



Explorez sans fin  
**CANADA**  
Keep Exploring

## **Canadian Tourism Commission - United States Market Analysis – MC & IT**

**Prepared By:** Roger Laplante, Research Manager  
Susan Iris, Vice President, U.S. Sales

**Approved By:** Andrew Clark, Vice President, Sales  
Greg Klassen, Vice President, Marketing

---

**May 2006**

---

# Table of Contents:

---

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
What is the Big Picture?	4
The US Market at a Glance	4
How is the US Performing? (By overnight trips)	5
How is the US Performing?(By overnight receipts (\$M))	6
How is the US Performing? (By market share)	7
What is the US's Economic Outlook?	8
S.W.O.T. Analysis	8
<b>UNITED STATES MCIT ANALYSIS .....</b>	<b>11</b>
Economic Environment	12
MC&IT Travel Trends & Characteristics	13
Summary	17
Sources	18



Explorez sans fin  
**CANADA**  
Keep Exploring

## **Executive Summary**

## What is the Big Picture?

---

- Target audience 25-64 (US total): 156M
- By 2010, target audience forecast: 163.8M
- US is the 2<sup>nd</sup> largest source for international travel expenditures
- Canada's largest single source for visitors and expenditures
- US direct air capacity to Canada has stabilized around 15 to 16 million seats.
- Total Overnight MC&IT Spending in Canada: \$1.5B (3<sup>rd</sup> largest revenue source after Canada & U.S. Leisure)

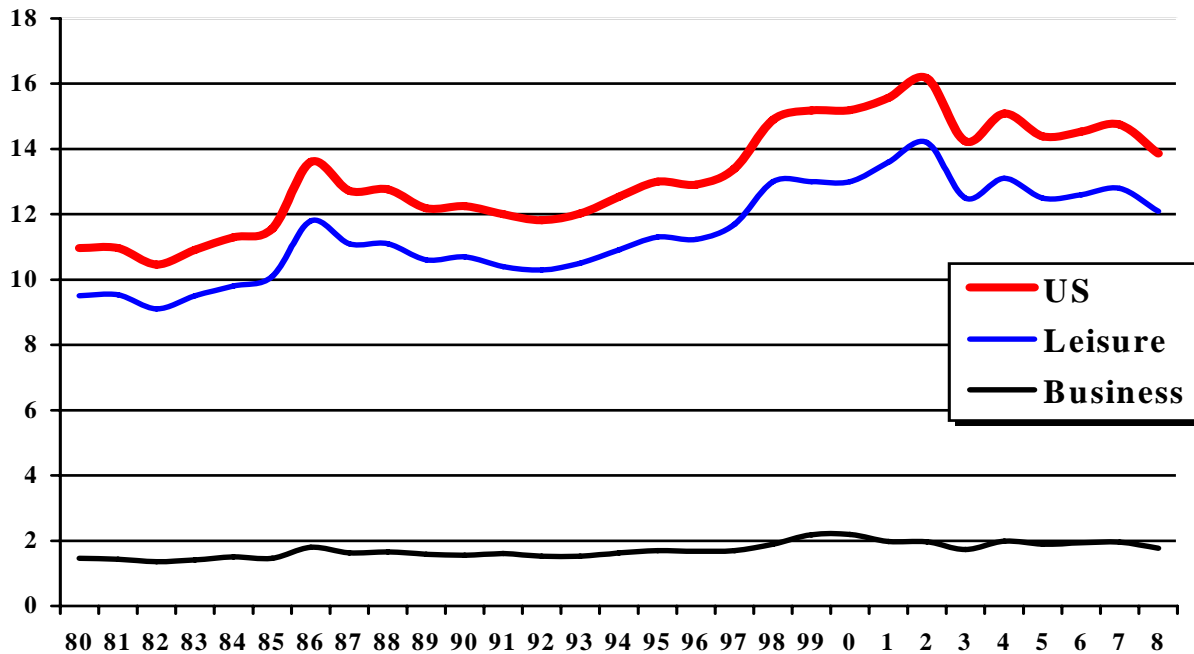
## The US Market at a Glance

---

- \$1,480 M in receipts;
- 1.9 million overnight person-trips;
- High yield travellers (On average, U.S. Business travellers spend \$807 per trip, while U.S. Leisure travellers spend \$503 per trip)
- 70% of US business travellers travel by air
- Multi-seasonal (off-peak) travellers
- East North Central region supplies the largest share of MC&IT visitors, followed by the Pacific and South Atlantic regions

