Newfoundland and Labrador Tourism Marketing Strategy Review

~Final Report~

Newfoundland & Labrador Tourism Marketing Strategy Review

~Final Report~

submitted by

The Economic Planning Group of Canada

in association with

The Kelsh Company
Economic Growth Solutions Inc.
Perry and Butland Communications
McQuinn and Company Marketing

November 2002

1869 Upper Water Street, Suite 200, Simon's Warehouse, Historic Properties,
Halifax, Nova Scotia, Canada, B3J 1S9
Tel: (902) 423-7454 Fax: (902) 423-1690 E-mail: epghalifax@epgcanada.com
Internet: www.epgcanada.com

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

November 30th, 2002

Ms. Carmela Murphy
Director, Marketing
Department of Tourism, Culture and Recreation
Province of Newfoundland and Labrador

Dear Ms. Murphy,

The Economic Planning Group of Canada is pleased to submit our final report - 'A Review of the Newfoundland and Labrador Provincial Tourism Marketing Strategy'. Our consulting team also included several associate consultants to whom we are grateful for their valuable assistance:

- John Kelsh, The Kelsh Company
- John Hockin and John Murray, Economic Growth Solutions Inc.
- Marilyn Butland, Perry and Butland Communications
- Ella McQuinn, McQuinn and Company Marketing

The province has a great future in tourism. Newfoundland and Labrador is being 'discovered' again, 500 hundred years after John Cabot, this time as a unique, in fact an exotic, tourism destination. This phenomenon has been growing across Canada for a number of years, but it is now spreading across the United States as well. And it's not just the outdoor adventure enthusiasts, fishers and hunters and the travellers having a special interest in coming to the province. It's also happening in the mainstream of tourism markets - people looking for a unique touring destination, or a different kind of place to have a meeting, or coming to enjoy the unique culture of the people who live here, or seeking out the 'times and soirees' and the other types entertainment that Newfoundlanders and Labradorians have made into their own art form.

While the demand is growing, the province still faces a number of challenges in responding to what the tourist is seeking and expecting. Travel time and cost, and quality accommodations outside of the St. John's area are just two of them.

There is also the formidable challenge of competing with other destinations, most of whom have much greater resources to draw on in promoting themselves to the same

Simon's Warehouse, Suite 200, Historic Properties, 1869 Upper Water Street
Halifax, Nova Scotia, B3J 1S9, Canada
Tel (902) 423-7454 Fax (902) 423-1690 E-mail: epghalifax@epgcanada.com
Internet: www.epgcanada.com

markets Newfoundland and Labrador is targeting. The work done by the Department of Tourism, Culture and Recreation in recent years has been very much on target with the real markets of opportunity for the province. However, the meagre provincial tourism marketing budget has limited the effectiveness of these efforts and left many opportunities aside. Unquestionably, there is much greater potential which can only be realized through an enlarged marketing effort in the future.

Tourism is a real export earner and wealth generator for a destination, particularly one having the potential this province has. But that potential can only be effectively pursued if the resources are there - the people and the budgets - to get the job done.

Newfoundland and Labrador doesn't have many economic development opportunities superior to this one. It deserves an enlarged effort.

We trust that this report will provide the guidance necessary, and the business case for an enlarged tourism effort. Good luck!

The Steering Committee for this assignment provided invaluable direction. We are also grateful for the assistance of the staff of the department, most particularly Carmela Murphy and Shelley Haynes, and to the Executive Committee of Hospitality Newfoundland and Labrador for their input as well.

Respectfully submitted,
THE ECONOMIC PLANNING GROUP of Canada

S. Gordon Phillips
Managing Partner

Table of Contents

Page No:

Table of Contents

Page No:

Table of Contents

Page No:

Table of Contents

Page No:

Table of Contents

Page No:

Section 9 (continued):

Executive Summary

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Executive Summary

Introduction

The Tourism Marketing Strategy Review study was commissioned by the Newfoundland and Labrador Department of Tourism, Culture and Recreation early in 2002. The objectives, in brief, were:

- To review and update the Province's tourism marketing strategies and programs, including addressing the adequacy of the Province's budget and staff resources in achieving the desired results.

- To review what has been accomplished with Special Celebrations and whether this should continue to be a strategy for the future, and if so, what form it should take.

- To demonstrate the business case for investing in tourism.

- To identify opportunities for the government and industry to strengthen their collaboration and partnership so as to strengthen the organizational and partnership model for moving ahead.

Work undertaken on this assignment included personal interviews with key industry stakeholders and government staff, case study reviews of tourism marketing efforts and public-private partnerships in the tourism sector in selected provinces across Canada, interviews with tour operators familiar with Newfoundland and Labrador, and an extensive review of market research reports on tourism generally, and in the province. Seven tourism industry stakeholder consultation sessions were held throughout the province, along with several meetings with an Ad Hoc Industry Advisory Committee established for this project.

The assignment was conducted by The Economic Planning Group of Canada, with the assistance of John Kelsh, The Kelsh Company; John Hockin and John Murray, Economic Growth Solutions, Marilyn Butland, Perry & Butland Communications, and Ella McQuinn, McQuinn & Company Marketing.

The Current Situation

Target Markets and Marketing Budgets

The Newfoundland and Labrador Department of Tourism, Culture and Recreation's Tourism Division has responsibility for the provincial tourism marketing effort. Over the past five years, the Division has focussed its efforts on the following target markets:

<u>Geographic Markets</u>
Primary
- Ontario

- Maritimes

Secondary
- North East US (in partnership with ACTP)
- Alberta (test marketing in 2002)

Developmental
- UK, Germany and Japan (in partnership with ACTP)

<u>Purpose of Trip Markets</u>
- Sightseeing/Touring
- Adventure/nature viewing
- Hunting/Fishing
- Meetings, Conventions and Incentive Travel

The Province has also undertaken some developmental marketing in the learning/enrichment travel market segment and it provides some limited support to alliances marketing the province's golf courses as well as the cruise product.

Key marketing tactics include media advertising (newspaper, TV and magazine), direct mail, travel trade marketplaces and consumer shows, travel trade partnerships, media relations, and the Internet. More extensive magazine advertising, including special travel guides, is undertaken in partnership with the Atlantic Canada Tourism Partnership (ACTP) and the Canadian Tourism Commission (CTC). The province's primary fulfilment piece is the provincial Travel Guide and there is also a variety of collateral for special interest markets such as hunting/fishing, incentive travel and adventure.

The Province's total core marketing budget for 2001/02 was $4.1 million, with an increase to approximately $5 million for fiscal year 2002/2003. In addition, the province also partners in marketing initiatives that can access monies from several federal and federal/provincial government sources, thereby supplementing the core marketing budget. However, these programs are not consistent in their availability and frequently have restrictions on their use.

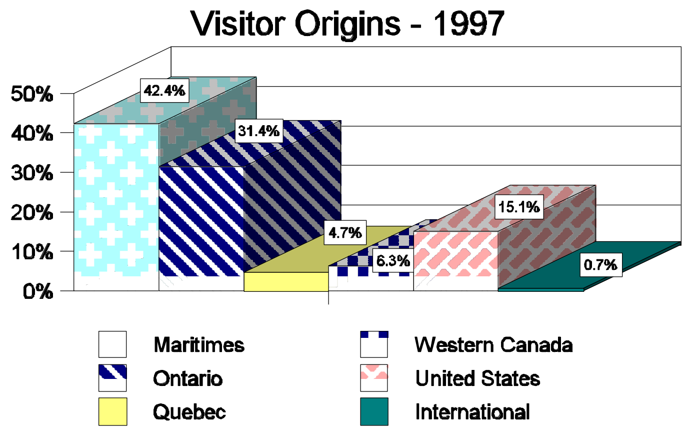
The Visitors

Data provided by the Department of Tourism, Culture and Recreation indicates that tourism visitation to the province has increased by 40% since 1996, from some 305,000 visitors to 428,000. This includes visitors travelling for all purposes - business, leisure, visiting friends and relatives, meetings, etc. The most significant increase in visitation to Newfoundland and Labrador occurred in 1997, the year of the Cabot Celebrations, but 1998 through 2000 also saw annual increases. During this same 1996 to 2001 period, visitor spending has increased by over 75%, from $164.5 million to over $289 million. Average spending per visitor (excluding spending on transportation to the province) is estimated at $676, with spending by visitors arriving by air at $809, over 50% higher than for visitors arriving by auto.

The most recent information on visitor origins and characteristics is from the visitor exit survey conducted in 1997, the Cabot Celebration year. The following discussion of spending levels and visitor origins is based on this data. It should be noted, however, that visitor origins and characteristics may have changed quite significantly from this 1997 data.

Visitors from the US and International markets had the highest levels of spending for all geographic market segments, some $834 and $850 per person respectively. The lowest rate of spending was from the Maritimes market at some $457 per person. Convention and conference visitors had the highest spending of purpose of trip markets ($789) while those visiting friends and relatives ($521) and on other trips (not leisure or business) ($494) had the lowest spending levels.

In 1997, over 40% of visitors were from the Maritimes (31% from Nova Scotia), with 31% from Ontario and 15% from the United States.



The Competitive Situation

Newfoundland and Labrador's primary competition is the other three Atlantic provinces. However, given the types of experiences offered by the province, and the increasingly global travel marketplace, the province competes with destinations across North America and even internationally.

The province is at a competitive disadvantage with respect to most of these other destinations. Not only is it a considerable distance from the market (requiring significant commitments of time and money to get there), but the Newfoundland and Labrador provincial tourism marketing budget is substantially lower than that of most other Canadian and US destinations. Nova Scotia ($10.8 million), New Brunswick ($7.3 million) and Prince Edward Island ($6.8 million) all have higher budgets than Newfoundland and Labrador, as does the Yukon ($6.3 million). And the province is also competing with other vacation experiences, such as cruising, resort destinations, and urban centres.

Fundamental Strategic Issues

A number of overall strategic issues have been identified that set the context for the Province's marketing strategy. These are:

- ***Sell the Destination first, then the Products and Regions*** - People have to be motivated to select the province as a destination before deciding on what they will do and which region they will visit. It is the Province's primary job to sell Newfoundland and Labrador as a destination.

- ***The Internet Revolution -*** The shift to web marketing and driving enquiries to the web is a revolution in travel and tourism marketing methods, and the province needs to catch up in using this technology.

- ***Adequate Resources are Needed if the Job is to Get Done*** - You need enough money and people to do what has to be done to be successful. This is a critical issue for Newfoundland and Labrador - the current level of Provincial investment is not adequate to do the job that is expected, and needed.

- ***Quality Products and Experiences, and Traveller Infrastructure*** - Quality experiences and products, travel infrastructure such as sufficient air and ferry capacity, travel services, decent accommodations, restaurants, car rentals, etc., must be in place and ready to sell before you go to market. Newfoundland and Labrador has challenges.

- ***Increase the Focus on Shoulder and Off-season Markets*** - Capacity limitations on air and ferry access, and the shortage of quality accommodations in the high season strongly suggests that the Province and the industry needs to increase its attention on shoulder and off-season periods.

- ***Good Information is Needed, and Tracking is Vital*** - The Province has been lagging in having access to good market information as well as conversion and other tracking data, information that is essential to make good marketing decisions.

- ***Critical Mass is Critical*** - It is not worth promoting to a market segment unless you can invest enough to achieve a sufficient critical mass of effort to have real impact in generating awareness and purchase. And it has to be maintained over time to reinforce the message, and to spread the reach. This means that if you have a small budget and limited human resources, you need to concentrate the effort in fewer and/or smaller markets and not waste money and effort where you haven't got the money to do the job reasonably well.

- ***Doing the Marketing Right*** - Maintaining focus and consistency is important as is making sure the marketing "pieces" fit togther and mutually support one another.

- ***Need to have a 'Business Model' to Get the Job Done*** - Making linkages with industry the right way with respect to the provincial marketing effort is another key issue. What is needed is a "business model" in which the province works with the industry as a marketing partner, and the industry works with the Province as a marketing partner - with the same agenda, and a common purpose.

- ***Linkages with the Marketing by Industry Organizations*** - Linkages with regional and sectoral organizations involved in marketing is an important issue that needs to be addressed. The current situation in the province is somewhat confused and is not sustainable. It needs a major rationalization. However, it was beyond the scope of this project to address this issue in detail.

Market Segmentation

Market segmentation is the technique marketers use to match product offers to target audiences in order to achieve the most cost-effective results. There are a number of market segmentation methods available. For the purposes of this strategy, the consultants have focussed on the purpose-of-trip markets, those that are defined by the reason for travel and where that purpose is the primary trip motivator. The approach is to reach people across one or more geographic markets with a message about a particular reason to travel to the destination. Within this segmentation, we have identified three types of segments that should be targeted.

- ***Touring market*** - broadly-based with the appeal being a mix of activities available at the destination. The marketing effort focusses on destination awareness and the diverse appeals and unique selling propositions (USPs) of the province, highlighting its icons.

- ***Activity markets*** - more narrowly focussed on travel for specific activities. Media used are designed to target specific audiences.

- ***Multi-purpose trip markets*** - between the two extremes of the general interest touring markets and special purpose/interest activity markets. These are hybrid segments involving travel motivated by a combination of general and special purposes/interests, or a trip motivated by a number of special purposes/interests combined. In this report, these are called **Explorer markets.**

A list of the target market segments identified as priorities for Newfoundland and Labrador is identified in the next section of this report.

Recommended Marketing Strategies

Selection of Target Markets

There are many potential target markets available to Newfoundland and Labrador, however, the Province can only afford to pursue a few if the effort (spending and staff time) in each is to be effective, and cost-effective. Before getting into the question of which particular geographic, activity or explorer markets are to be pursued, it is important to first look at the likely potential they represent for the province. The consultants have identified the following criteria for use in ranking the kinds of tourism markets the Province should pursue, and the emphasis that should be given to each. The criteria include:

- Can this kind of market be influenced by marketing?
- Does it have real potential for growing tourism to and in the province?
- Are there factors that inhibit realizing the growth potential?
- What is the proportion of our current tourism activity from this market?
- Is the spending per capita from this market high, medium or low?

Based on this assessment, we are recommending the following overall strategic focus for the tourism marketing effort.

First of all, *we propose that the largest part of the Province's (the Tourism Division and its marketing partners) marketing effort (staff resources and budgets) should be external, focussed on motivating people to come to the province; a smaller but significant part should be on influencing the trip planning of those interested in coming; and the smallest part should be on in-province* *marketing - keeping them longer and spending more, and also inducing provincial residents to travel in their own province.* (This includes efforts such as Visitor Information Centres, extra quantities of collateral for in-province distribution, and efforts targeting the resident markets)

Secondly, *of the major effort invested in motivating non-residents to travel to Newfoundland and Labrador, half or more should be invested in the pleasure/leisure travel marketplace, a modest portion on motivating the friends and relatives of residents to visit, and smaller portions on each of a number of activity segments, listed in the next sub-section below.* The kind of marketing here involves destination awareness and lure messaging.

Thirdly, *of the effort invested on trip planning before they leave home, most of that should be directed at the three types of leisure markets, with the greatest focus being on the explorers segments.* The focus here is assisting and influencing trip planning so as to maximize length of stay and spending, with suggestions on what to do while they are here, presented in appealing ways. This marketing activity needs to link directly to the first effort, using some of the same tools (such as offering suggested itineraries and packages available in some of the advertising).

Fourthly*, for the modest marketing effort directed internally within the province, some should be targeted to residents to encourage them to make in-province trips, some to leisure travellers while they are in the province to encourage them to extend their stay and spending, and some to friend and relative visitors while they are here, to encourage them to do more things during their visit*.

Priority Target Markets

The following target markets were scored and ranked so as to identify their relative priority.

<u>Geographic Markets for Touring and Explorer Segments</u>
- Maritimes
- Ontario
- Quebec - primarily Montreal
- Western Canada - particularly Alberta
- Northeast USA
- Longer haul USA - particularly markets having reasonable air connections
- Europe - United Kingdom, German-speaking
- Japan

<u>Activity Markets</u>
- Hunt/Fish (primarily USA)
- Outdoor Adventure - hiking, sea-kayaking, snowmobiling, birding (primarily Ontario, Northeast and Midwest USA)
- Alpine skiing (Maritimes only)
- Meetings, convention (primarily Ontario, Canadian associations, Maritimes)
- Incentive travel (Ontario, some USA)
- Learning/enrichment travel programs (travel involving a structured, more formal learning program in association with field trips and leisure activities)
- Cruise (primarily expedition cruises and repositioning trips)

Four broad criteria were used in this evaluation:

- ***Market potential*** - size of market, competition, yield (spending level)
- ***Ease of access*** - time and cost
- ***Uniqueness*** of the destination and the ***appeal*** of these unique features to this market
- ***Affinity*** - likelihood of a personal or special interest connection to the destination.
  (This criterion refers to personal affinity to the province, not the product; for example, people having family or business connections to the province. They are seen to have a heightened level of awareness of, and interest in, the destination. This would not include ancestral or historic connections, since these do not involve personal knowledge or actual contemporary connections)

We then looked at the cost-effectiveness of available marketing techniques in the different markets to assist in establishing priorities for each market. Cost-effectiveness in this instance means a combination of the cost of marketing and its likely effectiveness in generating real demand in that market.

Therefore, overall, the priorities are based on a combination of the four criteria above, along with the cumulative cost-effectiveness of the available marketing tools in reaching that market. These overall priorities are summarized in Exhibit 1.

Clearly, the Maritimes and Ontario should remain the main targets for direct-to-consumer marketing, showcasing the province's USPs for touring and explorer segments.

All the other markets require some research and testing, but those seen to likely offer the better potential are Alberta, the USA (both short and long haul) and Montreal. Other international markets rated much more weakly, and Japan hardly at all.

The scores for the activity markets strongly suggest that the priorities should be hunt/fish; meetings and conventions; adventure activities, and incentive travel.

As to marketing methods, the priorities are illustrated below.

Priority Marketing Methods*

Direct Selling (Includes consumer shows)	Paid Advertising	Direct Marketing	Travel Trade	Media Relations/ Travel Writers	Internet
Lowest	Low - Medium	Medium	Medium-High	High	Highest

* Includes the marketing activities of the Province and its partners - both human effort and spending.

The Internet emerges as the paramount marketing method of the future. Media relations and travel trade emerge as the next tier of priority. Direct marketing (database mining/direct mail, email) and paid advertising rank third. Consumer shows and other direct selling trail in fourth position.

Exhibit 1
Total Scores/Relative Priority

Touring and Explorer Markets	Total Score
Ontario	253
Maritimes	230
Alberta	136 (subject to testing)
North East USA	97.5 (subject to testing)
Other USA	91 (subject to testing)
Quebec (Montreal)	84 (subject to testing)
UK	44
Germany	35
Japan	5
Activity Markets	**Total Score**
Hunt/Fish	119
Adventure	
Hiking	91
Kayaking/Canoeing	84
Snowmobiling	77
Birding	60
Meetings & Conventions	112
Ski (Maritimes only)	84.5
Incentive Travel	64
Learning/Enrichment Travel	60.5
Cruise	28

Recommended Strategies for Priority Markets

Our conclusions and recommendations regarding priority markets and marketing tactics are presented in balance of this summary report. Key recommendations are provided in italics.

It is evident that the Province's current efforts and programs are generally on track with what our analysis suggests is appropriate for the future.

We now turn to areas where some fine tuning or shifts in overall effort (time and money) and emphasis are recommended for the future.

Need for Good Research

It must be said that both the Province's efforts to date and our assessment are based on a relatively thin information base. We do have some information available, *but the research in recent years has been lacking and addressing this needs to be a major priority.*

We recommend that the research budget be enhanced and some of the work be contracted out in future.

We recommend that, in addition to contracting out the work, the research should be designed, where feasible, to be simpler, cheaper and faster.

Geographic Markets - Touring and Explorer Segments

Our conclusion is that, with a small marketing budget such as the department has at present, paid advertising in mass media in geographic markets segments should continue to be limited to the Maritimes and Ontario. If additional funding can be obtained, then Alberta and Montreal should be researched and tested. The other markets are not affordable through mass media, unless through CTC or ACTP partnerships when these are cost-effective for the province.

Between the general interest touring market and the more adventurous touring explorer segments, we recommend that the focus be more on the latter and less on the former. The province is less competitive in the general touring market because of time and cost to get there. In the explorer segments, these factors as not as critical. Also, for explorers, offering highly unique experiences is of greater importance, and Newfoundland and Labrador is much more competitive in this respect.

The travel trade development effort focussing on Canada and the USA should be expanded. This would involve an increase in staff committed to this effort, along with more funds for travel trade marketing partnerships and research.

In other international markets, it is recommended that the Province enter into marketing agreements with receptive operators that work these markets, and continue to limit their own activities to ACTP funded initiatives in Europe - the UK and Germany - but not Asia.

The other major strategy shift recommended for geographic markets is growing the effort focussed on media relations and travel writer visits - both consumer and travel trade media writers.

With general consumer travel shows, we recommend that the department assist and support the efforts of RTAs and activity sector groups with modest financial support and collateral materials.

Activity Markets

Marketing Collaboratives for Activity Markets

The provincial marketing effort in the activity market segments is, by its nature, more closely linked to the tourism operators directly affected. Marketing collaboratives are therefore of much greater importance than in the touring and explorer markets. As a consequence, the approach needs to be fundamentally different. The Province needs to be a marketing partner and supporter rather than the lead marketeter.

In activity market segments that are highly strategic, the Province should work with the industry sector to provide support in taking their product to market.

Partnership agreements should be entered into that set out the commitments of the parties, the intended outcomes and means of measuring those outcomes. Continuation of the partnership should be conditional upon maintaining commitments and achieving reasonable results.

The activity markets recommended for marketing support are discussed below.

Hunt and Fish

This should continue as a priority market. However, this sector has an active organization of operators that work together and that could readily take charge of their own co-op and partnered marketing. *We therefore recommend that the Province offer to support this group with in-kind and financial contributions to their marketing, rather than do the marketing for them.*

Meetings and Conventions

The primary meetings and conventions product is in St. John's and is promoted by a destination sales team consisting of the Department, the Convention Centre and the Avalon Convention and Visitors Bureau, in collaboration. *We recommend that the Province continue to support this effort rather than commit staff resources or marketing efforts directly by the department.*

We also suggest that, as a condition of support, the Province require the marketing messages to include tourism experiences beyond the Avalon Peninsula as pre and post add-ons to meetings and conventions.

Outdoor Adventure

Taken together, the priority adventure products - hiking, kayaking, canoeing - have real potential, not only in niche markets, but also in the general touring market, and most particularly the hybrid segment of ‘Explorers’.

We recommend that the department continue to work with this sector on key market-readiness initiatives, such as packaging, ‘how to’ workshops and setting standards. They should also work to co-ordinate marketing co-ops and partnerships within the group, and facilitate their participation in the various programs of the department.

Marketing activities would include:

- Travel trade development with appropriate activity/niche market tour operators and receptives
- Co-op advertising in selected adventure magazines, such as:
  - National Geographic Adventure
  - Explore (Canada outdoors)
- Participation in the marketing directed at Explorer markets.

Snowmobiling

Snowmobiling is important in the context of developing winter tourism activity. *The province should continue to facilitate marketing partnerships and support tourism operators who have market-ready packages.*

Ski/Marble Mountain

Marble Mountain’s ski product has potential in the Maritimes market. *The focus should be on value-based packages.*

Learning/Enrichment

Learning and enrichment travel is an emerging marketplace. The province has potential in selected natural and cultural learning experiences. *Focus should be on working with, and supporting the efforts of tour operators in developing such products*.

Incentive Travel

This sector is in the very early stages of development, and the potential is limited by the product available, and access to markets. *The province should continue to provide facilitation and support services for those wishing to work together on market development in the incentive travel sector.*

Cruise

This sector has a provincially-supported organization doing the cruise marketing for the province. *The cruise sector industry should continue to be supported in the same fashion as it is today*.

New Tactics in Marketing

This section identifies areas where significant changes are being proposed in tactical aspects of the Province's tourism marketing effort, and where innovations in technology and other considerations suggest shifts in effort.

Internet Marketing

Top priority should be given to expanding and improving the Province's tourism Internet marketing strategy and its website. Given its importance and the need for some sophisticated functionality, we recommend that its development and management be contracted out to a professional company.

This priority effort should include:

- Development of an overall website strategy encompassing a broad range of improvements and enhancements to the site, including those described in the list below
- A more user-friendly, memorable and easy to find URL
- A website design based on market segments defined first by area of interest rather than by geographic regions of the province
- A strategy to maximize repeat traffic and obtain contact information
- Enhancements to strengthen the website's role as a trip planning tool
- A pro-active plan to maximize search engine presence
- A detailed strategy to increase links to the provincial website
- A web-based advertising strategy

Lure/Trip Planner

With the continuing growth in the 'explorer' and special interest market segments*, there is a need to develop a combined lure and trip planner publication*. For economic reasons, this would probably be done through a redesign of the travel guide rather than through a supplemental publication.

The idea is to bring forward the diverse experiences available at the destination that would make it worth a trip. It would emulate the approach proposed for the website - that of organizing the information in an experience lure format first - by type of experience available - then lead the reader to the regional inventory of tourism operators as a second step. The fundamental difference between this concept and the Province's current guide is in showcasing the diversity of adventures, activities, touring routes etc. by ***type of experience rather than by region, and expanding the scope and level of detail on the diversity of interesting itineraries and packages available by category of experience***. The idea is that the reader decides on regions and other particulars ***after*** they identify the mix of experiences in the province as a whole that interest them.

This would be the primary fulfilment piece for enquiries.

Direct Marketing

'Direct marketing' refers to techniques in which the consumer is sent a message directly to their home. With contemporary database technologies this has become a much more powerful marketing technique than it once was.

Direct marketing includes direct mail and email marketing. *Both of these offer opportunities for the province and more effort (financial and human resources) should be dedicated to these marketing tactics.*

Media Relations

Augmenting the media relations effort is another recommended priority.

Travel Trade

Expanding the travel trade effort is the third priority, after Internet marketing and media relations. *It is recommended that the focus shift to emphasize travel trade in the Canadian and USA marketplaces as priorities, and to provide some support to the efforts of receptives in developing relationships in the other international markets*. This would include enhanced efforts in:

- Travel Trade Marketplaces
- Travel Media Advertising
- Familiarization visits
- Internet (a special website section targeting the travel trade)
- Database marketing
- Marketing support for tour operators
- Receptive support
- Market research on the travel trade

Consumer Market Research

The need for additional market research of various types, and a critical need for more up-to-date, timely information on the characteristics of visitors to Newfoundland and Labrador has been identified as a major priority.

There are four main types of research that should be undertaken on a regular basis:

- *Visitor Exit Survey*
- *In-market research to assess such things as awareness, market potential*
- *Conversion studies and ROI on specific marketing efforts*
- *Tracking of enquiries*

In addition there are other types of market research that should be conducted by the Department on a regular basis, such as:

- *Secondary research into market trends, socio-demographic trends and travel trends and their implications for the province's tourism industry*
- *Special market research projects for each of the province's priority activity market segments*

Recommended Annual Core Marketing Budget

A recommended budget has been provided considering the impacts of the proposed marketing program changes. We have addressed only core marketing budget items.

