VICTORIA '14

DESTINATION SPOTLIGHT

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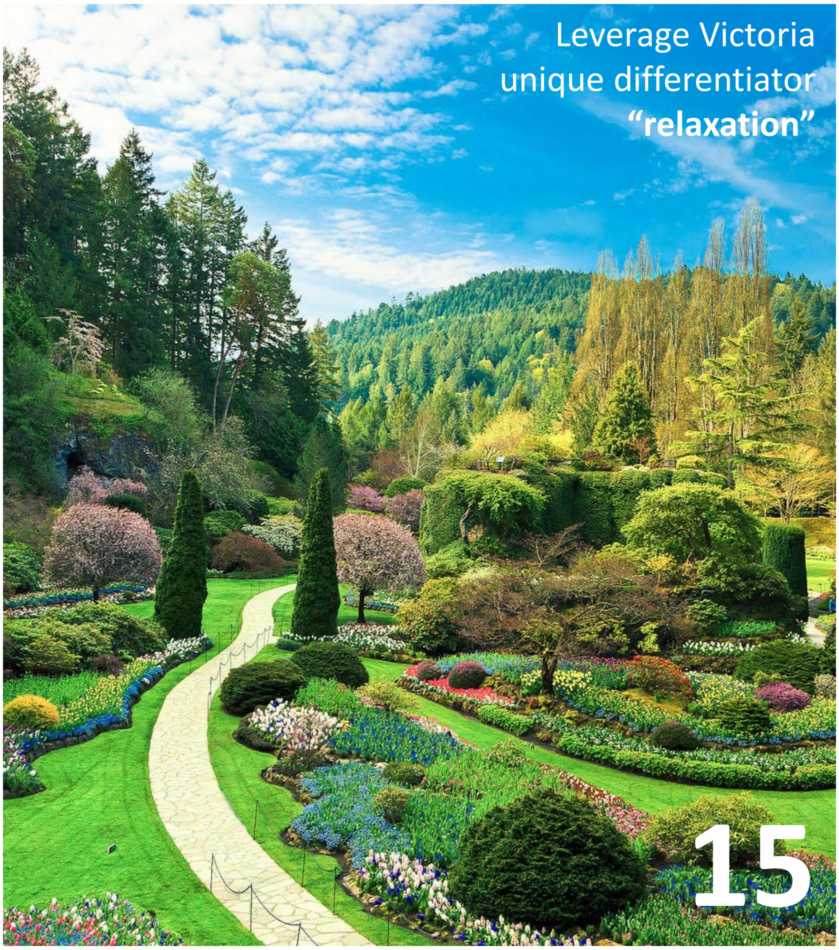
CONTENTS



This report is a compilation of primary research commissioned by Tourism Victoria, in partnership with Lux Insights. Findings are taken from the Destination Brand Study conducted in July 2013, Exit Survey conducted in October 2013 and Membership Survey conducted in Sept 2013. Full study reports are available on the Tourism Victoria website. For more information, please contact Tessa Humphries at tessa.humphries@tourismvictoria.com.

A MESSAGE FROM TOURISM VICTORIA'S CEO

Destination marketing is a highly competitive business where the successful players leverage knowledge and insight and combine this with highly impactful creative marketing approaches that cut through the competitive clutter and make an emotional connection with the prospective customer. A key truth that I have learned by being in the business for fifteen years is that it is impossible to serve the community as a top-notch destination marketer without sound research-based insights. Moreover it is the responsibility of the destination marketer to share those insights with its community in a manner which is understandable and actionable by businesses of all sizes.

In this context I am pleased to present the first Victoria Destination Spotlight for 2014 prepared in collaboration with our research partner Lux Insights. This document is full of actionable insights presented in easy to use information. From my perspective, I see three key fundamental takeaways from this report:

1. The potential market is growing so we need to compete more vigorously: On the face of it a growing potential market is indeed good news. As the recovery in the United States takes hold, Seattle is clearly once again our source market with the greatest potential. So what are we going to do about this as a community? I for one plan to dig in over the coming months to see what we can do in the future to extend an invitation more deeply into the growing marketplace. If we do not, our competition surely will. Partnership will be critical here.

2. These days, customers expect more and the competition is getting more intense. In my previous role, I have seen both of these phenomena up-close. Raising customer expectations and more intense competition are not theoretical concepts. The competition is doubling down to attract a more sophisticated customer. Greater Victoria is well positioned to compete, but we can never take the business for granted.

3. Customers leave Greater Victoria satisfied and wish they could stay longer. In my mind this is excellent news. In today's world of content and social media based marketing, our customers are our most important advocates. We plan to leverage this advantage even more forcefully in the future.

We still have a lot of work to do to re-capture and grow the business. I appreciated the insights on affordability and accessibility in this document which show gradual improvement. I would like to remind our members of the Tourism Victoria Messaging Toolkit for Stakeholders as a resource available for all to help communication our greatest strengths and counter our perceived weaknesses.

I hope you find the Destination Spotlight helpful to your business planning and marketing efforts. Please do not hesitate to contact me with any feedback on this research product.