## How is the US Performing?

(By overnight trips)



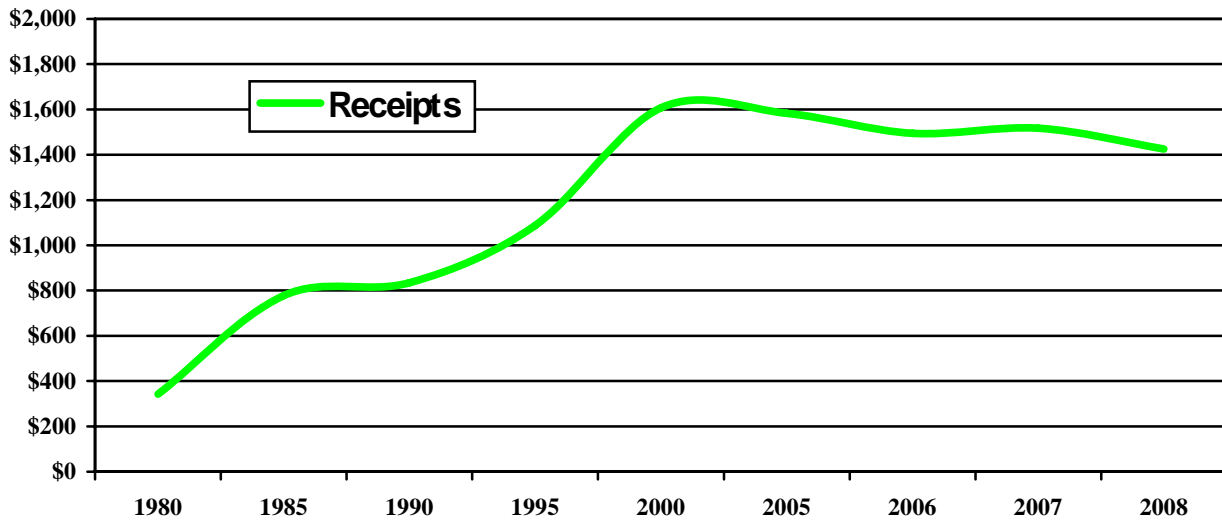
Business travel in the U.S. was slower to recover post 9/11 than leisure, with leisure room nights surpassing business room nights for the first time in 2004.

The 2003 SARS crisis in Canada had a dramatic effect on business travel, not only in the immediate, but Canadian destinations was not considered within the convention booking pattern, affecting long-term bookings through 2008.

## How is the US Performing?

(By overnight receipts (\$M))

