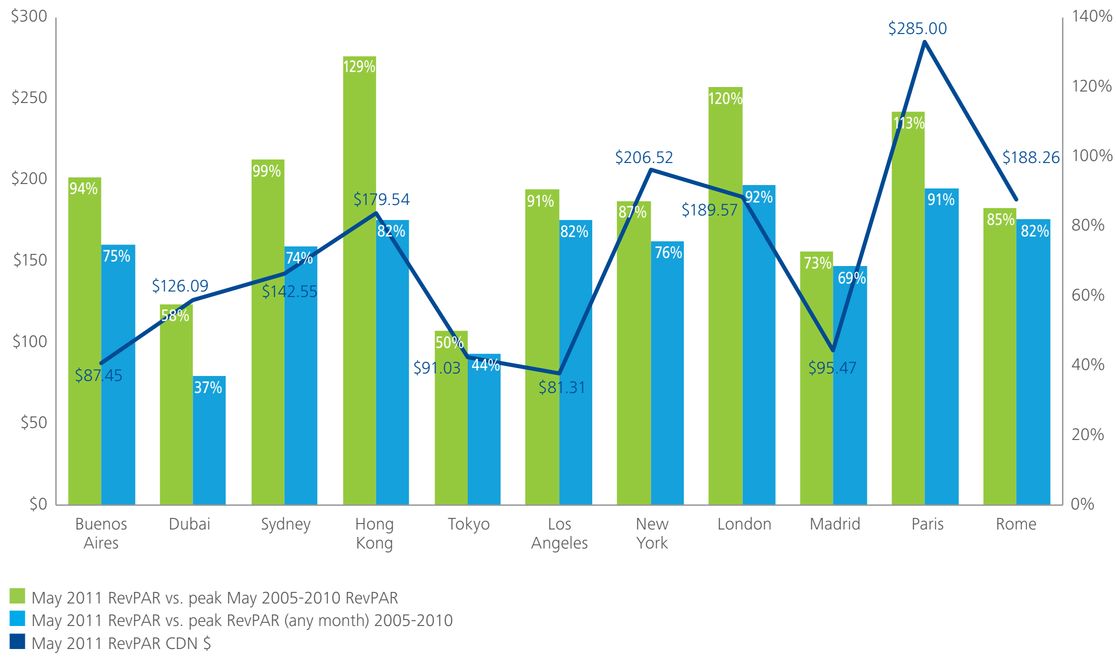
- All six major Canadian cities analyzed experienced strong average rates for the month of May, with Vancouver surpassing its previous peak rate for the month. Relative to previous full year peaks, however, May's rate hovered between 81-93% of previous peaks with the exception of Vancouver (68%).

Canadian ADR – May 2011



Source: Smith Travel Research.

Global RevPAR – May 2011

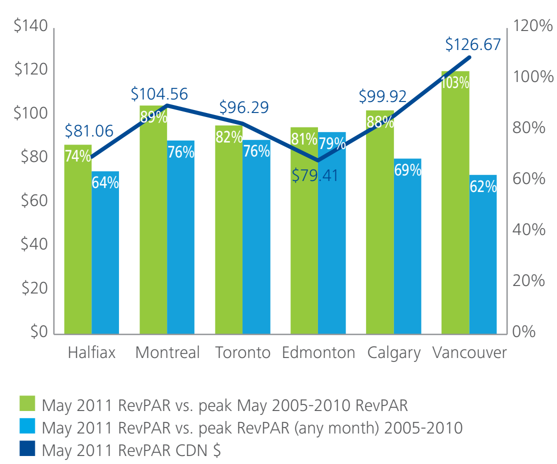


Source: Smith Travel Research.

- Global RevPAR figures for the month of May were relatively strong, with more than half of cities analyzed surpassing 90% of their previous peaks for the month. Only London and Paris surpassed 90% of their full year historical peak.