My best regards,

Paul Nursey

POTENTIAL MARKETS

Victoria's market is growing and points to a positive trend for tourism in the city. The potential market for Victoria increased by 28 per cent over the past two years. Both recent and potential visitors has grown in Seattle, Vancouver and Calgary.

THE MARKET :
2.74M IN 2013
FROM **2.14M** IN 2011

	Recent Visitors	Potential Visitors	Market
2013	~1.21M	~1.53M	~2.74M
2011	~1.35M	~790K	~2.14M

Key drivers for growth in markets:

- Seattle: recovering US economy and the weakening of the Canadian dollar
- Vancouver: directionally gives Victoria higher ratings on four out of seven critical factors, with affordable accommodations considerably improving (+7 since 2011)
- Calgary: developing economy and increased familiarity of Victoria (+7) since 2011

Source: Destination Brand Study

SEATTLE

Even though American tourism to Victoria declined after 2008, it has begun to rebound, albeit slowly. Keep targeting Seattle as they remain the single largest potential market for Victoria and is nearly double that of Vancouver.

	2011		2013
	~310K	**Potential Visitors**	**~797K**
	~709K	**Recent Visitors**	**~451K**

American travellers are more likely to travel for vacation or pleasure. When travelling, they tend to visit particular attractions unlike Canadian or International visitors. Also, they are less likely to stay with friends/relatives but, more likely to use rentals or time share.

Source: Destination Brand Study and Exit Survey (Oct 2013)

US entries to B.C. have stopped their decline, even showing a slight increase from 2011 to 2012. With the US economy expected to continue a slow recovery, and Canadian dollar weakening, it is likely US tourism will experience a slow, steady improvement.

In your opinion, how much of a positive or negative impact have the following trends had on your business in 2013?

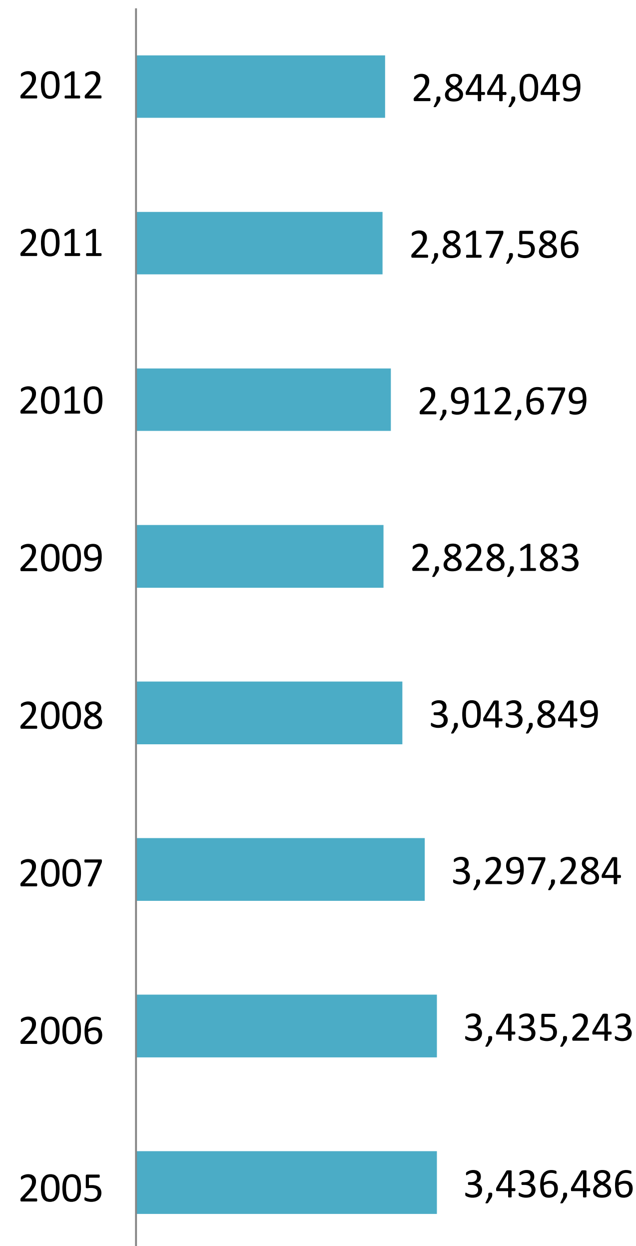
13%

Of members see positive impact from the slowly recovering U.S. economy

7%

Of members see positive impact from the value of the U.S. dollar

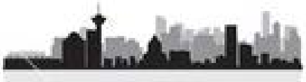
US TOURISTS ENTERING B.C. - STATISTICS CANADA



Source: Member Survey and Statistics Canada Table 427-0004 (http://www5.statcan.gc.ca/cansim/a47)

VANCOUVER

Vancouver residents are the low hanging fruit for Victoria (no border crossing, higher awareness and familiarity) and a big proportion of Victoria's visitors. As the second largest market, it has risen in importance and become the largest source of recent visitors, whereas Seattle owned this distinction in 2011.



	2011		2013
	~252K	Potential visitors	~472K
	~483K	Recent visitors	~580K

Source: Destination Brand Study

CALGARY

Overall, Calgary has grown as a visitor market by 15 per cent over the last two years from ~381,000 visitors in 2011 to ~440,000 visitors in 2013.