Implementing all the recommended changes would increase the Province's core marketing budget from the $4.1 million in 2001/2002 (now approximately $5 million in 2002/03) by more than $5 million annually to $9.2 million, as summarized in Exhibit 2.

Other Strategies in Support of Marketing

This strategic review was designed to focus on Provincial marketing. However, it is evident that the marketing effort is connected to product and infrastructure issues as well.

It is clear that there are a number of significant issues in tourism product and infrastructure, many of which constrain the marketing effort and also affect the visitor experience. *It is strongly recommended that the Province proceed with developing a tourism product development strategy as a follow-on project to this marketing strategy.* This strategy should address product market-readiness and product standards.

Another critical issue that needs to be addressed with some urgency is access to the province. This issue is a huge one, in that capacity, travel time and cost are all barriers to tourism market development. They significantly constrain market development and growth in leisure travel most particularly.

Ferry service has always been an issue and continues to be. But air access has become much more problematic. And air will be a central part of the future growth scenario for the province's tourism.

Special Celebrations - Cultural Programming

The consultants were asked to address the question of 'special celebrations' and offer recommendations on what, if anything, could be a sequel to these major events.

Unquestionably, the major events of the past five years have done a lot to build awareness about the province and have certainly generated visitation that might not have come otherwise. That has been of real benefit to the province during the period of the event itself.

The question arises, however, of whether this is a strategically valuable model for tourism. In fact, there are a number of negatives, which are discussed in the full report.

Exhibit 2
Summary Proposed Core Marketing Budget for the Marketing Division

Category/Activity	2001-02 Budget ($000)	Proposals for Changes/Shifts	Target Budget ($000)
Advertising & Communications	**$3,200**	Includes Internet strategy, Website upgrades, expanded media relations/travel writers effort, etc.	**$6,250**
ACTP/CTC Partnerships	**300 (ACTP)**	Enhance Newfoundland and Labrador's participation to this strategy	**$500**
Market Research	**100**	Expand program Contract out major projects Assess West Canada, Montreal/Quebec, USA short and long haul for 'explorers' Other research as recommended	**$250**
Activity Markets	**$215**	As recommended in text	**$850**
Travel Trade	**$135**	As recommended in text	**$800**
Other	**$17**	As recommended in text	**$100**
Industry Partnerships	**$100**	As recommended in text	**$350**
Secretariat Support and Expenses for the proposed Marketing Council		This excludes staff salaries	**$100**
Grand Total	**$4,100**		**$9,200**

A Preferred Scenario

In looking at the tourism marketplace, it is evident from the experience of other jurisdictions that becoming a successful tourism destination involves a sustained and consistent effort over time. The competition is great and the time-line of building demand is gradual and long. There are no quick fixes that create sustainable demand in tourism.

Being successful also requires a focus on quality products - the visitor experiences - that can be institutionalized into the ongoing offer of the destination.

So, for a major event to become a tourism product, it has to leave a legacy product behind that can become part of the destination's ongoing product offer. It also needs to result in a product that can be experienced at different times and in different ways in different regions of the province, and not concentrate demand in one region at the expense of the others.

A Cultural Programming Partnership Effort

The consultants believe that the "Soiree and Times" program and the work of the Special Celebrations Corporation in assisting the efforts of communities and groups with local and regional events provides the foundation for a good tourism model for the future.

What we have in mind is a program such that cultural entertainment groups and community events could obtain some assistance and support in tourism market-readiness and tourism marketing. Those meeting the standards and criteria could partner with the Province on selected tourism marketing initiatives.

The Business Case for Tourism Support

Why do provincial and state governments invest in tourism marketing? There are a number of good reasons.

Marketing works very well in the tourism marketplace. It has a big influence in turning travel intentions into reality. It generates more visitation and more export revenues. It generates new tax revenues for the government. And these revenues are not modest.

So, a primary reason for a government to promote its destination in the tourism marketplace is to generate more tax revenues for itself. As a bonus, it creates more business for its tourism industry, and income for everyone in the province or state.

In Newfoundland and Labrador, tourism revenues amounted to $238 million in 1998 and generated $81.5 million Gross Domestic Product, along with $22 million in provincial taxes that year.[1]

The research and market analysis conducted for this project suggests that there is a very real opportunity for Newfoundland and Labrador to generate more tourist activity, more visitor spending and more taxes for the province, if the Province had a 'real' marketing budget to work with.

---

[1] Note that adjustments due to the impact of the imposition of the HST likely reduce the real tax generation to in the range of $19 to $20 million in that year, or 8% to 9% of visitor spending.

Our analysis suggests that, with an increase in the marketing budget described earlier, there is potential to increase pleasure travel and to generate substantial higher levels of visitor spending, and, as a direct result, increased tax revenues for the Province. We have estimated that, with $5 million more in provincial spending on marketing, total incremental visitor spending could potentially reach $164 million a year, generating an additional $13.1 million in provincial government tax revenue, or a return of 263% to the provincial government on the incremental marketing investment.

However, growing the province's tourism industry requires more than an investment in marketing. It requires a balanced approach to address a variety of other issues as well.

A Public Private Partnership for Tourism in Newfoundland & Labrador

The Department of Tourism, Culture and Recreation has advanced the suggestion of establishing a public-private partnership model to advise on the Provincial tourism marketing plan. Hospitality Newfoundland and Labrador has also been considering a proposal for more private sector involvement in this respect. This strategic review included an assessment of optional models and the development of a proposal that would meet the intent of both parties.

Objectives of a Partnership

The stakeholders perceive different benefits from having a public-private partnership to oversee provincial marketing. Benefits from the industry’s perspective are seen to be the following:

- Having an industry voice in marketing planning and decision-making is seen to add value by providing a tourism business perspective - from people dealing with the marketplace daily.
- It is perceived that decision-making and program management would be more business-like and less politicized.
- It is also expected that having the industry involved would reduce the frequency of diversion of funding by government from the core marketing budget to other projects.
- The industry believes that there would be a lot more buy-in to co-op programs if the industry is involved in planning them.

There are benefits from the government perspective too:

- All of the foregoing, plus...
- Additionally, having industry at the table is expected to reduce the frequency of intervention by politicians in tourism matters at the instigation of members of the industry and community groups.
- It would also reduce the politicized and sometimes confrontational aspects of dealings between industry and government.

Partnership Models in Other Jurisdictions in Canada

Most provinces in Canada now have some form of industry advisory council or public-private partnership to direct provincial marketing. Models being used in Canada include:

- Advisory council (Alberta, PEI)
- Partnership council (Nova Scotia)
- marketing partnership committees (Quebec)
- Special Operating Agency (Ontario)
- Crown corporation (BC, Sask., CTC)

Lessons Learned from Other Jurisdictions

Research into the models in use in other jurisdictions identified a series of "lessons learned" which have been most useful in developing proposals for Newfoundland and Labrador. The critical lessons learned are summarized below.

- The organization should be recognized as exclusively a business organization, not a democratic one:

  – It needs to be focussed on marketing the province successfully
  – It should partner with the tourism industry, where appropriate and mutually agreeable, on extra-provincial marketing initiatives, and
  – It should support efforts of the industry with respect to quality and market-readiness.

- Government has to be locked-in. They have to be a full partner, and have ultimate say over the use of the money they invest.

- Partnerships with other organizations should be on a project-by-project basis, not institutionalized in the structural model.

- Provincial marketing is primarily externally focussed. Therefore, the *leadership should be the best people to guide that effort and it should be people who can think broadly.* It should not be people representing a regional or sectoral tourism association.

- Board/committee members should be *selected based on a) their relevant qualifications, and b) their willingness to invest in marketing programs* - not by democratic methods or appointing 'representatives' of organizations. In fact, no industry organization should be entitled to representation on the board/council.

- Committees should be mandated to do planning, make decisions on priorities for the use of provincial funding and monitor progress. They should **not** play an executive role in designing and managing specific projects and programs (It is important to avoid the 'tyranny of the committee' in actual business-decision making). That function should devolve to the actual partners and investors in the specific projects and programs. Staff need to be assigned to assist both the committee and the program/project partnerships in their respective roles.

- Good research is absolutely critical. The participants need to work from good information about markets and visitation, market trends and opportunities, results of past efforts, marketing methods and opportunities, and the like.

- There need to be influential champions for the partnership within government, and within industry as well.

- The Minister has to be committed to partnership decision-making. And the government as a whole needs to agree that the partnership is a filter through which proposals are considered before important decisions are made, particularly decisions involving funding and program priorities.

- Funding needs to be enough to get the job done - and sustainable. There needs to be a multi-year funding commitment by government to permit multi-year program and partnership commitments.

- Advocacy has to be completely separate.

- The staff need to be accountable both to their employer as well as to the partners via the Board/Council and committees. Otherwise staff will not truly buy in to the agenda. Government and its staff have to be willing to make new things happen.

- Government people need to strive to be responsive to the needs and views of industry. Industry people need to strive to be responsive to the needs and views of government. In other words, they have to work in good faith to assist and support each other.

- Accountability should be to the partners and investors - government for its funding, industry for its contribution of effort and buy-in to programs. An annual report should be presented and a forum for feedback provided.

- Industry consultations should be advisory, not prescriptive.

- Staff support has to be provided to assist and support the industry volunteers. There is a high risk of volunteer burnout.

- It is important to proceed in an orderly fashion and in ‘bite-sized’ steps. The model will need to be adjusted from time to time, so moving too far from the status quo, too quickly, is not advised.

The Recommended Model for Newfoundland and Labrador

Based on the lessons learned, the strengths and weaknesses of different models and the circumstances associated with tourism marketing in Newfoundland and Labrador, we see one model as being the best for the province, at least as a first step, that of a ‘partnership council’ similar to Nova Scotia’s.

An ‘advisory council’ like Alberta’s is really nothing much different than government operating independently. Unless the council is mandated with a role and the government agrees to build the council into its decision-making and management process, it is really only a cosmetic thing.

Other models further away from being a government line-department, such as an agency or crown corporation, have some real merits, particularly in providing the opportunity for more flexible, customizable and business-like structure and operations. However, they also are more complex to establish and are significantly more expensive to operate. They also presume a large and relatively sophisticated tourism industry. In our view, this is not the best first-step approach for Newfoundland and Labrador. The province doesn't as yet have the kind of tourism budget nor the breadth of industry players to call upon.

The partnership council concept offers the opportunity of a partnership of some real substance, if designed properly and committed to by both industry and government. At the same time, it is reasonably simple to establish, does not require a radical change in delivery organization and does not create a lot of extra operational costs. It is the best 'first step' model for the province.

Proposed Partnership Model

It is recommended that the initial model be a ***Newfoundland &Labrador Tourism Marketing Council*** (or Tourism Partnership Council).

Mandate

The mandate and role of the council would initially be basically as follows:

1. Assist the department with preparing strategic plans and annual marketing plans
2. Monitor the implementation of marketing programs
3. Assist the department with sponsor and industry marketing partnership initiatives
4. Report annually to the minister and to the tourism industry on the marketing programs and their results.

Scope of Functions

The marketing functions that would fall under the mandate would essentially be all of the functions of the Marketing Division of the Department of Tourism, Culture and Recreation, including:

- Marketing planning
- Marketing the province in external markets in Canada and internationally
    - Consumer advertising - paid media, collateral materials, website, direct marketing, promotions, etc.
    - Cooperative advertising and collaborative promotions with industry and other partners
    - Travel trade development and marketing support
    - Media relations, publicity and travel writers
    - Travel information services
- Marketing program performance measurement

In addition, it is critical that the tourism market research function of the Strategic Planning and Policy Division be included as well. It may be appropriate for other functions to be added in future.

Structure and Membership

We recommend a council structure approximately as follows:

- Council membership:
    - Deputy Minister, Assistant Deputy Minister and Director of Marketing
    - 7 to 10 tourism industry establishment owners and managers (staff of industry organizations would not be eligible) selected through an application process

- Committees accountable to the council:
    - ***Executive*** - advise and assist the Director of Marketing on the implementation of council initiatives
    - ***Marketing*** **-** input and oversight of the marketing programs and projects, advice on selection of agency of record and other contract suppliers, oversee program performance measurement
    - ***Visioning and Planning*** **-** long term strategic planning as well as preparation of the annual tourism plan and budget for approval by the council and the Minister, oversee market research in support of planning
    - ***Travel Trade*** (sub-committee of the Marketing Committee) - advice and assistance in travel trade market development, fam trips, etc.
    - ***Partner and Sponsor Development*** - planning and support - in liaison with regional and sectoral organizations, industry communications, development of partnerships for external marketing, and sponsor development.

- Task Forces (Ad hoc groups for specific projects):
    - ***Council and committee selection*** - constituted each time there is a round of changes
    - Others for special projects

Key **criteria for private sector membership** on the council and committees would include:

- Recognized as an industry leader
- Owner operator or senior manager of a tourism-related enterprise (mandatory for being on the council - 'enterprise' would include tourism operations, for-profit, not-for-profit or government operated - any organization that deals directly with tourists)
- Understanding of the extra-provincial marketplace
- Committed to taking a "big-picture" view
- Appropriate marketing-related skills and experience
- Participate in provincial co-op marketing programs
- Committed to making the partnership a success
- Ability to attend meetings
- Not officially representing a provincial, regional or sectoral tourism association

Council members should meet ***all*** of these standards. Committee members should meet ***most*** of them.

Program Delivery and Accountability

The Department of Tourism, Culture and Recreation would continue to be the program delivery organization with its staff being accountable both to their superiors and the Minister, as well as to the council and its committees. They would report to the council and committees periodically as scheduled.

The council would report to the industry annually on results and future plans - at the HNL conference and in an annual schedule of regional meetings. These meetings should also be designed to get feedback from the industry and input into future programs.

Additionally, there must be government support - both staff and financial - provided directly to the council and committees in the form of a secretariat, in addition to the staff involved in managing and delivering the various marketing initiatives.

Relationship to other Organizations in Tourism

All other organizations involved in tourism would be outside the partnership council and deal with it on an arm's-length basis. This includes product sector organizations and teams, RTAs, communities, and government departments and agencies, federal, provincial and municipal. No outside organization would be ***entitled*** to representation on the council or any of its committees, however, members of that organization could apply and, in fact, would be encouraged to apply in appropriate cases.

Nothing in the foregoing is intended to discourage collaboration between the tourism marketing effort and others, quite the contrary - collaborations, partnerships and joint efforts would be encouraged. They just wouldn't be built into - institutionalized - in the partnership model. Therefore no arm's-length organization would have a ***voice within*** the partnership council, only the ***opportunity to work with it.***

Section 1

Introduction

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Section 1
Introduction

This report has been prepared on behalf of the Newfoundland and Labrador Department of Tourism, Culture and Recreation by The Economic Planning Group of Canada with the assistance of the following associates:

- John Kelsh, The Kelsh Company
- John Hockin and John Murray, Economic Growth Solutions Inc.
- Marilyn Butland, Perry and Butland Communications
- Ella McQuinn, McQuinn and Company Marketing

Collectively, the consulting team has had extensive international experience in tourism and in destination marketing in particular.

Preamble

The province has a great future in tourism. Newfoundland and Labrador is being 'discovered' again, 500 hundred years after John Cabot, this time as a unique, in fact an exotic, tourism destination. This phenomenon has been growing across Canada for a number of years, but it is now spreading across the United States as well. And it's not just the outdoor adventure enthusiasts, fishers and hunters and the travellers having a special interest in coming to the province. It's also happening in the mainstream of tourism markets - people looking for a unique touring destination, or a different kind of place to have a meeting, or coming to enjoy the unique culture of the people who live here, or seeking out the 'times and soirees' and the other types entertainment that Newfoundlanders and Labradorians have made into their own art form.

Newfoundland and Labrador is one of the most unique tourism destinations in the world. Its natural attractions, its cultural heritage and its people are its outstanding assets, and have contributed to a steady growth in visitation. Another positive aspect has been the Product-Market Match Strategy that has guided efforts in recent years and provided real focus on markets of opportunity for the province, those in which Newfoundland and Labrador has a competitive and unique selling proposition. Today, tourism plays a vitally important role in the province's economy and is one of the sectors having significant growth potential for the future.

At the same time, the province's tourism industry has faced a number of considerable challenges. Air access and cost is one. Limited tourism product and infrastructure development is another. But one of the most problematic has been the budget limitations the government and the industry have continued to face over the years. Building awareness and promoting your destination is a considerable undertaking - it's highly competitive, expensive and it requires a sustained effort (of both financial and human resources) over time.

So, on the one hand, tourism is a vital economic sector for the province and has great potential for growth, while, on the other, the industry and the government have limited resources to work with in fulfilling the opportunities. The province needs to become much more pro-active in growing its tourism business if it is to fulfill its potential in tourism.

There is a very strong business case for the senior decision-makers in the province to establish tourism as a top priority sector for long term economic development, and to invest appropriately in the effort to grow this industry and its markets.

Objectives

The objectives of the assignment were as follows:

1. ***To review and update the strategies being employed to strengthen the industry and improve the effectiveness and scope of its marketing generally, and the Province's marketing programs in particular***. There is good evidence that the current marketing strategy has been effective, but it is important to verify this and to consider appropriate enhancements, including the powerful new marketing tools that modern technologies have made possible. The question of the adequateness of the Province's budget and staff resources in achieving the desired results was also to be addressed.

2. The effort to increase the awareness of the province as a tourism destination has been greatly assisted by the various major events the province has staged over the past four years. However, it will be important ***to review what has been accomplished with Special Celebrations and whether this should continue to be a strategy for the future, and what form it should take***.

3. ***To demonstrate the 'business case' for investing in tourism***. This economic sector has major growth potential and offers a sustainable form of economic activity for the province, with good jobs. But the validity of this claim needs to be clearly demonstrated and communicated to senior decision-makers.

4. ***To strengthen the organizational and partnership model for moving ahead***. The Province has collaborated with the tourism industry and its organizations to date, however, it will be important to identify and assess options for strengthening this

partnership for the future. In particular, the opportunities for the government and the industry to collaborate on strategy development and key decision-making are to be addressed.

5. Building on the foregoing, ***to articulate the business case for the Province investing the people and financial resources necessary*** for the Province and its industry partners to be able to pursue and fulfill the opportunities available.

This report addresses all of these issues and opportunities. It has been designed to vault the marketing of both the Province and its tourism industry into a new, more effective and higher plane for the beginning of the 21st century.

Three separate documents make up this report - an Executive Summary Report, the Tourism Marketing Strategy Review Final Report and an Appendices Report.

Scope of the Assignment

Work undertaken on this Marketing Strategy Review included the following:

- Personal interviews with key industry stakeholders and government staff;
- Review of past research and other studies on tourism in Newfoundland and Labrador, as well as available visitor statistics;
- Review of secondary market research from a variety of sources including the Canadian Tourism Commission, the Travel Activities and Motivation Study, Statistics Canada and a variety of US data sources;
- Case study reviews of tourism marketing efforts in selected provinces across Canada, and in Alaska;
- Case study reviews of public-private partnerships in the tourism sector in selected provinces;
- Seven tourism industry stakeholder consultation sessions throughout the province
- Interim report and review of strategic directions with the Ad Hoc Advisory Committee, and senior Department of Tourism, Culture and Recreation staff.

Caveats

The information in this report has been assembled from a variety of secondary sources. While we believe that all the information in the report is valid and was obtained from credible sources, we have not undertaken to verify everything.

Similarly, the proposals and recommendations presented in the report are based on the available information on current tourism activity in the province (however, some of this information is dated and there may have been shifts in origins of visitors and trip purposes that are not reflected in our analysis), and on information collected from other sources, as well as on the experience of the consultants in tourism and tourism marketing. While we believe them to be valid and to represent an optimal approach for the province, we cannot warrant them to be so since a number of factors beyond our knowledge, understanding or control could intervene.

Terminology

Throughout this report, 'province' means Newfoundland and Labrador. However, 'Province', with a capital P means the Government of Newfoundland and Labrador, in most cases the Department of Tourism, Culture and Recreation.

Marketing terminology is used throughout the report. Appendix I provides definitions.

Section 2

Markets and Marketplace Perspectives

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Section 2
Markets and Marketplace Perspectives

The Current Situation

Provincial Objectives and Target Markets

The Department of Tourism, Culture and Recreation's section of the provincial government website provides the following overall objectives relative to tourism:

> *Newfoundland and Labrador becomes a four-season travel destination of choice; the tourism sector realizes its full potential as a major contributor to wealth, income and employment in the province; the tourism industry makes a growing, sustained economic contribution, offering internationally competitive, distinctive tourism products and experiences;*
>
> *This includes marketing Newfoundland and Labrador as a top-of-mind travel destination and working with the tourism industry to develop high-quality, competitive products and a professional tourism industry. Programs are: Advertising and Communications; Product Development; Touring and Travel Trade; Visitor Services; Regional Support; Labrador Regional Support; Special Celebrations.*

Over the past five years, the Tourism Division has focussed its efforts on the following target markets:

<u>Geographic Markets</u>
Primary
- Ontario
- Maritimes

Secondary
- North East US (in partnership with ACTP)
- Alberta (test marketing in 2002)

Developmental
- UK, Germany and Japan (in partnership with ACTP)

<u>Purpose of Trip Markets</u>
- Sightseeing/Touring
- Adventure/nature viewing
- Hunting/Fishing
- Meetings, Conventions and Incentive Travel

In addition, the province has undertaken some developmental marketing in the learning travel/enrichment travel market. It also provides some support to alliances marketing the golf and cruise products.

The key marketing tactics undertaken in each of these markets are summarized in Exhibit 1. As illustrated, the Province's marketing efforts are often undertaken in partnership with the Canadian Tourism Commission (CTC) and the Atlantic Canada Tourism Marketing Partnership (ACTP), particularly in US and international markets.

The overall objectives of the Province's tourism marketing efforts were identified in a presentation to Hospitality Newfoundland and Labrador in October 2002, as:

- To continue to invest in core markets
- To increase visitation and expenditures
- To remain focussed on core products and experiences
- To develop the marketing strategy in consultation with the tourism industry

Tourism Marketing Budget

Exhibit 2 summarizes the tourism marketing budget for 2001/02, totalling some $4.1 million. For the current fiscal year, this total budget has been increased to approximately $5 million. From the 2001/02 budget, some $1.6 million is dedicated to advertising placement, $0.6 million to collateral material (including the total costs of the Travel Guide) and almost $0.5 million to the call centre and fulfilment of enquiries. Sales, trade and niche marketing activities used some $0.4 million, with $0.3 million being the province's ACTP contribution and $0.1 million going to industry partnerships.

In addition to its core budget, the Tourism Division also participates in marketing initiatives using funds from several federal and federal/provincial government sources, such as ACTP, to supplement its internal budget. These funds vary from year to year and most often have to be dedicated to specific markets or marketing efforts. An example of this is the TAMI program (funds through ACOA-Tourism Atlantic) which provided a significant amount of additional marketing funds in the winter of 2002 to help counteract the impacts on travel activity of the September 11, 2001 terrorist attacks. While these funds can have a significant impact on the amount of monies available for the Province's tourism marketing effort, they are somewhat problematic in that they are not consistently available, are frequently restricted in terms of their use, and are sometimes made available on short notice. This makes it extremely difficult to plan for the use of these funds as part of the overall marketing strategy.

Exhibit 1
Summary of Current Marketing Efforts by Target Market

Target Market	Key Marketing Activities
Geographic Markets	
Maritimes	Newspaper TV Magazine, e.g. Saltscapes Direct mail (partner with CTC)
Ontario	Newspaper TV Direct mail (partner with CTC)
Quebec	No direct effort
Alberta	Newspaper, TV
Other Western Canada	No direct effort
North East US	Magazine, Direct Mail and Public Relations - with ACTP
Other US	No direct effort
Europe - UK and German Speaking	In partnership with ACTP and CTC - some marketplaces and consumer shows, media relations, Travel Trade FAMS
Japan	In partnership with ACTP and CTC - Kanata, sales mission, partnership with local receptive operator
Purpose-of-Trip Markets	
Sightseeing/Touring - across various geographic markets	C CTC Joint Program in Canada and the US - Discovery Guide, Touring Guide, Outdoor Guide & Canada Vacation Guide; Also partner with CTC in magazines such as Smithsonian, Natural History, Audubon, Outside C Canada - National magazines - Macleans, Harrowsmith, Canadian Geographic

Exhibit 1
Summary of Current Marketing Efforts by Target Market

Target Market	Key Marketing Activities
Hunting/Fishing	Specialty Magazines Hunting/Fishing Shows
Outdoor Adventure	C CTC Magazines - National Geographic Adventure, C CTC Outdoor Experience Guide C Outdoor adventure shows, snowmobile show C Winter Program - targeting snowmobilers in Ontario, Maritimes, and residents through direct mail & magazine inserts
Alpine Skiing	C Support efforts of local tour operator selling packages in Maritimes market
Meetings and Conventions	C Provide fulfilment material and support C Direct sales to meeting planners at shows
Incentive Travel	C With CTC - incentive travel showcase C New Incentive brochure; C Shows, e.g. CM&IT, CSAE C Direct sales to incentive houses
Learning/Enrichment Travel	C Non-profits show C Partnerships with travel trade offering learning products C Specialty magazine advertising - e.g. Archaeology
Cruise & Golf	C Support to efforts of CANAL, and Golf marketing alliance

Note: These are key marketing activities only. This table is not meant to provide a comprehensive list of all marketing efforts targeting these markets. It does not include efforts that cut across many markets, such as media relations, Web site.

Exhibit 2
Summary of Core Marketing Budget (2001/02)

Category of Expense	Subtotals	Totals
Advertising & Communications		**$3,300,000**
Call Centre/TDMS/Web Site/Fulfilment/Envelopes	$467,000	
Collateral (Travel Guide (total), Maps, Collateral Materials)	$600,000	
Images/Slides/Videos & Promotional Items	$65,000	
Media/events/fams/media monitoring	$130,000	
Advertising Placement	$1,600,000	
Market Research	$100,000	
Creative/production/account management	$338,000	
Sales, Trade and Niche Market Activity		**$400,000**
Sightseeing & Touring	$155,000	
Trade & Consumer Shows	*$50,000*	
Trade Advertising/Wholesaler Support/FAMS	*$85,000*	
Cruise & Golf Support	*$17,000*	
MC&IT (Advertising, Collateral, FAMS, Shows)	$40,000	
Outdoor/Hunting & Fishing	$175,000	
Advertising	*$30,000*	
Fams	*$30,000*	
Hunting/Fishing Guide	*$90,000*	
Shows	*$25,000*	
Visitor Information Centres	$30,000	
Industry Partnerships		**$100,000**
ACTP		**$300,000**
Total Core Marketing Budget		**$4,100,000**

An allocation of the core marketing budget by geographic area is not available, in part since many of the marketing strategies and initiatives, such as the web site and travel guide, cut across many geographic markets. Exhibit 3 below provides some indication of the relative emphasis given to the key geographic markets in the winter/spring 2002 marketing campaign. This exhibit also illustrates the impact of other sources of money during this period. It is important to note that these other sources of funds generated significantly more money than usual during this period due to the TAMI program referenced earlier.