- Despite relatively strong revenue figures for May across the country, relative to previous full year peaks, the country continues to recover, as only Montreal, Toronto and Edmonton surpassed 70% of historical highs.

Canadian RevPAR – May 2011



Source: Smith Travel Research.

Trends in travel behaviour

Canadians are planning to explore their own country this year while business travellers are blending business with leisure travel.

Canadians are planning to stay closer to home despite a stronger Canadian dollar

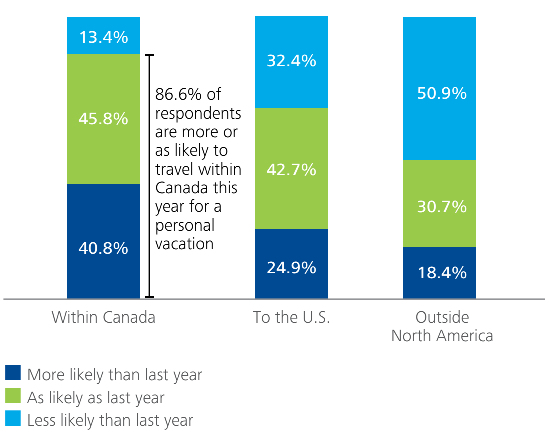
Canadians surveyed intend to stay closer to home this year.

- 40.8% of respondents indicated that they are more likely than last year to travel within Canada as compared to just 13.4% who feel less likely to travel within the country.

- The strong Canadian dollar could be a motivator to travel abroad, but more than 50% of surveyed Canadians are less likely to take a personal vacation outside of North America this year.

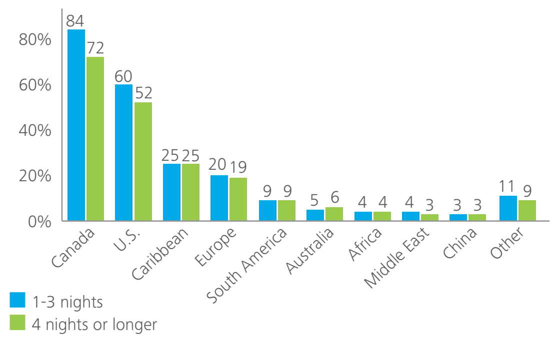
- More than 80% of respondents indicated that they are planning a one to three night vacation within Canada, while over 70% are planning a trip lasting four nights or longer.

Compared to last year, are you more likely, as likely, or less likely to travel to the following destinations for a personal vacation over the next year?



Source: Ipsos; n = 1,100

What is the likelihood that you will take a vacation to the following destinations over the next 12 months?



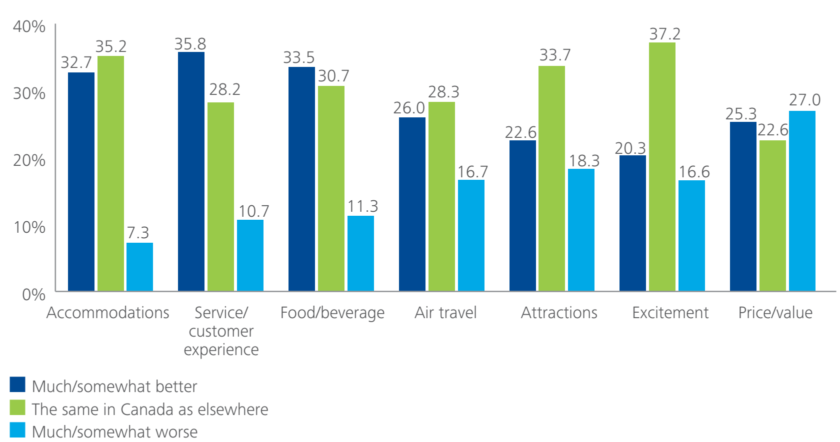
Source: Ipsos; n = 1,100

- Relative to other countries visited, Canadians view Canada as much/somewhat better within the categories of service/customer experience and food/beverage.

