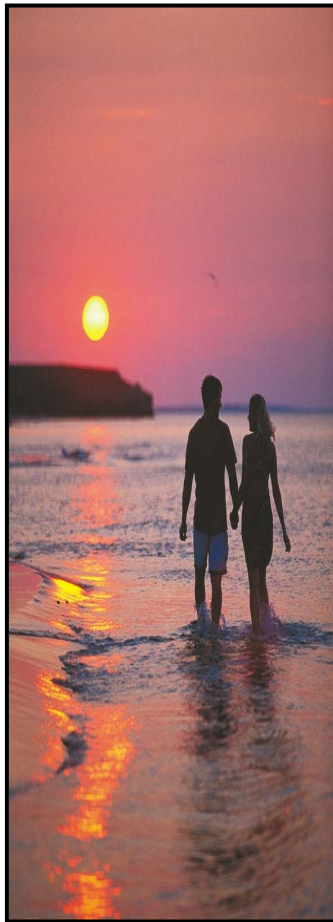
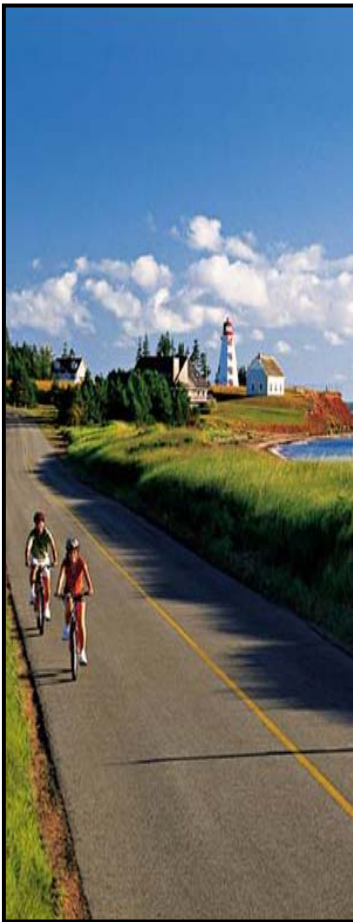

The New Product Culture

The Prince Edward Island Strategy for Tourism Competitiveness 2005 - 2010



JULY, 2005

PRINCE EDWARD ISLAND
TOURISM ADVISORY COUNCIL



TOURISM
ADVISORY
COUNCIL
PRINCE EDWARD ISLAND



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November, 2005

Dear Industry Stakeholders,

On behalf of the Tourism Advisory Council (TAC), it gives us great pleasure to present to you a new five (5) year strategy for growing our tourism industry – **The New Product Culture: The Prince Edward Island Strategy for Tourism Competitiveness – 2005 – 2010.**

With the establishment and launch of the TAC almost a year ago, there were two over-riding policy principles. The first was a recognition that a renewed industry – government partnership needed to be created. The second was the focus of this partnership needed to be expanded from a purely marketing focus to an integrated research-product-marketing platform.

As TAC began to set about its work, it was evident that a new multi-year strategy reflecting these policies was essential. This Strategy embodies and gives life these very important principles. This Strategy will direct and lead our industry over the next five years and help re-establish PEI as a premiere tourism destination.

In developing this Strategy it is important to note that it has been sanctioned and approved by the Minister of Tourism and TAC, following extensive research and consultation with key industry and governmental stakeholders. While this Strategy is in our view focused, its development was shaped and formed by many industry and governmental partners. For example, TAC itself had numerous meetings regarding the Strategy and each of TAC's standing committee's was directly involved in its formation. In total over forty industry leaders representing all regions of the Province and multiple sectors and interests directly played a hand in its development.

In addition, TAC took the added step of presenting the Strategy to TIAPEI for their endorsement. We are pleased to advise that this industry led association has also endorsed the Strategy.

We recognize that revitalizing our tourism sector requires a long and sustained strategic effort. An important starting point is to forge a shared and integrated vision which prescribes direction on how to achieve this end.

We hope you will find this strategy informative and exciting as we move forward and work together to make our tourism industry more competitive, productive and profitable.

Sincerely

David MacKenzie
Co-Chair
Tourism Advisory Council

Robbie Shaw
Co-Chair
Tourism Advisory Council



Section 1: Strategy Synopsis

The Vision:

Prince Edward Island, with its unmistakably-identifiable seaside beauty, accessible coastlines, pastoral landscapes and unique experiences, will be the Canadian destination of choice for consumers seeking escape, enjoyment and personal enrichment.

The Global Objective:

Attract **2 million visitors** and generate **\$600 million** in direct spending by the year 2010.

The Guiding Principles:

- Adhere to an integrated Research – Product - Marketing approach.
- Create a new product development culture.
- Enhance core products while inventing new products.
- Adherence to sustainable tourism practices.
- Articulate an everlasting brand and positioning: seize ownership of most attainable markets.
- Create an industry of experts.
- Keep the strategy embarrassingly simple.

The Administration of Tourism:

Administration will be primarily altered to reflect the advent of the Tourism Advisory Council, the emergence of a new product culture and the need to grow investment in the sector.

Research:

PEI will become a leading Centre of Excellence in Tourism Research. Intelligence will drive product and marketing decisions. Industry performance will be measured under a new platform.

Product Development:

The new product culture will occur in three parallel thrusts: (i) Macro Product Development; (ii) Micro Product Development; and (iii) Business Climate Competitiveness.

Marketing:

The new Product machine will drive the Marketing initiative. The brand will reflect the province's outstanding coastal beauty and its distinction of being an island. PEI's marketing effort will derive from the platform of the need to *own it* - in terms of positioning and market penetration. The Internet will be recognized for its increasing utility.

Section 2: Background & Introduction

As an economic sector tourism offers significant wealth and job creation opportunities, and builds on exhibited provincial strengths - especially PEI's attractive natural environment, coastal beauty and rural landscapes. As an economic engine, tourism generates in excess of \$400 million in revenues, \$60 million in tax revenues and 15,000 jobs for Islanders. As a percentage of GDP, tourism represents over 10% of the province's annual GDP, and ranks #1 in Canada in this regard.

Following a period of explosive growth brought about by the opening of the Confederation Bridge in 1997 (*arguably the single largest change in the history of the Island's travel industry*), Prince Edward Island's tourism industry entered a period of decline, with the most dramatic decrease (16%) occurring in 2004. **Six successive years of decline** have brought the tourism industry, through the Tourism Advisory Council (TAC) and the Tourism Industry Association of Prince Edward Island (TIAPEI) to the realization that something other than **post bridge rationalization** is occurring. There is a real sense that a decline in PEI's competitiveness has ensued, and that new and decisive actions must be undertaken to return the sector to a period of successive growth.



Industry leaders have agreed that at the core of this realization, is an over-dependence on one set of actions to solve every riddle. In both good times and bad, PEI's tourism industry, like many other jurisdictions has focussed on the virtues of marketing and its most commonly thought of, most visible and immediately gratifying activities - advertising, communications, publicity and fulfillment.



This has bred a definitive, single-minded, old-style marketing culture whose habitual preoccupation is to continuously question, then modify how PEI's basket of goods is sold. Conversely, best practices contend that breaking a cycle of decline can be achieved through a greater understanding of the role and importance of **Product**. Although it is acknowledged that in pure academic terms product is a function of the marketing mix - *in real governance and administrative applications* product building requires definitive, freestanding plans supported by human and financial resources. To combat probable governance and administrative divisions - the natural tendency for product and marketing people to work in separate silos - there is a need for the industry to achieve a more purposeful integration and balanced approach toward the pillars of **Research, Product and Marketing** (See *Appendix A*).

Fundamentally, PEI has a history of being a stable, highly-regarded travel destination. In modern competitive terms however, simply being highly-regarded is metaphorical to being 'fondly remembered'. Competitiveness demands newness and excitement that can be substantiated, not just spun. The PEI travel experience requires dramatic enhancements, invention and re-invention - building on its foundation as being one of the most beautiful coastal destinations in North America.

The health and competitiveness of the industry becomes clear following an examination of Prince Edward Island's position within the **Product Life Cycle** (see *Appendix B*). TAC recognizes that the Island's tourism product - as a composite of services and experiences - in many instances has passed through the introduction, growth, shakeout and maturity phases of the cycle, and has been experiencing the decline phase. In the absence of some form of strategic intervention, this is destined to happen. However, the product decline phase has been amplified because marketing communications has continuously and singularly been in the forefront.