Exhibit 3
Allocation of Marketing Effort by Target Market
Winter/Spring 2002

Geographic Market	Core Budget (000's)	Other Sources (ACTP, TAMI, CEDA)	Total	Partner/CTC Contributions
Ontario	$1,152.0	$902.0	$2,054.0 (54.5%)	$60.0
Maritimes	$224.5	-	$224.5 (6%)	-
Western Canada		$321.0	$321.0 (8%)	$75.0
United States		$775.0	$775.0 (20.5%)	$150.0
Winter Program		$310.0	$310.0 (8.2%)	$170.0
Hunting & Fishing	$30.0	$50.0	$80 (2%)	$20
Total	**$1,406.0**	**$2,358.0**	**$3,764.5**	**$475.0**

Note: Marketing Effort includes TV, Magazines, Newspaper, Direct Mail

Enquiries Generated by the Marketing Effort

The province's Tourism Destination Management System (TDMS) handles enquiries coming in via the Internet, 1-800 number, email, fax, etc. and tracks key information on enquirers including:

- Origins
- Media codes
- Publications
- Source of enquiry
- Key interests mentioned by enquirers

In 2001, some 80,400 enquiries were received. Some 47% came by phone with 28% coming from the Web site. Roughly 10% came through ACTP with other sources including e-mail, fax, magazine labels, shows, and written requests. A summary of the geographic origins of the enquirers is provided in Exhibit 4. Some 54% of enquiries were from Canada and 40% from the US, with the balance unknown.

Almost half of the Canadian enquiries were from Ontario (Ontario generated 24% of all enquiries). Interestingly, Western Canada generated almost as many enquiries as the Maritimes.

The US enquiries were well-distributed throughout the US. While some 50% of US enquiries and 20% of all enquiries were from the US North East, there were four states (including Maine, New York, Massachusetts and Florida) generating over 2,000 enquiries each, and another 8 states generating over 1,000 enquiries each.

The top interests mentioned by enquirers (in order of most frequent mentions) are scenery, whales, historic sites, icebergs, people/culture.

Conversion of Enquirers to Visitors

A conversion study of enquirers to the TDMS system was undertaken in 1999 by the Bristol Group[1]. During 1999 (January to August), some 110,000 enquiries were made of which roughly 50% were considered discrete inquirers, i.e. making a vacation-related enquiry excluding enquiries for school projects, general interest or business purposes. Some 1,000 enquirers were interviewed, 500 who visited the province and 500 who did not. Key findings of this research were as follows:

- The overall conversion rate was calculated at 45%, with conversion slightly higher for Canadian (49%) than for US (37%) enquirers. This data includes those who had already made their decision to visit prior to enquiring for additional information.

- The net conversion rate, i.e. of those who had not decided to visit when they called for information, was 23%.

- Just over 1/3 of those surveyed had ties to Newfoundland and Labrador.

- 47% of those surveyed indicated that they used the Internet, 22% used it as a source of travel and vacation information, and 11% had purchased travel products on-line during the preceding twelve months. (These are relatively high proportions, as will be seen later in this section when we present information on the use of the Web for trip planning).

---

1 Omnifacts Research; A Division of Bristol Group, Survey of 1999 Inquirers Tourism Destination Management System: Newfoundland and Labrador; October 2000

Exhibit 4
Summary of Enquiries by Origin; 2001 Annual Data *

Geographic Market	Sub-Totals (% of total enquiries)	Total Enquiries (% of total enquiries)
Canada		**43,200 (54%)**
Ontario	19,250 (24%)	
Quebec	4,425 (5.5%)	
Western Canada	5,790 (7.2%)	
Alberta	2,215	
British Columbia	2,310	
Other	1,265	
Newfoundland	5,950 (7.5%)	
Maritimes	7,775 (9.5%)	
Nova Scotia	4,800	
New Brunswick	2,415	
Prince Edward Island	550	
United States		**32,400 (40%)**
North East	16,205 (20%)	
Maine	2,015	
New York	2,930	
Massachusetts	2,845	
Pennsylvania	1,910	
New Jersey	1,380	
Connecticut	1,300	
Other	3,825	
West	2,495 (3%)	
California	1,655	
Washington	555	
Oregon	280	
South	3,865 (4.8%)	
Texas	1,230	
Florida	2,015	
Georgia	615	

Exhibit 4
Summary of Enquiries by Origin; 2001 Annual Data *

Geographic Market	Sub-Totals (% of total enquiries)	Total Enquiries (% of total enquiries)
Mid West	5,035 (6.3%)	
Michigan	1,305	
Illinois	1,050	
Ohio	1,050	
Other	1,630	
Other US	4,790 (6%)	
Other/No Information		**3,930 (4.8%)**
Total		**80,400**

Source: TDMS System; EPG Analysis; Data has been rounded.

- Enquirers were asked questions about destinations they were considering or planning to visit in the next five years. 65% of non-visitors mentioned Newfoundland and Labrador - 42% mentioned it as a single destination while the other 23% mentioned it in combination with other Maritime provinces.

- In terms of demographics, the following were key findings about enquirers:

  – Older than the general population
  – Well-educated - 60% of US respondents and 52% of Canadian respondents had graduated from college or university
  – Higher income - 18% of Americans and 10% of Canadians had household incomes over $100,000; more than 1/3 had household incomes between $60,000 and $100,000.
  – From households comprised of couples with no children at home - a greater proportion of Americans (60%) than Canadians (51%) had this characteristic

- Enquirers were also asked about their attitude towards vacations. The highest level of agreement was with the following statements (in order, with the highest first)

  – Like to view nature while travelling
  – Like to meet the people/experience the culture
  – Like destinations off the beaten track (this was higher for the US enquirers)
  – Like destinations with solitude from the daily grind
  – Like to visit new places
  – Like to visit museums and historic sites

Conversion on Enquiries Generated through the ACTP Program

In 2001, Newfoundland and Labrador's TDMS system received some 14,800 enquiries attributable to ACTP media sources. These enquires were from the following geographic areas:

- New England: 3,500 (24%)
- Mid Atlantic: 2,600 (18%)
- Other US: 8,700 (59%)

The conversion rate was calculated at 4.5% overall, with very similar rates from each of the three geographic areas. The conversion rate for the direct mail program (New England only) was 7.3% and for magazines, 4.3%.

Visitation and Spending

Data provided by the Department of Tourism, Culture and Recreation indicates that tourism activity in Newfoundland and Labrador has increased by 40% since 1996, reaching 427,700 visitors in 2001, as illustrated below:

Total Non-Resident Visitor Activity in Newfoundland and Labrador

Year	Peak Season Activity (June- Sept)				Annual Activity			
	# of Visitors	Percent Change	Spending $millions	Percent Change	# of Visitors	Percent Change	Spending $ millions	Percent Change
1995	167,898		$84.6		322,497		$168.4	
1996	154,541	-7.9%	$79.8	-5.7%	305,062	- 5.4%	$164.5	-2.3%
1997	195,360	26.4%	$115.4	44.6%	369,690	21.2%	$231.7	40.8%
1998	198,014	1.4%	$113.3	-1.8%	382,557	3.5%	$238.9	3.1%
1999	218,874	10.5%	$129.0	13.9%	412,975	7.9%	$264.7	10.8%
2000	225,056	2.8%	$142.0	10.1%	426,247	3.2%	$288.3	8.9%
2001	228,194	1.4%	$141.0	- 1%	427,706	0.3%	$289.1	0.3%

Source: Resident Automobile, Air & Cruise Visitor Statistics, April 2002; EPG Analysis (These data are estimates developed by the Department of Tourism, Culture and Recreation using a variety of sources of information such as Marine Atlantic traffic counts, air passenger arrivals, and Canadian Travel Survey data.)

Peak season visitation (June to September), increased by some 73,500 during the 1996 to 2001 period, an increase of 47%. However, some 20,000 of this increase or almost 1/3 of it, has come from cruise ship visitors, who have limited stays and low spending levels.

During the 1996 to 2001 period, air arrivals increased by almost 40% with auto arrivals increasing by roughly 30%.

During this same period, total spending by non-resident visitors has increased from $164.5 million to $289.1 million, an increase of over 75%. The exhibit on the next page summarizes data on the spending per visitor of those arriving by air, auto and cruise, during the peak season as well as on an annual basis. Average spending per person is $618 during the peak season, and $676 on an annual basis. Spending by visitors arriving by air is some 55% - 60% higher than it is for those arriving by automobile.

Average Per Capita Spending: Peak Season and Annual							
Year	**Peak Season**				**Annual**		
	Auto	**Air**	**Cruise**	**Total**	**Auto**	**Air**	**Total**
1996	$434	$603		**$516**	$422	$605	**$539**
1997	$460	$709		**$591**	$459	$710	**$627**
1998	$470	$726	$77	**$572**	$471	$728	**$624**
1999	$494	$764	$84	**$589**	$483	$761	**$641**
2000	$518	$800	$92	**$631**	$502	$796	**$676**
2001	$523	$811	$91	**$618**	$509	$809	**$676**

Spending by Origin and Purpose of Trip

Of particular interest in identifying priorities for future marketing activities is the yield or spending per visitor. As indicated above, spending varies quite significantly by mode of travel. It also varies by origin of the visitor and by purpose of trip. Exhibit II-1 (in Appendix II) summarizes spending per visitor for both automobile and air visitors, by origin and by purpose of trip, from the 1997 Exit Survey. A summary of overall average spending is provided in the tables below. This data is for spending in the province and therefore excludes most spending on transportation to the province. (Overall average spending per visitor increased by 7.8% from $627 in 1997 to $676 in 2001).

Average Spending Per Visitor; All Visitors by Origin 1997				
Market	**Total Spending ($ million)**	**Percent of Total Spending**	**Number of Visitors**	**Spending Per Visitor**
Maritimes	$41.0	17.7%	89,615	$457
Ontario	$83.8	36.2%	140,846	$595
Quebec	$10.1	4.4%	18,079	$559
Western Canada	$37.4	16.1%	51,430	$727
United States	$42.3	18.3%	50,700	$834
International	$16.04	6.9%	18,875	$850
Total	**$231.6**		**369,690**	**$627**

Average Spending Per Visitor; All Visitors by Purpose of Trip 1997				
Market Segment	**Total Spending ($ million)**	**Percent of Total Spending**	**Number of Visitors**	**Spending Per Visitor**
Convention/ Conference	$23.8	10.3%	30,152	$789
Other Business	$35.9	15.5%	47,578	$752
Vacation/Pleasure	$90.9	39.2%	136,038	$668
Visiting Friends & Relatives	$73.1	31.6%	140,146	$521
Other	$7.8	3.4%	15,777	$494
Total	**$231.6**		**369,690**	**$627**

As illustrated, the highest spending is by US visitors (particularly the longer haul US markets) and international markets, whose spending levels are almost double those of visitors from the Maritimes, and 1.4 times the spending of visitors from Ontario. On a purpose of trip basis, spending is highest for convention/meeting and business travellers, and then for vacation/pleasure travellers with lower levels of spending for those on visiting friends and relatives (VFR) trips and on trips for other purposes.

The Ontario market generated some 36% of total spending in 1997, with Maritimes, Western Canada and the US visitors each generating 16% - 18% of overall non-resident spending. The vacation/pleasure market generated almost 40% of spending, with 32% coming from the visiting friends and relatives market and 25% from the business and meetings/conventions market in1997.

A further factor to consider in examining the potential yield from various target markets is the length of stay in combination with spending, or the spending per day. Data from the 1997 Exit Survey on length of stay reveals that markets travelling to visit friends and relatives and for other reasons tend to have the longest length of stay. When combined with the lower spending levels, it is evident that the VFR market has a significantly lower yield than other market segments. Visitors arriving by air tend to have a shorter length of stay than those arriving by automobile; and visitors from the United States, particularly those arriving by air, also have shorter lengths of stay.

In conclusion, the visitors that generate the highest yield for the province are:

- Business travellers
- Vacation/pleasure travellers
- Visitors from longer haul markets, particularly US longer haul markets
- Visitors arriving by air (a significant portion of whom are business travellers)

Tourism activity in the province also includes travel by residents within Newfoundland and Labrador. Estimates for 1999 are that some 2.1 million trips[2] were made in-province with total expenditures of some $332 million.

In summary, tourism activity in Newfoundland and Labrador is estimated to total some 2.5 million person trips and generate over $621 million in direct expenditures.

Visitor Origins and Purpose of Trips

Detailed information on origins and purpose of trip is only available from the 1997 Visitor Exit Survey. Since 1997 was the Cabot Celebrations, it is quite possible that the mix of visitor origins and trip purposes has changed since that time. The table below summarizes data from the Exit Survey on trip purposes, for June to September visitors in 1997. Some 41% of visitors were on vacation/pleasure trips, 37% were visiting friends and relatives and 17% were attending conferences or on business trips. (Note that the number of conferences/meetings in St. John's during 1997 was exceptionally high due to Cabot 500 Celebrations)

Purpose of Trip: June - September Visitors, 1997 Data (From 1997 Exit Survey)

Purpose of Trip	Auto Visitors		Air Visitors		Total Visitors	
	#	%	#	%	#	%
Convention/Conferences	1,116	1.2%	11,877	11.6%	12,993	6.6%
Other Business	1,581	1.7%	18,839	18.4%	20,420	10.4%
Vacation/Pleasure	53,924	58.0%	26,928	26.3%	80,852	41.4%
Visiting Friends & Relatives	32,633	35.1%	40,238	39.3%	72,871	37.3%
Other	3,718	4.0%	4,505	4.4%	8,223	4.2%
Total	**92,972**		**102,388**		**195,360**	

[2] This data is based on the Canadian Travel Survey. More recent data is not available pending a review of the 2000 CTS by Statistics Canada.

The origins of visitors from the 1997 Visitor Exit Survey are provided in the table below. Overall, some 38% of visitors were from Ontario, 24% from the Maritimes, 14% from each of Western Canada and the United States and 5% from each of Quebec and International markets. It is interesting to note that visitors from the United States are distributed across the US, and not concentrated in the New England or Mid-Atlantic market areas. As well, there is a significant portion from Western Canada (this may reflect the "homecoming" of Newfoundland & Labradorians who emigrated to western Canada). This data suggests that Newfoundland and Labrador has appeal across a wide geographic market area, despite the fact that the province has done very little marketing outside of Ontario, the Maritimes and New England (through ACTP).

Visitor Origins
(From 1997 Exit Survey)

Geographic Origins	Auto Visitors		Air Visitors		Total Visitors	
	#	%	#	%	#	%
Maritimes	**52,032**	**42.4%**	**37,583**	**15.2%**	**89,615**	**24.2%**
Nova Scotia	38,464	31.4%	27,941	11.3%	66,405	17.9%
New Brunswick	11,154	9.1%	7,912	3.2%	20,068	5.4%
Prince Edward Island	2,414	1.9%	1,731	0.7%	4,145	1.1%
Ontario	**38,478**	**31.4%**	**102,368**	**41.4%**	**140,846**	**38.1%**
Quebec	**5,716**	**4.7%**	**12,363**	**5.0%**	**18,079**	**4.9%**
Western Canada	**7,664**	**6.3%**	**43,766**	**17.7%**	**51,430**	**13.9%**
United States	**18,555**	**15.1%**	**32,145**	**13.0%**	**50,700**	**13.7%**
New England	4,614	3.8%	5,193	2.1%	9,807	2.6%
Mid-Atlantic	3,823	3.1%	5,934	2.4%	9,757	2.5%
East North Central	2,614	2.1%	4,451	1.8%	7,065	1.8%
South Atlantic	3,809	3.1%	5,440	2.2%	9,249	2.3%
Other USA	3,695	3.0%	11,127	4.5%	14,822	3.7%
International	**83**	**0.07%**	**18,792**	**7.6%**	**18,875**	**4.8%**
Total	**122,425**		**247,265**		**369,690**	

Source: 1997 Visitor Exit Survey Data

The Competitive Situation

Newfoundland and Labrador's primary competition is the other Atlantic provinces. However, given the characteristics of visitor markets and the wide geographic area that the province draws from, it is evident that they are, in fact, competing with destinations across North America, particularly those that have unique and different experiences to offer. As part of this marketing strategy review study, the consultants completed a review of the marketing efforts of a number of other destinations including Nova Scotia, Prince Edward Island, New Brunswick, Quebec, Manitoba, Saskatchewan, Yukon, Alberta and Alaska. Appendix II provides case study write-ups on many of these destinations. Key information on each destination is summarized in Exhibit 5.

The marketing budgets of these destinations ranges from a high of $37 million in Quebec to a low of roughly $3 million in Saskatchewan. All province's except Saskatchewan had higher marketing budgets than Newfoundland and Labrador. This was true even of the Yukon whose marketing budget was notably higher than Newfoundland and Labrador's, at $6.3 million.[3]

In Atlantic Canada, budgets in all three other provinces are substantially higher than in Newfoundland and Labrador, with a total marketing budget of some $10.8 million in Nova Scotia, $7.3 million in New Brunswick (roughly $5 million in 2001) and $6.8 million in PEI (PEI 2001 budget was $3.4 million). It should be noted that both New Brunswick and Prince Edward Island had significant increases in their budgets for 2002 - in the case of PEI some significant portion of this was due to partner dollars from CTC and ACOA/Tourism Atlantic.

Non-resident tourist activity in Atlantic Canada totalled some 3.9 million non-resident person visits (this total includes multi-counting of one visitor since visitors to more than one province are counted in each province they visit) during the May through October period, of which Newfoundland & Labrador's share is some 6%, as follows:

Nova Scotia	1.42 million
New Brunswick	1.035 million
Prince Edward Island	1.185 million
Newfoundland & Labrador	0.228 million
Total	**3.9 million person visits**

[3] Total marketing budgets should be viewed with caution since not all governments include the same types of expenses in their marketing budgets.

Exhibit 5
Key Information on Competitive Destinations

Non-Resident Visitation (000)	USPs used in Positioning	Target Markets	Marketing Budget
Nova Scotia			
2,046 in 2001 (down 6% from 2000) May to October visitation in 2000 was 1.4 million <u>Purpose of Trip</u> (May to October) VFR: 41% Pleasure: 29% Business & Conventions: 13% Passing Thru: 4% Other: 11% Total Tourism Revenues: $1.1 billion (includes spending of resident travellers)	Canada's seacoast destination, main focus on touring Niche markets include meetings & conventions, golf, outdoor & nature, group touring and cruise	• Atl. Canada (55% of visitation) • Ontario (19% of visitation) • NEast USA (New England-5%, Mid Atlantic-3% of visitation; other US - 10% of visitation)) • Quebec (4.5%) (Target is Montreal, Francophone market) • UK and Germany (overseas: 3%)	$10.9 million including $6 million for creative (includes advertising, direct mail, in market promotions); $1.3 for visitor information services, $1.6 for research and enquiries/fulfilment. Leverages an additional $5.7 million in partner contributions through CTC, ACTP, etc.
New Brunswick			
1,400 in 2001 (down 3% over 2000) May to October: Approximately 1.03 million Total Tourism Revenues: $920million (2000; includes spending of resident travellers)	Natural wonders, saltwater beaches, great days and getaways	Ontario, Quebec, English Montreal, New England, Maritimes <u>Visitor Origins:</u> Atlantic Canada: 28% Quebec: 22% Ontario: 25% US: 24% Other Canada: 2%	$7.3 million (2002 campaign, up $2 million over 2001)

Exhibit 5
Key Information on Competitive Destinations

Non-Resident Visitation (000)	USPs used in Positioning	Target Markets	Marketing Budget
Prince Edward Island			
1,185 in 2001 (up 0.5% over 2000) 93% pleasure; 4% business and 3% motorcoach Total Visitor Spending: $328 million	Family vacations, beaches, golf, 'down-home' character	Origins and percentages of pleasure travel total are: Atlantic Canada (35%) Ontario (25%) Quebec (8%) Other Canada 7% New England 8% mid Atlantic 4.5% International 3%	$3.4 million in 2001 $6.8 million in 2002 due to support from CTC, ACOA/Tourism Atlantic & Province Includes increase in USA market promotion by $2.7 million
Quebec			
6.464 million in 2000 6.6 million in 1999 <u>Purpose of Trip</u> (NB includes Quebecers who make up 66% of overall tourism activity) Leisure: 42% VFR: 40% MCIT: 12% Other: 6% Total Tourism Revenues: $2.8 billion	Value for US$, Quebecois/french culture, cities, touring, resorts, hunting/fishing, skiing, snowmobiling	***Primary:*** Quebec residents, Ontario, New England *Secondary:* Other US France Germany, UK <u>Current Visitation</u>: United States: 33% Other Canada: 47% Overseas: 20%	$37 million

Exhibit 5
Key Information on Competitive Destinations

Non-Resident Visitation (000)	USPs used in Positioning	Target Markets	Marketing Budget
Manitoba			
1,888 in 2000	Outdoors, value (USA), VFR (Can.), adventure, ecotourism (Int'l)	*Primary:* Adjacent USA and Canada states/provinces (63% of visitation) *Secondary:* longer haul North America (32%) International (5%)	$6.4 million
Saskatchewan			
1,818 in 1999	Vast & diverse landscapes, Natural attractions, Outdoor adventure, ecotourism, Low costs/good value	Alberta & Manitoba (60%) Other Canada (18%) USA - primary: North Dakota, Minnesota; secondary: Montana, Wisconsin, California (18%) International (4%)	$3 million
Yukon			
233 in 1999 Approx. 225,000 in 2001, down 10% from 2000 (Border crossing data, excludes air arrivals)	Wilderness, northern lifestyles, gold rush	USA (74% of visitation) Canada (15%) UK, Germany, Switzerland, Netherlands, France, Italy, Japan, Taiwan, Australia (11%)	$6.3 million
Alaska			
October 2000 - April 2001: 254,000 (44% business, 26% VFR) Summer 2001: 1,203 - 49% by air, 48% on cruises	Adventure, dramatic scenery, exotic outdoors	Cruise (shore excursions), USA Visitors tend to stay less than 7 days, mostly on packages	$7.8 million US$ in 2002 ($12.2 million Cdn $) Note: cruise lines market Alaska aggressively as well

The Markets Available to Newfoundland and Labrador

This discussion of the potential markets available to the province first provides an overview of tourism activity in Canada generally and the outlook for the future, and then explores geographic markets and purpose of trip markets. It also provides an overview of key market trends that are impacting the future of travel and tourism.

Canada's Tourism Industry Performance

Key data on the performance of the tourism industry in Canada over the past five years is provided in Exhibit 6, drawing on statistics reported by the Canadian Tourism Commission and Statistics Canada.

Domestic tourism activity in Canada has fluctuated over this period with increases in 1998 and 1999 but a decline back to 1996 levels in 2000. Almost 80% of total domestic travel is residents travelling within their own province.

In the international marketplace, the volume of overnight travel to Canada increased by some 13% between 1996 and 2001 with the vast majority of this increase coming from US markets. In fact visitation from key European markets other than the UK declined between 1996 and 2000 (even before the impact of September 11, 2001). According to the CTC's recently released Strategic Plan 2002-2004, Canada's competitive position in the US leisure market, as well as in the UK, Japan, France and Germany markets declined by some 20% - 25% between 1995 and 2000. While Canada saw some growth in demand from the US and UK markets, this growth did not keep pace with the overall growth in these markets.

At the same time, Canada is seeing more aggressive competition in the global marketplace, with major competitors including the US, Australia, New Zealand and South Africa.

Over the next three years (2002 - 2004), the CTC is projecting that tourism demand in Canada (as measured by total receipts) will increase from $54.1 billion in 2000 to $59.5 billion in 2004. This forecast reflects the impacts of September 11, 2001 with a decline in the US travel market at least in the short term. Total travel receipts are forecast to remain stable in 2002 and then increase between 3% and 6% in 2003/2004.

Exhibit 6
Performance of Canada's Tourism Industry 1996 - 2001
(Millions; Overnight Trips Only and Percentage Change from Preceding Year)

Geographic Markets	1996	1997	1998	1999	2000	2001 Preliminary
Canada						
Within own Province			59.51	59.40	57.27	N/A
To Other Provinces			14.90	15.16	14.61	N/A
Total Domestic	**71.585**	**65.727** (-8.2%)	**74.409** (+13.2%)	**74.561** (+0.2%)	**71.885** (-3.6%)	N/A
International						
United States	12.91 (-0.7%)	13.40 (+3.8%)	14.89 (+11.1%)	15.18 (+1.9%)	15.225 (+0.3%)	15.529 (+2.0%)
Overseas						
U.K.	0.691 (+7.8%)	0.734 (+6.2%)	0.747 (+1.8%)	0.780 (+4.5%)	0.866 (+10.9%)	0.755 (-12.8%)
Germany	0.447 (+6.3%)	0.398 (-11.1%)	0.379 (-4.8%)	0.392 (+3.6%)	0.385 (-1.9%)	0.358 (-7.0%)
France	0.459 (+6.8%)	0.439 (-4.4%)	0.402 (-8.5%)	0.414 (+3.0%)	0.404 (-2.4%)	0.352 (-12.8%)
Japan	0.648 (+10%)	0.566 (-12.7%)	0.484 (-14.4%)	0.526 (+6.6%)	0.500 (-3.1%)	0.404 (-19.1%)
Other	2.132	2.098 (-1.6%)	1.923 (-8.3%)	2.085 (+8.4%)	2.237 (+7.3%)	2.23
Total International	**17,285.2 (+2.1%)**	**17,636 (+2.0%)**	**18,828 (+6.8%)**	**19.367 (+2.9%)**	**19,617 (+1.3%)**	**19.6 (-0.1%)**

Source: Canadian Tourism Commission; Statistics Canada

The Canadian Tourism Commission's Strategic Plan identifies a number of program directions and priorities. Some of these include:

- Product Development particularly in the *Outdoor Tourism Cluster, the Culture Tourism Cluster, the Winter Tourism Cluster, and the Touring and Cities Product Cluster*

- Other product development activities in areas such as niche products, learning vacations, Aboriginal culture, cuisine, golf, sports tourism, gardening, wellness vacations, youth tourism and rural tourism;

- A greater focus on marketing to Canadians to travel within the country throughout the year;

- An aggressive marketing effort targeting the US market aimed at increasing the awareness of Canada as a year-round travel destination for both long-haul and short-haul trips;

- More investment in Internet marketing;

- More emphasis on media and public relations to develop communication channels able to influence and promote travel products and experiences.

Potential Geographic Markets

Geographic markets that have been identified as having potential to generate leisure travel to Newfoundland and Labrador include:

<u>Canada</u>
- Maritimes
- Ontario
- Quebec - primarily Montreal
- Western Canada - particularly Alberta

<u>United States</u>
- Northeast USA
- Longer haul USA - particularly markets having reasonable air connections

<u>International Markets</u>
- Europe - United Kingdom, German-speaking
- Japan

A series of exhibits in Appendix II provides key information on the size of each of these markets and their propensity to travel generally, and, where data is available, their propensity to visit Newfoundland and Labrador. Some comments on each market are provided below.

Canadian Market

Canada's population is just over 30 million with 81% of them being 15 years and over. Some 38% of the population live in Ontario with 24% in Quebec and 30% in the west. Atlantic Canada's population, as of the 2001 Census, was almost 2.3 million of whom 40% live in Nova Scotia. The population of Atlantic Canada has declined over the past five years, with the decline most pronounced in Newfoundland and Labrador.