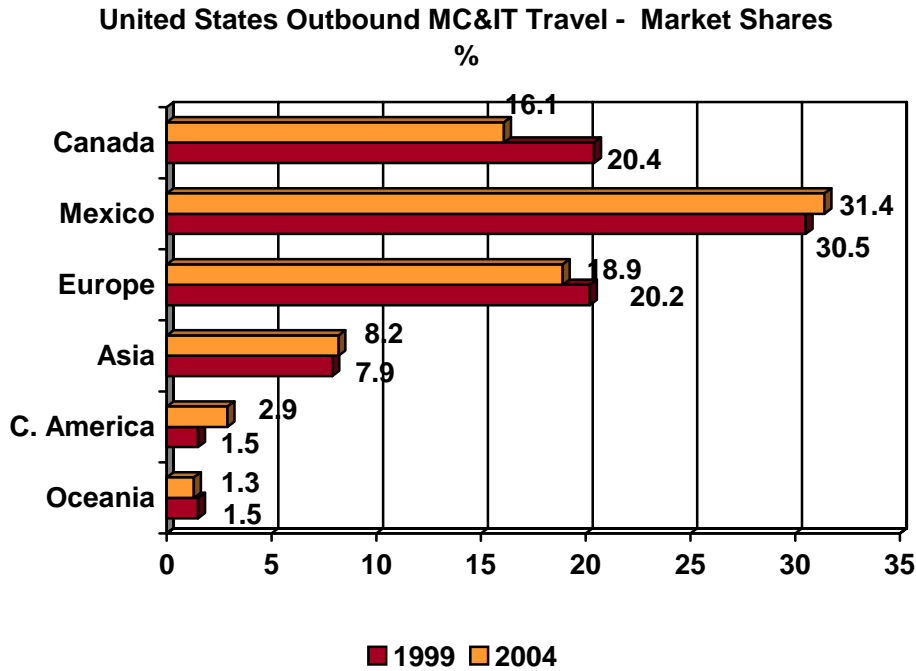
---



United States outbound travel fell after the September 11, 2001 events and subsequent economic conditions. However, the market seems to be rebounding over the past 2 years.

Following a rebound in 2004, MC&IT trips to Canada, along with spending in Canada, fell in 2005.

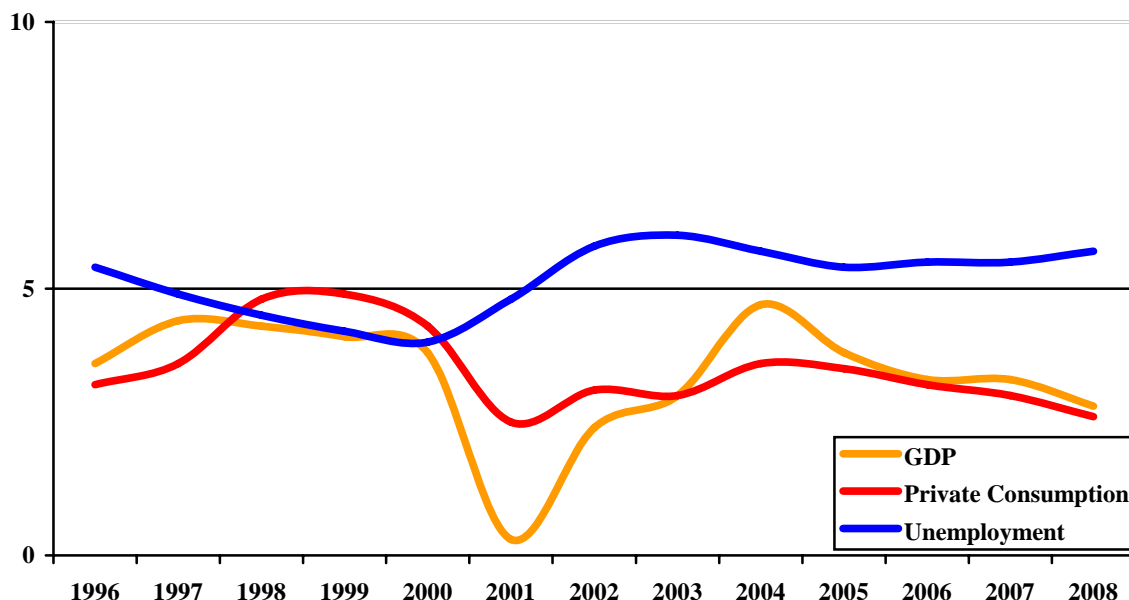
In 2004, 59% of US business travel to Canada was for meetings, followed by travel for conventions (29%), and other business (12%) – the proportions have remained essentially the same since 1999.



