

# Moving Forward

2007 TOURISM PLAN



TOURISM  
ADVISORY  
COUNCIL  
PRINCE EDWARD ISLAND

*Prince  
Edward  
Island*

*The Gentle Island*

## Advancing the Five-Year Strategy for Tourism




- The Five-Year Tourism Strategy – “The New Product Culture” was created in July 2005 by the Tourism Advisory Council (TAC)
- Annually tourism plans are developed to deliver on the objectives of this strategy
- The 2006 Tourism Plan was presented to industry in March 2006 detailing the work that would take place in Year One
- This document - **Moving Forward 2007** - reviews the advancements made in 2006, external challenges we face as an industry, opportunities for growth and the priorities for tourism in Year Two - 2007




## Moving Forward 2007 Tourism Plan

- Review of 2006
  - National and Regional Performance
  - PEI Traffic Performance
  - Insights from Occupancy Reporting
  - Marketing Performance
  - Industry Successes
- SWOT Analysis
- Managing Change
  - Changing Consumer Demands
  - External Factors Impacting Tourism
  - New Learnings
  - 2007 Outlook & Objectives
- Target Markets and 2007 Priorities






# REVIEW OF 2006



## Tourism Worldwide and Nationally



- **Globally Tourism has grown at an average rate of 4.6% annually**
  - **However, all top destinations are losing market share**
    - In 1970 the top 15 countries made up 75% of International arrivals
    - In 2005 the top 15 countries made up 56% of International arrivals
    - More destinations are embarking on tourism as a means of economic development and market share is changing
  - **Canadian Tourism is growing at a rate of 3%**
    - This is fueled by an increase in domestic travel
    - 80% of Canada's international market is US visitation and this has decreased by 30% since 2000
- 

Source: Canadian Tourism Commission, World Tourism Organization, Oct. 2006

## What is going on around us?

### Similarities in travel patterns in the region

- Atlantic Canada has been challenged with external factors
- Each Province experienced an increase in air travel
- Province-wide accommodation occupancy rates have remained fairly constant
- Meetings, conventions and major events are bolstering growth in urban areas
- Leisure travel market is strained and there have been decreases in the traditional core season



## Reports from our neighbours

- Nova Scotia visitation on par with 2005 (YTD – Sept.)
  - Total traffic – on par
  - Occupancy is up 2% points at 50%
- Newfoundland predicting a positive tourism year (YTD – Aug.)
  - Air traffic is up 8% / non-resident up 15%
  - Ferry traffic down 6%
  - Occupancy down 1% point at 46%
- New Brunswick preliminary indicators (YTD Sept.) are:
  - Air up 4%
  - Occupancy up 1% point at 55%



Source: NS Tourism Insights Sept.; NB website [www.gov.nb.ca](http://www.gov.nb.ca); NFLD Department of TCR; Transport Canada Oct. 2006

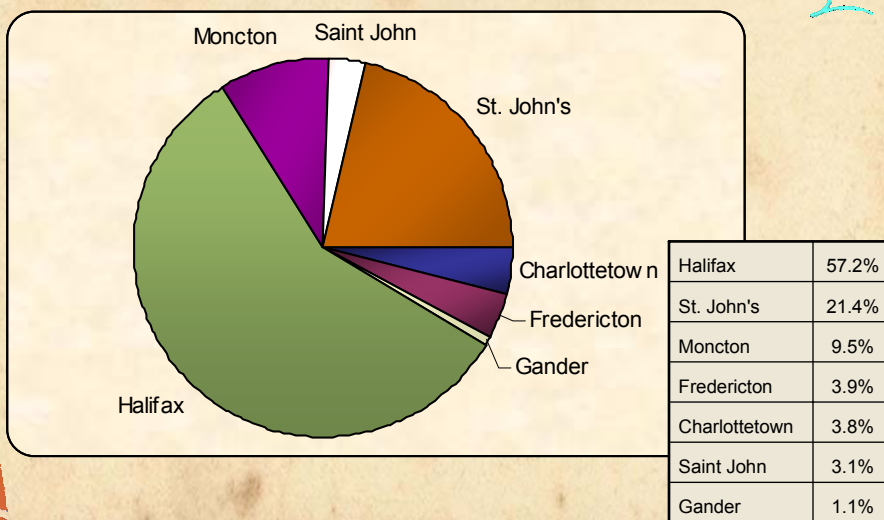
## PEI tourism activity is down 0.5% compared to 2005\*