With an understanding of *the Product Life Cycle*, TAC peered into its basket of goods and realized that from a competitive perspective, the status quo does not meet the test. TAC and industry realize that the market place is not stimulated by 'fondly remembered' destinations, and that there is little tolerance for unsubstantiated selling propositions. TAC also realizes its competitors are product-smart and consumers are more discerning about their product choices. They can shop the world at the touch of a keyboard, and tour the world by simply boarding a plane. The quality of PEI's market planning and execution is critical, but the salesperson's portfolio - the valise - is dust covered and withered, its contents same-old and out of date. **PEI's selling propositions for tourism must be enlivened and substantiated.** Product champions must emerge to bring about a dynamic, new product portfolio.



TAC recognizes this challenge and endorses a fresh, tactical approach to re-establishing growth, specifically - the strategic reinvigoration of the existing core product framework and the introduction of new, in-demand products to that structural base. To further illustrate the importance of product, *Appendix C* provides a glimpse into the importance of product development in three other competitive jurisdictions.

The following competitiveness strategy is emphatic - if not relentless - about product and the need to continually invent and reinvent, while embracing the critical roles of research and marketing. This strategy presents a five year outlook for growth and a basic framework on how to get there. This is a multi year approach - by its very nature rebuilding product is a long-term venture.

The **New Product Culture: The Prince Edward Island Strategy for Tourism Competitiveness** is industry driven, in partnership with the province and the federal government. Its purpose is to mobilize industry & government to work together in pursuit of a common, purposeful agenda - *to strengthen and build a more prosperous tourism industry on PEI.*





Section 3: Establishing the Base Year

Over the years, PEI's methods for measuring tourism performance were far more restrictive than other jurisdictions, including our Atlantic Canadian counterparts. These restrictive measures included:

- PEI only measured performance on a 6 month basis, while other jurisdictions measured performance on a 12 month basis.
- PEI's definition of a tourist was more restrictive.
- PEI did not count resident tourists, while other jurisdictions did.
- PEI only measured direct tourism expenditures, and not indirect or induced.



Subsequently, PEI reported results that were historically lower than other jurisdictions. To affect a more common and consistent approach - beginning in 2005 Tourism PEI will adopt a new research platform. This platform will: measure performance on a 12 month basis; account for resident traffic; and will use a more standardized definition of a tourist. Whether or not indirect and induced impacts of tourism will be measured is still under review. The following estimates do not account for these measures (direct only).

To measure progress and to set growth objectives, this strategy required a **base year**. To bridge the changes in methodologies, the principles of the new research platform were applied back to the tourism years 1999 - 2004 (see *Tables 1 and 2*). Using actual exit survey data from those years and with the support of Statistics Canada's Canadian Travel Survey & the International Travel Survey, **historical figures were adjusted** to provide context and comparison for projected figures going forward.

PEI resident tourism activity (visits & revenues) was identified in the Canadian Travel Survey and added to historical exit survey data (1999 – 2004). Non resident tourism activity during non exit survey periods (November to May) were identified in the Canadian and International Travel Surveys. Visitation and revenues ratios were developed for each month and applied to actual exit survey data to project 12 month, non resident, business and leisure travel. Given its seasonal nature, motorcoach data was not changed (see *Appendix D*).

The base year for this strategy is 2005 and will, for planning purposes replicate adjusted results from 2004. At the end of the 2005 season, the base year numbers and the projections going forward will be updated to reflect **actual 2005** tourism results.



Table #1: Adjusted Visitation Estimates for PEI: 1999 - 2004

Annual Resident & Non Resident Visits Adjusted: 1999 to 2004 in Thousands of Person Trips						
	1999	2000	2001	2002	2003	2004 <i>Benchmark Yr.</i>
Resident	320	315	313	327	341	343
Canada	1,147	1,061	1,234	1,133	1,149	952
USA	276	279	246	261	214	180
Overseas	34.4	27.2	36.1	32.4	32.3	23.1
Sub Total	1,767.4	1,682.2	1,829.1	1,753.4	1,736.3	1,498.1
Coach	39	45	35	36	27	26
Business	82	63	58	64	58	77
Total	1,898.4	1,790.2	1,922.1	1,853.4	1,821.3	1,601.1





Table #2: Adjusted Revenues Estimates for PEI: 1999 - 2004

Annual Resident & Non Resident Revenues Adjusted Annual Direct Spending: 1999 to 2004 in Millions of Dollars						
	1999	2000	2001	2002	2003	2004 <i>Benchmark Yr.</i>
Resident	\$31.4	\$30.9	\$29.8	\$29.8	\$32.4	\$30.9
Canada	\$251.6	\$231.1	\$308.2	\$314.2	\$331.4	\$270.3
USA	\$72.9	\$79.6	\$74.1	\$89.9	\$74.5	\$61.7
Overseas	\$9.2	\$9.1	\$10.1	\$10.8	\$11.2	\$9.3
Sub Total	\$365.1	\$350.7	\$422.2	\$444.7	\$449.5	\$372.2
Coach	\$16.2	\$23.0	\$21.2	\$18.2	\$15.3	\$12.5
Business	\$26.7	\$25.2	\$23.3	\$29.9	\$30.3	\$28.2
Total	\$408.0	\$398.9	\$466.7	\$492.8	\$495.1	\$412.9





This strategy works from a base **year of 1.6 million visitors and \$413 million in direct sales**. From these adjusted figures, this strategy is better able to calculate tourism outputs such as contribution to GDP, employment, payroll, taxation benefits, etc. Table #3 provides the **Base Year Outputs** which will be influential in measuring the progress and success of this competitive strategy. Table #6 (page 28) compares the **2005 Base Year Outputs** to the final year's objectives - 2010.

Table #3: Base Year Outputs

INDICATOR	BASE YEAR - 2005	2010 VISION
Tourism Outputs:		
1. Visitation	1,600,000	
2. Direct Revenues	\$413,000,000	
3. Revenues as a Percentage of GDP	10.3%	
4. Tourism Employment ¹	15,000	
5. Tourism Employment in FTEs ²	4,500	
6. Industry payroll	\$48,900,000	
7. Provincial Tax receipts (10%)	\$37,500,000	
8. Federal Tax receipts (7%)	\$24,500,000	

1. Estimate includes full time, part time and seasonal employment in PEI's Tourism Industry.

2. Application of Canadian Tourism Commission formula of 11 Full Time Equivalent jobs created or maintained for every \$1.0 million in tourism related spending, applied to PEI's revenue estimate of \$413 million.



Section 4: Trends, Interests & Motivators

As societies and economies evolve, it is critical to keep a steady eye on *travel trends, influencers and motivators* for the customers PEI does not yet have, as well as track and understand the products, experiences and characteristics that current visitors prefer. Based on extensive literature reviews of regional, national and international writings (see *Appendix E*), the following trends and motivators will influence future PEI tourism activity.

Global Travel Trends and Motivators:



- The **internet** is now the #1 source of travel information. It is changing how consumers talk to industry and vice-versa; it has radically changed consumer attitudes about price and value; and it is the ultimate enabler for spontaneous travel planning and immediate purchasing.
- World events have increased the demand for safety, comfort, and **welcoming destinations** (international travellers in particular). Travelers are seeking personally-enriching experiences.
- Populations are **aging**. Industry needs to learn about and adopt the in-demand products required by the aging baby boomer.
- Travel patterns continue to shift towards **multiple short getaways**, combined with at least one longer trip (sabbatical) per year. Other tendencies are toward off-season, domestic and intra-regional travel.
- There is growth in **themed and immersion tourism** products - authenticity, personal enrichment and wellness, learning experiences, history and culture.
- Consumers seek more customization in **pre-packaged products** – flexibility such as those products exhibited by multi-modal travel, such as air/ground/cruise.
- More people have a **greater ability to afford travel**.
- More people have **more time to travel**.
- People demand **easy access** - physical transportation, information and booking.



Most Preferred Products – PEI's Unmistakable Icons:

Based on exit surveys, the most in-demand activities specific to Prince Edward Island included: **coastal touring** & sightseeing: **beaches** and beach activities; **Anne of Green Gables** and the L.M. Montgomery homesteads; unique Island **crafts**; a diverse **history and culture**; an abundance of **seafood**; and **PEI's National Parks**. Other popular activities included: championship or **world class golf**; PEI's **Acadian** culture; community based **festivals** and special events; fun, theme and **amusement parks**; live **theatre** and the performing arts; and experiencing an array of outdoor activities - including **camping**.

In part, this strategy will advantage the opportunities associated with these tourism products by building on their inherent attributes; enhancing their value; and changing the way in which PEI packages, offers and sell these core products - all in light of emergent travel trends, influencers and motivators at play in the marketplace. A fully integrated competitive strategy **must** come to the fore.