- With regards to accommodations, air travel, attractions and excitement, respondents felt that Canada's amenities were relatively similar to those of other countries.

- When it comes to price and overall value, respondents had mixed opinions with a tendency to feel that Canada underperforms against other countries.

When it comes to vacation travel, how does Canada compare to other countries you have visited on the following attributes



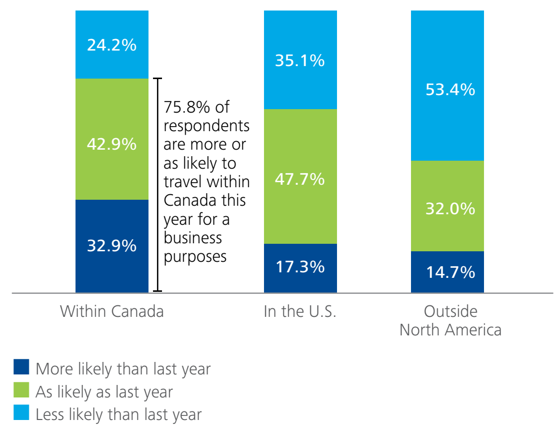
Source: Ipsos; n = 1,100

International business travel may be declining, but "blended travel" is on the rise

Business travel for the coming year is expected to be in line with personal travel intentions, with a decline in international travel:

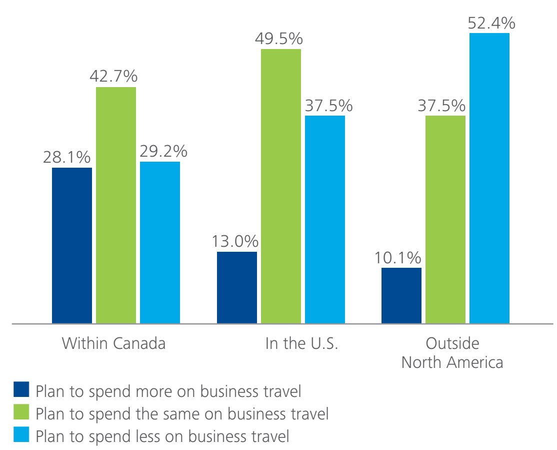
- Business travellers (those who take at least one work-related trip per year that includes an overnight stay) on average expect to take between two to three trips for work in the coming year.
- 75.8% of business travellers surveyed plan to travel the same or more within Canada when compared to last year.
- For business travel in Canada and the U.S., most respondents plan to spend the same amount this year; for business travel outside of North America most respondents plan to spend less.

As compared to last year, are you more likely, as likely, or less likely to travel to the following destinations for business over the next year?



Source: Ipsos; n = 1,100, business travellers only

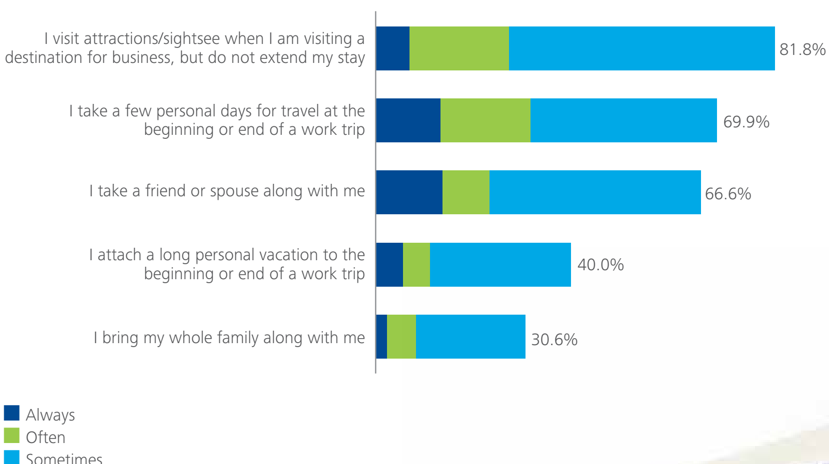
As compared to last year, do you plan to spend more, less or the same for your business expenses over the next year?