Participation in travel varies across the country. Overall, 50% of Canadians made non-business overnight trips within their province in 1999, and 20% made non-business overnight trips to other provinces. Total interprovincial (to other provinces) trips in 1999 was almost 15 million. The propensity to travel to other provinces varies across the country, ranging from a high of 57% participation by residents of Prince Edward Island, to a low of 12% by residents of Quebec, and 15% by residents of Ontario and Newfoundland & Labrador. Alberta, Manitoba, and New Brunswick are all in the middle - with a participation rate of around 35% in interprovincial travel.

The much higher population levels in Ontario and Quebec, and the relatively high population in Alberta combined with their higher propensity to make interprovincial trips, means that these three provinces account for a significant portion of the 15 million interprovincial trips, as follows:

Ontario	3.95 million (26%)
Alberta	2.96 million (19.8%)
Quebec	2.31 million (15.4%)
Sask/Man	2.14 million (14.3%)
Atlantic Cda.	1.91 million (12.8%)
BC	1.67 million (11.2%)

The Travel Activities and Motivation Study (TAMS) reported that on average, Canadians took 4 pleasure trips within their province and 1.7 pleasure trips to other provinces in the two years preceding the survey. Residents of Saskatchewan, Nova Scotia, New Brunswick and Alberta made the most pleasure trips outside their home province. As stated in the TAMS report “typically, the highest incidence of travel was from the adjacent province(s) although there were certain exceptions to this pattern (e.g. trips from Alberta to

Newfoundland were atypically high)"[4]. The percentage of the Canadian adult population reporting taking overnight pleasure trips to Newfoundland and Labrador in the preceding two years was 2% (including provincial residents), ranging from a high of 8.3% in Nova Scotia, around 3% for the other Atlantic Provinces, 1.8% for Ontario and 1.2% for Quebec and Alberta.

The TAMS study also provided some interesting perspectives on the future Canadian destination intentions of Canadians. (See Exhibit II-3 for details). This data indicates that whereas 2% of Canadians reported travelling to Newfoundland and Labrador on overnight pleasure trips in the past two years, 7% indicated an intention to do so in the next two years, which was the highest relative growth in intentions to travel of all provinces.

US Market

The US roughly 200 million adult population made almost a billion domestic trips (50 miles one way and/or overnight trips) in 2000, of which 75% were leisure travel (including visiting friends or relatives), and some 60 million international overnight person trips (includes all modes of transportation to Canada and Mexico; air only to other destinations). As indicated earlier, Canada received some 15.5 million overnight trips from the US in 2001.

According to the TAMS study, some 13% of US adults took at least one overnight pleasure trip[5] to Canada during the two years preceding the survey, with Ontario, BC and Quebec being the most visited Canadian destinations. Travel to Canada by US markets, particularly from long haul US markets, was concentrated during the summer. Travel to Canada from the US increased with education level and household income.

Data from the TAMS study provides some interesting insights into US travel to Newfoundland and Labrador, as illustrated in Exhibit II-4 in Appendix II, and confirms the patterns of US travel to the province exhibited in the 1997 Exit Survey. This data suggests that interest in travel to Newfoundland and Labrador is fairly widely distributed across the US and that interest from the New England area is not much higher than from other regions such as East North Central and Mountain (although overall percentages are very small and the number of trips is overstated in the TAMS study, the data does show a pattern). This pattern is quite different than for the other Atlantic provinces that show a much higher

4 Lang Research, TAMS Overview Report, Page 108

5 Note: In the TAMS study, the number of trips was calculated by summing up the number of times selected destinations have been visited in the last two years. If the respondent visits multiple destinations on the same trip, it was counted as more than one trip. As a result, the TAMS data overstates the number of trips made.

travel participation rate from the New England states than from other regions of the country.

TAMS also asked the US market about future intentions, and the provinces they were likely to travel to (Exhibit II-5, Appendix II). While the US market was most likely to consider taking a trip to Ontario, Quebec and BC, future interest in travel to Newfoundland and Labrador was especially high, relative to past travel behaviour, increasing from less than 1% to 4%. The TAMS research also indicated US affluent mature/senior couples are the most likely to express increased intentions to visit Canada - the most likely destinations are Ontario, Quebec and BC but increased travel intentions relative to past travel is greatest for the Maritimes and Alberta.

<u>Touring Trip Segmentation: US and Canadian Travel Markets</u>

The TAMS research segments the touring market into six groups, two of which appear to have higher than average potential for Newfoundland and Labrador. Key characteristics of these segments are summarized below.

Personal Explorers (23% of Canadian travellers; 24% of American travellers)

– Above average household income and education; Affluent Young Couples, Affluent Mature and Senior Couples
– Take a larger than average number of trips to a wider array of destinations
– Canadians more likely to travel in Canada; Americans more likely to have visited Canada; both Canadians and Americans more likely to expect to vacation in Canada
– Seek out a broad range of vacation experiences; quite active in outdoor activities such as natural sightseeing, canoeing, hiking and kayaking; cultural and entertainment activities including shopping, dining, visiting museums, art exhibits and historic sites
– Canadian Personal Explorers more likely than all Canadian travellers to have visited Newfoundland and Labrador (5% compared to 3%)

Exotic Tour Seekers (8.9%of Canadian travellers; 9.4% of American travellers)

– Above average income and education
– More likely than the average traveller to have plans to travel in Canada over next two years
– Seek out exploratory vacation experiences - particular interest in natural sightseeing and visiting natural phenomena; also more likely than average to participate in vigorous physical activity such as canoeing, kayaking, hiking, sailing. Noticeable interest in gardens and natural attractions - desire to get back to nature.

– Both Canadian and US Exotic Tour Seekers more likely than all travellers to have visited Newfoundland and Labrador (5% compared to 3% for Canada; 7% compared to 3% for US)

International Markets

Canada's major international markets are the UK, France, Germany and Japan. Together, these four markets account for almost 50% of the overseas tourist visitation to Canada. The next largest markets are Australia, Mexico, South Korea, Taiwan, Hong Kong and the Netherlands. Much of the visitation from these international markets, particularly the Asian markets, is associated with visiting friends and relatives and with visits to Canada's “world renowned” destinations such as Niagara Falls, the Rockies, Vancouver and Toronto.

The Canadian Tourism Commission has undertaken a variety of research efforts into the potential from the key international markets, with detailed reports available on a number of them. It is outside the scope of this research to assess these findings in detail. Some general comments:

- The potential market with an interest in visiting Canada is large in each of the four major international markets, e.g. over 7 million pleasure travellers in the UK interested in Canada and likely to visit over the next five years; 9.8 million in Japan

- Canada's scenery, undisturbed natural surroundings, spectacular mountains and lakes, wildlife and open space are most frequently its strengths in these markets. Cultural heritage, particularly aboriginal cultural heritage, are also strengths in some markets.

- Key factors impacting the selection of Canada as a destination for an international trip, and of destinations within Canada, include availability of air access, the high costs of travelling here, perceptions of the destination, and the availability of market-ready packages. Canada as a whole faces strong competition from the United States and other international destinations while Atlantic Canada faces strong competition from more well-known destinations such as Banff and Niagara Falls.

Special Interest/Activity Markets

Exhibit II-6 in Appendix II provides a summary of key information on the market sizes, key characteristics and growth potential of the following special interest/activity markets:

- Hunt/Fish
- Outdoor adventure - hiking, sea-kayaking, snowmobiling, birding
- Alpine skiing
- Meetings and conventions

- Incentive travel
- Learning/enrichment travel programs, and
- Cruise

A few key comments on each of these markets is provided below:

Hunt/Fish

- Participation in hunting is relatively low (5% of Canadians, 7% of Americans) and data suggests that the overall market is not growing
- However, there is a segment that seeks out quality hunting experiences, and this is a high yield market
- Participation in fishing is much higher (17.7% of Canadians, 24% of US), though much of it is done relatively close to home.
- A segment of the fishing market is seeking high quality fishing experiences and will travel, and spend money, for the fishing experience they are looking for (Newfoundland and Labrador attracted some 4,700 non-resident anglers in 1995)
- TAMS research suggests a relatively small growth potential, with growth segments including fly fishing, high-end sport fishing and in women participating in fly fishing.

Hiking

- Participation in hiking has shown steady increases over the past decade or so, and according to TAMS, some 22% of adults who took a trip in the past two years went hiking or backpacking.
- Affluent segments are more likely to participate
- TAMS research suggests continuing growth
- Yield varies - low for independent backpackers, higher for those purchasing guided trips or combining hiking with other activities

Sea Kayaking

- Participation rates are relatively low but have been increasing - TAMS reports 13% of those who took a trip in past two years went kayaking or canoeing, with 20% indicating they will seek this activity in the next two years
- Only 0.7% of US market participated in kayaking in 1994/95 increasing to 3% in 2000
- As with hiking, yield is low for those on independent trips, much higher if it is part of a guided trip or another trip

Snowmobiling

- Participation rates are 2.5% - 3.5% of the Canadian/US population as a whole
- TAMS reports that 2% of Canadians on leisure trips went snowmobiling as part of an overnight touring trip (1% of US market), and 4.3% went snowmobiling on an organized trail

- According to TAMS, growth potential overall is quite substantial - going snowmobiling as part of a touring trip going from 1% to 4%; using an organized trail from 3% to 10%
- Yield is relatively high, particularly for those renting equipment and on guided trips

Birding

- Large percentage of the population report wildlife viewing/birdwatching but only 14% of adults who took a trip in the past two years participated in birdwatching
- Birdwatching exhibited strong growth from early 1980s, and from 94/95 (27%) to 2000 (33.5%) in the US market
- While many people participate in this activity while travelling, it appears as though the portion that travel for the primary purpose of birdwatching (the avids) is relatively small.
- TAMS research does not show birding as a growth market segment.

Alpine Skiing

- TAMS reports that some 12% of US and Canadian adults who took at trip in the past two years participated in skiing, with 20% intending to do so in the next two years.
- Much of the growth in alpine ski activity has been associated with major resort developments, such as Whistler and Mont Tremblant - resort destination communities offering a wide range of activities and accommodations, with the skiing in some ways becoming a secondary activity.

Meetings and Conventions

- There is little data available on the size of this market
- There are three main segments - association meetings/conventions, Corporate conventions and corporate meetings.
- Yield tends to be high, with good potential for pre-post meeting trips at the destination
- CTC has placed some focus on the Meetings, Convention and Incentive travel markets in the past two years with increased marketing in the US, a Destination Guide, Convention Planning Guide and relationship marketing programs
- Addition of new facilities in St. John's means that the province now has the product to be able to accommodate more meetings/conventions

Incentive Travel

- Little data on the size of this market but it has reportedly grown in recent years - and Newfoundland and Labrador has seen significant growth from this segment
- High yield - with high expectations
- Generally seek out “in” destinations that offer unique and different experiences
- Impact of September 11th means that more North American destinations being sought out, as opposed to international ones

Learning/Enrichment Travel Programs

- Learning vacations have been described as "pre-organized, structured, high-quality learning opportunities led by a resource specialist ... allows travellers to explore and experience the unique attributes of a destination and its people" [6]

- Learning/enrichment experiences can also take place within another vacation experience either for part of a day or for several days.

- The TAMS study[7] reports that 7.4% of US travellers and 6.2% of Canadian travellers had participated in hands-on learning experiences while on vacation in the past two years. This research also suggests that participants are most likely to be young singles, also mature singes and senior couples, and that interest increases with level of education but is not related to income or gender.

- The Canadian Ed-Ventures study cited earlier indicates that primary target markets are older adults and baby boomers, well-educated and financially secure.

- Learning vacations have been reported as one of the fastest-growing niche markets. TAMS research reported that 7.2% of North American travellers had sought out hands on learning experiences in the past two years, and another 13% intended to do so in the next two years. Those interested in hands-on learning were also much more likely to seek out exploratory vacation experiences such as visiting natural sites, museums. Also, they were quite active in an array of cultural, entertainment and outdoor activities.

- The yield on learning vacations can be high with the norm for per day costs in Canada running between $250 - $300. [8]

Cruise

- World wide cruise passenger volumes reached 10.4 million in 2000 (up from 8.4 million in 1998) and in North America reached 7 million in 2000 up from 5.5 million;

- Atlantic Canada has benefited from this growth - particularly Halifax where arrivals reaching 96 port calls in 2001 (up from 53 in 1998), and 160,000 passengers.

---

6 Canadian Tourism Commission, Canadian Ed-Ventures: Learning Vacations in Canada: An Overview, page 1

7 Lang Research, TAMS Special Report: Hands-on Learning on Vacation

8 Canadian Tourism Commission, Canadian Ed-Ventures: Learning Vacations in Canada: An Overview, Volume 1, April 2001, Page 2

- Overall, cruise activity in Atlantic Canada is expected to continue to grow, particularly in Halifax since it is on the New England/St. Lawrence routing.

- A recently completed study on the potential for Newfoundland and Labrador suggested that the province could potentially attract increased demand from three segments of the market - the Trans-Atlantic service (primarily in St. John's), the New England/Eastern Seaboard segment and the adventure cruise segment. However, destination awareness, access (due to the small size of the nearby markets), fit with consumer vacation patterns (e.g. growth in cruising has been in 3 - 5 day products, and 7 days whereas Newfoundland and Labrador's distance from cruising homeports means itineraries of 10 days or more) and airlift capacity were cited as major constraints to growth.

Other Niche Markets - The Recreational Vehicle Market

In the consultation sessions, the recreational vehicle market was identified as one that should be considered for the province. We have identified some information on this market that suggests that there are over 9 million RV s in the US with new shipments of some 300,000 a year or some 3%. RV owning households are expected to increase by 15% by 2010 and the RV rental market has been showing strong growth. Recreational Vehicle Industry Association research is indicating strong growth in this market, suggesting that one in five households plan to buy an RV at some point in the future. (Current data indicates that one out of ten US households owning vehicles own recreational vehicles).

No data was found on the pattern of travel of recreational vehicle owners or their propensity to make extended trips to distant destinations such as Newfoundland and Labrador. While there is clearly an adventure segment of this market, one that is prepared to travel further afield and to more remote destinations, its size and potential for the province is unclear.

One segment of the RV market is RV Caravans - groups of recreational vehicle owners travelling together. These can be led by a guide (there are companies that organize RV caravans) or arranged by independent groups. One company that arranges them features loop-trips - clients fly in, rent an RV and then depart from a different location - positions the trips as being opportunities for fun and adventure. Another growing segment is recreational vehicle rental operations.

Data on the RV market travelling to Nova Scotia is of interest to this analysis since any recreational vehicles travelling to Newfoundland & Labrador would have to come through Nova Scotia. In the 2000 Visitor Exit survey, the following findings were reported on the RV market segment:

- 5% of parties (May to October) arrived by RV. With an average of 2.6 persons per party (above the overall average party size of 2.2), some 88,000 visitors arrived by RV.

- Average length of stay was 8.8 nights, the same as for air arrivals and above the overall average of 6.5 nights

- Average total spending in the province was almost $1,045 per party slightly lower than the overall average of $1,216 per party, or an average of $107 per day. This rate of spending was less than both auto travellers ($125 per party day) and air travellers ($176 per party per day)

Additional research is needed to ascertain the magnitude of the potential of this niche market for the province, and its relative size compared to other market segments.

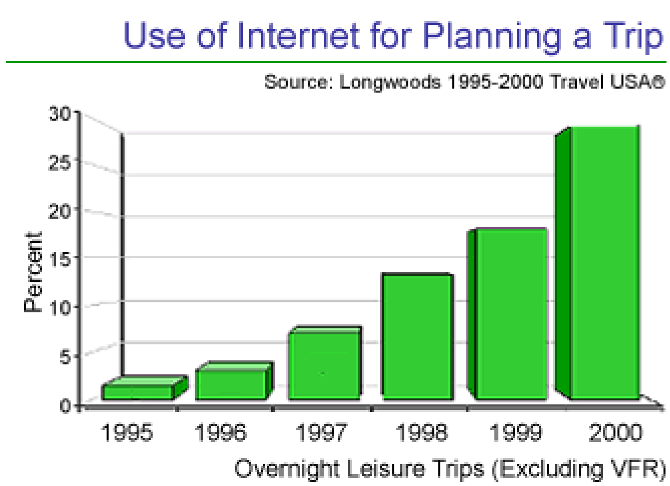
Some General Market and Tourism Trends

- The largest travel markets are the baby boomers – and they are getting older and starting to retire. Travel has always been important to this market, and many of them will have significant financial resources in retirement thanks to pension plans and strong real estate and stock markets. The expected result – larger travel markets over the next 10 - 20 years, with time and money, and looking for new places to go and new things to do.

- Travellers are looking for experiences – outdoor activities and adventure, learning and personal enrichment, cultural events and entertainment, interpretive programs at parks and historic sites – not just great scenery and friendly people.

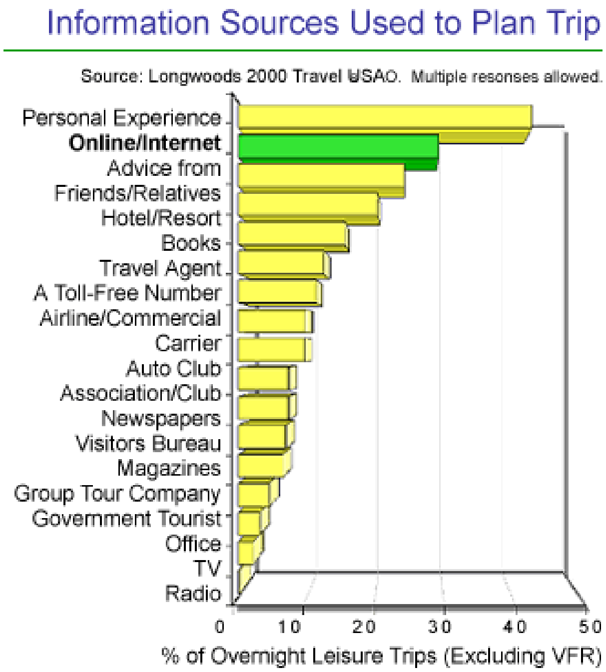
- Travellers are looking for the new, the exotic and the different. Many are well-travelled and have high expectations as to the experiences they will find at a destination.

C Quality service and hospitality is critical. While many of today's travellers are prepared to spend, they also expect value for the money they spend.



C The Internet is becoming more and more important to travellers in seeking out destinations of interest, in research and planning their trips, and in making bookings and trip purchases. As illustrated in the accompanying charts, the use of the

Internet for planning a trip among US overnight leisure trips (excluding VFR) has increased from 2% in 1995 to 29% in 2000, an increase of 1350%. And, the Internet is now the second most popular source of information for planning such trips, ahead of advice from friends and relatives.



- Good air access is critical to developing a strong tourism destination and in Canada generally, and Atlantic Canada in particular, having sufficient air lift capacity at reasonable prices and with good service to existing and emerging markets is going to be an ongoing challenge.

- The cruise sector continues to be a big growth market and cruise lines are seeking out new and different destinations so as to remain competitive and encourage repeat clientele.

Strengths, Weaknesses and Threats

A brief overview of Newfoundland and Labrador's key strengths, weaknesses and threats from a tourism marketing perspective is provided here. Market opportunities are addressed in the next section.

Strengths

- A uniquely different destination offering:

  - Outstanding natural features - scenery, dramatic coastlines, rugged interior
  - Icebergs
  - Wildlife - whales, moose, caribou, birds
  - Opportunities for quality outdoor experiences and adventures
  - Peace and quiet - “get away from it all”

- The people - friendly, fun, interesting and entertaining

- UNESCO World Heritage sites - Gros Morne National Park, L'Anse aux Meadows National Historic Site

- Strong cultural heritage exhibited throughout the province through music, drama, storytelling and numerous other forms of entertainment

- Many high quality heritage and natural heritage sites

- Recent increased profile as a travel destination gained through major events such as Cabot 500 and the Vikings Celebration, through films and television shows, and through events such as the Junos

- Labrador, with its own unique culture, natural heritage and opportunities for adventure

- Opportunities for winter adventure

Weaknesses

- Air access - limited direct access, limited capacity, high prices, frequent changes in service, poor access from the United States

- Limited destination awareness, particularly outside of Canada

- Ongoing challenges with ferry access in terms of capacity, quality of service and schedules

- Distance (time and cost of travel) from markets

- Low tourism marketing budget

- Limited higher quality accommodation properties, particularly outside of St. John's

- Limited capacity within the tourism plant in certain areas of the province

- Highly seasonal tourism activity (other than in certain areas such as St. John's)

- Need for more professionalism and training within the tourism industry, at both management and staff levels.

- Many tourism businesses are not market ready, and are not able to meet the expectations of today's sophisticated and demanding travellers.

Threats

- Further reductions in air service (frequency, capacity) and increases in prices

- Disruptions of ferry service and/or insufficient capacity to accommodate demand

- Not meeting the expectations of travellers, particularly if volumes of tourism increase

- Further erosion of provincial tourism marketing budget and human resources

- Increased competition

- Disruption in national/international travel due to world events

Insights from Key Industry Stakeholder Interviews

Personal interviews were conducted with a number of key tourism industry stakeholder to explore their perceptions and opinions about the Province's current marketing efforts. A summary of the key comments received is provided below.

Some Overall Comments

- Given the limited core marketing budget, there was general agreement that the current overall strategy is appropriate. All of those interviewed agreed that there has to be more money for core marketing – and a multi-year commitment. There is a feeling that the province is missing out on some initiatives, CTC programs for example, because they do not have the money to “play”.

- There is too much political interference in decisions about tourism marketing.

- The private sector should have more say in developing the marketing strategy - and a real say. Some suggest the private sector should have control.

- Many of the regional associations are not “in tune” with the province’s destination marketing message and priorities. There is some concern about the value and impact of the marketing activities undertaken by some regional associations

- There is a belief that more could be achieved with the money available if it were not for government policies and limited human resources. E.G. Agency of Record review process; Government having to be “ all things to all people”. There is frustration at frequent staff changes and not knowing who to deal with.

- The focus of the marketing effort needs to be on the strategies that have the best Return on Investment - this requires understanding the true ROI of various marketing programs.

- ACTP programs and their value to the province is an issue – how best can Newfoundland and Labrador tie into and benefit from ACTP initiatives.

- Visitor Information Centres – provincial ones need to have the same branding, should operate with more flexibility and provide more strategic information and collateral

Marketing Opportunities/Needs Identified

Markets

- North East United States – some regions of the province are reportedly getting significant visitation from this area with little marketing – Is there more potential? Can we compete? Can we afford to compete? Are there niche strategies that might be preferred?
- Quebec – Montreal area market? French market – but are we ready to handle them?
- Enrichment/learning travel
- Affinity/loyalty markets
- Western Canada
- Adventure avids niche?
- Local residents – is it worth it?
- Incentive
- Visiting friends and relatives – is the yield there?

Strategies

- More emphasis on media relations and travel writer programs – oriented to general touring and for adventure tourism
- More public relations – “thinking outside the box”
- Increased effort with the travel trade – general and specialty (e.g. adventure)
- More focus on fall, perhaps spring
- More effort on winter
- Improved web site and strengthened Internet marketing strategy

Issues and Constraints that need to be Addressed

- A critical need for up-to-date, timely, factual and credible data on provincial tourism activity. What is the number of true leisure tourism visitors?
- Air access – capacity, schedules, prices – is a continuing urgent issue
- Core marketing budget – critical that there be a significant increase in this. Tax levy issue seen by some as complex, taking a significant period to implement and there is uncertainty as whether these funds would go ultimately to marketing or to supporting regional associations.
- Role of province vs regional tourism associations in marketing – needs to be defined.
- Product teams – some feeling that these have not worked well due to:
    - No real defined purpose
    - Limited resources
    - Industry being presented programs at the last minute, not really being involved in developing them
- Ability/willingness of industry to contribute money to marketing efforts is an issue – current level of co-op buy-in is limited

- Market readiness of the industry – a key issue
- Product development – needs to be strategic and market-based/driven not done under a regional economic development umbrella
- Seasonality of the industry – a big challenge and critical to viability – there is need for more creative product development and marketing around the shoulder seasons

Comments from the Travel Trade

Interviews were conducted with twelve tour operators currently offering Newfoundland and Labrador. These included tour operators offering group and/or FIT tour products, adventure tour operators and those in both Canada and the United States. They included:

- Globus Travel
- Horizon Holidays
- Brennan Tours
- Conquest Vacations
- Freewheeling Adventures
- Routes to Learning Canada
- Collette Tours
- Denure Tours
- Signature Vacations[9]
- Adventure Canada
- Great Canadian Adventure Company
- TourCo

Comments received in these interviews are summarized below:

<u>Newfoundland and Labrador's Position in the Marketplace</u>

- Newfoundland and Labrador is seen to be a particularly strong destination this year, in both US and Canadian markets - several tour operators indicated that it was their best selling Canadian destination in 2002
- It is a unique and different destination, offering wilderness/adventure and outdoor experiences with strong icons.
- Relatively unknown but uniquely different
- A destination for sightseeing and adventure - but some comments that it is not as dramatic as a destination like Alaska
- Culturally different and appealing
- For the adventure segment, it is seen as offering multi-activities but is not for everyone due to the harsh environment
- Good learning environment
- Has benefited from public relations post 9/11 and the two recent movies

[9] Since these interviews were conducted, Signature has announced that it is discontinuing its Canadian tour programs.

Newfoundland and Labrador's USP's and Strengths

- People - friendly, unique
- Scenery and natural beauty
- Culture - such as music and writers
- History and culture
- Whales and puffins
- Icebergs
- Close knit communities
- Soft adventure opportunities
- National Parks and UNESCO sites
- Unspoiled
- Labrador - "wild" country

Newfoundland and Labrador's Weaknesses

- Lack of first class accommodations - limits growth because there is not enough choice at the higher end of the market
- Limited choice in accommodations particularly in some areas, e.g. Gros Morne; and little available at better than a 3 Star.
- Air access - schedules, costs, capacity limitations, continual changes
- Distance
- Cost to get there
- Lack of awareness in the marketplace
- Inconsistent product offering
- Short season - cannot develop market beyond the summer
- Signage

Challenges with Suppliers, DMOs, etc.