Section 5: Competitive Scan & Market Analysis

While it is true that tourism is a global industry and Prince Edward Island faces competition from both domestic and international jurisdictions, it is equally true that PEI's closest competitors are its sister Maritime Provinces - Nova Scotia and New Brunswick. Valuable lessons can be learned by understanding how these destinations are positioned in a global marketplace.

Nova Scotia has long been a tourism leader in this region and in recent years has made major strategic advances on a number of fronts including:

- A well established **government-industry partnership**.
- A ten year **Vision** to guide future tourism policy.
- An enhanced dominance and positioning as **Canada's Seacoast** with strong links to Celtic culture and music.
- **Increased financial, planning and human resource** focus on product and destination development.
- A **fresh approach to marketing** that is capturing the consumer's attention.



In the early 1990's, **New Brunswick** reinvented itself as a tourism destination. The N.B. strategy, much of which is still in play, focused on:

- A strong and sustained **product development** bias.
- Creating a province-wide 'wall of activity' in the form of **Day Adventures** - the tangible foundation of a - be everywhere - point-of-sale initiative.
- Strong product focus on warm water beaches for the Francophone market in **Quebec**.
- Strong product focus on its unique Fundy product and the positioning: **Walk on the Ocean Floor**, World's Highest Tides for a wide range of domestic and international markets.



As Prince Edward Island moves forward it must reflect on its overall competitiveness and determine how it can best position itself in the minds of a discerning consumer. PEI can replicate in part what its sister provinces have to offer - or it can pursue its own unique selling propositions within Regional and International partnerships building a stronger, more cohesive and integrated approach that will create noise in the marketplace.

This Strategy decidedly points to the latter.



Market Analysis:

From a market segmentation perspective, PEI's tourism industry has relied heavily on four major markets - Atlantic Canada, Quebec, Ontario and the New England region of the United States. Between 1999 and 2004 these markets, on average, collectively represented 77% of PEI's tourism business:

- Atlantic Canada 34%
- Ontario 26%
- New England 9%
- Quebec 8%

With tourism becoming more global in nature, the local industry should benefit from increased numbers of tourists from areas outside these four key markets. However, it is equally true that that these four markets have consistently represented three quarters of local business; therefore, the way in which PEI positions itself in these core markets over the next five years will be critical.

While market distribution has remained relatively stable from the big four markets, when an industry such as tourism is in decline - the larger the market is, the larger the concern becomes in *real* terms (i.e. - Atlantic Canada). Equally important is the issue of PEI's market share against key Maritime competitors.

Tables #4 and #5 examine the issue of PEI's market share. **Table #4 – PEI's Market Share of Visitors to Atlantic Canada (All Markets)** examines PEI's share of regional visits in a *post bridge* environment. Using visitation statistics supplied by each of the four provincial Departments of Tourism - Table 4 clearly indicates that relative to its sister Provinces, *PEI has witnessed a decline in its competitive position.*

Using Canadian Travel Survey as the data source, **Table #5 - PEI's Market Share of Outbound Maritime Visitors** probes market share issues associated with PEI's #1 market. An examination of outbound, overnight trips taken by residents on Nova Scotia and New Brunswick within the Atlantic Provinces clearly indicates Prince Edward Island is losing competitive ground in the *all important* Maritime market. The need for more research and a better understanding of this market is becoming evident. While it is perhaps too early to conclude a firm and final fixed position as to what is happening inside this market or more importantly why it is happening, it would appear that PEI's share is declining at an alarming rate. Revisiting our positioning in the Maritime market from a product, pricing and marketing perspective would seem paramount.

Table #4: PEI's Market Share of Visitors to Atlantic Canada (All Origin Markets)

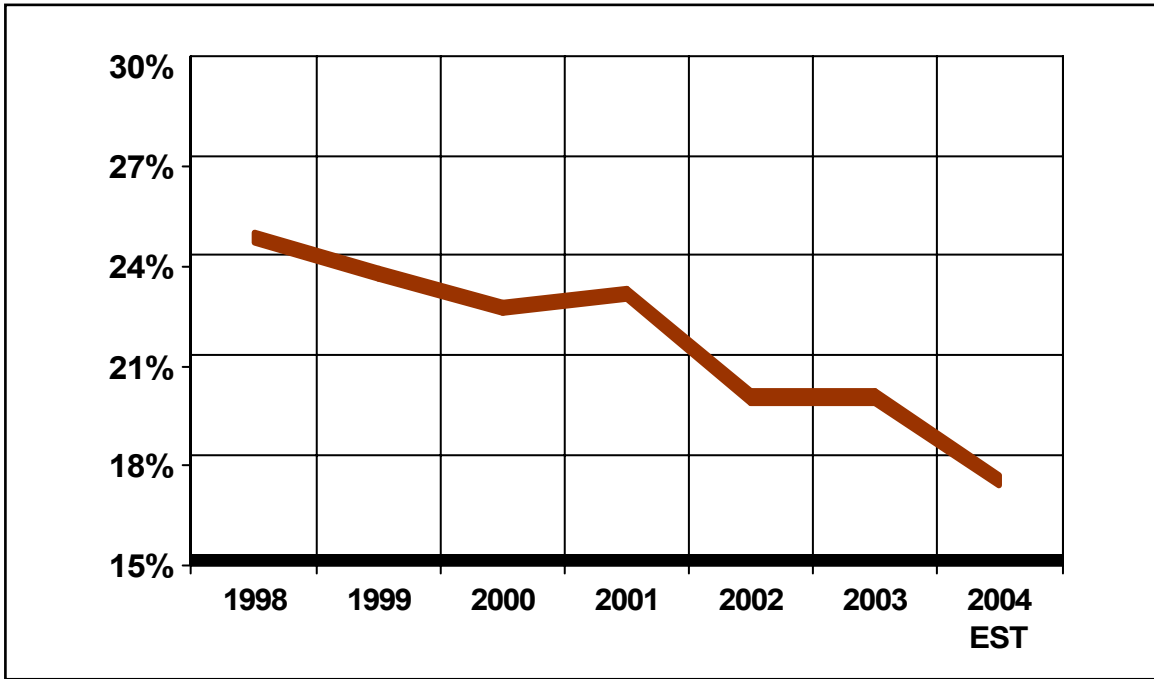
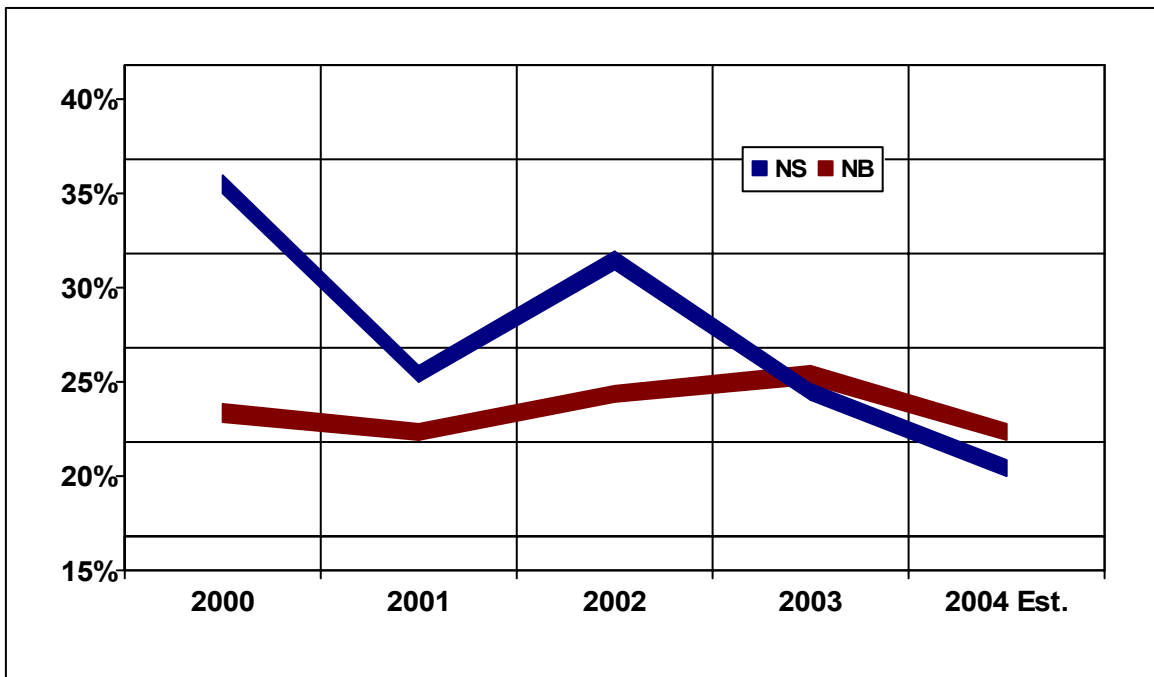