2011		2013
~224K	Potential visitors	~266K
~157K	Recent visitors	~174K

The Calgary Economic Region grew by 4.9 per cent in 2012, with the goods and service sectors benefiting from growth. The economic growth is forecasted to continue in 2014. With a stronger economy, more money is being spent, which could lead to increased tourism activities in Victoria.

Source: Destination Brand Study and Calgary & Region Economic Outlook 2013-2018 (http://www.calgary.ca/CA/fs/Documents/Corporate-Economics/Calgary-and-Region-Economic-Outlook/Calgary-and-Region-Economic-Outlook-2013-Fall.pdf

VISITOR ORIGIN
(OCT 2013)

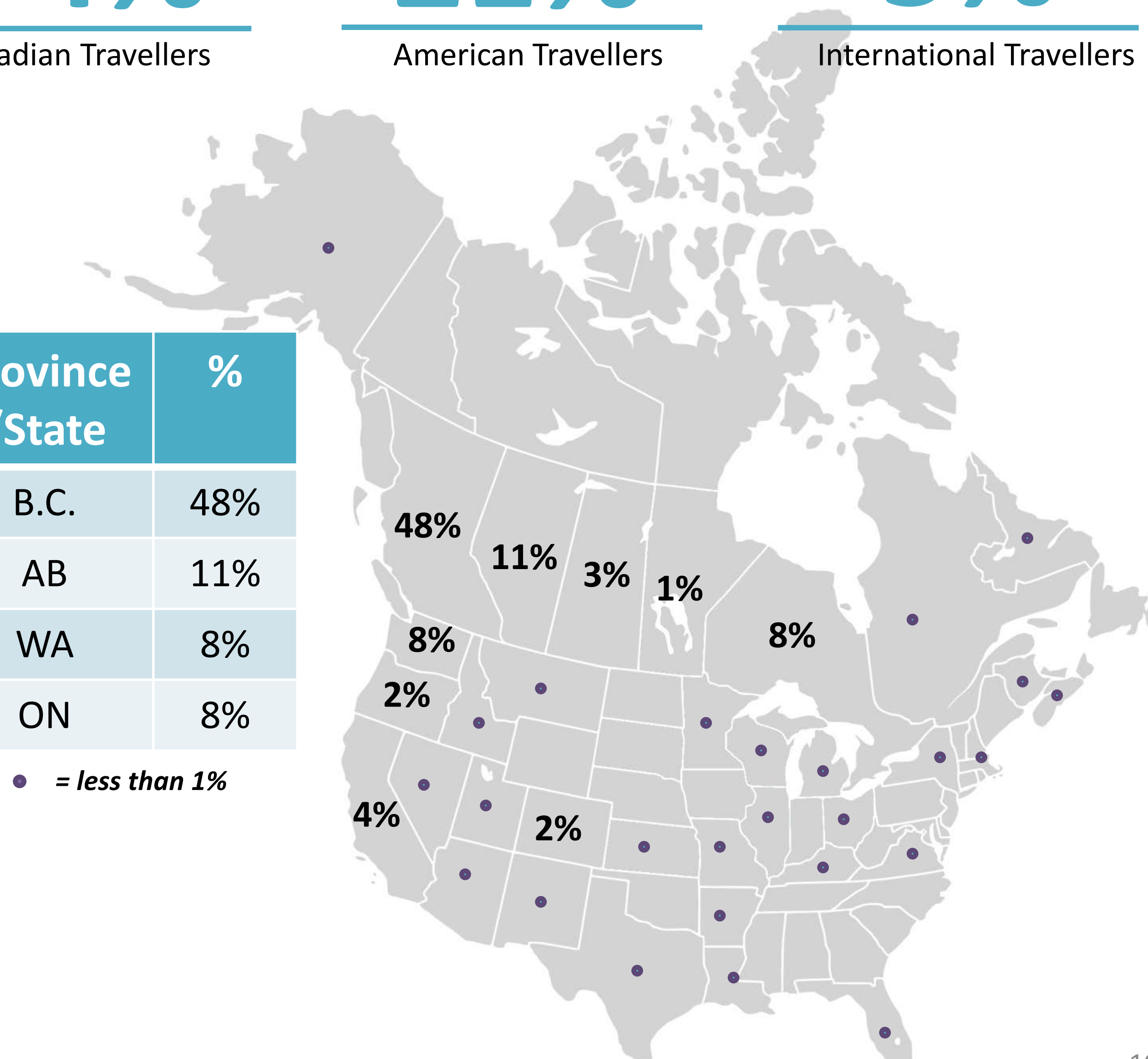
In October 2013, the first off season exit survey was piloted. A high season study will follow in July 2014. Visitors were asked to participate in a short survey as they left Victoria through BC Ferries Swartz Bay, Victoria International Airport, Black Ball Ferry Line and Victoria Clipper. Exit surveys from the fall show a 22 point decrease from the US since Sept 2010, while proportions of B.C. visitors are up significantly (25 points).