Source: Ipsos; n = 1,100, business travellers only

- Business travellers are often including personal/leisure activities and are bringing a friend or spouse while traveling for work (a trend termed "blended travel").
- The majority of respondents also visit attractions/ sightsee while visiting a destination for business and take a friend or spouse along as well.

Please indicate how often you do the following things when you travel for business – those responding "Always," "Often," or "Sometimes"



Source: Ipsos; n = 1,100, business travellers only

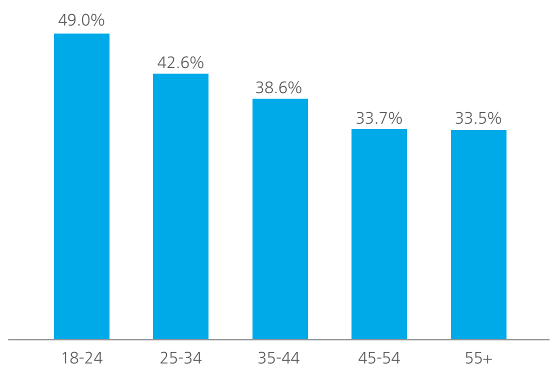
Trends in youth travel

'Travel is one of the most important things in my life' – that's what nearly half of youth travellers (aged 18 to 24) indicated on our survey. Young people also travel and plan their travel differently from other segments of the population.

Youth – The most eager traveller segment

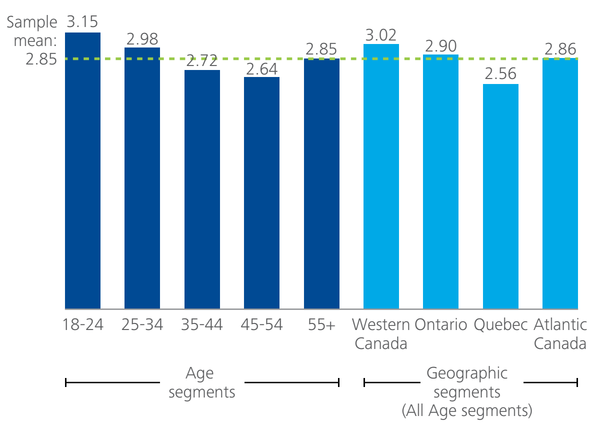
- Youth (those aged 18-24) are more eager – and more likely – to travel this year when compared to the rest of Canadians.
- Nearly half of all youth surveyed indicated that “travel is one of the most important things in my life” vs. an average of 37% for the other age segments.
- On average, each survey respondent in the youth age group plans to take 3.15 trips, more than any other age group.
- Relative to the overall population, youth are more likely to increase their travel to all regions (Canada, U.S., and outside North America) this year.

Respondents noting that:
“Travel is one of the most important things in my life”



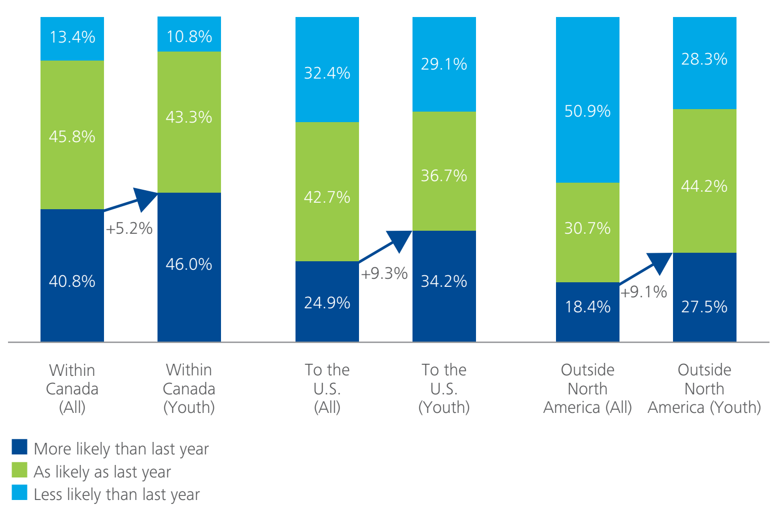
Source: Ipsos; n = 1,100, youth travellers only