Table #5: PEI's Market Share of Outbound Maritime Visitors



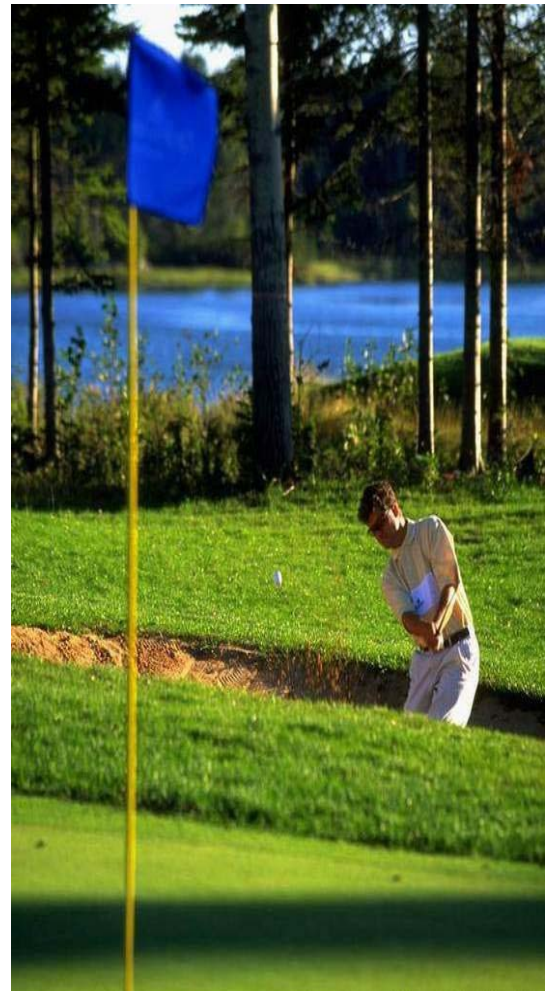


Section 6: Opportunities and Challenges

Like any other strategic plan, an operation or industry has to assess its strengths, weaknesses and focus on its intrinsic competencies to seize opportunities and to mitigate against challenges that it can control. Tourism is a highly volatile industry that often rises or falls on macro socio-economic events - well outside the pale and influence of strategic thinking or actions. But, just as there are lows (e.g. SARS, 9-11) there are highs (economic growth, demographics). The fundamentals for tourism are very good. The questions for this **Competitiveness Strategy** are: Where do the opportunities exist? What are the challenges that are within local control? What are the actions TAC can take to build on the former and diminish the impact of the latter? This Strategy has been premised on the following opportunities and challenges:

Opportunities:

- **PEI is an Island** and consumers are emotionally attached to Islands the world over.
- **PEI's accessible coastline is priceless** and offers opportunities to build on its **natural beauty**, pastoral settings and unparalleled viewsapes.
- **Sustainable Tourism Communities** are emerging with plans to recapture prized waterfronts areas (e.g. City of Summerside), and to correct a threatening imbalance of over-commercialization versus alternatives such as golf and heritage development (i.e. Cavendish).
- The Island is a natural **coastal touring** destination, worthy of new infrastructure.
- **World-class beaches** predominate.
- **Lighthouses and Coastal hiking** are two examples of natural compliments to coastal touring.
- **Pastoral attributes** including tidy farms, patchwork quilted fields and intimate communities translate as being 'remarkable' to visitors.
- **Anne of Green Gables** and L.M. Montgomery themes remain critical, international phenomena with renewed potential emerging from the 100th anniversary (2008) of the novel's initial publishing.
- The Island's **outstanding golf product** can be reprofiled to build multi-seasonal competitiveness.





- **Destination sub-brands** which resonate with consumers should be more powerfully-profiled in product development planning and marketing initiatives (e.g. Cavendish, 'Avonlea', Charlottetown).
- PEI's stance as one of the **safest destination** for families and couples in a post 9/11 world should be better capitalized on.
- The Island has **restorative qualities** for stressed-out travellers.
- **Meetings** by the Sea and Charlottetown (historic Canadian waterfront capital city) have resonance with the national MC&IT sector.
- Building on the **Anne of Green Gables** phenomenon, Prince Edward Island's cultural stories deserve wider exposure.
- The **Acadian culture** is known to resonate with visitors and deserves greater exploitation.
- The **Island trails** product can be improved and is currently under analysis toward that end.
- PEI's **Aboriginal heritage** deserves attention in the product-building effort.
- PEI has good year round ground access via the **Confederation Bridge**.
- Maintaining of the **Wood Islands ferry service** as a traditional, seasonal transportation link is an important contributor to the 'Island mystique'.
- PEI has **solid roofed accommodations** infrastructure – the backbone of any tourism sector.
- PEI's **culinary capacity** and quality have improved.
- Operators are gradually adopting **new technology** trends.
- Emerging opportunities for **tourism science** experiences (*North Cape wind test site*).
- Industry has an appreciation for the importance of **independent research**.
- Operators are gradually adopting more **customized packaging**.
- Tourism is a sector **poised for change**.





Critical Challenges:

- **PEI does not have a regulatory regime favorable** to tourism growth. A more proactive approach is needed. Amongst a host of issues - industry says that the absence of a harmonized sales tax is a significant and direct deterrent to regional competitiveness – both from a costing and pricing perspective.
- PEI must resolve the matter of **increasing industry's contribution to the province's product readiness and marketing efforts**. More than 360 jurisdictions in North America, including *two regional competitors*, have accomplished this through legislated and dedicated *accommodation fees or levies*. Without a similar and strong movement towards increased private sector investment, PEI will continue to lose valuable competitive ground, and the broader issue of a **province-wide tourism investment strategy** will remain unresolved.
- With the adoption a new product culture and subsequent heightened interest in new product development, **access to capital** – already a prevalent threat to the Sector will become even more of a concern/issue for the tourism industry. An important advocacy role in this area **must be pursued by TIAPEI**.

Other Challenges:

- The **scenic touring network remains outdated** and in disrepair.
- The primary **purpose of local tourism organizations needs to be clarified** along with the need to develop more capacity-building at the local level.
- **Tourism's stature** as an economic sector needs to be **quantified**.
- **A more integrated strategic approach is essential** (research, product and marketing).
- PEI needs a 'community' of product **development specialists**.
- Outside of Charlottetown and Cavendish (where 67% of tourism business occurs) tourism activity is becoming **increasingly limited**.
- Initiatives intended to boost **quality and service levels** within the industry require the full support of TAC and governments (i.e. the TIAPEI Tourism Council on Human Resource Development initiative).
- At TAC there is an emerging consensus that **PEI's marketing approach** must be re-examined in the context of an overall new tourism strategy.



- Investment must give consideration to **products and experiences which contribute to seasonal expansion**.
- Considering international trends, the individual operator uptake regarding **on-line reservations** systems is alarmingly low.
- Dial-up versus **broadband capacity** still has significant gaps.
- While local stakeholders exalt the importance of research, local capacity for, investment in and **integration of tourism research** is very limited.
- All **sub regions have pressing issues**, be it the North Shore's challenges of shifting demographics; Charlottetown's need to adopt cohesive governance structures; and declining market share in Summerside and Western PEI. Eastern PEI needs to *continue* building on its past successes.
- PEI needs better, more expansive infrastructure capacity to take **meetings, conventions and major events** to the next level.
- While ground access is solid, over the next five years **air access will remain an ongoing challenge**.
- PEI is at a loss to capture its rightful share of the **cruise market because it lacks the necessary marine infrastructure**.
- Considering its beach product and fresh seafood appeal to Francophone Quebecers, the Island **is lacking in bilingual outreach and services**.
- PEI may have lost its **competitive edge from a pricing and value** perspective, particularly in the Maritime market. More analysis on this issue is required.