74%
Canadian Travellers

21%
American Travellers

5%
International Travellers

Province /State	%
B.C.	48%
AB	11%
WA	8%
ON	8%



Source: Exit Survey 2013

According to the United Nation World Tourism Organization…

1.08 Billion

international travellers in 2013 for first time

70-85%

of world's population travelled within their own country each year

TRAVELLERS DEMAND MORE

Competition is getting tougher and differentiation is vital for Victoria's success. More people are travelling. As they gain more experiences travelling, travellers obtain more points of comparison and standards are increasing.

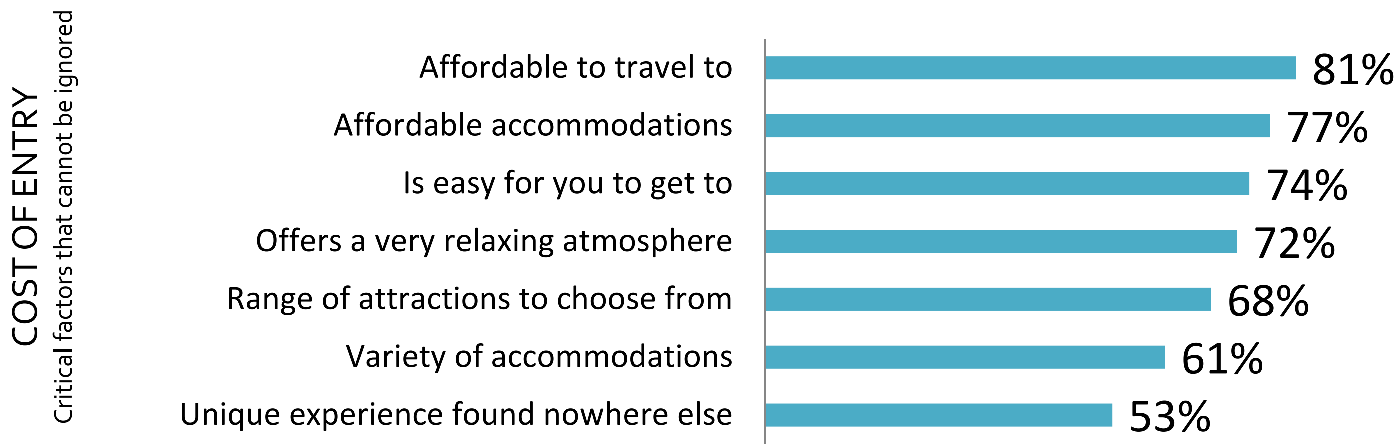
As seen in the Destination Brand Study, all travel factors are rated as more important (many significantly so) in 2013 compared to 2011. This hints that travellers are becoming more demanding of destinations. Victoria will need to provide even more proof points to attract and satisfy travellers going forward.

Focus on what matters most to travellers. Most important things to offer are affordability, accessibility, relaxation, range of attractions and variety of accommodation.

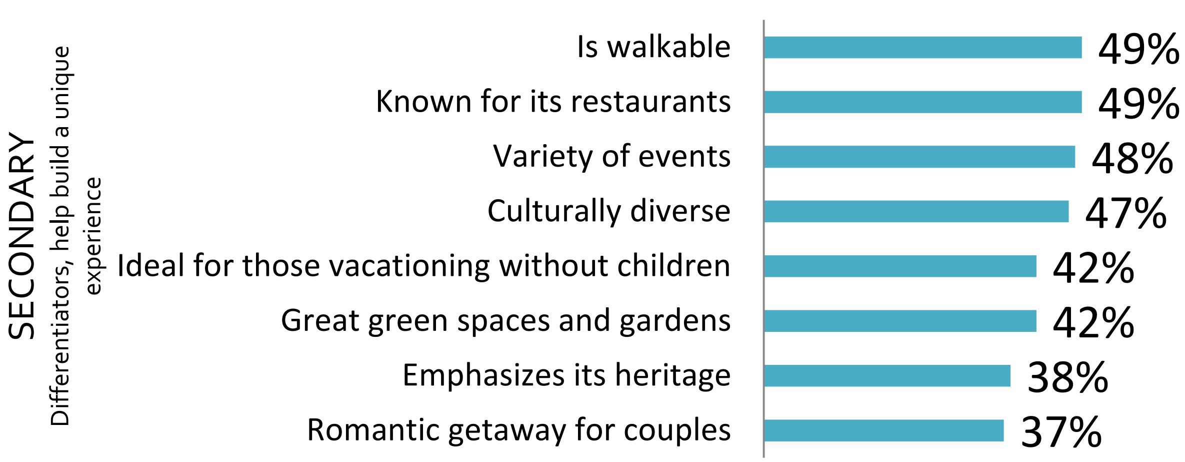
Source: UNWTO 2013 International Tourism Results and Prospects for 2014 (http://dtxtq4w60xqpw.cloudfront.net/sites/all/files/pdf/unwto_fitur_2014_hq_jk_1pp_0.pdf), UNWTO Some Points on Domestic Tourism (http://www2.unwto.org/agora/some-points-domestic-tourism) and Destination Brand Study.