- Non-resident Bridge traffic is down 0.6%
- Ferry traffic is down 3.8%
- Air passenger enplanments up 20%
- Occupancy rate is on par and room nights sold is down 2.3%
- Preliminary estimates show that from January 2006 to December 2006 we will have 1,380,000 visitors



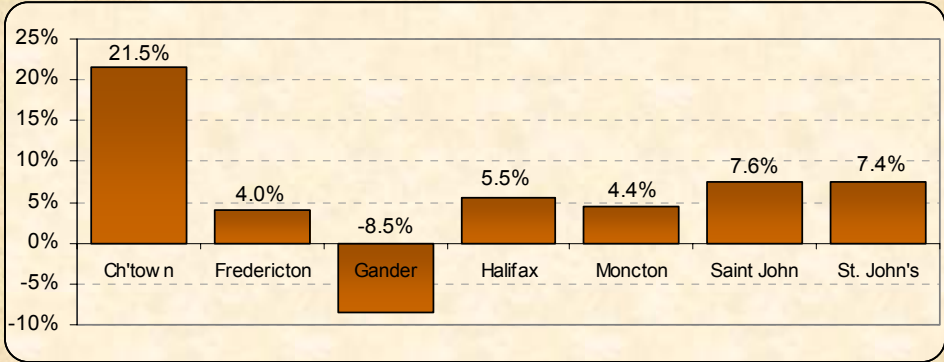
\* Year-to-date 2006: Jan. 1<sup>st</sup> to Oct. 31<sup>st</sup>