- Generally, comments were very positive with the main challenges being related to air access and a shortage of suitable accommodations and/or choice in accommodations
- Smaller properties need training on working with tour operators
- Unstable supplier base - in the adventure sector
- Limited fresh food available

Suggestions for Overcoming Challenges

- Develop more infrastructure, particularly accommodations - but recognize this is a challenge given the short season
- Deal with air access challenges - the government should be aggressively working to get improvements (example of Alaska cited where government paid for flights that weren't full just to encourage good air service)
- Make sure accommodations are up to par on cleanliness and state of repair - don't let mid-range properties get run down
- More money needed to be spent on tourism

- Improved partnership opportunities
- More training and business planning help for suppliers, particularly in adventure sector

What Could the Province do to Encourage more Business
- Develop infrastructure and improve access
- More in-depth selling as opposed to 30 second TV spots
- Travel shows
- Publicize the warmth and spirit
- Promote to the more seasoned and experienced traveller
- Keep on the same track
- Offer more partnering opportunities for tour operators
- Do a better job of selling Atlantic Canada as a whole area
- More marketing to increase destination awareness - Newfoundland and Labrador is a tough sell in some markets due to lack of destination awareness
- Stronger marketing effort in the US and further afield to generate demand from these growth market areas
- If planning more special events, make sure information is in the marketplace much furthur in advance

What could the province provide in terms of support to Tour Operators
- Photographic images and videos - quality downloadable images for web sites
- TradeSmart Program
- Continue good efforts on itinerary planning help, copy for brochures and product packaging
- Marketing support and co-op advertising - partnerships
- Help with brochure distribution
- Tour planners and maps are good
- Consumer direct marketing that connects with tour operator efforts

Sources of Information Used for Planning
- Marketplaces
- DMOs
- To a lesser extent, FAM tours, tour planners, trade magazines
- Little use of receptives, though several companies do use them
- Word of mouth, personal research
- Internet
- FAM tours strong for adventure travel tour operators

Geographic Market Areas with Strongest Interest in Newfoundland & Labrador
- Midwest US (1)
- Southern Ontario/Central Canada (6)
- Florida, Southern California and Arizona (1)
- California (1)

- Northeast US (1)
- US generally
- US - West coast, Florida (1)

Section 3

Fundamental Strategic Issues and Marketplace Perspectives

Section 3
Fundamental Strategic Issues and Marketplace Perspectives

Before dealing specifically with marketing strategies and tactics, there are a number of overall strategic issues that set the context for the Province's marketing plan. Additionally, it is important to establish the context for the market segmentation approach to be employed. This section addresses those topics.

Strategic Issues

Sell the Destination First, Then the Products and the Regions

People have to be motivated to select Newfoundland and Labrador as a destination before deciding on what particular mix of experiences they will undertake, and which regions they will visit. It's the Province's primary job to sell Newfoundland and Labrador as a destination in the first instance. What its role is in the latter case is less clear. This will be addressed in the Section 7 on Government Tourism Roles as well as in Section 9 on Public-Private Partnership.

The Internet Revolution

The big shift to web marketing, and driving enquiries to the web, is nothing less than a revolution in travel and tourism marketing methods. And the revolution is by no means over; it's still heating up. The province needs to catch up in using this technology. This will be discussed in the Section 4 on Recommended Marketing Strategies.

Adequate Resources Are Needed if the Job is to Get Done

You need enough money and people to do what has to be done to be successful. If you don't invest enough, your effort will be too limited to be competitive and the results will fall short. This is a critical issue for Newfoundland and Labrador. The level of Provincial investment is not adequate to do the job expected of the department. In Section 5 we will address future budget needs.

Quality Products and Experiences, and Traveller Infrastructure

You need quality experiences and products to sell before you go to market. You also need to have travel infrastructure, the necessary traveller services, in place as well - sufficient air and ferry capacity, at affordable prices for leisure travellers, along with travel information, decent accommodations, restaurants, car rentals. These need to be in place and market-ready for marketing to work properly. Newfoundland and Labrador has challenges here, as will be discussed in a later section on Strategies in Support of Marketing.

Increase the Focus on Shoulder and Off-season Markets

The capacity limitations on air and ferry access, and the shortage of quality accommodations in the high season strongly suggest that the Province needs to increase its attention to shoulder and off-season periods - working with the industry to be open, having suitable offerings and packages for these periods and augmenting the marketing effort here as well. This would also be valuable in improving the viability of the industry.

Good Information is Needed, and Tracking is Vital

Good marketing decisions rely on good market information, as well as conversion and other tracking data. The Province has been lagging in this area. We will discuss this in the next section.

Critical Mass is Critical

It is not worth promoting to a market segment unless you can invest enough to achieve a sufficient critical mass of effort to have real impact in generating awareness and purchase. The message has to be visible to the consumer - it has to rise above the 'horizon' of the consumer's attention span. And it has to be maintained over time to reinforce the message in the consumer's psyche, and to spread the reach.

The impact of this is that, if you have a large budget, it is reasonable to target a number of different markets. But if you have a small budget (and limited human resources), you need to concentrate the effort in fewer markets and not waste money and effort where you haven't got the resources to do the job reasonably well. The key is to have the necessary critical mass of effort (both financial and human) in each market being targeted.

Doing the Marketing Right

Maintaining focus and consistency is important, as market impact accrues and builds over time.

Also, making sure the marketing 'pieces' fit together and mutually support one another is really important. For example, advertisements drive enquiries to the web and a call centre, on to fulfilment.

Need to Have a 'Business Model' to Get the Job Done

Making linkages with industry the right way with respect to the provincial marketing effort is another key issue. The Province markets the province on behalf of, and in collaboration with, the tourism industry in the province. However, traditionally, the relationship between government and industry in the province, and in many other jurisdictions as well, is that of a political organization accountable to voters, doing business with some of those voters.

Politics are therefore woven through the relationship.

This is not a strong model, particularly if marketing effectiveness in a competitive marketplace is the real intent and not just the pretext for the activity. A much better model is a ‘business model’, in which the Province works with the industry as a marketing partner, and the industry works with the Province as a marketing partner as well - same agenda, common purpose - that of marketing the province as a tourism destination. And partners support one another rather than treat the relationship as some kind of backstabbing game or contest of wills.

This is a major topic, which is addressed in the section on public-private partnership.

Linkages with the Marketing by Industry Organizations

Finally, linkages with regional and sectoral organizations involved in marketing is an important issue that needs to be addressed. The current situation in the province is somewhat confused. Some 25 to 28 regional and local and sectoral tourism industry tourism organizations exist, many of them doing marketing, along with 20 zone boards, many of which are also involved in varying degrees in tourism marketing. This is neither logical nor sustainable. It needs a major rationalization. There also needs to be a resolution on the question of whether there needs to be a formal linkage between the province-wide tourism marketing effort and organization. This is also addressed in the section on public-private partnership.

Market Segmentation

Market segmentation is the technique marketers use to match product offers to target audiences in order to achieve the most cost-effective results. It involves defining those audiences in ways that are likely to achieve the best response to marketing, in terms of sales and yield, with the marketing tools available to reach those audiences. There are a number of market segmentation methods available, but the most cost effective overall method in tourism tends to be purpose-of-travel/trip - leisure (vacation, getaway), business, meeting, etc. Within these broadly-defined segments, special interest segmentation is sometimes used, such as in the case of adventure travel, for example. And geographic segmentation is almost always used as well, dictated by the budgets available.

Purpose-of-Trip Markets

Purpose-of-trip markets are simply markets defined by the reason for travel, and where that purpose is the primary trip motivator. It applies to both leisure and business trips. Examples would be - for a getaway or a touring vacation, to visit friends or relatives, as well as business trips, conventions, outdoor adventure, etc. The approach is to reach people across one or more geographic markets with a message about a particular reason to travel to the destination.

Within this type of segmentation are three types of segments.

Touring Market

This segment is broadly-based, and includes such trips as touring or city trips where the appeal is the mix of activities available at the destination. These are generally referred to in the industry as the **'touring market'**. Marketing activities are generally concentrated in mass media in specific geographic markets to appeal to a broad section of the population.

The marketing effort focusses on destination awareness and the diverse appeals and unique selling propositions (USPs) of the province, highlighting its icons. The strategy here is to reach 'general interest' markets who will come for sightseeing, touring and a range of activities of appeal to them. (Marketing techies sometimes refer to these as 'horizontal' markets.)

Activity Markets

The second segment is more narrowly focussed on travel for specific activities. The marketing messages here are focussed on specific activities at the destination. The media used are designed to target these specific audiences. (The techies call these 'verticals'.) These are generally referred to in the tourism industry as 'niche', or 'special interest' markets.

These are much smaller segments that have a strong affinity to, and interest in, certain types of activities and have a willingness to travel to engage in that activity. We will call these markets **'activity markets'**.

Multi-Purpose Trip Markets

Between the two extremes of the general interest touring markets and special purpose/interest activity markets, are hybrid segments which are of growing importance in the tourism marketplace. They involve travel motivated by a combination of general and special purposes/interests, or a trip motivated by a number of special purposes/interests combined. These are often referred to as 'multi-purpose trips'. A touring trip combined with one or more outdoor adventure activities is an example of the first. A conference with an adventure activity built in and a regional touring trip added on at the end of the conference is an example of the second.

More of the people in what are traditionally seen to be niche/special interest market segments, are, in fact, making hybrid/multi-purpose trips rather than single purpose ones. Also, these trips are often longer and involve higher rates of spending, so they should outrank the general touring or special purpose traveller in priority for marketing. This is particularly the case for long-haul trips, since a stronger combination of appeals is necessary to motivate the trip, and trips will be made less frequently, as opposed to close-to-home trips which are made more frequently, are generally shorter and involve fewer activities.

These markets are normally reached by piggybacking special interest USPs on top of geographic market promotions, and piggybacking general interest and other purpose USPs on top of special interest/niche market promotions. However, there are also media that reach them very effectively; generally media catering to an eclectic, well-travelled audience that has a broad range of special interests; in the outdoors, culture and heritage, unique getaways, learning, etc.

We will call these markets **‘explorer markets’.** They are lucrative if they can be successfully developed, as the people in them are better educated, more travelled and more willing to spend.

Market Segmentation for Newfoundland and Labrador

It is clear from our research that Newfoundland and Labrador likely has major latent market potential in the ‘explorer’ segments. While the province faces some significant challenges with respect to access and tourism infrastructure, these are likely to be less of a factor in developing the explorer markets than they have been with the general touring market, since the special kinds of unique experiences offered by the province weigh more heavily, and cost and infrastructure issues less heavily, in the explorer marketplace. The province is now being ‘discovered’ in international markets, particularly in the adventure and explorer segments.

There is also significant latent potential in some of the activity markets, and in the general touring market as well. We explore these opportunities in the next section.

For Newfoundland and Labrador, the following market segmentation approach is proposed, based on what is seen to offer the best returns from future marketing (This is developed in more depth in the next section):

Leisure Travellers

- Touring Markets
  - non-resident
    - selected geographic markets in Canada, USA and internationally

- Explorer Markets (Touring combined with a mix of special interests)
  - non-resident
    - selected geographic markets in Canada, USA and internationally

- Activity Markets (Special Interest/Activity)
  - non-resident
    - Hunt/Fish
      - USA and Canada, some international
    - Adventure (hiking, kayaking/canoeing, birding, snowmobiling)
      - selected geographic markets, mainly in Canada and USA
    - Skiing

        - Maritimes
    - Learning/enrichment
        - selected geographic markets in Canada and USA

- Residents of Newfoundland and Labrador

Meetings and Conventions

Visiting Friends and Relatives

Incentive Travel

Cruise

Results of Industry Consultations on Marketing Directions

As mentioned earlier, consultation sessions were held with tourism industry stakeholders in seven locations around the province.

The discussion around marketing at the stakeholder consultation sessions was concentrated around three headings - Geographic Markets, Affordable Marketing Techniques and Niche Markets. A summary of the comments received is provided below with the detailed report on the consultation sessions provided in Appendix IV.

Geographic Markets

C Niche and core markets are both seen as opportunities for the future.

C Marketing tools beyond traditional advertising should be used.

C Ontario and the Maritimes should continue to be the focus for the touring market

C Alberta and other parts of western Canada were seen to have potential and stakeholders believed that market "testing" efforts should continue in this region.

C Montreal should be researched for its potential - driving to Labrador was identified as a specific potential product for this market. Working with St. Pierre & Miquelon was identified as a way of reaching the French-Canadian market.

C The New England market was seen to have potential only for niche markets.

C US long haul markets were seen to be worth exploring with particular mention given to Texas, Chicago and California, and to an adventure theme.

C There was a general feeling that effort in more distant markets was not of strategic value and that the focus in Japan should only be through tour operator partnerships, and Europe should be considered for niche strategies.

C Stick to key icons - but at the same time work on building a cultural identity/image.

C Test all geographic markets for the Return on Investment from marketing efforts.

C Labrador is seen to be a niche travel destination not a touring destination - with potential in the US market.

Affordable Techniques

C Tour operator relationships are essential and needed expanded attention. They were also seen to be a good way to address niche markets.

C Build on the recent successes the province has had through the entertainment industry - film, TV and music. Campaigns targeting lifestyle programs such as gardening, outdoor and special interest TV channels were suggested.

C Continue and expand the emphasis on travel writers.

C More focus on the Internet including an improved web site with a better URL, and further development for both touring and niche markets.

C Province should provide support for trade show participation - interpretive booths, banners, videos, etc.

C More targeted techniques should be used including direct mail.

Niche Markets

C There was general agreement on the niches identified in the discussion document - adventure, learning/enrichment travel, incentive travel, cruise)

C Since the CTC focus is consistent with the province's niche market opportunities, we should maximize the leverage available through partnership with the CTC.

C Incentive was seen to be a small market, with slow growth given limited product of appropriate quality.

• Hunting and fishing remain strong niche products.

C Cruise was seen as having long-term growth potential, and is appealing since cruise visitors return for conventional vacations.

- Niche activities should be promoted to in-province resident markets and visitors.

- There is a need to work with other organizations on product development so that strategies are aligned and cohesive.

- More focus is needed on the cultural side of product development including stage productions, theatre, cultural and heritage sites.

Section 4

Recommended Marketing Strategies

Section 4
Recommended Marketing Strategies

This section presents a discussion of future directions with respect to Provincial marketing, along with a number of suggestions and recommendations. The latter are highlighted in italics.

The discussion is intended, in the main, to address the Tourism Division's marketing activities, however, the strategies and priorities are also relevant to other organizations in the province that do marketing outside the province.

Our approach to developing recommendations about the marketing programs of the department was to take a fresh look at each of the markets potentially available to the province and evaluate them based on a set of criteria, then look at the likely cost-effectiveness of the various marketing techniques available to reach each of them, and then blend the outcomes. The result provides a measure of the relative market priorities that should be established for the future.

The analysis generally follows the market segmentation model presented in the previous section.

Selection of Target Markets

There are many potential target markets available to Newfoundland and Labrador, however, the Province can only afford to pursue a few if the effort (spending and staff time) in each is to be effective, and cost-effective. Before getting into the question of which particular geographic, activity or explorer markets are to be pursued, it is important to first look at the likely potential they represent for the province. The consultants have identified the following criteria for use in ranking the kinds of tourism markets the Province should pursue, and the emphasis that should be given to each. The criteria include:

- Can this kind of market be influenced by marketing?
- Does it have real potential for growing tourism to and in the province?
- Are there factors that inhibit realizing the growth potential?
- What is the proportion of our current tourism activity from this market?
- Is the spending per capita from this market high, medium or low?

Unfortunately there is very little primary research information on which to make these assessments.

The results of this first analysis are presented in Exhibit 7. Our conclusions as to allocation of effort (again, both spending and staff time) are reflected in the last three columns.

Exhibit 7
Marketplace Perspectives

Market Segment	Can it be Influenced by Marketing?	Potential for Growth	Factor that Limits Growth	Current Composition (Estimate; Excludes resident market)	Yield (Length of Stay, Spending)	Level of Provincial Government Priority and Effort (financial and human resources) to be dedicated to:		
						Motivating Markets to come to NFLD	Pre-Trip Planning to Extend Stays	In-Province to Extend Stays & Spending
Business Only	No	-	N/A	20%	Medium (Short/High)	nil	nil	nil
Business/Pleasure	No	Limited	N/A	5%	Medium (Short/High)	nil	1%	nil
Visiting Friends & Relatives	Limited	Limited	Resident Market Size	35%	Low (Low, Medium)	medium	low	low
Meetings & Conventions	Yes	Limited	Product Access	5%	High (Short, High & Pre/Post)	low	low	nil
Incentive Travel	Yes	Limited	Product Access		Medium (Short/High)	low	N/A	nil
Cruise	Indirectly	Limited	Location Awareness Access	5%	Low	low	N/A	N/A

Exhibit 7
Marketplace Perspectives

Market Segment	Can it be Influenced by Marketing?	Potential for Growth	Factor that Limits Growth	Current Composition (Estimate; Excludes resident market)	Yield (Length of Stay, Spending)	Level of Provincial Government Priority and Effort (financial and human resources) to be dedicated to:		
						Motivating Markets to come to NFLD	Pre-Trip Planning to Extend Stays	In-Province to Extend Stays & Spending
General Leisure								
Touring	Yes	Large	Capacity Access	30%	High (Long, medium to high spending)	high - half or more of the total effort	medium	low
Explorers	Yes	Limited	Capacity Access					
Activity (e.g. hunt/fish, hike)	Yes	Large	Capacity Access					
Resident Travel	Yes	Limited	Market Size	Not. Incl.	Low	nil	nil	low

First of all, *we propose that the largest part of the Province's (the Tourism Division and its marketing partners) marketing effort (staff resources and budgets) should be external, focussed on motivating people to come to the province; a smaller but significant part should be on influencing the trip planning of those interested in coming; and the smallest part should be on in-province marketing - keeping them longer and spending more, and also inducing provincial residents to travel in their own province.* (This includes efforts such as Visitor Information Centres, extra quantities of collateral for in-province distribution, and efforts targeting the resident markets)

Secondly, *of the major effort invested in motivating non-residents to travel to Newfoundland and Labrador, half or more should be invested in the pleasure/leisure travel marketplace, a modest portion on motivating the friends and relatives of residents to visit, and small portions each of a number of activity markets, listed in the next sub-section below.* The kind of marketing here involves destination awareness and lure messaging.

Thirdly, *of the effort invested on trip planning before they leave home, most of that should be directed at the three types of leisure markets, with the greatest focus being on the explorers segments.* The focus here is assisting and influencing trip planning so as to maximize length of stay and spending, with suggestions on what to do while they are here, presented in appealing ways. This marketing activity needs to link directly to the first effort, using some of the same tools (such as offering suggested itineraries and packages available in some of the advertising).

Fourthly*, for the modest marketing effort directed internally within the province, some should be targeted to residents to encourage them to make in-province trips, some to leisure travellers while they are in the province to encourage them to extend their stay and spending, and some to friend and relative visitors while they are here, to do more things during their visit.*

Priority Target Markets

In Section 2 of the report we evaluated eight external geographic markets and seven activity/purpose-of-trip markets in terms of the USPs that are seen to be effective, barriers to develop and real market opportunities. These include:

<u>Geographic Markets for Touring and Explorer Segments</u>
- Maritimes
- Ontario
- Quebec - primarily Montreal
- Western Canada - particularly Alberta
- Northeast USA
- Longer haul USA - particularly markets having reasonable air connections
- Europe - United Kingdom, German-speaking
- Japan

Activity Markets
- Hunt/Fish (primarily USA)
- Outdoor adventure - hiking, sea-kayaking, snowmobiling, birding (primarily Ontario, Northeast and Midwest USA)
- Alpine skiing (Maritimes only)
- Meetings, convention (primarily Ontario, Canadian associations, Maritimes)
- Incentive travel (Ontario, some USA)
- Learning/enrichment travel programs (travel involving a structured, more formal learning program in association with field trips and leisure activities)
- Cruise (primarily expedition cruises and repositioning trips)

Golf is not considered as having real potential as a discrete product/market segment for Newfoundland and Labrador but is viewed as being one of the experiences available to other market segments such as the touring and explorer markets and the meetings and convention market. This approach is supported by comments in a recently released SCORE Golf magazine article on the province's golf product which concluded "It can probably best be described as a very interesting vacation destination with some very good golf".[1]

We then scored and ranked each of the segments as to priority, based on four broad criteria. The first criterion, market potential, was given a score range of 0 - 2.5; the others 0 - 5:

- ***Market potential*** - size of market, competition, yield (spending level)
- ***Ease of access*** - time and cost
- ***Uniqueness*** of the destination and the ***appeal*** of these unique features to this market
- ***Affinity*** - likelihood of a personal or special interest connection to the destination (see comments below)

A lower score range was assigned to 'market potential' because market size is largely offset by level of competition. In other words, big markets have more competition so the potential in numbers of people is not all that different based on market size alone. The yield - average spending per visitor - does vary significantly by market, however.

The fourth criterion, 'affinity' refers to personal affinity to the province, not the product; for example, people having family or business connections to the province. They are seen to have a heightened level of awareness of, and interest in, the destination. This would not include ancestral or historic connections, since these do not involve personal knowledge or actual contemporary connections. For example, just because there are ancestral connections to the British, Irish, Basques, French, etc., this is does not transform into heightened awareness or interest among residents in those countries in travel to Newfoundland and Labrador.

We then proceeded to look at the cost-effectiveness of available marketing techniques in the different markets to assist in establishing priorities for each market. Cost-effectiveness in

---

[1] Splendour of the Rock in SCORE Golf Magazine, July 2002, page 76

this instance means a combination of the cost of marketing and its likely effectiveness in generating real demand in that market.

Therefore, overall, the priorities are based on a combination of the four criteria above, along with the cumulative cost-effectiveness of the available marketing tools in reaching that market.

The results of the analysis are presented in Exhibits 8 through 14.

Evaluation of Geographic Touring and Explorer Markets

In Exhibit 8, we evaluate the geographic touring and explorer markets.

Exhibit 8
Evaluation of Geographic Touring and Explorer Markets

Markets	Market Potential (0 - 2.5)	Ease of Access (0 - 5)	Destination Uniqueness/ Appeal (0 - 5)	Affinity - Personal Connection (0 - 5)	Total
Maritimes	1	4	1	4	10
Ontario	2	3	3	3	11
Quebec (Mtl.)	1	2	2	1	6
Alberta	1	2	3	2	8
NE USA	2	2	2	0.5	6.5
Other USA	2.5	1	3	0	6.5
UK	1.5	1.5	2.5	0	5.5
Germany	1.5	1	2.5	0	5
Japan	0.5	0	2	0	2.5

The Maritimes and Ontario ranked at the top. The Maritimes scores high because of relatively easier access and personal and family connections, in spite of limited market potential and low average spending.

Ontario rates very well because it scores relatively strongly across all the criteria and the province also has a successful record in this market.

Quebec and Montreal are unknown and need to be researched and tested. We are guessing at these ratings.

Alberta is seen to be somewhat similar to Ontario although not to the same degree. The other western provinces wouldn't rate nearly as well because of smaller markets and fewer personal connections as compared to Alberta. This market needs to be tested.

The USA ranks surprisingly well, because of market potential and unique appeals of the destination. The northeast perhaps has less strength on uniqueness but has somewhat better access. Longer-haul markets in the USA rank well primarily because of the uniqueness, even 'exotic' appeal of the province to these markets. Again, this is speculative and needs to be researched and tested. However, there is growing evidence that Newfoundland and Labrador is being 'discovered' in the USA as a unique 'new' destination.

Other international markets rank less well across most of the criteria, except on uniqueness.

Evaluation of Marketing Cost-Effectiveness in the Geographic Segments of the Touring and Explorer Markets

Exhibit 9 evaluates the expected cost-effectiveness of marketing activities (combination of cost of reaching the audience and its expected level of response) in each of these markets and the likely cost-effectiveness overall in targeting these markets. Here we are referring to the overall marketing effort (both human and financial) of the provincial government and its marketing partners.

Exhibit 9
Cost Effectiveness & Priority of Province's and Partners' Marketing Efforts: Touring and Explorer Markets

Markets	Direct Selling - Consumer (shows, clubs, etc.)	Direct Mail/Email - Consumer	Paid Media Advertising - Consumer	Media Relations/ Publicity	Travel Trade - Tour Operators/ Wholesalers	Internet	Total Score
Maritimes	2	4	5	5	2	5	23
Ontario	0	4	4	4	5	5	23
Quebec - Montreal	1	2	2	3	2	5	14
Alberta	0	3	2	4	3	5	17
North East US	0	3	1 (ACTP)	3	3	5	15
Other US	0	3	1 (CTC)	3	2	5	14
UK	0	0	0	ACTP 1	Receptives ACTP 2	5	8
Germany	0	0	0	0	Receptives 2	5	7
Japan	0	0	0	0	Receptives 1	1	2
TOTALS	**3**	**19**	**15**	**23**	**23**	**41**	

Again, the Maritimes and Ontario rate highest.

Alberta is likely to be next, although that needs to be tested.

As mentioned earlier, we are speculating about Montreal and Quebec.

The USA markets are seen to rank relatively well, however, this needs to be tested.

Other international markets rate less well, and Japan very poorly.

Evaluation of Activity Markets

The same two-staged analysis was performed on the activity markets. The first step is illustrated in Exhibit 10 (see next page). (Here we are referring to both current and latent market potential. However, in some product sectors there will need to be further product development and/or market-readiness improvement if the latent potential is to be realized. Some comments on this follow the table, however, there is need for further study of the opportunities and needs for product development and enhancement in the province. This is discussed later in the report.)

Exhibit 10
Evaluation of Activity Markets

Markets	Market Potential (0 - 2.5)	Ease of Access (0 - 5)	Destination Uniqueness/ Appeal (0 - 5)	Affinity/Personal Connection (0 - 5)	Total
Hunt/Fish	1	2	4	0	7
Adventure					
Snowmobiling	0.5	2	3	0	5.5
Hiking	1	3	2.5	0	6.5
Kayak/Canoe	0.5	3	2.5	0	6
Birding	0.5	3	1.5	0	5
Skiing (Maritimes)	0.5	3	2	1	6.5
Meetings & Conventions	1.5	2	2.5	1	7.0
Incentive Travel	0.5	2	1.5	0	4.0
Learning/ Enrichment Travel	0.5	2	3	0	5.5
Cruise	0.5	2	1.5	0	4

Hunt and fish ranked highest, because the province has a relatively well-established position in this marketplace across North America and it has world-class product, in an era when the competition is seeing declines in its product.

Meetings and conventions is seen to have a relatively good future for the province, with the new convention centre in St. John’s and the other infrastructure in that city. However, most of the potential is in St. John’s with a small amount in Corner Brook. Air access is a key factor in this.

The ski product for external markets is Marble Mountain. We see reasonable potential for growth from the Maritimes market almost exclusively, except perhaps for events.

Hiking is seen to have real potential in the explorers markets, particularly for Gros Morne and the East Coast Trail, both of which are world-class calibre. Availability of guide services is valuable.

Somewhat similar potential in the explorers markets is seen for sea kayaking, for locations that have professional outfitters and guides and sheltered coastal waters.

Snowmobiling rated well because of the guarantee of good conditions in the Long Range Mountains and Labrador Straits.

Learning/enrichment travel is clearly a growth sector and Newfoundland has some product in place.

Birding doesn't rate as well as it might have in previous research as a niche market, in that growth in the avid birder travel market has been weak and it is not all that easy to influence. However, attractions like Cape St. Marys and Witless Bay have strong appeal to the touring and explorer segments as well as to learning and enrichment travel markets.

Incentive travel has potential for growth, likely more in St. John's and Avalon area and in Western Newfoundland, in areas where there is direct air access from Toronto and Halifax, and quality accommodations available. However, this is likely to continue to have limited market potential as compared to some of the other segments.

The cruise potential rated lowest as it is the cruise lines, not the destination, that develops the market, although the cruise lines like to see marketing support for their efforts, particularly destination awareness marketing support. The recent cruise study prepared for CANAL indicated growth potential that should be pursued through CANAL targeting the cruise lines. Repositioning trips and expedition cruises were acknowledged as having more potential for the province.