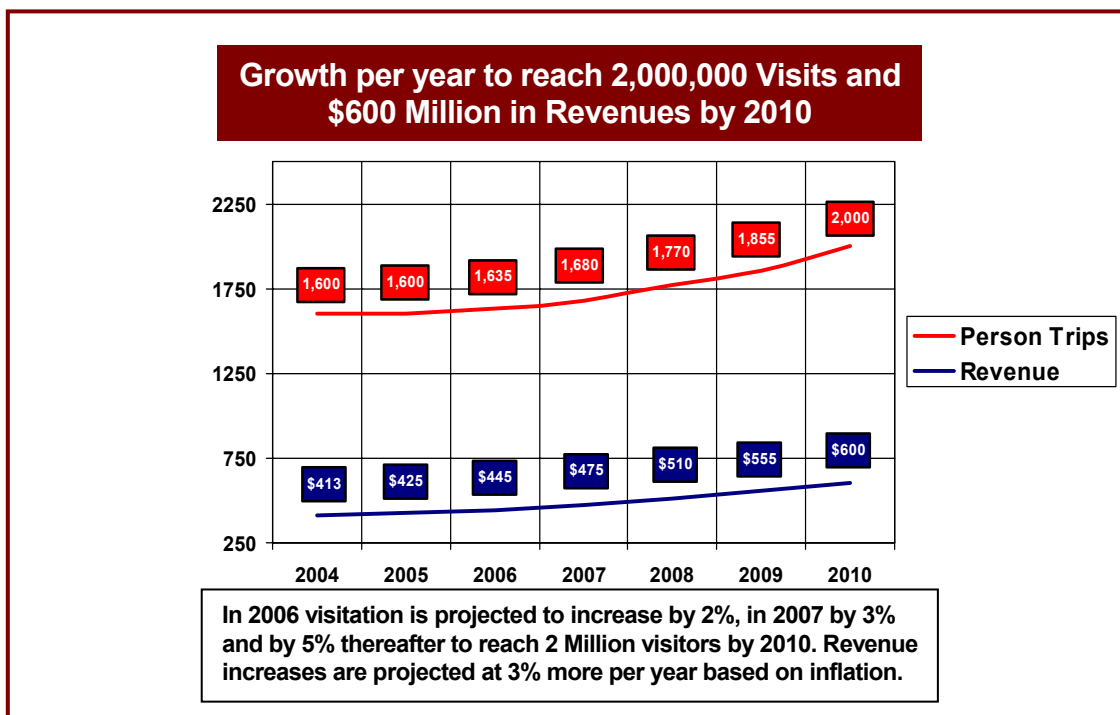
Section 7: Vision, Goal & Guiding Principles

The Vision:

Prince Edward Island, with its unmistakably-identifiable seaside beauty, accessible coastlines, pastoral landscapes and unique experiences will be the Canadian destination of choice for consumers seeking escape, enjoyment and personal enrichment.

The Global Objective:

Prince Edward Island will attract 2 million visitors and generate \$600 million in direct spending by the year 2010.



The Guiding Principles:

- Adhere to an integrated Research – Product - Marketing approach.
- Create a new product development culture.
- Enhance core products while inventing new products.
- Adherence to sustainable tourism practices.
- Articulate an everlasting brand and positioning: seize ownership of most attainable markets.
- Create an industry of experts.
- Keep the strategy embarrassingly simple.



Section 8: Tactics

8 (a): Tactic: Administration of Tourism

In making PEI's tourism industry more competitive, the organization and structure of the industry and stakeholders is central to future success. Developing capacity, clarifying roles and accountabilities, and infusing a culture of trust and cooperation all are essential to future growth. These structures and organizations must work together to grow the business climate for tourism. This strategy sets forward the following sixteen (16) point tactical agenda:

- 1) TAC is the **architect, champion and owner** of the competitiveness strategy and requires a lean but effective secretariat to ensure that being the champion and owner of the strategy has meaning.



- 2) While there are many key partners in PEI's tourism sector, none is more influential than or as important as the **Province's Department of Tourism**. To implement this strategy, additional capacity (*research, marketing and product development*) and leadership from the Province is essential. This strategy calls for **more product development specialists** to give administrative effect to the product development agenda. This may require the redeployment of existing staff or the addition of new staff. The strategy also calls on the Department to play an advocacy role in promoting the interests of tourism amongst other Provincial departments.



- 3) **ACOA** has a supporting leadership role and it is important that ACOA's agenda be in lockstep with that of the province and industry. This strategy calls on ACOA, the Province and industry to develop a joint **Product Development Program** which allocates scarce resources towards the most strategic opportunities, in a seamless, focused and integrated manner. The strategy also calls on ACOA to play a leadership and advocacy role in promoting the interests of tourism in PEI among other Federal departments including: the Canadian Tourism Commission; Parks Canada; HRSDC; Heritage Canada, Transport Canada, etc.



- 4) This strategy recognizes the significance of **Parks Canada** and the critically important product development role it must play in future tourism initiatives. The competitiveness strategy calls on an administrative arrangement which can **ensure** closer working relationships built on respect for sustainable development principles and sound tourism growth practices and principles. Industry envisions a **balance** between *sustainability* and to enhance and not diminish *access to PEI's coastlines*.



- 5) **Organization and capacity at a local level** are important for the advancement of tourism. PEI has too many organizations with mandates that are not always clear and many that contend with ongoing capacity issues. This realization brought about the consolidation of the Cavendish, Beaches and the Dunes Tourist Industry Associations into one organization. This strategy calls on TIAPEI and TAC to cooperatively facilitate the establishment of new **Tourism Destination Areas (TDA's)**, organized around product (*i.e. scenic touring networks*). In addition to a wide range of activities and points of interest, each TDA would possess a well planned, well themed and actionable *sustainable tourism community plans*. The primary focus of each TDA would be on product, with a secondary focus on marketing. Each TDA must be properly resourced and integrated into an overall administrative and delivery framework.



TOURISM
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- 6) This strategy calls for the establishment of an integrated Destination Marketing Organization (DMO) for Canada's historic capital – Charlottetown, to bring greater coordination and capacity for the further development of one of PEI's most important and unique products, **historic Charlottetown**. The primary focus of a Charlottetown DMO would be product, group sales and events - with consumer marketing at a secondary level. This group would have the added responsibilities of continuing to develop the Birthplace theme and expanding PEI's cruise ship market base.
- 7) This strategy envisions **TIAPEI** continuing in its vital role as the **chief advocate and communications agent** for the tourism industry (e.g. virtual and real newsletters, well-attended industry-wide annual and semi-annual gatherings). TIAPEI will play an important and central role in addressing ongoing issues related with the competitiveness of the tourism industry and as has happened in the past, will present a consolidated expression of industry viewpoints (e.g. Montague Tourism Forum). TIAPEI, supported by TAC will also assume a leadership role as it relates to the **Business Climate** for tourism and its **Regulatory Review Agenda** (*as outlined on page 21*).
- 8) TIAPEI will continue to expand in its role as a deliverer of tourism skills programming; proponent of enhanced **tourism labour market development**; and other HR-activities through the Tourism Council on Human Resource Development. TIAPEI will play a vital role in the introduction of tourism's forthcoming Sector Council, designed to establish a worker/management partnership for the industry. The Association will ensure PEI benefits from educational, training and workforce related developments occurring at the National level -Canadian Tourism Human Resource Council.
- 9) This strategy recognizes there are and will be **niche product clubs** (*such as Golf PEI*) that cross sub regional boundaries. This strategy calls on these product clubs to work closely with TAC to advance the goals of the competitiveness strategy in a seamless, coordinated manner.
- 10) This strategy calls on TAC to be **steadfast** in ensuring that a **culture of communication and cooperation** be the hallmarks of a *renewed* administration of tourism in PEI.



Business Climate Competitiveness:

In addition to the above organizational tactics, these following initiatives are designed to make the industry more competitive:

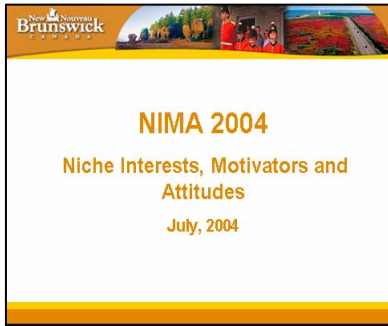
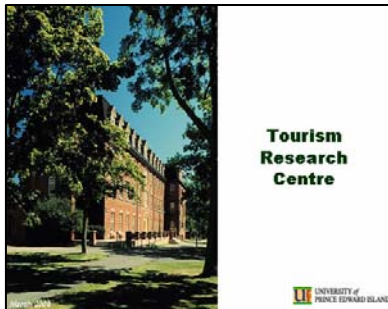
- 11) Seek **increased investment** from the public and private sectors for research, product and marketing related activities. Establish a federal/provincial/Industry product development fund - jointly managed and financed to strategically direct scarce public resources to the highest and best possible use, with a decided bias towards what is best for the industry as a whole.
- 12) Seek **increased industry contributions** for tourism to support Provincial marketing campaigns and to advance product development projects at the local organizational level
- 13) Undertake a **competitive regulatory review** and make actionable recommendations that governments can implement to make PEI's tourism industry more competitive. These reviews would include taxation policies, legislation (liquor laws, retail shopping laws) and other municipal, provincial and federal regulations that have a direct impact on the competitiveness of PEI's tourism industry. TIAPEI, as the industry's chief advocate, would assume a leadership role in this strategy. TAC would provide analysis and support to TIAPEI in this regard.
- 14) Ensure that the **MC&IT and major events** sales efforts are properly equipped and resourced knowing that MCIT travel is a critical component to any growth strategy (particularly in shoulder seasons).
- 15) Expand air lift capacity.