- Total US outbound MC&IT travel (2005): 12.8 M
  - Mexico: 3.9 M
  - Canada 1.9 M
  - Europe: 2.3 M
- Canada's share (2004) of US outbound MC&IT: 14.9%
  - Mexico's estimated share of market: 30.5%
  - Europe's estimated share of market: 18.0%

## What is the US's Economic Outlook?

---



## S.W.O.T. Analysis

---

### Strengths

- Product offering competitive with U.S. destinations with regard to quality of services and facilities
- Strong Industry support for marketing and sales programs (2:1 ratio)
- Competitive Air Access for three largest cities
- Booking pattern provides longer-range room night base
- Customer profile is high-yield, predominantly air traveler (70%), regardless of place of origin (short, mid, or long haul)
- Multi-seasonal (off-peak) travellers
- (60% peak, 40% off-peak)
- Average spend higher and Average stay longer than U.S. leisure traveller
- Potential buyers readily identified
- Front Line Sales Force
- Incremental revenue can be tracked via lead production & conversion
- Geographic proximity
- Cultural uniqueness
- Safety

## **Weaknesses**

- Air Access more limited for secondary and tertiary destinations
- Requirements for both customs and immigration not required within U.S.
- Convention centre size limited compared to U.S. destinations
- Total exhibit space in the US is
- Estimated at over 55 million square
- Feet, while Canada has
- Approximately 7 million square feet.
- Product offering less competitive with regard to quantity of services and facilities
- Lack of awareness
- Weakened US dollar reduces perceived value and competitive pricing
- Climate, especially for incentive market which holds greater percentage of programs in winter season after corporate year-end

## **Threats**

- Less expensive domestic and international flights from US
- Factors external to marketing:
- Exchange rate
- WHTI – passport requirements could result in decreased U.S. attendance, or outright elimination from consideration
- Escalation of border controls challenge exhibitors with delays and additional costs
- Canadian Pharma Code imposes greater restrictions on sponsorships compared to U.S., Medical meetings affected through bottom line
- Externalities (SARS, economy) upset convention booking pace in major cities, creating need periods in 2007-2009
- Alternatives to travel, such as video and web conferencing replace traditional meetings
- US competition focusing on Canadian market challenges such as border and exchange rate to sway buyer
- US business travel segment slower to recover from recession than leisure travel

## **Opportunities**

- National partnerships provide opportunities with key industry organizations (American Society of Association Executives, Professional Convention Management Association, Insurance Conference Planners Association, Meeting Professionals International, Conferon, Council of Scientific and Engineering Society Executives) to develop new business prospects, while extending the visibility of the Canada brand.
- Strategic multi-year partnerships with Canadian industry to ensure success of in-Canada industry events
- Canadian destinations to host annual and/or regional meetings with all national partners within the next three years
- Stronger synergy with the Leisure Marketing program through new brand platform
- Use of new sales force automation tool to provide greater productivity through more efficient customer relationship management
- Corporate and association focus on “global” strategy increases appeal of Canadian destinations
- U.S. Border regulations with regard to visa issuance for U.S. Associations with strong (>30%) international delegate attendance makes Canadian destinations an attractive alternative
- High demand and pricing for U.S. destinations could position Canada as value alternative



Explorez sans fin  
**CANADA**  
Keep Exploring

## United States MCIT Analysis

## Economic Environment

---

THE US ECONOMY										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP growth	4.1%	3.8%	0.3%	2.4%	2.7%	4.2%	3.5%	3.3%	2.4%	3.0%
Private Consumption growth	5.0%	4.3%	2.5%	3.1%	2.9%	3.9%	3.6%	3.4%	2.7%	2.8%
Unemployment Rate	4.2%	4.0%	4.8%	5.8%	6.0%	5.5%	5.1%	4.8%	5.0%	5.0%
Inflation Rate Change	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	2.4%	1.7%	1.9%
Exchange Rate (\$Cdn/\$US)	1.486	1.486	1.548	1.570	1.401	1.302	1.212	1.17	1.16	1.16
Year-to-Year Change	0.2%	0.0%	4.2%	1.4%	-10.8%	-7.1%	-6.1%	-3.6%	-0.8%	0.6%

- The US economic growth is expected to decelerate further up to 2007 as housing will continue to weaken and consumers will be pulling back.
- With solid employment growth, unemployment will edge down a little to 4.8% but higher than the low reached in 2000.
- Domestic demand, which has largely contributed to maintaining the US economy afloat, will slow down with a private consumption growth rate drop to 2.7% in 2007.
- The weakening of the US dollar against the Canadian dollar continued with a drop of 6.1% in 2005 for a third consecutive decline. This trend is expected to continue through 2006 and into 2007.