## Regional Market Share of Air Traffic



Source: Transport Canada 2006

## Airport Performance – Total Traffic YTD 2005 vs. 2006\*

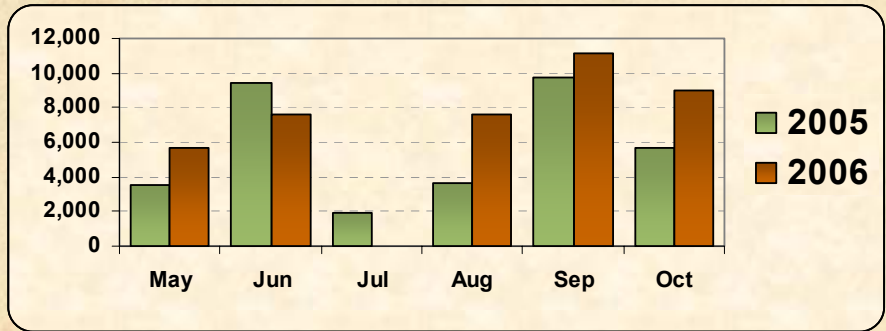


\*YTD - Jan-Sept. 2006



Source: Transport Canada

## Cruise Comparison 2005 vs. 2006

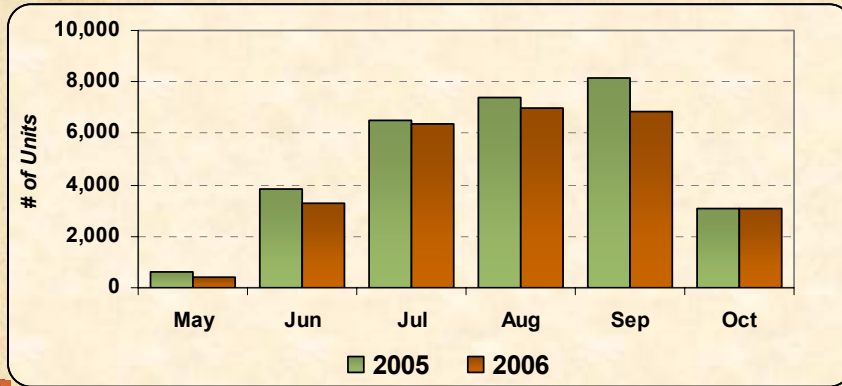


Increase of 20.3%



Source: Charlottetown Harbour Authority

## Motorcoach Comparison 2005 vs. 2006

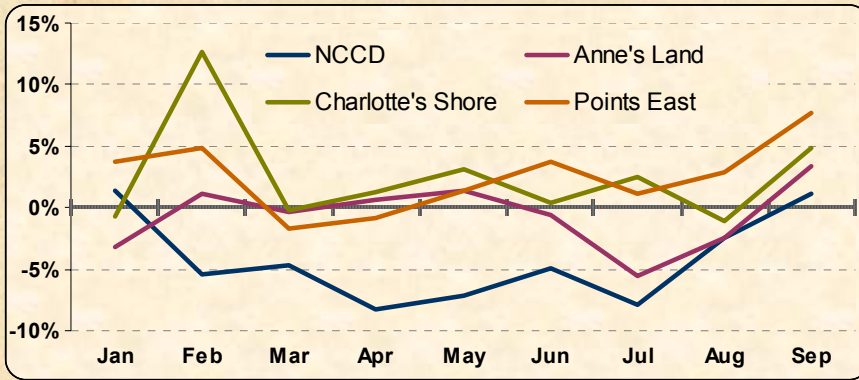


Decline of 20%

Source: Occupancy Reporting

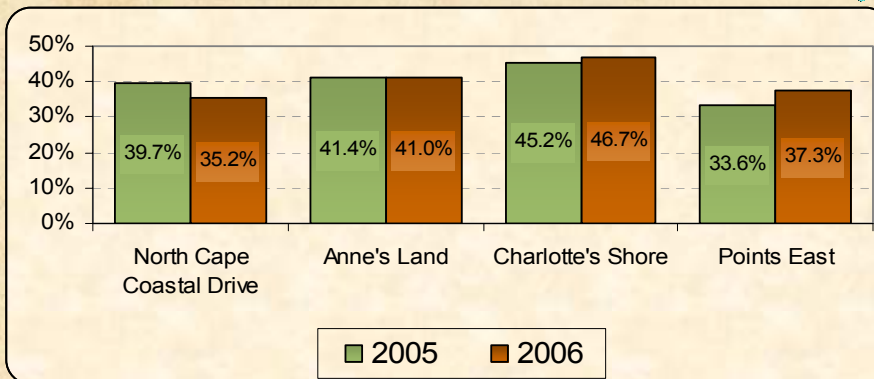
## Important Insights from Occupancy Reporting in 2006