8 (b): Tactic: Research Agenda

PEI tourism has long been proud of its commitment to research based practices. This Strategy envisions that by 2010, Prince Edward Island's reputation in the area of tourism research will be synonymous with **EXCELLENCE**. The continued evolution and development of PEI's Tourism Research Agenda would entail the following eleven (11) point agenda.



- 1) Increase the capacity for tourism research by making **the UPEI Tourism Research Centre** operational, and integrate within it, provincial tourism research and planning agendas.
- 2) **Expand the tourism research** base by capacity building with other local academic institutions (Holland College, ATHI, etc.) and by forging partnerships with national (CTC, TTRA) and international (TIA America) institutions.
- 3) Bring a more coordinated focus on **product development gaps and opportunities**, and undertake research in support of the product development plan.
- 4) Build on the above and implement a New Brunswick style **NIMA (Niche Interests, Motivators & Activities) research program** focusing on **PEI's big four markets**, starting with Atlantic Canada, then Ontario, New England and Quebec.
- 5) **Disseminate market intelligence** down to the regional and individual operator level. Make knowledge go to work on the frontlines.
- 6) Ensure **vigilance, clarity and accuracy** in the measurement and communication of tourism performance indicators.
- 7) Advantage provincially sponsored **product development days** in the off season to update, inform and better prepare tourism operators, TDAs and sector groups on emerging trends.
- 8) Organize an **annual international think tank** session in which leading writers and tourism planners confer to discuss with the industry, challenges and opportunities facing PEI's tourism sector.
- 9) **Investigate the effects seasonal homes** are having on various aspects of the tourism industry.
- 10) **Increase government contributions** to a more robust research agenda.
- 11) As an early priority, examine issues related to the **family market, price competitiveness, quality and value**, and assess their impact on market share and competitiveness within the tourism sector.



8 (c): Tactics: Product Development Agenda

As in every other facet of consumerism, tourism products created yesterday (one half of the product development challenge) must undergo change in order to remain competitive - or they will cease to be of value. The remaining challenges are toward the invention of new products and experiences. These new products and experiences will have relevance to an interlocking positioning, brand and signature line.

For Prince Edward Island, there is no one magic intervention to resolve the industry's product development challenges. The **Product Development Agenda** will most likely need to be a mixed, integrated approach - focusing on new offerings; strengthening and revitalizing existing core product; and developing a mix of hard & soft / tangible & intangible. The **Product Development Agenda** will need to be responsive to changing circumstances and will need to be progressive, focussed, precise and unapologetic in its support of what the marketplace is seeking.

The **Product Development Agenda** is about mobilizing industry. Mobilization requires the introduction of proven programs (e.g. Total Market Readiness), infrastructure and the deployment of skilled product development specialists who work directly and day-to-day with individual entrepreneurs, sector bodies and local tourism destinations. Mobilization requires capacity at the provincial and local levels, with a combination of talent and programming that is in-field and working directly with operators.

The PEI product development agenda is divided into seven major categories:

- 1) Icon Products
- 2) Coastal Experiences
- 3) Culture & Heritage
- 4) Meetings and Conventions
- 5) Provincial Parks
- 6) Festivals and Major Events
- 7) Industry Professional Development





The following initiatives focus on: infrastructure development and enhancement; the creation of new ideas which match leading global trends and motivators; enhancing the industry expertise which will in-turn build the visitor experience, and reinvigorating core products - all of which must serve to nurture the Island's core attributes (i.e. sustainable coastal and pastoral beauty). The following tactics will be implemented at various stages over the next 5-years. Each year annual priorities will be identified from this strategy, as well, research will be undertaken on a regular basis to determine current market interests in order to keep an eye on the possibility for new product developments.

1) Icon Products

The following products represent PEI's unique selling points and world-class product. There is significant opportunity to build upon these key tourism icons to increase quality, competitiveness and to showcase our gems to the world.

Anne of Green Gables	Enhance experiences and build upon product for the 100 th anniversary of the Anne of Green Gables publication in 2008.
Beach Product	Develop a first ever PEI Beaches Strategy that will create a balance between sustainability and accessibility.
Golf	Enhance quality, service standards and capitalize on PEI's award winning golf product.
Confederation Trail	Implement recommendations from the Phase II study including enhancing the product infrastructure, service facilities and interpretation.





2) Coastal Experiences

- **Scenic Touring** -- A continued and renewed emphasis on re-establishing PEI's scenic touring network, given that sightseeing will remain one of the most dominant leisure activities (*highest participation rate among visitors*).
- **Waterfront Development** -- The development of the Charlottetown Cruise-Port and ancillary waterfront initiatives which include the continued focus on the authentic and unique historic Charlottetown proposition.



3) Culture / Heritage

- Implement the Culture and Heritage Study, which is currently under the auspices of TIAPEI. This includes working with PEI's rich cultural and heritage attractions to enhance their market readiness and create a network of tourism product. The study also focuses on the expansion of the Charlottetown Festival to a larger, more inclusive, non-stop and city wide arts and entertainment spectacle.
- Seek national and international heritage/ecotourism for Island products.
- Work with the agriculture sector to enhance existing and develop more market-ready agri-tourism products.



4) Festivals and Major Events

- A reinvigorated and fresh approach to the festivals and major events product - with emphasis on unique offerings capturing new markets, particularly in the non-peak periods.



5) Provincial Parks

- Develop a strategy for provincial parks that will focus on enhancing their value to tourism.

6) Meetings and Conventions

- Expand infrastructure and capacity for hosting meetings, conventions and major events - particularly as it relates to the key core convention markets in Charlottetown, Summerside, Cavendish, and other Island resort experiences.

7) Industry Professional Development

These initiatives are designed to make individual & public operations or sector groups smarter, better equipped, more profitable and ultimately - more competitive.



- **Total Market-readiness** -- Institute Total Market Readiness (TMR) – Mentoring, Mystery Shopping, and a Market Readiness Toolbox.
 - **Enhance the Visitor Experience** – Develop a strategy to bring Visitor Information Centres to the next level, focusing on customer service, sales and state of the art technology.
 - **Best Practice Missions** -- Increase participation in best practice programming amongst Island operators.
 - **Human Resource Development** – Support TIAPEI in efforts to strengthen human resource development within PEI's Tourism Industry.
 - **Travel Trade** – Work with the industry to increase their expertise in working with the travel trade. Adopt Trade-Smart or made in PEI Trade-Smart program for Island operators.
 - **Sustainability** – Promote sustainable tourism practices at the operator level.
- **Workshops** – Continue to offer educational workshops that will focus on:
 - ✚ Creating a greater operator-level understanding of the relationship between price and yield management;
 - ✚ Engaging operators to ensure their products are meeting the needs of an aging demographic; and
 - ✚ Accelerating the adoption of technology at the operator level through developmental programs such as Technology Boot Camps.



8 (d): Tactics: Marketing Agenda

Marketing remains a critical cornerstone of The Prince Edward Island Strategy for Tourism Competitiveness. A forceful, new emphasis on product development should not serve to confuse matters. The marketing agenda must produce results at the highest imaginable level. Primary considerations in the execution of this agenda are those product issues raised throughout this report. In a highly competitive industry, the marketing agenda must - with precision and inventiveness, communicate PEI's messages to the consumer. This competitiveness strategy calls for an eight (8) point marketing plan.