CATEGORY IMPORTANCE

Victoria should continue to focus on the cost of entry attributes. These attributes are critical factors that cannot be ignored. They are essentially the do or die in choosing a destination. Victoria must perform well on all of these or risk losing a significant number of travellers. These cost of entry attributes have strong influence.



Secondary attributes are important in helping Victoria develop the distinct position and personality of a destination. However, these attributes are not deal breakers. While it is not necessary to perform well on all secondary attributes, stronger general performance by a destination here will create more motivation to visit.



Source: Destination Brand Study

COMPETITORS' STRENGTHS

These are based on travellers' ratings of each destination from the Destination Brand Study (July 2013).

SEATTLE

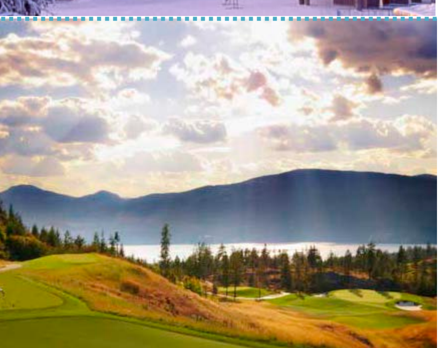
Seattle is seen as an affordable destination for travel and accommodations. Travellers' perceptions of Seattle have strengthened over the past two years in number of areas namely, heritage, boutique shopping and museums/galleries. It is also known for their nightlife, restaurants, culture and attractions/events.

VANCOUVER

Vancouver shares many similar strengths with Seattle: nightlife, culture, boutique shopping, restaurants, museum/galleries and attractions/events. Marine/wildlife experience are another strength of Vancouver. However, many of Vancouver's strengths are secondary importance, only one is a "cost of entry" factor – attractions/events.

WHISTLER

Hiking trails is a unique strength of Whistler. Whistler is also known for their mountain sports and being a walkable destination. Travellers also gave Whistler high ratings for nightlife. That said, perceptions of Whistler are much weaker compared to other destinations for many factors; it is a very focused destination that leverages its key strengths.



THE OKANAGAN

Golf courses, wineries and watersports are unique strengths of the Okanagan. The Okanagan also performs well for affordability, a "cost of entry" factor. Travellers perceive the Okanagan to be ideal for retirees. However, the Okanagan scores significantly below competitors on many factors.

Source: Destination Brand Study

VICTORIA'S PERFORMANCE SUMMARY

A relaxing atmosphere is a unique strength that Victoria holds. No other competitive destinations score highly on this "cost of entry" factor.

Affordability and accessibility (two factors that are critical when travelling) continue to be competitive disadvantageous of Victoria.

Restaurants are perceived to be a competitive weakness of Victoria. This should be addressed since restaurants are becoming increasingly important when choosing a destination. Victoria has strong culinary offerings, as such additional messaging to improve perceptions and awareness is needed.

STRENGTHS

- **Relaxing**
- Heritage
- Ideal for retirees
- Museums/galleries
- Marine/wildlife
- Walkable
- Green space

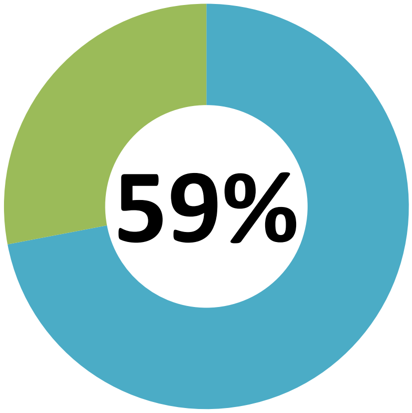
WEAKNESSES

- **Accessibility**
- **Affordability**
- Restaurants
- Hiking trails
- Wineries
- Nightlife
- Mountain sports

Bolded = cost of entry factors

Source: Destination Brand Study

RELAXATION

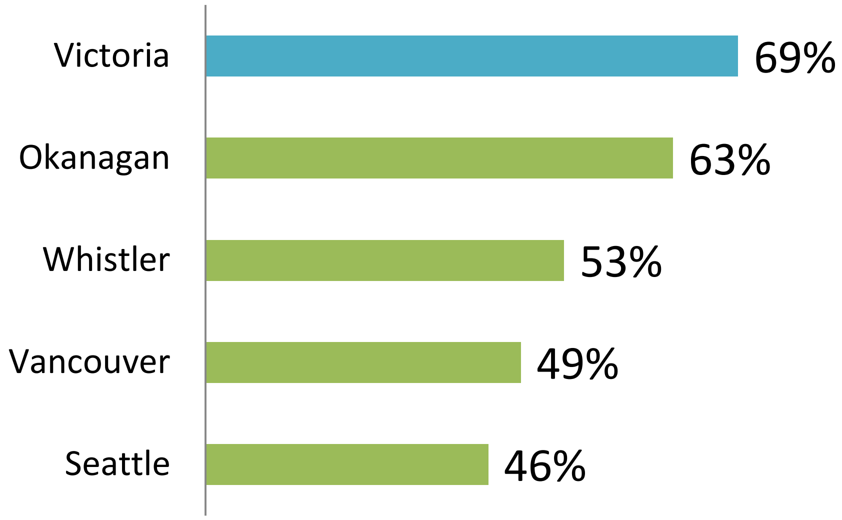


Of travellers to Victoria look forward to relaxing

Relaxation must be leveraged. It ranks third most important (72%) behind affordability and accessibility as seen on page 12.