## Percentage Point Change of Occupancy Rates by Region 2005 vs. 2006



Source: Occupancy Reporting

## YTD\* Occupancy Rates by Touring Region 2005 vs. 2006



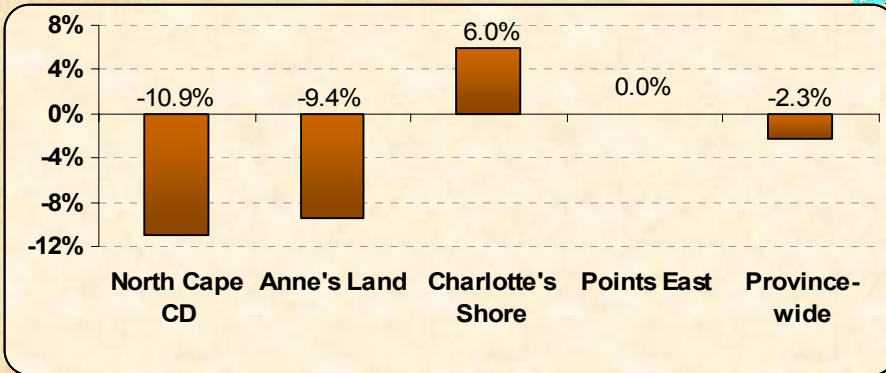
Province-wide occupancy rate is 41.7%

\* YTD – Jan.-Sept. 2006

Source: Occupancy Reporting



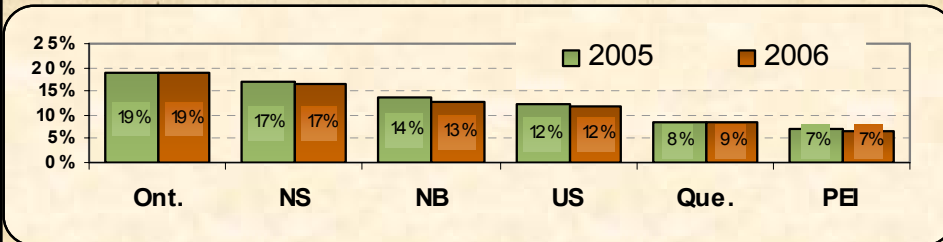
## % Change in Room-nights Sold – YTD\*



Decline of 11,000 rooms-nights sold  
Total room-nights sold = 485,000

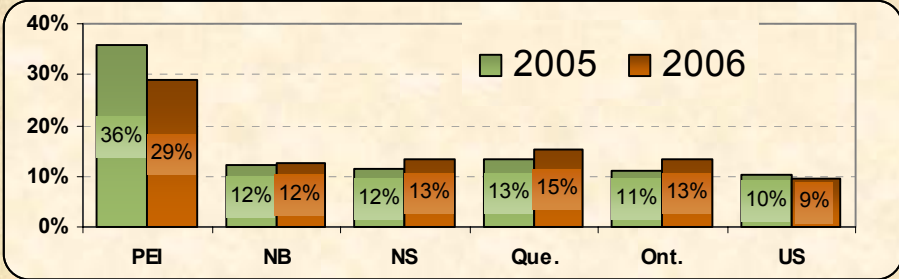
\*YTD September

## Geographic Origin of Visitors Staying in Fixed Roof Accommodations



Source: Occupancy Reporting

# Geographic Origin of Visitors Staying in Campgrounds



Province-wide camping occupancy rate is 34.2%  
Down 4.1 percentage points



Source: Occupancy Reporting

# MARKETING CAMPAIGN PERFORMANCE



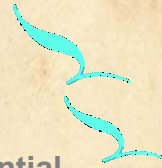
## Campaign Performance

- The marketing campaign generated 260,000 inquiries. A decrease of -32% over 2005 with a budget reduction of \$1 million (-27%). The media buy for PEI in 2006 totaled \$3.5 million.
- Cost Per Inquiry for 2006 is \$14, an increase of \$1.00 over 2005
- Conversion results will be in late November
- Focus group testing in 4 of our key markets confirmed that the branding “Gentle Island of Rejuvenation” is appealing to our target group and motivating for a vacation experience
- Learning – we are on the right track. We need to continue our focus on all aspects of the “The Gentle Island of Rejuvenation”



## Success Stories for PEI's Tourism Industry in 2006

- ECMA's kick started 2006 giving a substantial boost to the local economy
- Developed and communicated a new brand essence for PEI  
“The Gentle Island of Rejuvenation”
- High profile exposure for PEI and the golf sector with the Legends of Golf Event
- Began the process of converting the Island's 2,500 tourism signs to upgraded reflective material



## Success Stories for PEI's Tourism Industry in 2006



- Greatly enhanced tourism's research capacity with the creation of a Tourism Research Centre at UPEI
- Substantial growth in the Meetings and Convention Sector in 2006 - 61% growth (23,000 delegates)
- Multi-million dollar investment in the Cruise Port Development project
- Opening of Atlantic Canada's newest Water Theme Park in Cavendish – Shining Waters



## Success Stories for PEI's Tourism Industry in 2006



- Launch of a new coastal touring drive in Eastern PEI – POINTS East Coastal Drive
- Growth in air access leading to a 20% increase in air traffic
- \$400,000 investment in upgrading the Confederation Trail
- Success of many large Festivals and Events including the Festival of Lights, Black Eyed Peas and the new Luminosity Festival in Summerside

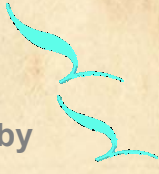





# SWOT ANALYSIS



## Strengths



- PEI is an Island – consumers are intrigued by Island life
  - Accessible coastline and natural beauty are abundant
  - The Island has restorative qualities
  - **Competitive product strengths such as:**
    - World Class Golf
    - White Sand Beaches
    - Anne of Green Gables
    - Abundance of Fresh Seafood
    - Living Culture
- 

## Strengths

- PEI is a safe destination
- **Emerging sectors of growth:**
  - Meeting & Conventions market
  - Cruise market
- **Warm hospitality, friendly people**
- **Numerous festivals and events held throughout the Island giving consumers a reason to visit and extending the tourism season**