# MC&IT Travel Trends & Characteristics

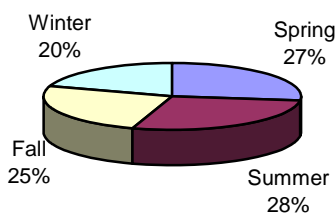
## MC&IT Travel Trends & Characteristics

	1999	2000	2001	2002	2003	2004	2005
Outbound MC&IT Trips ('000,000)	11.5	12.6	12.6	11.6	11.3	12.4	12.8
Year-to-Year Change	7.0%	9.3%	0.0%	-7.7%	-3.2%	9.8%	3.2%
MC&IT Trips to Canada ('000)	2,352	2,363	1,921	1,955	1,708	1,991	1,902
Year-to-Year Change	-5.2%	0.5%	-18.7%	1.8%	-12.6%	16.6%	-4.5%
Canada's Market Share*	20.4%	18.8%	15.2%	16.8%	15.2%	16.1%	14.9%
MC&IT Receipts (\$M)	\$1,717	\$1,782	\$1,574	\$1,578	\$1,361	\$1,583	\$1,480
Year-to-Year Change	3.4%	3.8%	-11.7%	0.3%	-13.8%	16.3%	-6.5%

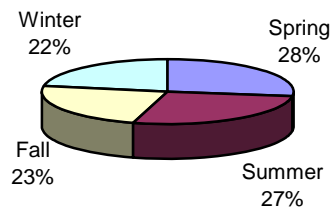
\*Share of MC&IT long-haul travel.

Note: US MC&IT outbound estimated at 20% of total outbound

- United States outbound travel fell after the September 11, 2001 events and subsequent economic conditions. However, the market seems to be rebounding over the past 2 years.
- Following a rebound in 2004, MC&IT trips to Canada, along with spending in Canada, fell in 2005.
- In 2004, 59% of US business travel to Canada was for meetings, followed by travel for conventions (29%), and other business (12%) – the proportions have remained essentially the same since 1999.
- MC&IT travel seasonal patterns continue to show a somewhat stronger spring and summer (28% and 27%, United States outbound travel fell after the September 11, 2001 events and subsequent economic conditions. However, the market seems to be rebounding over the past 2 years. respectively). Some gains were made in the winter season at the expense of fall.



1999



2004

- In 2004, United States MC&IT travellers spent on average \$795 per person-trip, higher than in 1999 (\$730 per person-trip), but still lower than the high in 2001 (\$819 per person-trip).
- The average number of nights per trip has remained about the same: 3.1 nights in 1999; 3.2 nights per trip in 2004.

## Share of US MC&IT Travel to Canada by Region of Residence, 1999 to 2004

	1999	2000	2001	2002	2003	2004
Total	100.0	100.0	100.0	100.0	100.0	100.0
East North Central	22.3	21.2	19.9	23.2	23.4	22.3
Mid Atlantic	15.5	15.1	16.1	16.2	15.4	14.9
Pacific	15.4	15.5	18.5	16.8	16.1	16.4
New England	8.9	10.6	11.0	9.2	9.2	8.2
South Atlantic	15.2	15.0	13.6	13.2	13.2	15.2
West North Central	7.0	6.2	5.9	7.2	6.4	7.2
Mountain	6.2	6.1	7.0	5.7	6.6	7.1
East South Central	2.3	2.4	1.5	1.3	2.1	1.9
West South Central	6.8	7.2	6.2	6.8	7.2	6.1

- The East North Central region supplies the largest share of US MC&IT visitors to Canada followed closely by the Pacific and South Atlantic regions.
- There have been some fluctuations in market share over the 1999 to 2004 period, with the Pacific gaining the most market share (+1.0 percentage point).