Average number of trips expected to be taken over the next 12 months for personal travel



Source: Ipsos; n = 1,100, youth travellers only

Compared to last year, are you more likely, as likely, or less likely to travel to the following destinations for a personal vacation over the next year?

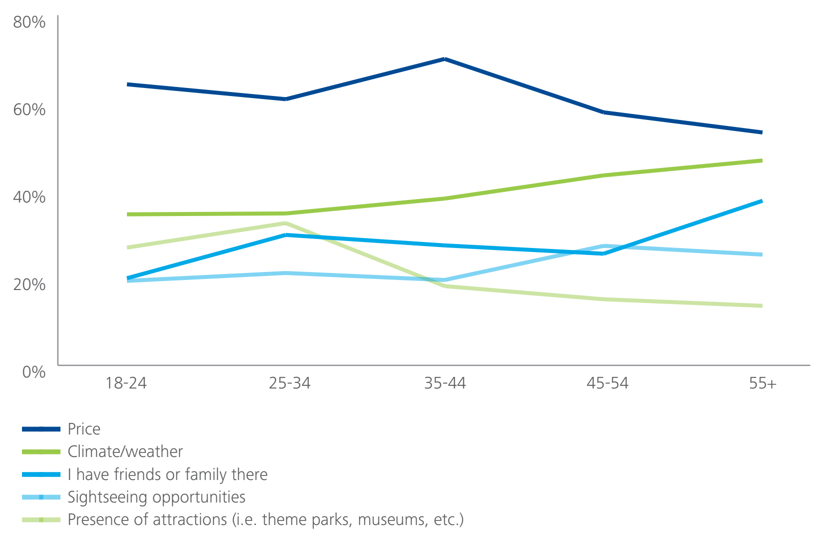


Source: Ipsos; n = 1,100, youth travellers only

Youth – Desire for travel, but for different reasons

- Price and the presence of attractions are more important decision criteria amongst younger demographics while climate/weather, presence of friends and family, as well as sightseeing are more important criteria for older demographics.
  - The importance of price generally declines with age, although it rises again in the 35-44 age demographic.
  - Climate/weather steadily rises as a priority with age, reaffirming the trend of 'snow birds', Canadians that escape a portion of the winter by traveling south.
  - Visiting family is also a trend that rises with age, although this declines slightly in the 45-54 age category.
- The youth segment also has travel behaviours that differ significantly from the broader market. On a trip, they are relatively more likely to participate in certain activities, such as:
  - sightseeing
  - going to festivals and events
  - visiting a park/camping
- They are relatively less likely to participate in other activities, like:
  - visiting friends and relatives
  - dining at restaurants
  - going to a theatre or other spectator entertainment

What are your three most important decision criteria when selecting one destination over another? (Age differences – Top 3 answers)