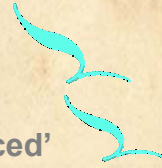
## Weaknesses

- **Decreasing investment in tourism marketing for PEI with increasing investments in competing destinations**
- **Differentiation from Maritime Provinces not clear in Quebec, Ontario & US**
- **Ease of access issues:**
  - Limited air access
  - Air is highly priced in comparison to other markets
  - Long driving distances from key markets
- **Lack of brand awareness in US market**



## Weaknesses

- Perception in the Maritime market that places in PEI are 'touristy' and 'overpriced'
- Seasonality:
  - Attractions not open in shoulder seasons
  - Lack of employees in fall season
- Poor state of repair of roads, especially scenic touring routes and roads in the national park
- Shortage of workforce
- Higher tax environment in comparison to other destinations



## Opportunities

- Growth in Internet consumer-generated content, e.g 'blogs' and consumer reviews. Word of mouth can outweigh traditional marketing and advertising.
- Almost 80% of Canadians have Internet access at home (50% with broadband capacity)
- Expand on-line booking capabilities in order to close the sale with potential consumers



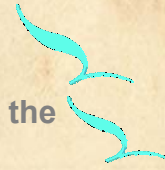
## Opportunities

- **Market appetite exists for new, enriching vacation experiences**
- **Stress reduction and rejuvenation is appealing as an aspect of a consumer's vacation**
- **Room for growth in niche segmentation in key target markets**
- **Capitalize on the growing population of the mature demographic in PEI for work shortages**



## Threats

- **Increased competition for 'share of voice' in the marketplace**
  - Global expenditure in marketing is up 11%
  - US market is spending more enticing visitors to stay at home
  - Canada spending less – CTC budget cut 25% since 2000
- **Western Hemisphere Travel Initiative – passport requirements for Air January 2007 / Land and Sea 2008**
- **Increased value of Canadian dollar versus US dollar**
  - Makes US more appealing for Canadians. 2006 was a ten year high for Canadian spending in the US - \$3.3 billion
  - Less incentive for Americans to visit Canada – US visitors account for 80% of Canada's international travel market





## Threats

- Lack of access to broad band capacity throughout PEI
- Overall health of Motorcoach sector in Canada
- Loss of the GST rebate program hinders competitiveness for Meetings and Conventions and the Travel Trade
- Lack of Sunday Shopping in PEI
- **Business threats for PEI tourism operators:**
  - Rising expenses with stabilized or declining profit levels
  - Finding qualified staff for fall season
  - Aging infrastructure with limited opportunity to re-invest



## Conclusions from SWOT Analysis

- Competitors are spending more and PEI continues to invest less in tourism. There is a need to develop a business case for increased tourism investment.
- With a low brand awareness in the US market and a lack of perceived differentiation in Canadian markets, there needs to be an increased effort on building PEI's brand and destination awareness.
- The amount of US consumers who want to travel by air is increasing. Building affordable air access will continue to be a key opportunity to grow PEI's visitation.



## Conclusions from SWOT Analysis

- The Island has competitive product strengths with the ability to motivate travel. It is important to continue to invest in enhancing these products.
- With the explosive growth of the Internet and the consumers more open to receiving relevant travel information via email, an opportunity exists to segment by activities and communicate one-to-one with consumers.
- Our target group is active, interested in entertaining at home, walking/hiking, golf. Vertical targeting of our markets will have increased importance.



**The only thing that is constant  
in tourism is  
CHANGE**



## **Managing Change**

**We must continue to adapt our Five-Year Strategy to:**

**Changing Consumer Demands  
External Factors Impacting Tourism  
New Learnings**



## **CHANGING CONSUMER DEMANDS**



## Travel Trends

- Shifting travel patterns toward multiple short getaways combined with one longer trip per year.
- Consumers are accustomed to ease of access for information gathering and booking.
- The Internet is the #1 source of travel information. 70% of frequent travelers use the Internet to gather information and make decisions.