Evaluation of Marketing Cost-Effectiveness in the Activity Markets

The strategy differs for these segments as to whether the destination is targeting avids, or explorers segments that can be influenced by specific activity promotions, or whether it is promoting the products as add-ons to other-purpose trips. This is illustrated in Exhibit 11 below:

Exhibit 11
Activity Markets - Avid and Explorer Segments and Add-On Strategies

	Major Products	Yield	Technique	Relative Priority
Avids	Independent	Some Low, Some Medium to High	Web Site Clubs Specialty Magazines	Some Low Some Medium
Explorers	Packages Getaways Independent	High	Web Site Lure Trip Planner Travel Magazines Special Groups FIT Packages Add on to lure and destination awareness marketing	High
Pre and post Add-On	FIT Packages Short Overnight Packages	Some Medium Some High	Web Site Lure Trip Planner Group & FIT Packages	High
Itinerary Add-On	FIT Packages Day/Part Day Packages	Low - Medium	Web Site Lure Trip Planner Group & FIT Packages	High

Avids who travel for a special purpose are harder to influence, and tend to 'do it themselves' rather than book with outfitters and other tourism operators at the destination, and only some of them will be serious spenders. Some, however, can be reached through clubs and the web. Overall, this is not where the major opportunities lie.

Greater opportunities are with the explorers, who will book and pay. They generally can be reached as part of the lure and destination awareness marketing of the Province, as well as through trip planner techniques. They also read travel magazines.

The add-on/add-in marketing effort generally is targeted through the website, trip planner and short packages.

Exhibit 12 presents our analysis of the cost-effectiveness of marketing methods for these markets.

Exhibit 12
Cost Effectiveness & Priority of Province's and Partners' Marketing Efforts: Activity Markets

Markets	Direct Selling	Direct Marketing	Advertising	Media Relations	Travel Trade	Internet	Total Score
Hunt/Fish	4	4	1	4	1	3	17
Adventure							
Snowmobiling	3	2	1	3	2	3	14
Hiking	1	1	2	3	2	5	14
Kayaking/ Canoeing	1	1	2	3	2	5	14
Birding	1	1	1	2	2	5	12
Skiing	0	3	2	2	3	3	13
Meetings & Conventions	4	2	2	2	2	4	16
Incentive Travel	2	1	2	4	4	3	16
Learning/ Enrichment Travel	1	1	1	2	3	3	11
Cruise	0.5	0.5	1	2	2	1	7
TOTALS	**17.5**	**16.5**	**15**	**27**	**23**	**35**	

Overall, most of the markets achieved decent scores on cost-effectiveness (a perfect total would be 30), with the exceptions of learning/enrichment travel because it is a relatively underdeveloped market, and cruise because of limited product, selling is by the cruise line, not the destination and because this is an expensive marketplace.

The web is clearly the marketing tool of choice for many of these markets, with media/travel writers second. Fish and hunt and snowmobiling can be reached well through shows (direct selling), while meetings can be developed through direct selling to companies and associations.

Travel trade works well for skiing, incentive travel and learning/enrichment travel.

Overall Relative Priority of Target Markets

In Exhibit 13 (on the next page), we have taken the total scores for market potential and multiplied them by the total scores for marketing method cost-effectiveness to come up with an overall score as to priority for each of the market segments.

Clearly, the Maritimes and Ontario should remain the main targets for direct-to-consumer marketing, showcasing the province's USPs for touring and explorer segments.

All the other markets require some research and testing, but those seen to likely offer the better potential are Alberta, the USA (both short and long haul) and Montreal. Other international markets rated much more weakly, and Japan hardly at all.

The scores for the activity markets strongly suggest that the priorities should be hunt/fish; meetings/conventions, adventure activities, and incentive travel.

As to marketing methods, the priorities are illustrated in Exhibit 14 below.

Exhibit 14
Priority Marketing Methods*

Direct Selling (Includes consumer shows)	Paid Advertising	Direct Marketing	Travel Trade	Media Relations/ Travel Writers	Internet
20.5	30	35.5	46	50	76

* Includes the marketing activities of the Province and its partners - both human effort and spending.

The Internet emerges as the paramount marketing method of the future. Media relations and travel trade emerge as the next tier of priority. Direct marketing (database mining/direct mail, email) and paid advertising rank third. Consumer shows and other direct selling trail in fourth position.

Exhibit 13
Total Scores/Relative Priority

Touring and Explorer Markets	Total Score
Ontario	253
Maritimes	230
Alberta	136 (subject to testing)
North East USA	97.5 (subject to testing)
Other USA	91 (subject to testing)
Quebec (Montreal)	84 (subject to testing)
UK	44
Germany	35
Japan	5
Activity Markets	**Total Score**
Hunt/Fish	119
Adventure	
Hiking	91
Kayaking/Canoeing	84
Snowmobiling	77
Birding	60
Meetings & Conventions	112
Ski (Maritimes only)	84.5
Incentive Travel	64
Learning/Enrichment Travel	60.5
Cruise	28

Recommended Strategies for Priority Markets

It is evident that the Province's current efforts and programs are generally on track with what our analysis suggests is appropriate for the future. We now turn to areas where some fine tuning or shifts in overall effort (time and money) and emphasis are recommended for the future. But, before that, there are a couple of other topics that require comment.

Need for Good Research

However, it must be said that both the Province's efforts and our assessment are based on a relatively thin information base. We do have the results to date of the 1997 exit survey, the TAMS research, our interviews with twelve North American tour operators, and 1999 conversion research and 2001 TDMS enquirer summary. *But the research in recent years has been lacking and addressing this needs to be a major priority*.

One option is to contract out some research projects to increase capacity and timeliness. *We recommend that the research budget be enhanced and some of the work be contracted out in future.*

Other research issues include those of research-precision-versus-timeliness and the availability of strategic-information-rather-than-statistics.

In the first, research departments focus on research methods that meet a high standard of research integrity. This is laudable from the perspective of research methods, but it is frankly not all that important from a tourism business decision-making perspective. *Rather, having realm-of-magnitude data that is timely and can be obtained without undue cost is much more valuable than having highly accurate statistics that cost a lot to obtain and take a long time to put together*. It is a simple matter of informing the reader of the level of precision in the data and making an appropriate cautionary statement.

We therefore recommend that, in addition to contracting out the work, the research should be designed, where feasible, to be simpler, cheaper and faster.

More specific recommendations on research projects are made in the next section.

Geographic Markets - Touring and Explorer Segments

Our conclusion is that, with a small marketing budget such as the department has at present, paid advertising in mass media in geographic markets segments should continue to be limited to the Maritimes and Ontario. If additional funding can be obtained, then Alberta and Montreal should be researched and tested. The other markets are not affordable through mass media, unless through CTC or ACTP partnerships when these are cost-effective for the province.

However, these and all the other markets can also be reached through the web, so the website should be designed accordingly. Also paid advertising should direct people to the website. This is discussed later in the next section.

Between the general interest touring market and the more adventurous touring explorer segments, we recommend that the focus be more on the latter and less on the former. The province is less competitive in the general touring market because of time and cost to get there. In the explorer segments, these factors as not as critical. Also, for explorers, offering highly unique experiences is of greater importance, and Newfoundland and Labrador is much more competitive in this respect.

The travel trade development effort focussing on Canada and the USA should be expanded. This would involve an increase in staff committed to this effort, along with more funds for travel trade marketing partnerships and research.

In other international markets, it is recommended that the Province enter into marketing agreements with receptive operators that work these markets, and continue to limit their own activities to ACTP funded initiatives in Europe - the UK and Germany - but not Asia. The receptive operators that might be willing to participate would include companies like:

- Jonview (Toronto)
- Canadvac (Nova Scotia)
- Tourco (Massachusetts)
- Miki Enterprises(St. John's)

Some funding along with collateral materials would be provided to them.

The other major strategy shift recommended for geographic markets is growing the effort focussed on media relations and travel writer visits - both consumer and travel trade media writers.

With general consumer travel shows, we recommend that the department assist and support the efforts of RTAs and activity sector groups with modest financial support and with collateral materials.

Activity Markets

<u>Marketing Collaboratives for Activity Markets</u>

The provincial marketing effort in the activity market segments is, by its nature, more closely linked to the tourism operators directly affected. Marketing collaboratives are therefore of much greater importance than in the touring and explorer markets. As a consequence, therefore, the approach needs to be fundamentally different. The Province needs to be a marketing partner and supporter rather than the lead marketer.

In activity market segments that are highly strategic, the Province should work with the industry sector to provide support in taking their product to market. The factors that would be considered in making such as judgement would include:

- Are there enough operators that have a common interest in the same target markets to be able to support a successful marketing effort?
- Do they have some product standards in place to ensure that each of the participants are able to provide a quality experience and thereby make a collaborative effort mutually agreeable among them?
- Have they reached a level of marketing skills to be able to plan and manage a successful marketing program? And are they prepared to commit time to attend meetings and to work together?
- Do they have the profitability necessary to be able to invest the dollars necessary to achieve real market impact? And are they prepared to invest in marketing partnerships and co-ops?

For priority product sectors that are more mature and that meet a reasonable standard in terms of the foregoing, the Province should be a supporter of the efforts of the industry rather than leading or participating actively in the effort.

For priority product sectors that are in more of a developmental stage, the Province should play the roles of both facilitator and partner, assisting where necessary, which will, of course, vary from sector to sector.

Whatever the circumstances, the Province should insist on a written agreement with the sector organization and/or the participants in a marketing program, setting out what each party's commitments are, how performance is to be measured, and the standards of performance expected. Continued support should be conditional upon industry maintaining their commitments and the programs reasonably achieving the targeted results.

In cases where the Province is playing the role of facilitator and/or partner in working with a product sector or group of marketing partners, the parties to the arrangement should seek out commitments to assist the effort from other appropriate support organizations. For example, where product standards or training are needed, Hospitality Newfoundland and Labrador should be asked to play a role. Other departments and agencies of the Province, or of the federal government, might also be asked to support the effort where appropriate. For example, if funding for a customized 'market-readiness' initiative is required, ACOA would be asked for assistance. The intent should be to establish a broader collaborative of both 'partners' (the major participants involved in planning and managing the effort) and 'supporters' (outside organizations provided a specific type of assistance).

The activity markets recommended for marketing support are discussed below:

<u>Hunt and Fish</u>

This should continue as a priority market. However, this sector has an active organization that works together and that could readily take charge of their own co-op and partnered marketing. *We therefore recommend that the Province offer to support this group with in-kind and financial contributions to their marketing, rather than do the marketing for them.*

<u>Meetings and Conventions</u>

The primary meetings and conventions product is in St. John's and is promoted by a destination sales team consisting of the Department, the Convention Centre and the Avalon Convention and Visitors Bureau, in collaboration. *We therefore recommend that the Province continue to support this effort.*

We also suggest that, as a condition of support, the Province require the marketing messages to include tourism experiences beyond the Avalon Peninsula as pre and post add-ons to meetings and conventions.

The arrangement should be clearly set out in a strategic partnership agreement.

<u>Outdoor Adventure</u>

Taken together, the priority adventure products - hiking, kayaking, canoeing - have real potential, not only in niche markets, but also in the general touring market, and most particularly the hybrid segment of 'Explorers'.

There is a scattering of quality adventure outfitters in the province who would benefit from staff and financial support for co-operative and partnered marketing initiatives. (They would also benefit from support in market-readiness areas, a subject that will be addressed in the next section.)

We recommend that the department continue to work with this sector on key market-readiness initiatives, such as packaging, 'how to' workshops and setting standards. They should also work to co-ordinate marketing co-ops and partnerships within the group, and facilitate their participation in the various programs of the department.

Marketing activities would include:

- Travel trade development with appropriate activity/niche market tour operators and receptives
- Co-op advertising in selected adventure magazines, such as:
  - National Geographic Adventure
  - Explore (Canada outdoors)
- Participation in the marketing directed at Explorer markets, discussed below

Snowmobiling

Snowmobiling is important in the context of developing winter tourism activity. *The province should continue to facilitate marketing partnerships and support tourism operators who have market-ready packages*.

Ski/Marble Mountain

Marble Mountain's ski product has potential in the Maritimes market. *Focus on value-based packages.*

Learning/Enrichment

Learning and enrichment travel is an emerging marketplace. The province has potential in selected natural and cultural learning experiences. *Focus should be on working with, and supporting the efforts of tour operators in developing such products*.

Incentive

This sector is in the very early stages of development, and the potential is limited by the product available, and access to markets. *The province should continue to provide facilitation and support services for those wishing to work together on market development in the incentive travel sector.*

Cruise

This sector has a provincially-supported organization doing the cruise marketing for the province. *The cruise sector industry should continue to be supported in the same fashion as it is today*.

Reaching Activity Markets - Dedicated Marketing or Part of Other Marketing?

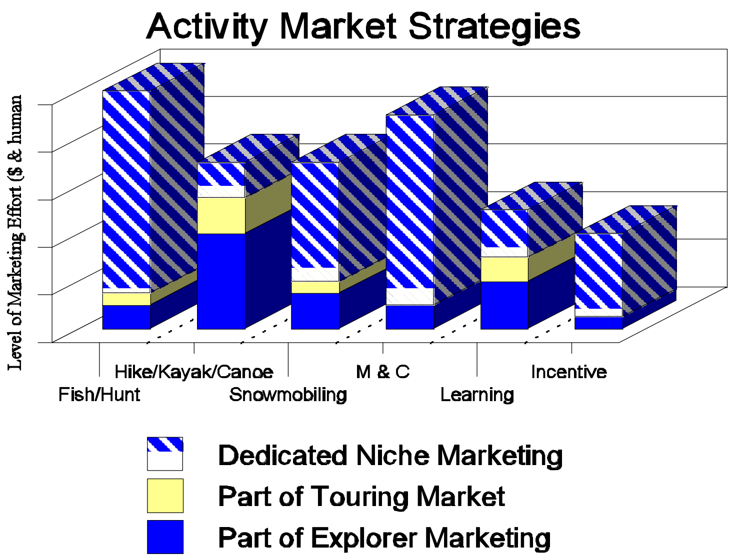
An important issue facing the department is that of how to promote to activity markets. Should hiking be a featured activity in mainstream promotions targeting the touring and explorer segments, or should it be marketed on its own? The answer in this case is - both. But the approach should differ for different kinds of products.

The graphic below provides our view of how this question should be dealt with for different types of activity products. The variables include - the relative level of effort overall, and how that overall marketing effort is directed among touring, explorer and activity segment promotions.

The graphic illustrates, for example, that for the adventure products, including hiking, they would be featured within the mainstream marketing effort as well as be promoted directly to activity segments through special interest/niche media, with about equal portions of the effort given to each of touring, explorer and activity markets. In the case of fish and hunt, most of the marketing should be dedicated to that activity segment, with perhaps some in the explorer segment and brief mention in the marketing to the touring segment. Meetings and convention also needs its own dedicated marketing, however, some of the touring and explorer collateral and messaging would be included, particularly to promote pre and post leisure products. Birding (not illustrated on the chart) would be targeted primarily as part of the explorer and touring segment marketing.

Hybrid Markets - The Explorers

The more affluent, travelled and upscale hybrid markets should be targeted through the proposed trip planner (discussed in the next section), enhanced website (also discussed in the next section), and in particular magazines that appeal to them, such as the following:



- National Geographic Traveler
- Canadian Geographic (Canada outdoors)
- Smithsonian (cultural history)
- Conde Nast
- Travel and Leisure
- Natural History
- The Beaver (Canadian cultural history)

This strategy does not address which of these publications should be selected. These are simply examples of magazines that are read by these kinds of travellers. *However, we do recommend continued advertising in the more cost-effective of these, with messages focussing on the outstanding experiences in the province. They should also be targets for media relations/travel writers and the web.*

Another recommended strategy is to pursue upscale tour operators targeting these travellers, both for FIT and specialty group travel, and to support their market development efforts. Examples include:

- Adventure Canada
- Butterfield and Robinson
- Mountain Equipment Sobek

Pre-Trip Planning Initiatives

We earlier proposed that some focus be given in Provincial marketing to the pre-trip planning process of travellers, which is important in reinforcing the selling power of marketing methods, and is even more vitally important in the activity and explorer markets, both of which are growing, higher yield marketplaces. In other words, we need to turbocharge the marketing effort.

The new tools for marketing are in the forefront of how this can be accomplished. In particular they include:

- Motivational websites designed to assist trip planning
- Lure/trip planning collateral materials
- Modern direct marketing techniques employing sophisticated database technology

Each of these topics is addressed in some detail later in the next section.

In-Province Marketing

Finally, some attention should be paid to in-province marketing targeting tourists while here, residents and visiting friends and relatives while they are here. *In this case, we recommend that the Province continue to partner with RTAs on selected initiatives, such as co-ops promoting add-on experiences, itineraries and packages in-province. Maintaining visitor services in the Province's tourist chalets will continue to be important.*

Positioning

The market positioning and messaging should be a little different for the different priority market segments. Exhibit 15 presents suggestions for the key ones in this respect.

Co-ops and Partnerships

The province offers both co-op marketing programs and enters into marketing partnerships with different organizations and businesses. *This should, of course, be continued and expanded where strategic and feasible. At the same time, we recommend that quality standards for participation in marketing be established to ensure a basic quality standard in the Province's offerings. This should be addressed as part of a provincial tourism product development strategy. Such a strategy should give particular attention to elements of market-readiness in the key strategic product sectors.*

Support for Industry Collaboratives

Earlier we made suggestions for marketing collaboratives/teams with both the hunt and fish group and the adventure sector. In our view, the strategy should generally be to work with competent groups of operators (the 'teams') in different sectors that fit the strategy as priority sectors. These include:

- Hunt and fish
- Meetings and Conventions
- Outdoor Adventure

Exhibit 15
Market Positioning Strategy

Segments	Positioning	Messaging
Touring	Dramatic sightseeing Seacoasts and marine life Friendly people	Focus on icons - whales, Gros Morne, L'Anse Aux Meadows, East Coast Trail, Icebergs, unique cultural features/entertainment (eg: Trinity)
Explorers	Incredible outdoor experiences Dramatic sightseeing Unique culture and entertainment	Focus on experiences - touring itineraries, activities, adventures, meeting the people, events, attractions, cultural features/entertainment, history, archaeology, learning/enrichment products, quality inns, resorts, etc.
Hunt and Fish	World-class place for big game, salmon, trout	Quality of the hunting, resources
Adventure	Incredible outdoor experiences	Quality of the experiences - both adventure and complementary ones, like cultural entertainment, inns, etc.
Meetings	Unique location/unique activities Accessible	Unique opportunities for programming and activities - cultural entertainment, activities, adventures

For the first two, where competent organizations are already in place, we recommend that the Province's role would be to provide support for their marketing activities, but not be the lead partner, nor provide government staff effort. Rather, the support would be in the form of marketing dollars and assistance with collateral materials. (Perhaps in the case of hunt and fish, a government person might be seconded to the organization to assist their effort under their direction.)

The outside partner would present an annual marketing plan and budget proposal. Parameters would be set by the Department on the level of support affordable within the overall Provincial budget.

In the case of the adventure group, they clearly need a significantly greater level of support. *In this case we have recommended a person be assigned to assist their efforts, and a budget provided to that end.*

In each instance, as discussed earlier, an agreement should be entered into that sets out the commitments of the parties, the intended outcomes and means of measuring those outcomes. Continuation of the partnership should be conditional upon maintaining commitments and achieving reasonable results.

For other niche products that are in an earlier development stage and of lower priority as a consequence, such as learning/enrichment travel and incentive travel, our recommendation would be that, in cases where a viable collaborative effort among operators is feasible, the group be provided with a limited amount of advice, facilitation support and marketing support (support may not necessarily be financial support and would be dependent on the availability of resources).

Section 5

New Tactics in Marketing and Recommended Marketing Budget

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Section 5
New Tactics in Marketing and Recommended Marketing Budget

We now turn to some of the different marketing tools and methods available, and the recommended shifts in effort by the Province. The focus of this section is not to regurgitate the whole tactical aspects of the marketing strategy, but to look at areas where major changes are being proposed, and where innovations in technology and other considerations suggest shifts in effort.

There are exciting new developments in modern, high impact, affordable technologies in destination marketing, providing opportunities today for tourism businesses and destination marketing organizations that have limited budgets to compete more effectively. Obviously, the Internet is a major one. However, there are other emerging tourism marketing tools that build on computers and the Internet. These include modern direct marketing techniques, loyalty programs, revenue management systems and new travel trade concepts and systems. Newfoundland and Labrador will be able to employ some of these kinds of tools in enhancing its marketing effectiveness.

In fact, our conclusion is that top priority should be given to expanding and improving the Province's tourism Internet marketing strategy and its website. Given its importance and the need for some sophisticated functionality, we recommend that its development and management be contracted out to a professional company.

We will expand on this need and opportunity first.

Internet Marketing[1]

Website and email marketing have clearly taken on a permanent role in tourism and destination marketing strategies today. In fact, Internet marketing will continue to play an even more important and dynamic role as technology capabilities expand and user access expands.

Like other forms of media and communications directed at Newfoundland and Labrador's markets, Internet marketing efforts must be integrated with the overall strategy and managed to their greatest potential in order to leverage limited resources in the marketplace.

[1] Internet marketing refers to all forms of marketing associated with the internet such as websites, e-mailing communication, search engines, web based advertising, as well as techniques specific to the internet such as links and website design etc.

However, unlike many forms of marketing, such as TV, print and public relations, the Internet provides a more complex and 'high maintenance' dimension because of its dynamic and technology-dependant features. It is not enough to develop the strategy, identify the markets, determine the message, and book the media. It must be managed, enhanced and updated on an ongoing basis in order for the Internet to provide the strongest benefit to Newfoundland and Labrador tourism.

While it is obvious that anyone in the tourism industry today has to have a website and email capabilities, be it the smallest B&B in the most distant areas of the world or mega resorts servicing international markets year-round, the form and dimension of their Internet marketing can be vastly different. Five or six years ago there was very little difference between websites with the exception of the traditional forms of creative such as message, images and text used, similar to any form of advertising. Today, Internet marketing can vary dramatically depending on the strategy, planning, technical skills and human support that tourism marketers commit to the medium. It has truly become a specialty form of marketing and communication that needs unique skill-sets and a commitment by the marketer to remain dynamic and responsive to new opportunities that will continue to present themselves as the technology unfolds.

Internet marketing is well suited for a strategy that promotes not only the general touring market to Maritime and Ontario markets for Newfoundland and Labrador, but also to the 'explorer' marketplace, and to the more distant, dispersed groups of niche or special interest markets.

Given a variety of market segments spread out over a large geographic area, the web and email provide a very effective form of marketing communication. The challenge for the Province will be to recognize the full potential of the web and be a leading player in this form of marketing. With an increased investment in Internet marketing, the province could increase its exposure in the marketplace as well as encourage more potential visitors to make a trip to Newfoundland and Labrador.

While the current site provides a variety of marketing information by region and to some degree by activity, there are many design enhancements that could provide a much stronger, more dynamic and effective planning tool for travellers considering a trip to Newfoundland and Labrador.

Website

A review of the current tourism website for Newfoundland and Labrador highlights a number of enhancements that should be implemented.

URL

Efforts should be made to promote a more user-friendly, memorable and easy to find URL. www.gov.nf.ca/tourism can still be used as the main domain or host, however a variety of other URLs can be used to promote the website and allow potential visitors to enter the site. Realizing that many of the more obvious names are currently in use by private operators, there are still variations on the words 'Newfoundland' that would provide a more welcoming address than the current one. Available suggestions include:

www.newfoundlandnow.com
www.newfoundlandwow.com
www.newfoundlandlab.com
www.imaginenewfoundland.com
www.experiencenewfoundland.com
www.gotonewfoundland.com

Website Design based on Market Segments

Given a strategy of segmented markets by area of interest (rather than geographic point of origin), the website could be designed to speak to each of these markets separately. Unlike other niche media that inherently segments the market based on the reader profile, the web is available to all types of interested travellers. However, unlike mass media that has a broad message to a wide range of travellers, the web's message can be segmented and targeted based on the design of the site.

A good example of this is Colorado's website that clearly recognizes various markets segments, including adventure travellers, leisure travellers, business travellers, family travellers and heritage travellers. As soon as you enter the site, a simple click on one of those areas will take you into a customized version of their website that provides an experience closely and easily relating to the area of interest as a traveller. (We have provided print-outs of some of the Colorado site web pages in Appendix VI.)

Many destination websites, like Newfoundland and Labrador's, present the area by region rather than by market segment, assuming the viewer is planning the website from a general touring point of view. However, the opportunity exists to design the site to be viewed both for the touring travellers as well as the special interest traveller.

The website should also have a separate section designed for tour operators.

Functions

The website would be designed to perform the following functions:

- Consumer travel information
- Travel trade information
- Media information
- Fulfilment
- Database on enquirers
- VIC online information
- Links to partners, co-op participants, sponsors

Advertising and collateral materials would direct enquirers to the website for more information. They can download or order specific information online. They will also be asked to put in their contact information, including their interests, planned period of travel, etc., so as to build a database for use by the industry.

The VIC and call centre staff would be logged onto the site continuously, and visitors could also use it themselves while there.

Repeat Traffic

If a visitor comes to the website once, the objective should be to capture their contact information and continue with the relationship that has been started. There should be dominant areas within the website for visitors to the site to 'opt in' or leave their email information at a minimum, and possibly additional information that would give the province a profile of the web visitor for future correspondence. This will require a commitment to database marketing that will be addressed later in this section. Providing incentives or promotions on the site can help generate a larger database with which to work, since more visitors are likely to leave their contact information by entering a contest.

Trip Planning Tool

A number of enhancements should be made to make the Province's site a stronger trip planning tool. This would include more detailed maps that are based on a variety of dimensions such as suggested tours by car, areas of interest such as heritage, historic sites etc, and activities such as hiking, kayaking, fishing and more. This not only provides a value-added planning tool for the visitor, but also gives them a sense of the breadth and depth of product within the province. Other options could include seasonal updates on ski conditions, iceberg viewing and whale watching, done in partnership with local operators or research bodies. Regions of Quebec have done this well, such as along whale watching areas of the St. Lawrence where daily updates on species and sitings are provided.

Web Strategy Development

While this document provides some key recommendations for enhancing the site, it is suggested that the province develop a more detailed website strategy that would encompass a much broader range of improvements and enhancements to the site. This would require specific web-based marketing expertise in order to fully exploit the technical and design aspects of a winning website.

It should be emphasized that the cost of this strategy development and execution does not have to be prohibitive. An annual budget of $50,000 might be sufficient to have a company maintain a powerful website for the Province. Initial development costs are likely to be somewhat higher.

Search Engines

A detailed and pro-active plan must be in place and constantly updated to maximize the opportunity for search engine presence. While the obvious search words will be Newfoundland and/or Labrador travel/tourism for many seeking information on the destination, there are a number of niche markets that may be looking for types of attractions or activities that Newfoundland and Labrador has to offer. For instance when searching for 'sea kayaking-icebergs' on the Google search engine there were eight references to Alaska before the first listing on Newfoundland and Labrador appeared. Based on the various forms of activities and attractions, a plan for directory submissions could be put in place to aggressively increase the amount of top listings on the various search engines throughout the world.

Links

Partnerships are a critical element to tourism development. Similarly, links are a critical element to website development. They are merely on-line partnerships that share web visitors between like-minded operators allowing visitors to travel throughout the Internet. As such, a detailed link strategy should be developed and maintained to ensure as many visitors as possible find links to the provincial website through a variety of areas of interest, such as whales, icebergs, Vikings, fishing and much more.