Over half of all visitors look forward to relaxing when coming to Victoria. Relaxation is the second experience visitors most look forward to, tying with restaurants/food & beverage and behind walking around the city.

VICTORIA VS. COMPETITORS ON RELAXATION



Source: Destination Brand Study and Exit Survey (Oct 2013)

RESTAURANTS AND FOOD/BEVERAGE

49%

Rated important
(+11 since 2011)

18%

Say they are a "foodie"
and "travel to eat"
(+5 since 2011)

Culinary tourism is growing. In terms of what's important, food grew the most out of all attributes measured in brand tracking since 2011.

On an unaided basis, restaurant and food/beverage are the most enjoyed activity. Not a surprise since it is the second most popular activity that visitors look forward to (59%) and do (59%). Restaurant and dining can act as inspiration to travel.

This growing importance on food can be integrated into many tourism businesses either directly or by connecting to Victoria's burgeoning food scene.

Source: Destination Brand Study and Exit Survey (Oct 2013)

MARINE WILDLIFE AND WATER BASED ACTIVITIES

34%

Rated marine life and land based wildlife viewing important

Marine wildlife and water-based activities are other potential leverage points. Though not critically important, they are still differentiators.

Visitors look forward to marine wildlife viewing and water based activity, but fail to engage in these activities based on the fall 2013 exit surveys. On an unaided basis, being near the water was mentioned as an enjoyed activity.

Given the large number who say they did not have enough time in Victoria, these activities can be leveraged to encourage repeat visitation.

Source: Destination Brand Study and Exit Survey (Oct 2013)

AFFORDABILITY AND ACCESSIBILITY

Over the past two years, Victoria's performance in the three most important attributes to travellers have improved slightly. However, there is lots of room to get better. On an unaided basis, visitors mention Victoria being an expensive destination citing high prices for the overall experience, food and transportation. This is a barrier to overcome.

Compared to other competitive destinations, there is a large gap in terms of affordability and being accessible. Victoria is slowly closing the gap by providing more affordable accommodations.

It is important to remember that the key is not to get cheaper, but create better value.

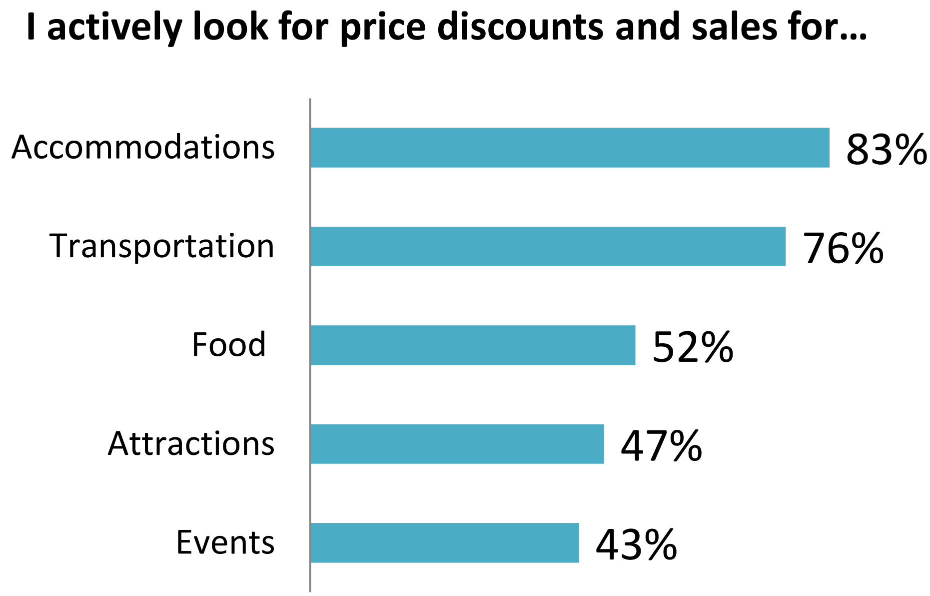
Attributes	Importance	Performance	Performance Change Since 2011	Performance Vs. Competitors
Affordable accommodations	81%	38%	+4	-2
Affordable to travel to	77%	41%	+2	-16
Easy for you to get to	74%	52%	+3	-14

Source: Destination Brand Study

Economical factors (seat sales, coupons) do have impact on vacations at 8 per cent unaided. It is important for members to keep in mind at a tactical level, that travellers are searching for deals as part of their normal booking process especially for accommodations and transportation.

PRICE DISCOUNTS AND SALES

% Agree for VICTORIA (rated 6,7 out of 7)



Though there is a problem with affordability and accessibility, members may be overly concerned. Visitors provide less critical feedback on affordability and accessibility than members do.