## Travel Trends

- Canadian & US consumers are traveling closer to home because of soaring gas prices
- Growth interest in 'self actualization', the consumer is seeking exciting new experiences and personal enrichment
- The trend toward "saving up time" is growing with the increase in sabbatical holidays and the "trip of a lifetime"



## Travel Trends

- Consumers are looking for ‘value”, the options are increasing, therefore loyalty is on the decline
- Growing popularity of activities that promote stress reduction because consumers don't feel they have enough vacation time
- **Vacation ownership (fractional or timeshare) is on the rise in North America**
  - Growing by 10% per year
  - 375,000 Canadians are using vacation ownership



## EXTERNAL FACTORS IMPACTING TOURISM



## External Factors Impacting Tourism



- **Gas prices rising directly affects consumer disposable income**
  - Since the summer of 2003 gas prices have increased by 45%.
  - Energy prices are predicted to remain high but are volatile, as fluctuations depend on world events and natural factors
- **The Canadian dollar is expected to stay on par with current levels**
  - Outbound Canadian travel will remain strong
- **The US market is expected to continue to decline for Canada due to a number of barriers including; WHTI, price competitiveness, increased competition.**



Source: Conference Board of Canada 2007 Outlook (September), Atlantic Provinces Economic Council Outlook 2007 (October),

## External Factors Impacting Tourism




- **Growth in disposable income in Canada of 3%**
  - Western Canada driving this growth
- **Economic growth in our key target markets is predicted to slow in 2007:**
  - US growth expected to slow by 1% due to property markets and rising indebtedness
  - Ontario and Quebec economies are forecasted for weak growth of 2% due to manufacturing and US economy slow down
  - Nova Scotia is expected to increase marginally to 2.1% growth
  - New Brunswick economy is predicted to decline moderately to 2.2% growth, leading to a slow down in consumer spending



Source: Conference Board of Canada 2007 Outlook (September), Atlantic Provinces Economic Council Outlook 2007 (October), Royal Bank Provincial Outlook 2007 (October)



## NEW LEARNINGS



### New Research Platform

- **A new platform was developed in 2005**
    - Tourism is now measured on a year-round basis
    - Resident tourists are included in volume and revenue estimates
    - Occupancy reporting is mandatory
    - A new economic impact model was developed by renowned economist Dr. Atif Kubursi
    - A comprehensive review of the data collected was undertaken
- 

## The Path to a New Revenue Estimate



- Moved from a consumer survey based model to a tax based model
- Grounded the estimate in Provincial sales tax data for accommodations and food and beverage
- Occupancy reporting program data provided a solid framework
- Canadian Travel Survey (Statistics Canada) data was used for the resident portion of the estimate
- Past Tourism Exit Survey data was used to develop spending ratios



## New Revenue Estimate for Tourism



Tourism Revenue for 2005 is:

Non-Resident:	Main Season	\$243.8 million
Non-Resident:	Off-Season	\$26.6 million
Resident:	Full Year	\$54.0 million
Total:		<u>\$324.4 million</u>





## 2006 Year-end Forecast



- On course for a 3% increase in revenue
- Year-round, resident and non-resident expenditures.....

**\$334.1 million**



## 2007 Outlook



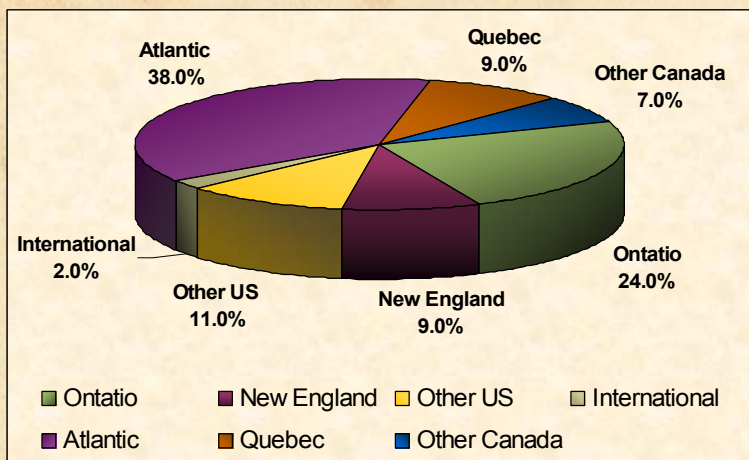
- External pressures affecting Atlantic Canada's tourism industry are not going away in 2007
- Given the current conditions, projections for tourism in PEI in 2007 are:

Revenue increase of 3%  
Visitation on par at 1,380,000



# TARGET MARKETS

## Where are PEI's Visitors From?



Source: 2004 Visitor Exit Survey

## PEI's Key Target Markets

### Primary Markets

Atlantic Canada  
Ontario

New England  
Quebec

### Secondary Markets

International  
Other US  
Western Canada

### Shifting Tactics

- Increase one-to-one communication with consumers / increase Customer Relationship Management activities
- Investigation of Word of Mouth tactics
- Build on the WestJet connection with marketing and Public Relations / Sales activities in Calgary



## 2007 Priorities



## 2007 Priorities

1. Increasing Investment in Tourism
2. Building the PEI Brand
3. What's Growing? Support it!
4. Enhancing Product
5. Expanding Knowledge with Research
6. Bookability – Making it easy
7. Industry Outreach



## Priority #1

### Increasing Investment in Tourism

- A substantial increase in investment in tourism is needed in order to develop product and adequately communicate what PEI has to offer
- Building on the new economic impact model, a business case for increased tourism investment will be developed
- This business case will call for increased investment from not only the Provincial and Federal government, but also an increased industry contribution



## Priority #2



### Building the PEI Brand

- Consistent investment in building awareness of “The Gentle Island of Rejuvenation.”
- We must continue to have a coordinated effort at all points of contact with the consumer to build our brand positioning and elicit response
- Continue to build on the strength of the [gentleisland.com](http://gentleisland.com) website



## Priority #3



### What’s Growing? – Support it!

- Air Travel
- Cruise Travel
- Meetings, Conventions & Incentive Travel
- Golf Market



## Grow Air Access

- Encourage an increase in air access by working with the Charlottetown Airport Authority and air carriers
- Work to establish a direct flight from PEI to New England
- Grow capacity with WestJet connections in Calgary



## Supporting Market Segments with Growth Potential

- **Golf Market**
  - Growing activity & key product strength for PEI
  - 21.5% of Canada's population golf
  - Frequent golfers are high yield visitors
- **Cruise Market**
  - Cruise industry is booming!
  - 11 million people cruised in 2005 – highest ever
  - 2006 is projected to surpass this growth
- **Meetings, Conventions & Incentive Travel Market**
  - Canadian convention business has recovered from 2001 and is climbing strong
  - The future looks bright for more Canadian companies booking domestically
  - PEI has destination appeal



## Priority #4

### Enhancing Product

- Continue work on the development and implementation of a beaches strategy
- Work with the Culture and Heritage sector to ensure product is market-ready
- Build on the work completed in 2006 by implementing Phase II of the Confederation Trail study



## Priority #4

### Enhancing Product

- Continue to support major Festivals and Events that enhance PEI's destination appeal
- Work with Central PEI to re-vamp the central touring region (Blue Heron Drive)



## Priority #5

### Expanding Knowledge with Research

#### Consumer Research

- Expansion of the 2007 Exit Survey to capture consumer travel motivations, activities, perceptions and travel trends
- Creative testing of the marketing campaign
- Conversion research

#### Economic Research

- Continue to expand on the economic impact data by conducting research on special interest groups e.g. seasonal second home owners



## Priority #6

### Bookability – Making it Easy

- Over 70% of consumers are researching for travel information on-line
- We need to make it easier for potential PEI consumers to book on-line
- An Integrated Technology Platform is needed for all contact points with the consumer in order to entice them to “close the sale”
  - The platform will integrate the website, call centre and visitor information centres with one central database and an on-line reservation system that is ‘real time’





## Priority #7

### Industry Outreach

- Communicate research findings to tourism regions and sector groups through the Tourism Research Centre
- Institute a Total Market Readiness Program for tourism operators across the Island
- Continue to communicate the PEI brand to tourism groups to increase efficiencies in messaging
- Support TIAPEI and the Sector Council to deliver training and professional certification programs and raise the awareness of tourism as a career choice



## Advancing the Five-Year Strategy for Tourism



- The Tourism Advisory Council submits a report card annually to the Minister of Tourism to detail the advancements made on the Five-Year Tourism Strategy. Visit [www.gov.pe.ca/tourism](http://www.gov.pe.ca/tourism) to view the annual report card.





TOURISM  
ADVISORY  
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