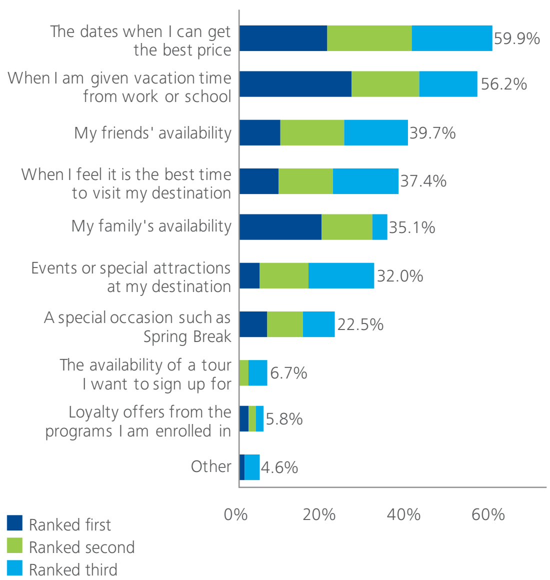


Source: Ipsos; n = 1,100

- Price is a major determinant for youth when deciding on vacation dates.
  - Nearly 60% of respondents in this age category indicated that the dates for which they can get the best price ranks in the top three most important elements.

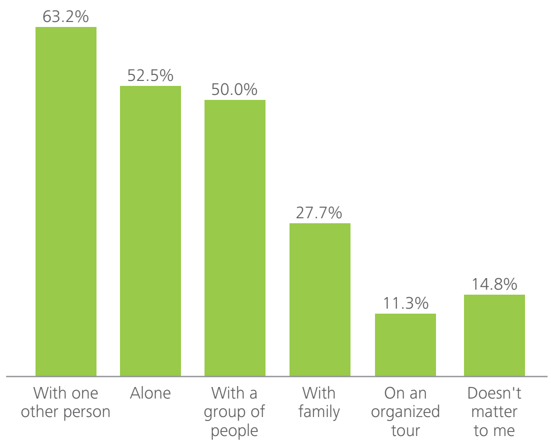
- When deciding on travel dates, youth also place relatively high importance on when they can get vacation time from work/school, their friends' availability, and the best time to visit their desired destination.

Please rank the three elements which are most likely to impact the dates you select for travel



Source: Ipsos; n = 1,100, youth travellers only

How do you prefer to travel?



Source: George Brown College; n=320.
Results based on up to 3 responses

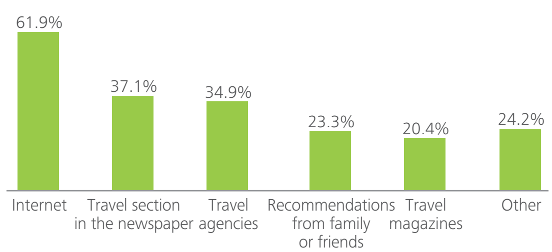
- Students surveyed prefer to travel either with one other person or on their own (63.2% and 52.5% respectively).

- Only 27.7% of the students surveyed prefer to travel with their families and only 11.3% prefer to travel in an organized tour group.

Youth – Travel preparation

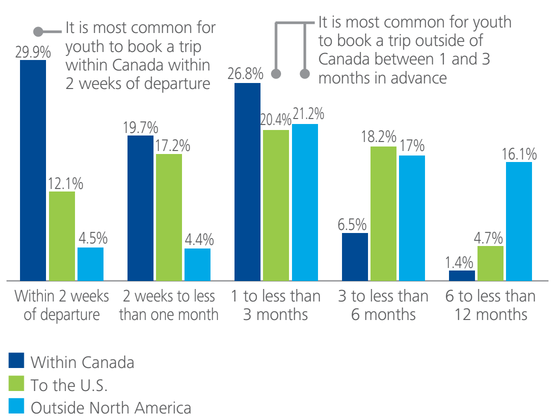
- The internet is the number one channel for research before deciding on a travel destination.
- Students surveyed also frequently use travel sections in the newspaper and travel agencies to research their destination (37.1% and 34.9% respectively).
- This willingness to do research through a travel agent may not necessarily translate into booking through this channel since only 11.8% of youth surveyed book using these agencies.

Where are the most common places you get information before deciding on a travel destination?