### CTC Targets

- MCIT segment targets determined by business opportunity rather than demographics
- Key Targets
  - US Associations (especially with greater than 25% international delegate attendance)
  - US Corporations
  - US Incentive Houses
  - Third Party

## Travel Forecasts to Canada

- The CTC Business Outlook for spring 2006 was forecasting a modest increase of 2.0% in business travel – a slightly lower growth rate than leisure travel (+2.8%).
- US travel to Canada is expected to increase slightly in 2006 and 2007 and to fall in 2008.
- A CTC/Conference Board report on the WHTI suggests that Canada could start feeling the impacts as early as this year due to confusion over its implementation.

	2003	2004	2005	2006	2007	2008
Overnight MC&IT Trips to Canada ('000)	1,708	1,991	1,902	1,921	1,950	1,833
Year-to-Year Change	-12.6%	16.6%	-4.5%	1.0%	1.5%	-6.0%

## Airline Capacity from United States:

	1999	2000	2001	2002	2003	2004	2005	2006
<b>Air Seat Capacity (000's)</b>	16,002	16,939	17,478	15,111	15,138	15,083	15,856	17,998
<b>Year over year change</b>	-	5.9%	3.2%	- 13.5%	0.2%	-0.4%	5.1%	13.5%

- Air capacity from the US into Canada stabilized at approximately 15 million seats from 2002 to 2005, but could see a large increase (13.5%) in 2006.
- The CTC Business Outlook is suggesting that 2006 could be a turnaround year for the US airline industry.

## Competitive Environment

*Note: MC&IT estimates. 2005 preliminary data.*

*Sources: Statistics Canada and ITA, Office of Travel and Tourism Industries.*

- Although Canada MC&IT gained some market share in 2001 and 2004, Canada's share of MC&IT has fallen 4 percentage points from 1999 to 2004.
- Europe also lost market share over this time, falling 1.3% to 18.9%.
- Markets that gained share from 1999 to 2004 included Mexico (0.9%), Asia (0.3%), and Central America (1.4%).
- Based on D.K. Shifflet research for the CTC, the Commission's share of voice in the US market is 1.5%, and 4.4% for Canada as a whole.
- According to Nielsen US, in 2004, Canada outspent Australia, Europe, and Mexico on advertising in the US; the Caribbean and US outspent Canada.

## Financial Breakdown

	2000 (million)	2001 (million)	2002 (million)	2003 (million)	2004 (million)	2005 (million)
<b>CTC Program Budget allocation*</b>	4.2	4.2	4.2	4.1	4.1	4.6
<b>Partnership Funding</b>	4.3	6.0	6.7	5.3	5.75	12.4
<b>Total</b>	8.5	10.2	10.9	9.4	9.85	17

## Current Program

Total Progr6m	Program	Operating In-market	Compensation	Sub-Total	Total
6,383,227	4,155,500	470,692	\$1,760,035	\$2,230,727	\$6,386,227

## Partner Funding Analysis

	# Of partners	Cash	In-kind	Total
<b>2002</b>	123	1M	5.7M	6.7M
<b>2003</b>	137	960K	4.34M	5.3M
<b>2004</b>	168	901K	4.84M	5.75M
<b>2005</b>	151	1.558M	10.84M	12.4M

## Summary

---

- The US economy is expected to remain sluggish through 2006 in the face of rising interest rates, falling home sales, and high government debt. However, the weakened dollar could help give the economy a boost with an expected expansion in exports.
- Following a rebound in 2004, MC&IT trips to Canada fell in 2005; Travel to Canada is likely to grow very modestly in 2006 and 2007.
- A CTC/Conference Board report on the WHTI suggests that Canada could start feeling the impacts as early as this year due to confusion over its implementation.
- Air capacity is expected to see healthy growth over the coming year and should not be a constraint on travel.
- The strengthening Canadian dollar in comparison with the US dollar could negatively impact travel from the US as past experience has shown a correlation between a falling US dollar exchange rate and lower visitation from the United States.
- High occupancy and room rates in primary U.S. cities could increase consideration of Canadian destinations

## Sources

---

- **Changing U.S. Travel Trends to Canada** (DK Shifflet and Associates Ltd.)
- Stats Canada
- CTC Market Research and US Leisure Marketing Department