This often requires a simple request to partner sites through email. Ideally, a graphic of the province should accompany the email in the event the host website would like to add an image or icon of the province highlighting the link. In addition, the Provincial website should have a section in the site encouraging links with a download-able image that can be added to other sites. This additional promotion can be achieved at virtually zero cost; it simply requires time and attention on an ongoing so as basis to increase the exposure of the province in a wide variety of market segments.

Web-Based Advertising

Much effort has been spent in the last couple of years promoting and testing the effectiveness of web-based advertising. Many advertisers have experienced poor performance and questionable benefits by promoting their product through banner ads, pop-ups and other forms of web-based advertising on some of the larger sites, such as news-based CNN, Globe & Mail, Canoe, Yahoo, etc. However, a more targeted approach can be tested, based on a pay-for-performance agreement. Again, tracking can be quite specific, and websites can be very targeted, including websites offering travel directions, such as Mapquest, or even online versions of the specialty magazines such as National Geographic Traveler or National Geographic Adventure.

A key element of web-based advertising is using highly targeted websites to display your ads, developing creative that is effective for the targeted audience and the medium, as well as timely and accurate measurement of the click-throughs to the site. As mentioned previously, once they are in the site, it must be dynamic and relevant to the market segment being targeted. There should also be a clear opportunity for the visitor to the site to leave their email for future correspondence and promotional information.

Web-Based Tour Operators

All tour operators are embracing the Internet as a marketing tool, of course, however, there are a growing number of Internet-based tour operators, essentially companies that are functioning as resellers and packagers and using the web as both their marketing medium and reservations system. In other words, they are fully online marketers. Examples include Microsoft's Expedia, Sabre's Travelocity and numerous others. The Canadian versions of these two websites are www.expedia.ca and www.travelocity.ca. The USA versions are .com instead of .ca.

A Canadian company, Travelinx, at www.canadatravel.ca is selling an eight day Newfoundland tour on their site. They are endeavouring to become the definitive Canadian travel site (they are not alone!). They have 150 Newfoundland tourism business listings so far.

This company also builds websites and hosts websites for destinations, industry organizations and businesses. They employ their powerful booking engine to provide their clients with a state-of-the-art website with full reservations and transaction capabilities. One such client, for example, is the Canadian Golf Tourism Alliance at www.canadagolf.com.

These are deserving of attention. In fact, this may offer the Province an optional route to achieving a powerful site at reasonable cost.

Lure/Trip Planner

With the continuing growth in the 'explorer' and special interest market segments, *there is a need to develop a combined lure and trip planner publication*. For economic reasons, this would probably be done through a redesign of the travel guide rather than through a supplemental publication.

The idea is to bring forward the diverse experiences available at the destination that would make it worth a trip. It would emulate the approach proposed for the website - that of organizing the information in an experience lure format first - by type of experience available - then lead the reader to the regional inventory of tourism operators as a second step. To illustrate, the document would include the following features:

- Front cover with a single, powerful photo, banner, website address prominently displayed and promoted
- General lure section – text and photos of icons and people having outstanding experiences

- The map of the province and its regions
- Highlights of 'absolutely great experiences and itineraries in Newfoundland and Labrador' (with codes to cross reference features to the advertisements section and the directory to follow):
    - ***Adventures and activities*** (major attractions, major hiking opportunities, whale watching opportunities, sea kayaking opportunities, boat tours, theatre, cultural programs, golf, etc.)
    - ***Touring routes and side trips*** across the province, including 'themed' mini-tours and side-trips
    - ***Events*** by month (major events)
- Industry ads under the same headings – with packages featured and highlighted
- Tourism directory by region, with perhaps 5 words of sell text on each operator, plus website address and other normal listing information
- Provincial technical information - weather, how to get there, etc.

This would be the primary fulfilment piece for enquiries.

The fundamental difference between this concept and the Province's current guide is in showcasing the diversity of adventures, activities, touring routes etc. by ***type of experience rather than by region, and expanding the scope and level of detail on the diversity of interesting itineraries and packages available by category of experience***. The idea is that the reader decides on regions and other particulars ***after*** they identify the mix of experiences in the province as a whole that interest them. The experience selections are made first. The final stage of planning is then dealt with in subsequent sections organized in the traditional regional fashion, providing business listing by type of business. As mentioned earlier, the experiential products referenced in the earlier section are coded and cross-referenced.

This provides us with an experience planner linked to a travel planner, rather than just a travel planner alone.

Direct Marketing

'Direct marketing' refers to techniques in which the consumer is sent a message directly to their home. With contemporary database technologies this has become a much more powerful marketing technique than it once was. Conversion rates have skyrocketed from the 2% to 3% level traditionally to 20% and higher on some programs.

Direct Email

Similar to traditional direct mail, direct e-mail campaigns can be developed based on very targeted databases supplied by major list brokers in Canada and the USA. A number of companies currently supply names at similar pricing to traditional list brokers, but the lists are acquired through a different method of collection. Based on an initial contact through the web, people 'opt in' to receive further information about various topics supplied on the web. Many suppliers now create ‘double opt in’ lists that ensure the recipient is truly interested in the topics they have identified. This means that an email recipient notifies a list supplier that they are interested in receiving more information about particular topics, and the supplier then re-confirms by sending another email saying ‘I understand you are interested in the following information… is that correct?’. And once they re-confirm, they then get added to the list of names. Email addresses can then be acquired, based on a variety of dimensions, such as their travel profile and areas of interest.

Like most direct mail, measurement or conversion can be closely tracked to determine the best response based on various lists, and special offers made to the recipients. List brokers can track the number of people who read the emails as well as the number that clicked through to the website promoted. Customized splash pages can be developed to communicate a special offer or targeted message to the market segment.

Response rates can vary significantly depending on the profile of the list purchased, as well as the offer made to the people on the list. Constant testing and measurement can determine the cost per inquiry for each program and thus be refined over time.

Database Marketing

Most tourism destinations are familiar with direct mail marketing, which is acquiring a name either through an inquiry to the 1-800 number or by acquiring a list of names through other sources and mailing out a piece of travel information.

However, the communication usually stops there. The opportunity is to actually develop a database stemming from those inquiries, develop a profile of the person and continue to stay in touch, be it through regular postcards, brochures or even emails that provide up to date information and encouragement to visit the province. This is ‘relationship marketing’, which has proven to be a very successful concept.

This has the potential of growing tourism visits by maximizing the opportunity with those who have already shown an interest in coming to the province, rather than continually trying to get new names of people who may be interested in visiting. Realizing that the ultimate goal is to maximize the number of travellers that come to the province, rather than to increase the number of inquirers that call for information, the focus should be on conversion rates relative to the number of inquiries. The objective is to build a database of those who have already called, and through ongoing print or email communications, develop unique and compelling ways to increase the conversion of inquiries to visitors.

This will take human resources to build and manage the database – these skills and resources can be housed within the department or contracted out to database specialists. The database also provides an excellent source of contacts for various types of research, be it post-season conversion studies, or other forms of market research.

Activity Segments Marketing

This topic was dealt with briefly in the previous section. Some aspects of the tactics involved in developing these markets deserve further discussion, provided below.

Given the limited resources of the tourism department and the vast geographic base that many activity markets originate from, a very aggressive activity market strategy is required.

There are several specialty publications in existence that reach many of these outdoor, multi-activity travellers. Examples include:

- National Geographic Adventure
- Outside magazine
- Backpacker, and
- Explore (Canadian magazine)

The recent growth of these publications emphasizes the popularity of adventure-based travel to new and exciting destinations.

It should be noted that National Geographic Adventure grew to its current circulation of 375,000 in less than three years from when it was first launched. In fact, the most recent issue of National Geographic Adventure highlights sea kayaking through ‘Iceberg Alley’ along the shores of Newfoundland. This three page article would have reached a circulation of over 375,000 with an estimated readership of 1.2 million.

With this kind of circulation, and a similar size for both Outside magazine and Backpacker, ongoing paid media campaigns will be costly for Newfoundland and Labrador tourism. For example a full page ad in National Geographic Adventure is approximately $32,000 US (this will vary depending on the number of insertions booked and the placement within the issue). As a result, a more aggressive approach through media relations, sponsorship of special outdoor adventure events and online advertising could prove effective to reach the same market. Based on ad rates, the current article in National Geographic Adventure is arguably worth over $90,000 US in exposure.

New Opportunities

Newfoundland and Labrador is finding itself as the ‘place to be’ in many markets. Recent press on a Canadian front, as well as the international front, has made it a ‘hot’ property amongst adventure-seeking travellers. As a result, the province should capitalize on this and continue the momentum with media relations, trade relations and partnerships, and publicity exposure. Movies have proven very successful in building the awareness for the destination. Special outdoor events could also provide additional exposure on a number of fronts. The province has had some success with this through sporting events in Corner Brook (international triathlons and ski events). While many of these were community based initiatives, larger events could be sought after and hosted by the province to increase its profile in national and international markets.

With the number of specialty channels involved in events and special programming, this opportunity could provide Newfoundland and Labrador with a targeted, engaged audience that is looking for that unique, 'undiscovered' destination. This approach, coupled with a more enhanced website, and carefully selected advertising in specialty publications could help Newfoundland capitalize on the enviable situation they are in as being a 'hot' destination in many travel circles. The time is now to capitalize on this momentum.

CTC and ACTP Partnerships

The Province has taken advantage of appropriate partnership opportunities with the CTC and ACTP in the USA and other international markets. *We recommend that in future partnerships, the Province endeavour to participate in those that work for them and opt out of the others*. *The intent should be to participate on those that are a priority in the strategy.* We understand that this has been difficult with the ACTP in the past but is becoming easier now.

Priority marketing partnerships would include:

- USA travel magazines targeting the 'explorer' type traveller
- USA niche magazines targeting outdoor adventure and culture/heritage travel
- USA media/travel writers
- Trade marketing partnerships (with CTC)
- Others that fit the priority markets in the strategy

Media Relations

Augmenting the media relations effort is another recommended priority. The priority markets for media should, of course, fit the strategy - the Maritimes, Ontario, Canadian and USA explorer travellers, Canadian and USA travel trade.

Travel writer fams, offering articles and stories on Newfoundland and Labrador are, of course, standard techniques and should be a larger priority for the Tourism Division.

It would also be valuable to have one or more media relations firms in the USA provide services in support of this effort.

Travel Trade

The previous section recommended that expanding the travel trade effort be the third priority, after Internet marketing and media relations. *It is recommended that the focus shift to emphasize travel trade in the Canadian and USA marketplaces as priorities, and to* *provide some support to the efforts of receptives in developing relationships in the other international markets*. (Of course, buyers from other countries that attend the marketplaces in North America would not be ignored!)

Marketplaces

Department staff are attending the appropriate North American trade marketplaces. *This should be continued and the team effort expanded.*

We are recommending that the Province discontinue attending KANATA with their own staff, rather they would provide partnership support for a receptive instead.

In Europe, we recommend that the effort be limited to the ACTP funded trade activities, along with some support for receptives active in these markets.

Trade Media Advertising

Newsworthy information and articles should be provided to these publications, and paid ads with the articles.

Familiarization Visits

Tour operator fams should continue to be a priority, particularly for North American markets.

Internet Strategy

The Internet strategy referenced earlier should include a separate travel trade component and there should be a separate URL for the travel trade section of the web site.

Data Base Marketing

It will be important to develop and maintain a database of the travel trade, including existing partners, other operators selling the province, and prospects having potential for the future. It will be a valuable tool in planning trade-based marketing activities and for periodic communications via mail and email.

Marketing Support

This is an area where the level of effort and funding needs to be expanded. Providing training for tour operator reservations staff, providing quality photography and collateral, marketing dollars and trip planning assistance are all valuable ways of building a successful travel trade relationship. *We also recommend the appointment of a full-time person as the liaison and relationship management point person in the Province's trade team to augment the level of support provided to trade partners.*

Receptive Support

A similar approach should be taken to strengthening partnerships with, and providing marketing support to, receptive operators, with particular emphasis on the international markets.

Market Research for the Travel Trade

A program of travel trade-related market research should be initiated and conducted on an on-going basis. This could include a combination of:

- *Intercept interviews with group tours travelling in the province*
- *Review of tour operators websites and brochures to identify those which might offer potential for the province*
- *Secondary research into travel trade trends*
- *Interviews with tour operator product and market development staff re their perceptions about the province, and opportunities/constraints*

Consumer Market Research

The need for additional market research of various types, and a critical need for more up-to-date, timely information on the characteristics of visitors to Newfoundland and Labrador has been identified as a major priority.

There are four main types of research that should be undertaken on a regular basis:

- *Visitor Exit Survey*
- *In-market research to assess such things as awareness, market potential*
- *Conversion studies and ROI on specific marketing efforts*
- *Tracking of enquiries*

A brief overview of each of these is provided below.

Visitor Exit Survey

The province's last Visitor Exit Survey was conducted in 1997 between June and October. Given that 1997 was Cabot Celebration Year, it is quite possible that there was an abnormal pattern of visitation, such as a higher proportion of visiting friends and relatives visitors. As well, data was only collected during the June to October period and extrapolated to provide information on the full year.

Since that time there has been a significant increase in total visitation to the province but, in the absence of a more recent exit survey, there is critical information that is unknown, including:

- The proportion of current visitation that is business-related, true discretionary leisure travel and travelling to visit friends and relatives
- Geographic origins of visitors
- Length of stay and spending of visitors, by purpose of trip and geographic origin
- Travel patterns of visitors within the province
- Travel motivations and satisfaction levels

Undertaking a Visitor Exit Survey should be an immediate high priority for the province, and the survey should be repeated every four years at a minimum. It is critical that the survey include at least minimal sampling (possibly with a much shorter questionnaire) throughout the October to May period so as to provide a realistic picture of off-season visitor activity, trip purposes, length of stay and spending.

Another critical issue is the timeliness of the research and reports on its findings - preliminary information should be available within at least six months of the completion of the research with final data reported in less than a year. As such, and given the limited staff resources within the Department, we strongly recommend that the Visitor Exit Survey be contracted out to an experienced market research company.

One of the concerns identified in our stakeholder consultations was the lack of data on travel activity in the various regions of the province. We recommend that the Visitor Exit Survey address this issue by including questions about the travel of visitors around the province. One approach to this is to use a technique that Nova Scotia used in their 2000 Visitor Exit Survey - to provide respondents with a map and ask them to trace their route around the province, indicating places where they stopped, spent ½ day or more, or stayed overnight. This data has been tabulated to provide estimates of the number of non-resident visitors travelling along the major tourist routes in the province and stopping, visiting or staying overnight in some 50 or so communities around the province.

In-Market Research

In undertaking this Marketing Strategy Review and assessing the potential of various geographic market segments, it has become evident that there is insufficient information available on some markets to ascertain their realistic potential for Newfoundland and Labrador and/or be able to determine the most appropriate marketing strategy to follow. In-market research will be needed in these markets to explore such topics as the appeals of the province, the types of marketing messages that might be successful, their propensity to purchase, barriers to purchase, etc. These types of insights can best be obtained through qualitative research methods, i.e. focus groups.

Short term needs are for in-market research in the Maritimes (Nova Scotia and New Brunswick), and in the Montreal market.

Conversion Studies and ROI on Specific Marketing Efforts

Conversion studies to determine the percentage of enquirers, by origin, that are actually visiting the province should be done at least every second year. This research should be correlated with the source of the enquiry as identified in the TDMS enquiries report and also collect information on the spending and length of stay of visitors so that the Return on Investment of specific media and marketing tactics can be calculated. Special, smaller scale conversion studies should be considered for specific marketing campaigns, for example the Alberta campaign implemented this year, or a new direct mail effort**,** so as to calculate the ROI on these initiatives and be able to make informed decisions about continuing or modifying the campaign.

Tracking Enquiries

TDMS phone enquiries are currently tracked according to media, province/state of origin, source, country and publication as well as caller interest. With an increased focus on the web, it will also be important to track web enquiries as to origin and interest. (See the earlier discussion in this section on Internet marketing.)

Other Research

In addition there are other types of market research that should be conducted by the Department on a regular basis, such as:

- *Secondary research into market trends, socio-demographic trends and travel trends and their implications for the province's tourism industry*
- *Special market research projects for each of the province's priority activity market segments*

Recommended Annual Core Marketing Budget

This section summarizes the budget impacts of the proposed marketing program changes. Each of the changes has been ranked as to priority, ranging from 'Reduce/Cancel' through 'Desired', 'Important' and 'Vital'. We have addressed only core marketing budget items.

The results are presented in Exhibit 16. The 2001-02 budget has been provided for comparative purposes. It does not include the additional budget increase in 2002 of approximately $1,000,000, nor the one-time TAMI fund made available by ACOA for 2002 or any other non-core funding.

Implementing all the recommended changes would increase the Province's core marketing budget from the $4.1 million in 2001 (now approximately $5 million in 2002/03) by more than $5 million annually to $9.2 million.

The increase occasioned by all of the ‘vital’ changes proposed totals approximately $1.5 million. The next tier, the ‘important’ changes, adds another $3 million.

Exhibit 16
Proposed Core Marketing Budget for the Marketing Division

Category/Activity (proposed changes in brackets)	2001-02 Budget ($000)	Proposals for Changes/Shifts	Priority for Change [r]	Target Budget ($000)
Advertising and Communications Shift emphasis to approximate proportions recommended below, and some to the fall season				
Call centre, TDMS, fulfilment	467	(This has not been addressed by the consultants)	NA	500 (1)
Website		• Internet strategy • Upgrade and expand • Redesign for experience/trip planning, add database capability, etc.	V	50 annually (250 initially)
Other Internet marketing		Expand links, search engines, etc.	I	50
Travel guide	600	Convert to a trip planner/travel guide combined	I	800
Other collateral - maps, etc.		Provide shells for industry, RTAs to use in consumer shows and promotions	D	50
Paid media advertising	1600	• Expand programs in mass media in Maritimes, Ontario when budget allows • Add programs in Alberta, and also Montreal if market-testing and research supports efforts in these markets • Expand in Canada and USA traveller, adventure and culture/history magazines	I	3000
Direct marketing (database marketing)		• Develop a database-driven direct marketing program • Expand efforts in building databases from enquiries, website visits, purchase of qualified lists	I	500
Media relations/travel writers	130	Expand effort targeting media in expanded paid advertising program	V	500

Exhibit 16
Proposed Core Marketing Budget for the Marketing Division

Category/Activity (proposed changes in brackets)	2001-02 Budget ($000)	Proposals for Changes/Shifts	Priority for Change ʳ	Target Budget ($000)
In-province marketing		Partner with others as at present	D	100
Photography and promotional items	65	See creative below		100
Creative/production/ account management	338	• Shift messaging to focus on the 'explorer' segment - activities as well as icons • Creative needs to also include visitors doing things, residents hosting them	I	600
Total: Advertising & Communications	**$3,200**			**$6,250**
ACTP/CTC Partnerships				
	300 (ACTP)	Enhance Newfoundland and Labrador's participation to this strategy	D	**500**
Total: ACTP/CTC Partnerships	**$300**			**$500**
Market Research				
	100	• Expand program • Contract out major projects • Assess West Canada, Montreal/Quebec, USA short and long haul for 'explorers' • Other research as recommended	V	**250**
Total: Market Research	**$100**			**$250**

Exhibit 16
Proposed Core Marketing Budget for the Marketing Division

Category/Activity (proposed changes in brackets)	2001-02 Budget ($000)	Proposals for Changes/Shifts	Priority for Change ʳ	Target Budget ($000)
Activity Markets				
Hunt and fish	175	Transfer program to the industry, provide support under an agreement	D	300
Snowmobiling		Provide marketing support to quality outfitters	D	50
Outdoor - Hiking, Kayaking & Canoeing	Small portion of hunt & fish budget	Provide a facilitator, support services, marketing program. (This would be for activity segment marketing, which would be over and above the inclusion of these products as USPs in the mainstream marketing programs targeting touring and explorer markets.)	D	225
Skiing (Maritimes only)		Support the promotion of Marble Mountain in the Maritimes, through paid media, media relations, with value packages	D	50
Meetings & Conventions	40	Provide support to the ACVB or other appropriate group(s) under an agreement	D	150
Incentive Travel	Incl. in M&C	Provide marketing support to high quality tourism operators in the province targeting this market	D	25
Learning/Enrichment Travel	Incl. in Travel Trade	Provide facilitation and marketing support to tour operators	D	50
Total: Activity Markets	**$215**			**$850**

Exhibit 16
Proposed Core Marketing Budget for the Marketing Division

Category/Activity (proposed changes in brackets)	2001-02 Budget ($000)	Proposals for Changes/Shifts	Priority for Change [r]	Target Budget ($000)
Travel Trade				
General		• Shift emphasis to North American trade • Augment the team • Broaden the range of companies targeted to include specialty companies targeting upscale 'explorer' markets and niche markets in outdoor and history/culture	V	
Marketplaces	50 (includes consumer shows)	• Augment the effort in North America • Support receptives in other markets	I	100
Trade advertising/fams	85	Expand	D	100
Marketing support for tour operators		Expand partnership program and level of support	I	500
Marketing support for receptives		Provide support under an agreement	D	100
Total: Travel Trade	**$135**			**$800**
Other				
Cruise, golf, etc.	17	Continue modest support	D	50
Consumer shows, etc	included in trade show number	Provide some support to the industry, but department staff would not attend (except in special situations)	R	50
Total: Other	**$17**			**$100**

Exhibit 16
Proposed Core Marketing Budget for the Marketing Division

Category/Activity (proposed changes in brackets)	2001-02 Budget ($000)	Proposals for Changes/Shifts	Priority for Change r	Target Budget ($000)
Industry Partnerships				
Co-ops for external marketing		Expand for strategic markets	D	100
Partnership marketing projects/programs		Expand for strategic markets	D	100
In-province marketing		Expand efforts focussing on tourists, residents and VFR to promote more stay and spending	D	150
Total: Industry Partnerships	**$100**			**$350**
Secretariat Support and Expenses for the Proposed Marketing Council				
		This excludes staff salaries (see Section 8 where we recommend one staff person plus one administrative position to provide support to the council)	V	**100**
Grand Total	**$4,100**			**$9,200**

r

V- Vital - top priority for increased dollars, shift from other areas if necessary
I - Important - 2nd priority for more dollars
D - Desirable
R - Reduce or cancel

Notes:
1 This has not been addressed by the consultants

Section 6

Other Strategies in Support of Marketing

Section 6
Other Strategies in Support of Marketing

This strategic review was designed to focus on Provincial marketing. However, it is evident that the marketing effort is connected to product and infrastructure issues as well. This section will acknowledge a number of suggestions that have arisen from the consultants' interviews and meetings.

It is clear that they are a number of significant issues in tourism product and infrastructure, many of which constrain the marketing effort and also affect the visitor experience. *It is strongly recommended that the Province proceed with developing a tourism product development strategy as a follow-on project to this marketing strategy.* The kinds of topics to be addressed in such a study would include those discussed below.

This section also addresses the question of a sequel to the 'special celebrations' program of recent years.

Product Market-Readiness and Standards

Having quality products and services for the markets being targeted is an obvious need. There is a need for new capacity, particularly in quality accommodations, in popular tourism areas of the province. The high season is heavily booked in these areas.

But there is a more general and widespread need to upgrade the standards of products and services to meet contemporary traveller expectations, particularly for the more upscale explorer who expects and is prepared to pay for quality. This is a market-readiness issue.

Market-Readiness

The elements of market-readiness (beyond bricks and mortar and a sign) include the following things, in order of building towards a full state of market-readiness:

1. Product standards - quality facilities, services, guest experience
2. Hospitality standards - product knowledge, skills
3. Marketing tools in place - website/links, database, 1-800, information and reservation system
4. Travel trade practices - eg: TradeSmart
5. Have different products and quality packages for different target markets
6. 'Right' pricing - a value approach at profitable rates, rather than underpricing and discounting
7. Have a marketing strategy and plan
8. Established marketing partnerships
9. Professional development and training programs for both management and staff

Many of these can be addressed through training programs, others require quality assurance standards, others require the facilitation of alliances and partnerships among operators.

HNL should obviously play a key role here, particularly in professional development and training, and with quality assurance standard programs. The Province can assist with developing product standards as well as assisting alliances and partnerships. The roles and coordination of effort would have to be addressed in a product strategy.

Product Standards

The issue of product standards is currently addressed by the Province's Tourism Product Development Division through regulatory programs.

In our view, this is a technical function, not really a product development one. In fact, it is difficult for the same people to be entrepreneurial in assisting and advising the industry and be in charge of regulating them at the same time. *We therefore recommend that the regulatory function be moved to another separate unit within the department and have the remaining Product Development Division staff work as facilitators in support of market-readiness standards and product development instead.* This is obviously a issue with complexities and it needs to be addressed in a product strategy.

Access to the Province

This issue is a huge one, in that capacity, travel time and cost are all barriers to tourism market development. They significantly constrain market development and growth in leisure travel most particularly.

Ferry service has always been an issue and continues to be. But air access has become much more problematic. And air will be a central part of the future growth scenario for the province's tourism.

These issues need to be addressed with some urgency, and they would be a logical part of a product development strategy.

It is clear that simply raging at Air Canada and Marine Atlantic is not a way to address these challenges successfully. Rather, the Province and the tourism industry should be striving to work with these companies and their efforts to build their capacity and service levels. There are clearly complex issues here.

At the same time, it is perhaps time for some 'out of the box' thinking and solutions. If the lack of traffic is a constraint to adding capacity or upgrading equipment, can we work with them to build traffic? Can we help underwrite some of their costs of market development? Can we work with our travel trade partners on chartering aircraft from them, or guaranteeing blocks of space on new direct flights out of the Eastern USA in the tourist season. Can we establish a marketing partnership with Marine Atlantic so as to work together to increase traffic on the ferry routes?

These may sound like radical ideas, but they are not at all radical. In fact, they are old ideas. For a destination like Newfoundland and Labrador, which is in an earlier stage of tourism market development than many of its North American competitors, old ideas like this - tried and true ideas - can perhaps give us successful solutions.

Results of Industry Consultations on Marketing Support Issues

Highlights of the input from the six regional meetings follow:

- HNL role in training is important and should be maintained and expanded.
- Packages are important
- Need to address air access and partnerships with fresh ideas and approaches.
- In-province fam tours for operators are needed so that the industry knows about other businesses.
- There is a need for more research, particularly an understanding of existing visitors.
- Market-readiness is an issue - there is a need for improved quality, more professionalism and building long term relationships with the travel trade.

Special Celebrations - Cultural Programming

The consultants were asked to address the question of ‘special celebrations’ and offer recommendations on what, if anything, could be a sequel to these major events.

Value of Major Events, and their Negative Side

Unquestionably, the major events of the past five years have done a lot to build awareness about the province and have certainly generated visitation that might not have come otherwise. That has been of real benefit to the province during the period of the event itself.

The question arises, however, of whether this is a strategically valuable model for tourism. In fact, there are some negatives:

- Major events cause a peaking in visitation during the event and ‘steal’ from other periods of the year
- They steal visitation from areas of the province not participating in the event
- They disrupt the natural pattern of visitation during the event (and for many people, the entire season), by discouraging visitation from people not interested in the event itself. Visitors don’t want to be affected by the extra traffic and higher prices.