- 1) Through TAC and beginning in 2006, **PEI's position and brand** - one that is irrefutably owned by Prince Edward Island (i.e. unmistakably-identifiable seaside beauty) and one that can be easily understood by industry and consumers, must be finalized, constituted and articulated. The resulting message must mobilize industry to develop, adopt and launch a new marketing plan which conveys the brand and its product.
- 2) The new plan will be research driven, strategy compliant, **results** focused and linked to overall industry performance (*Base Year Outputs, page 7*).
- 3) The new plan will be weighted and influenced towards **defining and communicating** a unique selling proposition and seeking market dominance and ownership, versus a scattered approach.
- 4) Government's (Federal and Provincial) **financial contributions to marketing** should be focused predominantly, if not exclusively, in support of the provincial campaign. Local TDA's and sector groups – with limited marketing efforts - must enhance, support and reinforce the provincial campaign.
- 5) **Internet applications** will be at the heart of future marketing considerations. With a marked increase in internet usage, the strategy calls on the immediate development and implementation of a highly creative, customer friendly, cutting edge technology platform for PEI Tourism, based in part on the outcomes of the Website Relocation Task Force. TDA's, sector associations, and operators should integrate their internet communications into a forceful, common look and feel.



- 6) **Industry** must significantly increase its contributions to the provincial marketing campaign. This can best be achieved through a province-wide roofed accommodations and campground tourism levy.
- 7) **Greater continuity is required.** Finding the right message and sticking with it is important in building brand equity. This strategy calls on the province to review the roles of and hire (performance-based) an Agency of Record for three years, with the option of extending their contract into years four and five. This would accommodate a direct timeline link to this strategy. Any other contracted firms should also be hired within similar timelines.
- 8) The strategy calls for a **combined \$10 million campaign** by 2010 (up from base year amount of \$5.1 million).





Section 9: Implementation and Conclusions

In Prince Edward Island, tourism will continue to be an important and leading economic sector for the Province. While future challenges are many, so too are the opportunities and the rewards. For example – if this strategy is successful, more than 2,000 new full time equivalent jobs could be created and on PEI the provincial treasury could grow by \$16 million a year. By becoming more focused and integrated the Province's key tourism stakeholders - through a shared vision, can revitalize and move this industry to a new level of competitiveness and profitability.

Developing a strategy is but one important step towards a more competitive industry. Stakeholder commitment and measuring progress in a transparent way are equally important. As guardian of the strategy, TAC will assume responsibility for implementing, refining and reporting on the strategy's progress. It will manage this process by being 'embarrassingly simple' in its governance approach.

TAC will establish annual Tourism Plans for the administration, research, product and marketing agenda's. By December 1st of each year, it will forward to the Minister an annual report card (*template attached as Appendix F*) which will speak to the tactics and growth objectives outlined in this strategy. This report card will annually measure progress on a qualitative basis as it relates to the various initiatives outlined in this strategy and will strive to achieve the following quantitative objectives:

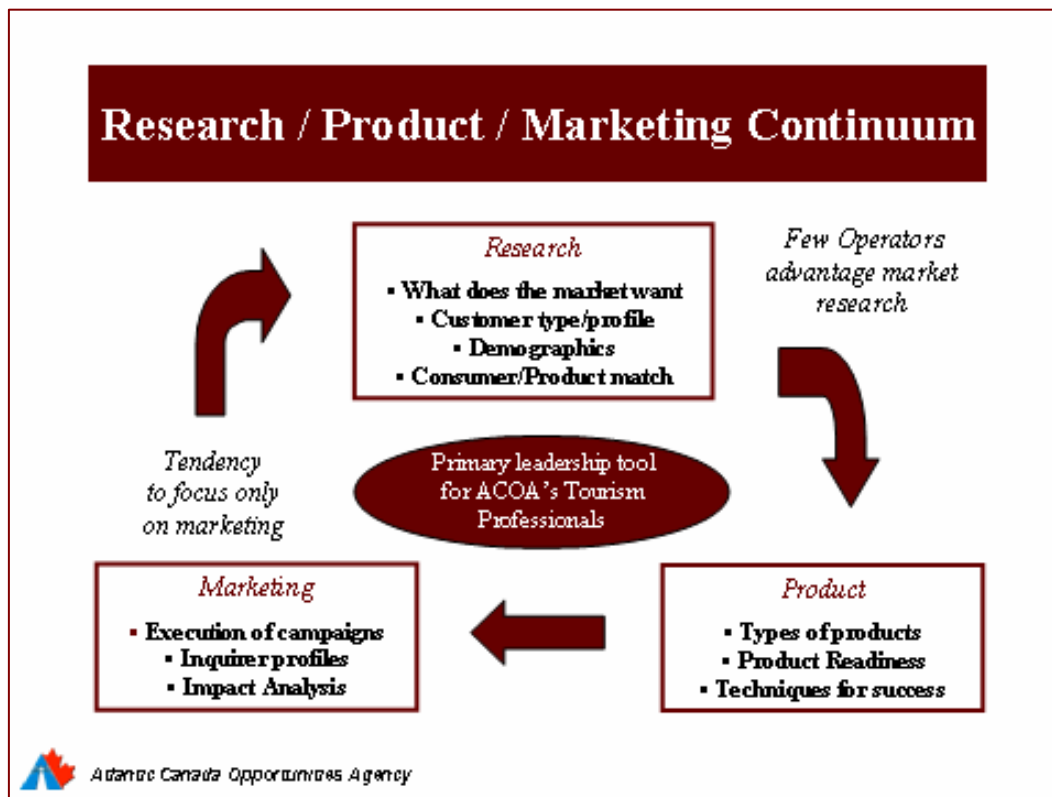
TABLE #6: Base Year Output – Pre/Post Strategy

INDICATOR	2005 BASE YEAR OUTPUTS	2010 VISION OUTPUTS
Tourism Outputs:		
9. Visitation	1,600,000	2,000,000
10. Direct Revenues	\$413,000,000	\$600,000,000
11. Revenues as a Percentage of GDP	10.3%	14.5%
12. Tourism Employment ¹	15,000	20,000
13. Tourism Employment in FTEs ²	4,500	6,600
14. Industry payroll	\$48,900,000	\$65,000,000
15. Provincial Tax receipts (10%)	\$37,500,000	\$55,500,000
16. Federal Tax receipts (7%)	\$24,500,000	\$36,500,000



Appendix A

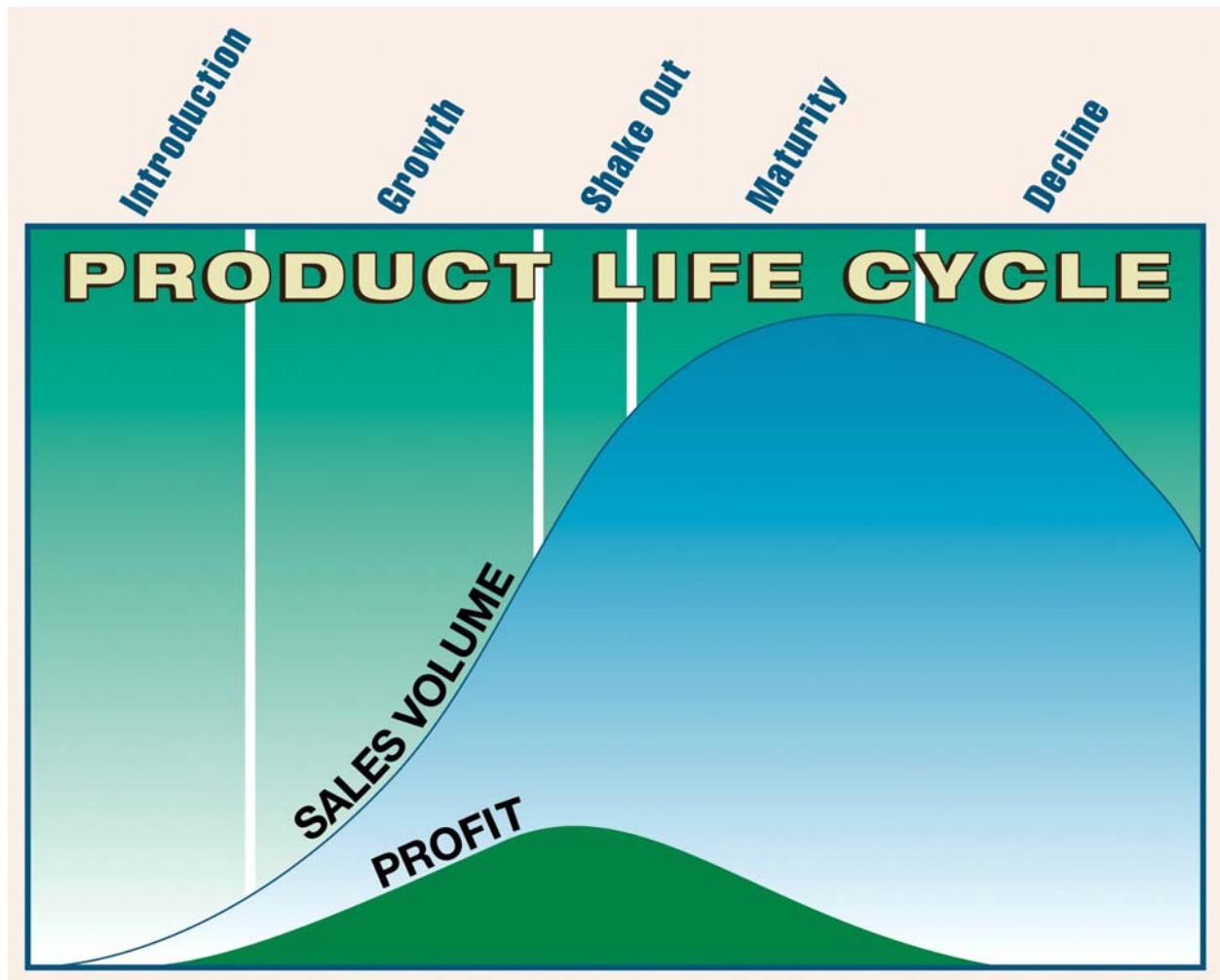
Research – Product – Marketing Continuum