Source: George Brown College; n=320

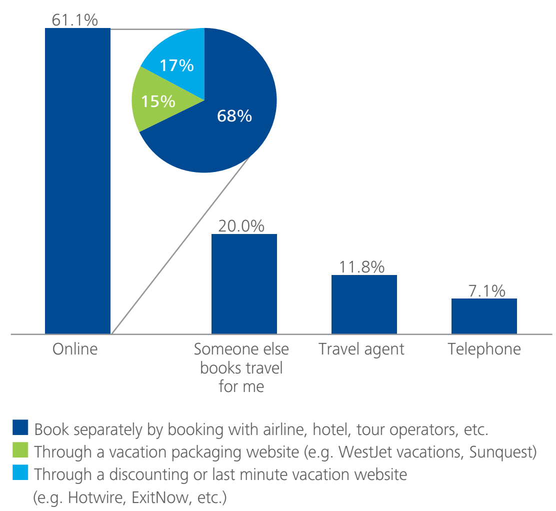
How far in advance of your intended travel dates do you book your travel?



Source: Ipsos; n = 1,100, youth travellers only

- The internet is the booking channel of choice for youth travellers with 61.1% primarily booking their vacations online.
- Out of those booking online, 68% use separate websites to book their travel arrangements, while 17% book through a discount or last minute vacation site. The remaining 15% book through an online vacation packaging websites.

What is the primary method you use to book your travel?



Source: Ipsos; 1,100, youth travellers only

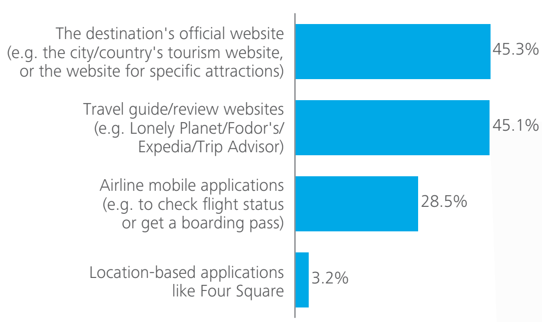
- Youth travellers appear to be more comfortable booking domestic vacations closer to departure. Approximately half of this segment books its Canadian vacations less than one month before departure with the most popular timing being within two weeks of departure.
- When traveling outside of Canada youth plan further in advance. The most popular timing for youth to book international travel is between one and three months before departure.

Youth – Staying connected while traveling

- Cell phones appear to be more about texting and less about talking. Texting/chatting is the number one activity on the youth traveller's mobile device: 71.8% of youth travellers use their mobile device for communicating with friends via texting, chatting and social media channels vs. 68.3% who use the device for making calls home.

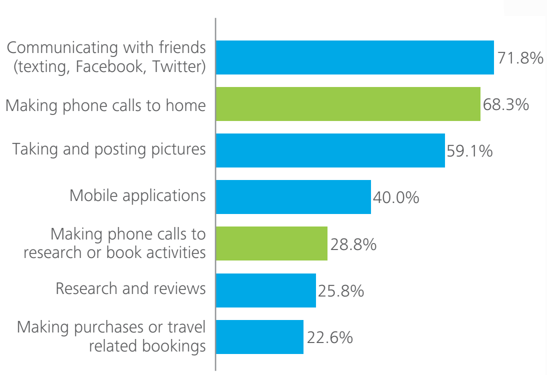
- Mobile devices are being used for other non-voice related activities including taking and posting pictures, researching travel information and using mobile applications.

When travelling, how often do you use the following types of websites or travel applications (those responding "often" or "always")



Source: Ipsos; n = 1,100, youth travellers only

How do you use your mobile device while traveling?



Source: Ipsos; n = 1,100, youth travellers only

Mobile updates
28.5% of respondents often/always use mobile applications to check their flight status or get a boarding pass.

Information sourcing: company vs. critic
45.3% of respondents stated that they often/always use the destination's official website compared to 45.1% who often/always use travel guides and review websites.

Search is king
Online search is the top information source, both when researching more information about the destination before booking (42.1%) and once the destination is decided upon (45.3%).