Attributes	Visitor Rating	Member Rating	Gap
Affordable accommodations	38%	26%	-12
Affordable to travel to	41%	16%	-25
Easy for you to get to	52%	16%	-36

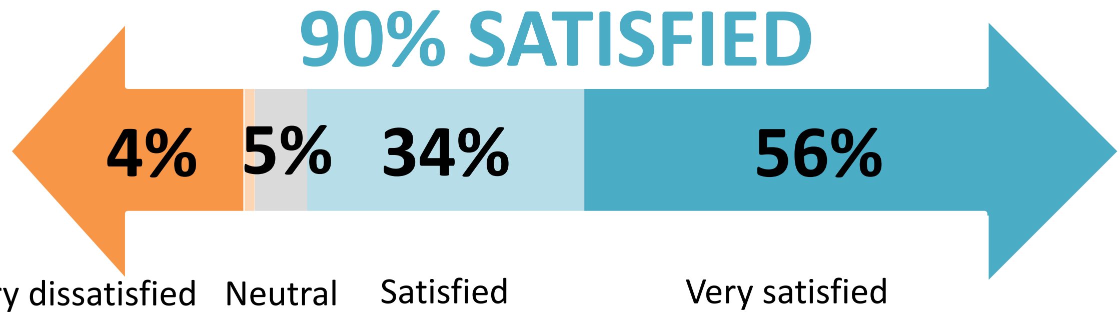
Source: Destination Brand Study and Member Survey

VISITOR SATISFACTION

Overall, visitors to Victoria leave satisfied and wanting more. Those who are very satisfied are more likely to feel as though they did not have enough time and be overnight travellers.

Satisfied visitors are more likely to share their positive experiences through word of mouth and/or social channels. These visitors are influential and can impact others destination decision process.

Those who left unsatisfied were disappointed by the lack of affordability, weather, BC Ferries and accommodations.



Source: Exit Survey (Oct 2013), The four rules of word of mouth marketing (http://wordofmouthbook.com/download/four-rules-of-wom.pdf) and A new way to measure word-of-mouth marketing (http://www.mckinsey.com/insights/marketing_sales/a_new_way_to_measure_word-of-mouth_marketing)

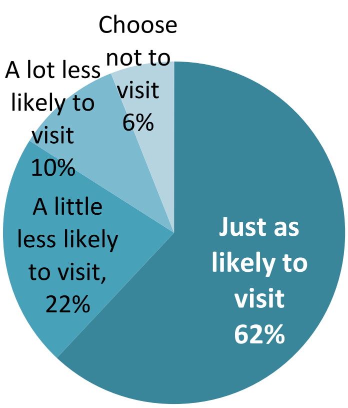
VISITOR BEHAVIOURS

6 out of 14 measured activities more likely to be done by overnight travellers

Half of all visitors feel as though they did not spend enough time in Victoria. First time visitors are more likely to say they did not have enough time, while international travellers are more likely to say they spent too much time in Victoria.

Those who spend more time tend to do more. Overnight travellers participate in more experiences and leave with higher satisfaction. They are also less impacted by weather unlike day trippers. Continue to leverage activities such as restaurants/food and beverage, and walking around the city as they are the top unaided mentions of enjoyable activities.

IMPACT OF WEATHER (OCTOBER 2013)



TIME SPENT IN VICTORIA: ENOUGH/NOT ENOUGH (OCTOBER 2013)

Source: Destination Brand Study and Member Survey

WHAT RETURNING VISITORS WANT

When travellers return to Victoria, they tend to want a mix of new experiences and things they enjoyed before.

There are differences between Americans and Canadians in travel approaches. Americans are more likely to want a mix of new and things they enjoyed before, while Canadians are more likely to want to do the same things they enjoyed last time.

60%

I wanted a mix of new experience and things I enjoyed before

33%

I wanted to do the same things I enjoyed last time

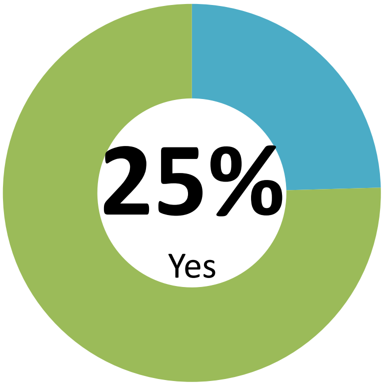
8%

I wanted all new experiences

Source: Exit Survey (Oct 2013)

MARKETING DRIVES SPEND

Strong integrated marketing must continue. Those who remember seeing any kind of marketing about Victoria spend on average $80 more on attractions, shopping and accommodations compared to visitors with no marketing recall.