Appendix B

Product Life Cycle





Appendix C

Product Development Case Study 'Snapshots'

In the words of Tourism Intelligence International, a leading international tourism consulting group, future success lies in “reinventing tourism.

“A new tourism is emerging: sustainable, environmentally and socially responsible and characterized by flexibility and choice. A new type of tourist is driving it: more educated, experienced, independent, conservation-minded, respectful of cultures and insistent on value for money. Information technology is opening up an astonishing array of travel and vacation options for this new tourist. To remain competitive, tourism destinations and industry players alike must adapt. For many, the challenge is to reinvent tourism. Market intelligence, innovation and closeness to customers have become the new imperatives.”

In keeping with such themes, the following case study ‘snapshots’ have been gathered. These destinations have realized success through reinventing their products.

Cancun

The Mexican government has introduced the ‘Program to Strengthen Competitiveness in Tourism’ to bring “elite” tourists back to Cancun.

Created in the 1970’s, as a destination, Cancun suffered the effects of competitive predatory practices (other sun destinations) and the effects of massive over-influxes of tourists during the 1990’s.

Restoring demand required that the product change, specifically the destination recover its beaches and build facilities that present the image of a high-level destination, matched by raising the level in the quality of services provided to customers. This product shift was followed by a campaign which portrays Cancun as more than just sun and sand: the product additions became archaeology, Mayan culture and biodiversity—a museum with beaches.

Las Vegas

Las Vegas suffered from competitive predatory practices (the emergence of gambling operations in a host of American cities) and experienced a tourist exodus during the 1970’s.

“Today, people no longer come to Las Vegas because of games of chance,” according to University of Nevada professor Andy Nazarechuck. “They come for the experience.”

The city moved to attract families and has made another shift into arts and culture and more elite entertainment: the point being that change and freshening of the product were necessary in order to survive and prosper. Apart from the obvious development of resorts



and entertainment products, other factors have also impacted Las Vegas's growth and success, including: integrity and transparency at casinos, memorable restaurants, special events, conventions and shopping.

In 2004, the city attracted more than 37 million visitors and \$33.7 billion in revenues. Eighty per cent are repeat visitors.

The Bay of Fundy

New Brunswick Tourism spent decades failing to understand the true value of the Bay of Fundy as a one-of-a-kind marine ecosystem and how to transition that concept into a winning tourism initiative. For a province mired in one of Canada's worst 'drive-through' situations, the answer was always there, albeit embedded in science.

Once the science was understood, the New Brunswick tourism sector began a process of augmenting and building up its 'Grand Canyon.' Major infrastructure initiatives were undertaken as a signal to the private sector and customers that the Province was serious about tourism growth: creation of the Fundy Coastal Drive, reinvention of the Hopewell Rocks, the creation of the Cape Enrage Adventure site, rebuilding of the Algonquin Golf Course to a signature level, expansion and modernization of the famed Algonquin Hotel, community enhancement in places such as St. Martins, building the Fundy Trail and Fundy Parkway and the creation of Day Adventure Centres in St. Andrews and St. George.

As these initiatives fell into place, individual operations were retooled through the creation of the Day Adventure initiative, new packaging ventures, the introduction of mystery shopping, the introduction of Savvy Traveler designations and the creation of a point-of-sale network to assist in capturing customers and sales.

New Brunswick's actions caused a sensation in Nova Scotia, where industry demanded parallel initiatives to those of their Bay of Fundy neighbors. The Bay of Fundy was and remains one of the leading icons and destinations for both provincial jurisdictions. The Bay of Fundy Tourism Partnership emerged, serving as a laboratory for best practices and the increasingly-deployed Total Market Readiness (TMR) program of mentoring, mystery shopping and the customization of market readiness toolboxes for tourism operators.



Appendix D

Explanatory Notes: Methodology for Adjustments to PEI's Historical Data

Adjustments to PEI Data

To Estimate 12 Month Resident & non Resident Tourism

- Statistics Canada's Canadian Travel Survey was used to estimate the number and value of same day and overnight touristic person trips taken by PEI residents. Estimates were incorporated into PEI historical exit survey data sets.
- Statistic's Canada's Canadian Travel Survey was used to identify the month of non resident, Canadian visits to PEI. Ratios were developed and applied to Tourism PEI's Exit Survey data to estimate the volume of and spending by Canadian visitors to PEI over a 12 month period.
- Statistic's Canada's International Travel Survey was used to identify the month of non resident, American visits to PEI. Ratios were developed and applied to Tourism PEI's Exit Survey data to estimate the volume of and spending by American visitors to PEI, over a 12 month period.
- Statistic's Canada's Canadian and International Travel Survey was used to identify the months of American and Canadian Business visits to PEI. Ratios were developed and applied to Tourism PEI's Exit Survey data to estimate the volume of and spending by Canadian and American business visitors to PEI, over a 12 month period.
- Motorcoach person trips and revenues were not adjusted.





Appendix E

Literature Review Sources

International Air Transport Association
AC Neilson Research Group
American Bus Association
American Hotel & Lodging Association
American Society of Travel Agents
Association of British Travel Agents
Association of Corporate Travel Executives
Asian Market News
Atlantic Provinces Economic Council
Atlantic Canada Tourism Partnership
Canadian Hotel Association
Canadian Tourism Commission
Conference Board of Canada
Cruise Industry Trends
Cruise Line International Association
Economic Research Associates
EIBTM Technology & Travel Trends
Environics Research Limited
Euro RSCG Worldwide
European Travel Commission
European Tour Operators Association
FHA National Household Survey
Global Insight
Global Association for Packaged Travel
Hotel News Resources
IPK International
IRN Research
International Association of Travel Executives
International Council of Cruise Lines
International Golf Federation
Ipsos Reed
Japan Association of Travel Agents
Japan Travel Bureau
Japan Ministry of Foreign Affairs
Intel International Group Limited
Ministry of Tourism – France
National Business Travel Association
National Golf Federation
National Tour Association
New England Society of Convention and Visitors Bureaus
North American Association of Travel & Lifestyle Writers
Ontario Ministry of Tourism & Recreation
Pacific Asia Travel Association
Randall Travel Marketing
Reiseanalyse
Statistics Canada
Star UK
Tourism Australia
Tourism Alberta
Tourism British Columbia
Tourism Industry Association of America
Tourism Industry Association of Canada
Tourism Intelligence International
Travel Research International
Travel Daily News
US National Statistics
World Tourism Council
World Tourism Organization
World Travel & Tourism Council
World Travel Monitor



Appendix F

Report Card Template

Annually, TAC will submit to the Minister a Report Card which comments and measures progress on all elements of the Competitiveness Strategy and the Annual Tourism Plan as prepared by TAC and approved by the Minister.

The Report Card will incorporate the following:

1. Base Year Outputs for the current tourism year and accumulated progress against the overall objectives of the Strategy.
2. Qualitative progress measures against the goals and objectives of the Strategy's Administration of Tourism agenda.
3. Qualitative progress measures against the goals and objectives of the Strategy's Research Agenda.
4. Qualitative progress measures against the goals and objectives of the Strategy's Product Development agenda.
5. Qualitative progress measures against the goals and objectives of the Strategy's Marketing agenda.
6. Recommended changes to the Strategy.
7. Outline goals and objectives for the coming tourism year.