Source: Ipsos; n = 1,100, youth travellers only

Methodology

Deloitte's Tourism, Hospitality & Leisure team and the Tourism Industry Association of Canada (TIAC) research and identify key travel trends across the Canadian and global marketplaces.

In March 2011, we conducted two surveys: an online survey which polled 1,100 Canadians aged 18 to 55+ and a survey of 320 George Brown College students to gauge additional insights on youth travel.

This is the second edition of our semi-annual *Navigate* publication. Each issue provides a pulse on the Canadian tourism industry and highlights future trends.

In our next issue, we'll dig further into blended travel to help Canadian tourism organizations understand how to capitalize on this growing trend.

The survey panel (travellers)

Gender	
Male	48.4%
Female	51.6%
Age	
18 – 24	15.4%
25 – 34	12.5%
35 – 44	21.2%
45 – 54	18.5%
55+	32.4%
Geography	
Western Canada	29.9%
Ontario	38.3%
Quebec	24.4%
Atlantic Canada	7.4%
Education level	
High school or less	49.3%
Some post secondary	16.1%
Completed post-secondary	34.6%
Segments	
Youth travellers	15.4%
Business travellers	14.3%
Total respondents	1,100

The survey panel (George Brown students)

Gender	
Male	35%
Female	65%
Status	
Domestic	49%
International	27%
Not a student	24%
Average Age	25
Total respondents	320

Special thanks to the fourth year students of the Bachelor of Applied Business – Hospitality Operations Management program of George Brown College:

Imad Ahdab
Aletha Alexander
Tyla Alleyne
Karim Andall
Marcus Belusic
Sunmi Cho
Laura Duffy
Mohamed Elwani-Dabbagh
Leila Emami Esfahani
Shuang (Alice) Feng
Terrence Gakman
KaileyGarvey
Adam Gunn
Sujan Gurung
Laura Hilton
Dane Jabour
Hyewon Jung
Kseniya Kashina
Alexandra Kennedy
M. Nabil Khan
Natasha Khursigara
Min-Tzu (Vanessa) Lan
Madalene Lee
Sonia Martinez
Alexander Mazzolin
Tracey Mcateer
Lindsay Novak
Martin Nowacki
Marcia Ramgadoo
Amanda Robitaille
Nicole Savage
Alex Sham
Syed A. Samad Shirazie
Anita Thimmana
Makda Tsegaye
Gabriel Tung
Melissa Vernon
Ursula Vuong
Andrew Wright
Hua (Angel) Xie
Se Wook (Michael) Yoon
Shima Zarghami

Deloitte.

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TOURISM INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION DE L'INDUSTRIE TOURISTIQUE DU CANADA

The Tourism Industry Association of Canada (TIAC) is the national private-sector advocate for Canada's $66.9 billion tourism sector. It performs a unique and pivotal role in ensuring the Canadian business and policy environment works for tourism by communicating its importance to Canadians, advocating positive measures, and lobbying government for action.

Ipsos

Ipsos is a global survey-based market research company that provides a fresh perspective on issues and trends of the day. Owned and managed by research professionals, Ipsos conducts 10 million interviews a year, to serve more than 5,000 clients in more than 100 countries.

Founded in 1975, Ipsos is among the largest survey-based research firms in the world, with more than 8,000 employees in 60-plus countries world-wide. In North America, it has more than 1,700 research professionals and support staff located in 26 offices.

GEORGE BROWN COLLEGE
CENTRE FOR Hospitality & Culinary Arts

George Brown College (GBC), located in the heart of Toronto, is one of Canada's largest, most diversified colleges. GBC has more than 22,000 full time students and offers 157 full-time programmes and 1,600 continuing education courses. The Centre of Hospitality and Culinary Arts has a proud history of 40 years and is the icon of hospitality management and culinary arts training in Canada. With an enrolment of over 3,000 full time students and 8,000 part time students, CHCA is the largest university/college faculty of Tourism, Hospitality and Culinary Arts in North America.