Recall marketing	No recall
$785	$699

Visitors with higher marketing recall are more likely to:

- Visit paid attractions, see art/cultural events
- Use the Visitor Centre
- Be a first time visitor
- Be younger, 18-24
- Seek a mix of old and new experience
- Be from Washington State

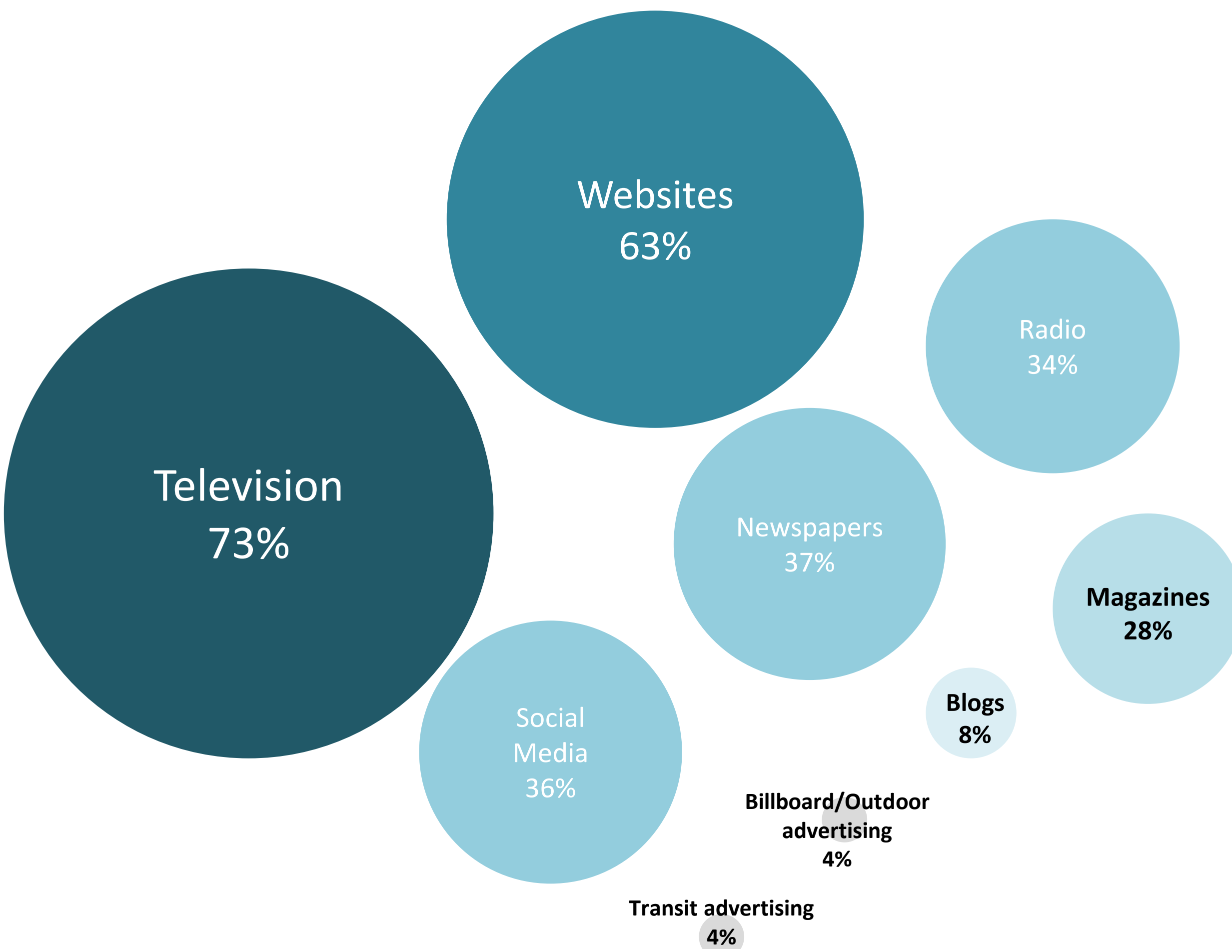
Source: Exit Survey (Oct 2013)

MEDIA CONSUMPTION

Travellers are using a broad range of media to inform decisions. No specific type of media is the clear leader. Tourism Victoria's members should pursue integrated marketing campaigns.

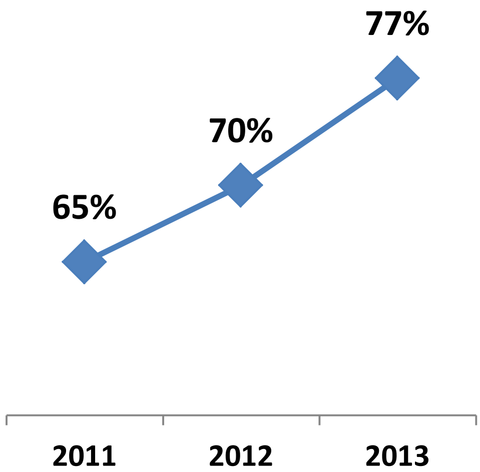
TV is still a number one driver for awareness. Websites are fast catching up as both increase awareness and provides information. Despite all the buzz around social media, only 36 per cent indicate it as a top three source that they listen to regularly. Social media still needs to be supported by other components.

When members are asked to indicate positive impacts on their business in 2013, the top two positive impacts are social media and online traveller reviews (68%) and increased options for mobile travel booking and research (60%).



Source: Destination Brand Study

Expected increase in revenue next year for members



Source: Member Survey

MEMBER OUTLOOK

Members are optimistic about this upcoming year and a large majority expect an increase in revenue next year (77%). These expectations have continued to increase since 2011.

Overall, members are satisfied with Tourism Victoria's performance, as they have been since 2011. The functions of Tourism Victoria making the greatest impact include travel trade, visitor services, as well as websites and social media channels.