- They build visitation from those interested in the event itself, but are these the people that are the priority target market for the province?

- Events that are not ‘on strategy’ with the tourism marketing plan not only don’t contribute to the strategy, they can undermine it

These negatives are made more problematic when the core tourism marketing budget of the province is redirected to support the event.

A Preferred Scenario

In looking at the tourism marketplace, it is evident from the experience of other jurisdictions that becoming a successful tourism destination involves a sustained and consistent effort over time. The competition is great and the time-line of building demand is gradual and long. There are no quick fixes that create sustainable demand in tourism.

Being successful also requires a focus on quality products - the visitor experiences - that can be institutionalized into the ongoing offer of the destination. Much of what works best in tourism is word-of-mouth referrals and repeat visitation, and this only works if the product offer is consistent.

So, for a major event to become a tourism product, it has to leave a legacy product behind that can become part of the destination’s ongoing product offer. It needs to build legacies of sustaining products and experiences for visitors. This was accomplished with the Viking celebration, at least for Northern Peninsula. However, for most of the other celebrations, with the possible and partial exception of “Soiree and Times” in 1999, the event did not result in a new product offer.

It also needs to result in a product that can be experienced at different times and in different ways in different regions of the province, and not concentrate demand in one region at the expense of the others.

It should also be able to ‘stream in’ with other products and not unduly impact travel patterns during the period it is offered.

And it shouldn’t undermine the core tourism marketing effort; it needs to be additive to it.

A Cultural Programming Partnership Effort

The consultants believe that the “Soiree and Times” program and the work of the Special Celebrations Corporation in assisting the efforts of communities and groups with local and regional events provides the foundation for a good tourism model for the future.

What we have in mind is a program such that cultural entertainment groups and community events could obtain some assistance and support in tourism market-readiness and tourism marketing. Those meeting the standards and criteria could partner with the Province on selected tourism marketing initiatives. The table below illustrates the basic approach.

Cultural Programs Partnership Program		
Types	**Criteria**	**Support**
Festivals Exhibits/shows Music Theatre	1. Significant/authentic theme 2. Good plan/sufficient funding (with support) 3. Sponsors/supporters available 4. Quality facilities and programs 5. Visitor/tourist services and packages 6. Travel Trade ready	• Coaching • Facilitation • Collateral • Support services • Packaging for tourism markets • Marketing support

We recommend that the staff of the 'special celebrations' corporation be brought into the Tourism Product Development Division to provide the services described in the table. The corporation should then be wound-up since we recommend that this program replace the special celebrations program and functions.

This is another example of something that can and should be included within the scope of the proposed product development strategy.

Results of Industry Meetings on this Issue

- There have been too many different ideas in the last five years and the celebrations have been too political and not "on strategy"
- There was general agreement that the concept of cultural programming was sound - but that it had to be done right and as part of an overall strategy with a coordinated effort.
- Cultural programming should comply with a set of criteria and standards, including those relating to quality customer service.
- The Soirée and Times model was seen as a good one, possibly combined with the occasional large event

Section 7

Government Tourism Roles

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Section 7
Government Tourism Roles

In responding to the recommendations on Provincial tourism marketing, strategies to support the marketing effort and the cultural programming partnership initiative, there will need to be some realignment of staffing and work assignments. Our suggestions and recommendations on this front are summarized in this section.

Proposed Marketing Division Staffing Priorities

The recommendations suggest the following shifts in staff effort. (This does not include paid media advertising programs, where the shifts are not seen to involve staffing changes.)

<u>Expanded budget and staffing effort in the Marketing Division</u>

- Website development and management
- Travel trade marketing in Canada and the USA and support for the marketing of travel trade ‘partners’
- Media relations, travel writers
- Collateral development (quality lure and trip planner)

<u>Reduced budget and staffing effort in the Marketing Division</u>

- Meetings and conventions marketing - *leave this to the Avalon CVB under an agreement and support their effort where appropriate (support here refers to marketing materials and effort, possible financial support but not providing a staff person)*
- Fish and hunt marking - *leave marketing of this product to the industry collaborative, provide them with financial or in-kind support*
- Consumer shows - g*enerally, leave this to the industry and its regional and sectoral organizations, provide support where appropriate - such as a supply of travel guides and other collateral, banners, booth display, etc. rather than Provincial staff attendance, except in the special cases discussed earlier in the report, such as major product launches where the Province is a sponsor.*
- Travel trade marketing in Europe and Japan - *reassign staff to the North American travel trade effort, support the efforts of receptives who work this market instead - with collateral materials and financial contributions*

Product Development Issues

The ‘Strategies in Support of Marketing’ section has a number of implications for the Product Development Division as well:

<u>Proposed expanded budget and staffing effort in the Product Development Division</u>

- *Assist the efforts of HNL in developing market-readiness standards*
- Adventure - *nurture an outdoor adventure collaborative, others?*
- *Move special celebrations staff in - focus on 'cultural programming and events'*
- Packaging facilitation - *assist the efforts of HNL in this area, also support packagers with marketing, particularly in facilitating their participation in the proposed lure/trip planner*
- Air and ferry access issues - *in addition to policy activity, mobilize a task force to work in collaboration with HNL to pursue feasible improvements*

<u>Proposed reduction of effort in the Product Development Division</u>

- Regulatory - *move out to another agency, or have it as a separate unit with the department*. Product development and regulation are not very compatible.
- Fish and hunt - *as with marketing this product, move out the product development function to the industry collaborative and support their effort, either in-kind or financially*

Support from Other Organizations

Other departments of government, including the federal government, as well as HNL, have important roles to play in supporting the overall tourism effort, including both marketing and industry development. Some of these roles are currently in a state of flux and need to be resolved. Our proposals in this respect are presented below.

Hospitality Newfoundland and Labrador

HNL is the lead organization for training and professional development programs, as well as for quality insurance initiatives like Canada Select. *The association should continue and grow this program base, particularly in the following areas*:

- *Standards and quality assurance programs - training and administration*
- *Other market-readiness initiatives*
- *Workshops on travel trade marketing, packaging, web marketing, product pricing, marketing planning, etc.*

In addition, *it is proposed that HNL be looked to to collaborate with the department on the process of soliciting and selecting individuals to participate in the public-private marketing partnership council* discussed in the next section.

Department of Industry, Trade and Rural Development (ITRD)

This department, in partnership with the Atlantic Canada Opportunities Agency (ACOA), oversees the twenty Regional Economic Development Boards across the province, many of which are active in tourism-related activities, mainly product development, but somewhat in marketing as well.

At the provincial level, this department is the lead agency for tourism product development funding. There needs to be better co-ordination between ITRD and the product development efforts of the tourism department. In fact the whole topic of tourism product development needs to be addressed. *We recommend that the Province undertake a tourism product development, market-readiness enhancement and infrastructure strategy.* This would very much complement and support the marketing strategy.

Atlantic Canada Opportunities Agency (ACOA)

ACOA plays an important role in tourism, through business loans to industry, along with financial assistance to HNL, the regional tourism associations (RTAs) and other industry organizations.

We understand their support to tourism industry organizations is currently under review. This is, in our view, appropriate in that the very large numbers of RTAs in particular is not sustainable, nor warranted. Better there be fewer and larger organizations with the scale of resources necessary to have real impact. While it is not in our purview to make recommendations to ACOA, they have invited our comment on how the recommended Provincial tourism marketing strategy might affect their funding of RTAs in particular.

<u>RTA Funding by ACOA</u>

EPG's proposals, in fact, do not deal with the RTAs in any respect, except to recommend that they function at arm's length from the Provincial program and any provincial public-private partnership organization. They would be industry partners like any tourism business, participating in co-op marketing and other projects when and where mutually agreed.

However, as marketing partners, RTAs would need to bring co-op and partnership dollars to the table, and have the people in place for the Province or the provincial partnership to deal with. What makes sense is that ACOA provide funding support to a small number of substantial RTAs for both staff and marketing. In our view, these should be established on the basis of 'natural' destination regions within the province, designed around air and road access points, and common touring patterns. The level of ACOA support would be linked to the level of private sector investment in the RTA - both membership revenues and co-op buy-in.

It is our opinion that ACOA's funding support for industry organization marketing should, in fact, be in accord with the province's strategic approach to tourism marketing generally. This suggests that ACOA dollars be used for both external and in-province marketing on an approximately 80-20 basis. Some part of the 80% should find its way to support the external marketing by the Province through its marketing council and the remainder provided in support of RTA's contributions to co-ops and partnered programs led by the Province. The 20% should be provided directly to the RTA's for their independent in-province marketing.

A fundamental problem with this proposed approach is that ACOA has only been assisting external marketing by the RTAs, given the federal policy of supporting only export-related efforts. However, much of in-province marketing in the tourism sector is of export character, the same as external marketing, and shouldn't therefore be disqualified. The purpose of most of in-province marketing is to induce non-resident visitors to extend their stays and spending, and the small portion spent on resident markets has an import replacement value as well. Both are export dollars.

The most cost-effective approach for the regional organizations is to partner with the Province on external marketing and direct their independent marketing efforts at in-province markets, both visitors and residents. It would a step forward if ACOA could support both external and in-province marketing at the regional and local organization level.

Other Funding Support to the Industry

Other than marketing support, it would be ideal if ACOA could assist with the following additional types of projects and programs:

- The HNL initiatives recommended above
- Industry upgrading projects in conjunction with the proposed industry standards initiatives (on a partially non-repayable basis)
- 'Strategic' capital projects that are not of commercial character but play a key role in supporting tourism, either in significantly generating new demand or in overcoming major barriers to growth (also on a partially non-repayable basis). These would include transportation equipment and services, destination resort development, attractions development

Other than the HNL initiatives, these latter programs could be delivered collaboratively with the Regional Economic Development Boards.

We recognize that there is a problem with the 'non-repayable' issue for private sector development and that outright grants to business are no longer within ACOA's policy framework. Perhaps instead of non-repayable loans, part of the funding could be provided through some form of equity instrument that allows more flexibility.

This is not a problem with community and not-for-profit organizations, which can be eligible for non-repayable contributions.

Section 8

The Business Case for Tourism Support

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Section 8
The Business Case for Tourism Support

Introduction

Why do provincial and state governments invest in tourism marketing?

There are a number of good reasons. But for an increasing number of governments, they are doing it because it generates tax revenues to support social and other public programs.

Marketing works very well in the tourism marketplace. It generates more visitation and new export revenues. It generates new tax revenues for the government.

And these revenues are not modest. In the USA where a number of states and cities track the impact of their tourism marketing, they are able to demonstrate that the extra visitation they are getting as a result of the marketing effort is providing a real return on investment in additional state taxes of many times the marketing investment made by the state, returns well beyond those experienced in the investment business.

A $4.5 million campaign in New Jersey generated incremental state taxes, directly attributable to the campaign, of $61 million in 1991.

Maine in a 1997/98 campaign earned $18.8 million in extra tax revenues from a campaign costing less than $ 1 million.

And Colorado learned to its chagrin that cancelling the entire state marketing budget cost them money rather than saved them money. Their state marketing budget of $12 million annually had earned them 1st place in the USA in the summer resort category. When the program was cancelled in the early 1990's, their summer tourism revenues dropped 30% - by some $2.4 billion. That directly caused a reduction in state government tax revenues of some $134 million annually.

The New Jersey Story

In the early 1990s, New Jersey elected a fiscally-conservative government led by Christie Todd-Whitman, who slashed the state tourism budget. At that time, New Jersey was in the process of undertaking advertising accountability research on their tourism campaign. The results of this research indicated that a $4.5 million campaign generated $61 million in incremental state taxes.

On the basis of this finding, Governor Todd-Whitman reversed her decision, and, in-fact, increased the tourism marketing budget. For the remainder of her time in office, the Governor was a strong supporter of tourism and its role in generating revenue for the State.

So, a primary reason for a government to promote its destination in the tourism marketplace is to generate more tax revenues for itself. As a bonus, it creates more business for its tourism industry, and income for everyone in the province or state.

Where Does Newfoundland and Labrador Fit?

Building on the 1997 exit survey conducted by the province, and grossing-up to 2001 on the basis of overall growth in tourism since that date, we have estimated that the number of true 'leisure' non-resident vacation travellers to the province in 2001 was in the area of 150,000 people in that year. (This does not include another 155,000 visiting friends and relatives and about 20,000 cruise visitors.) The 150,000 people are the classic tourists that are being targeted as a first priority in tourism marketing efforts.

The good news is that Newfoundland and Labrador **is** getting 150,000 vacationing leisure visitors, who are spending about $720 per person in the province on average. That's $108 million dollars in revenue, and about $9 million in additional provincial tax revenues. (Total tourism revenues from all non-resident visitors - including business travellers, convention and meeting attendees, VFR, cruise visitors as well as vacationers - amounted to $238 million in 1998. That reportedly generated $81.5 million in Gross Domestic Product (net income within the province) and $22 million in provincial taxes that year. However, adjusting for the estimated impact of the imposition of the HST, the real tax generation is more likely in the range of $19 million to $20 million in that year. That represents an estimated 8% to 9% of the visitor spending.) [1]

Assuming some 60% of the Province's tourism $4 plus million marketing budget was directed to the vacation traveller segment, that $2.4 million in marketing supported the estimated $9 million in provincial tax revenues from that segment, a return on the Province's investment of some 375% in that year. (While some of this tourism would have been achieved without the marketing effort, clearly the marketing effort has made a major contribution.)

What is the Potential?

However, 150,000 vacationing visitors still represents a very small market share of the North American, Canadian and Atlantic Canadian marketplaces.

It is not remotely a market share warranted by what the province has to offer, in spite of the challenges to visitors to get here.

It is very evident that Newfoundland and Labrador has been missing out on a real opportunity for economic growth through tourism - and an opportunity to generate more tax revenues from tourism.

The modest Provincial marketing budget has made it impossible for the Marketing Division to capitalize on the real latent potential of even its core markets, let alone other markets that could be developed in the long term.

---

[1] This factor was developed with assistance from the Department of Finance, Economics and Statistics Division.

And it's worse than that. It isn't just a case that the province is foregoing an opportunity to grow its tourism and tax revenues, the Provincial tourism marketing budget is so small that it is not adequately achieving real impact in even its core markets of the Maritimes and Ontario, let alone any of its special purpose markets, like meetings and conventions, adventure and the like.

If you have a large budget, it is reasonable to target a number of different markets. But if you have a small budget, you need to concentrate the effort in fewer markets. And if your budget is even smaller than small, you can't develop even the few markets you are in. The key to success in a marketplace is to have the necessary critical mass of effort (both financial and human) to achieve real results.

Imagine what a 'real' marketing budget could achieve! If we could reach the threshold of significant market impact and start to generate a reasonable market share of the leisure traveller market available, the results would be dramatic.

The TAMS research provided some provocative insights on the propensity of adult Americans and Canadians to make trips in the next two years. The survey of Canadians suggested that only 2% of Canadians made a trip to Newfoundland and Labrador in the past two years, but that 7% intended to do so in the next two years. For Americans, less than 1% visited the province in the last two years, but 4% intended to do so in the next two years.

With this kind of research, you need to be very careful, because what people say they intend to do and what they really do are very different. In fact, experience suggests that real behaviour is typically more like 30% or so of future intentions. People just don't do everything they wish to, for all sorts of real-world reasons.

And it is absolutely a fact that marketing has a big influence in turning intentions into reality, and in redirecting behaviour as well. In other words, people can be switched from what they intended to do, to something else, through good marketing.

So, if we could, with a strong marketing program, get even 30% of those intending to travel to the province over the next two years to actually do so, that would result in something like 180,000 in new visitation per year, as described in Exhibit 17.

Exhibit 17 also calculates the potential incremental spending that could be generated by these visitors, assuming a 20% increase above current spending levels. Total new spending is estimated at $164.2 million per year. Using 8% as the provincial taxes share of this revenue suggests an additional $13.1 million in provincial government tax revenue, or a return of 263% annually on the incremental marketing investment. The total new GDP resulting from this spending is $55.8 million, including the $13.1 in provincial taxes.

Exhibit 17 Potential Future Tourism Activity			
Analysis	**Canadians**	**Americans**	**Total**
Adult population	24 million	200 million	224 million
Percentage points increase in adult population intention to make trips to Newfoundland and Labrador in next 2 years compared to last 2 years	5% (7%, up from 2%)	3% (4%, up from less than 1%)	
Trips over 2 years	1.2 million	6 million	
Assume 30% are real prospects	360,000	1.8 million	
Real prospects per year	180,000	900,000	
Potentially ‘realizable’ with good marketing	50%	10%	
Increased annual leisure visitation with good marketing	90,000	90,000	180,000
Per capita spending rate (up 20% from current levels based on marketing)	$740	$1,085	
Total increased spending	**$66.6 million**	**$97.6 million**	**$164.2 million**
8% share in provincial gov’t taxes			$13.1 million
Return on incremental investment of $5 million			263%

Growing the province's tourism industry requires more than an investment in marketing. It requires a balanced approach to address a variety of issues, many of which have been identified in this report. These include access to the province (particularly air access), and the capacity of the province's tourism plant - particularly having the right type and quality of facilities and services for the types of visitors that the province is, and will be, attracting. As well, it means ensuring that we have a professional, well-trained tourism industry providing the types of experiences that visitors seek.

The Other Aspects of Tourism that Warrants its Support

In addition to generating tax revenues, there are many other aspects of tourism that warrant its support. These include:

- **Tourism brings new money into the province** - tourism is an export industry with visitors bringing new money into the province. These new dollars are important in generating economic wealth and prosperity for Newfoundland and Labrador.

- **Tourism offers excellent growth potential for the province**, and it is one of the few sectors of the economy where there is good growth potential.

- **Tourism produces good jobs** - across Canada, 35% of the jobs in tourism are in management, supervisory and professional occupations. It also generates a lot of part-time and seasonal jobs which are of benefit, and offers opportunities for those seeking to supplement incomes generated from resource-based employment.

- **Tourism revenue is distributed across all regions of Newfoundland and Labrador** - visitors spend on average 10 days or so in the province, and during that time they travel around, spending money in small communities and rural areas as well as in the larger service centres.

- **Tourism has opportunities and benefits for small businesses and rural communities** - many tourism businesses are small and medium sized enterprises - and it is small business that provides the bulk of the growth in today's service oriented economies. These small businesses employ people in the rural areas, and in smaller communities.

- **Tourism is environmentally sustainable and largely non-consumptive** - it is a clean, non-polluting industry and, if we plan for future growth, we can ensure that we mitigate against any possible negative impacts.

- **Tourism helps support amenities used by our local residents** - such as restaurants and gas stations, hiking trails and parks.

- **Tourism is a priority sector for ACOA** - as a result, there are opportunities to lever significant federal funding support for tourism development and marketing initiatives. There are also opportunities available to lever marketing partnerships through the Canadian Tourism Commission

In conclusion, Newfoundland and Labrador's tourism sector has excellent growth potential, and will generate increased tax revenues for the province while at the same time providing numerous other benefits. The province is unique, exotic and compelling - and it is gaining increasing recognition across North America as a "must visit" destination. A significantly increased investment in the provincial tourism marketing budget is fundamental to realizing this potential.

Section 9

Public Private Partnership

Section 9
Public Private Partnership

Introduction

The Department of Tourism, Culture and Recreation have advanced the suggestion of establishing a public-private partnership model to advise on the Provincial marketing. HNL has also been considering a proposal to have the provincial tourism marketing program moved out of government into a not-for-profit group affiliated with HNL.

With the commencement of this strategic review, it was agreed by both the Province and HNL that the consultants would look at optional models and bring forward a proposal that would meet the intent of both parties.

This section presents the results of the assessment. It involved research into similar models in other jurisdictions in Canada along with consultations among the key stakeholders and the tourism industry in the province. It also is based on the proposed provincial marketing strategy for the future.

One of the conclusions was that the public-private partnership should limit its focus, at least initially, to provincial marketing in external markets. It was also concluded that a staged approach should be followed. As a result, the report presents suggestions for a possible optimal model along with a staged approach to implementation.

Objectives of a Partnership

The stakeholders perceive different benefits from having a public-private partnership to oversee provincial marketing. Benefits from the industry's perspective are seen to be the following:

- Having an industry voice in marketing planning and decision-making is seen to add value by providing a tourism business perspective - from people dealing with the marketplace daily.
- It is perceived that decision-making and program management would be more business-like and less politicized.
- It is also expected that having the industry involved would reduce the frequency of diversion of funding by government from the core marketing budget to other projects.
- The industry believes that there would be a lot more buy-in to co-op programs if the industry is involved in planning them.

There are benefits from the government perspective too:

- All of the foregoing, plus...
- Additionally, having industry at the table is expected to reduce the frequency of intervention by politicians in tourism matters at the instigation of members of the industry and community groups.
- It would also reduce the politicized and sometimes confrontational aspects of dealings between industry and government.

There are additional benefits that can come from a public private partnership in tourism. These include:

- Senior levels of government sometimes perceive the tourism effort to have moved to a higher, more important level and agree to increase core funding. (This certainly happened in Ontario and nationally with the formation of the Canadian Tourism Commission.)
- The travel trade sees this as a strengthened commitment to tourism and this can, in turn, strengthen working relationships.

Results of the Key Stakeholder Interviews

As mentioned at the beginning of the report, an early task was private interviews and meetings with the key stakeholders to explore this issue among with the others involved in the assignment. Our findings are summarized below.

- Most of those interviewed believe there should be some level of private sector input into the provincial marketing strategy – ranging from having a voice to total control over the marketing strategy and budget.
- Some level of private sector control over tourism marketing is seen as critical to reducing political interference in decision-making about tourism marketing.
- There are concerns about how the regional tourism associations (RTAs) would fit into any partnership model.
- The RTAs themselves are an issue. They need sustainable core funding, marketing dollars, a clear role. There is concern about the effectiveness and efficiency of some of their marketing efforts to date.

- A committee of HNL has proposed an industry-led ‘destination marketing council’ or ‘special operating agency’ to manage the government’s tourism marketing money, and staff, along with monies from the private sector.

- The partnership should be able to leverage federal monies. The provincial government can’t do this on their own as readily.

- Any body would need to have members from around the province, and they should be industry leaders, not political appointees.

- HNL has an advocacy and training role.

- The linkage to HNL is an issue. How? Should HNL be the selection committee for industry representatives? Should it be the secretariat to the body?

Partnership Models in Other Jurisdictions in Canada

Most provinces in Canada now have some form of industry advisory council or public-private partnership to direct provincial marketing. Models being used in Canada include:

- Advisory council (Alberta, PEI)
- Partnership council (Nova Scotia)
- marketing partnership committees (Quebec)
- Special Operating Agency (Ontario)
- Crown corporation (BC, Sask., CTC)

Particulars on the delivery organizations, the involvement of industry and their strengths and weaknesses are presented in Appendix V.

Lessons Learned from Other Jurisdictions

Critical Issues

The organization should be recognized as exclusively a business organization, constituted for the following purposes:

- To market the province successfully,
- To partner with the tourism industry, where appropriate and mutually agreeable, on extra-provincial marketing initiatives, and
- To assist and support efforts of the industry with respect to quality and market-readiness.

Government has to be locked-in. They have to be a full partner, and have ultimate say over the use of the money they spend. (The only attempt at privatization in Canada – in Alberta -

failed dramatically. A major problem was the Province wasn't committed, they weren't really part of the effort - they weren't locked-in.)

Partnerships with other organizations should be on a project-by-project basis, not institutionalized in the structural model.

Provincial marketing is primarily externally focussed - it does not involve regional grants or much in-province marketing. Therefore, the *leadership should be the best people to guide that effort and it should be people who can think broadly.* It should not be people representing a regional or sectoral tourism association.

Board/committee members should be *selected based on a) their relevant qualifications, and b) their willingness to invest in marketing programs* - not by democratic methods or appointing 'representatives' of organizations. In fact, no industry organization should be entitled to representation on the board/council. (This is not to suggest that people in organizations would be ineligible. Not at all. In fact, an effort needs to be made to ensure that people from different regions and having different affiliations are involved. However, the individuals need to have the appropriate qualifications and understand that they are there as an individual who can offer a perspective from their region or organization, but they are not there to speak on behalf of the region or organization or to represent its interests. That is a big difference. They are there to add value to provincial programs and decision-making. Period. Their regions and organizations need to be made to understand the difference, and that they can't hold their member accountable to them.)

Committees should be mandated to do planning, make decisions on priorities for the use of provincial funding and monitor progress. They should **not** play an executive role in designing and managing specific projects and programs (It is important to avoid the 'tyranny of the committee' in actual business decision-making.). That function should devolve to the actual partners and investors in the specific projects and programs. Staff need to be assigned to assist both the committees and the program/project partnerships in these respective roles.

Good research is absolutely critical. The participants need to work from good information about markets and visitation, market trends and opportunities, results of past efforts, marketing methods and opportunities and the like. This is particularly important in planning exercises.

There need to be influential champions for the partnership within government, and within industry as well.

The Minister has to be committed to partnership decision-making. And the government as a whole needs to agree that the partnership is a filter through which proposals are considered before important decisions are made, particularly decisions involving funding and program priorities.

Funding needs to be enough to get the job done - and sustainable. There needs to be a multi-year funding commitment - three to four years - by government to permit multi-year program and partnership commitments.

Other Important Issues

The participants need to work at making the partnership real. Government bashing by industry and stonewalling by government doesn't fit and undermines the partnership.

Advocacy has to be completely separate.

The staff need to be accountable both to their employer as well as to the partners via the Board/Council and committees. Otherwise staff will not truly buy in to the agenda.

Government people need to strive to be responsive to the needs and views of industry. Industry people need to strive to be responsive to the needs and views of government. In other words, they have to work in good faith to assist and support each other. They have to be committed to making the partnership work.

Government and its staff have to be willing to make new things happen. Staff involved in dealings with industry need to be given authority to commit funds and people to projects.

Go-no-go decisions on programs should be driven by whether there are enough partners willing to invest in them, and sufficient funding to give the initiative the necessary market impact.

Spending commitments should not be unduly hampered by government rules and procedures. (For example, tendering should not be required for small items, like booking a meeting room at a hotel, for example, which currently requires competitive quotes within the provincial government in Newfoundland and Labrador.) In this respect, there is benefit in moving the partnership into an agency status.

Accountability should be to the partners and investors - government for its funding, industry for its contribution of effort and buy-in to programs. An annual report should be presented and a forum for feedback provided.

Industry consultations should be advisory, not prescriptive. It is up to the Board and its funding partners, industry and other, to decide on programs.

Staff support has to be provided to assist and support the industry volunteers. There is a high risk of volunteer burnout. There also needs to be internal and public recognition for the efforts of these volunteers.

It is important to proceed in an orderly fashion and in 'bite-sized' steps. The model will need to be adjusted from time to time, so moving too far too quickly from the status quo is not advised.

Alternative Models for Newfoundland and Labrador

Based on the lessons learned, the strengths and weaknesses of different models and the circumstances associated with tourism marketing in Newfoundland and Labrador, we see one model as being the best for the province, at least as a first step, that of a ‘partnership council’ similar to Nova Scotia’s.

An ‘advisory council’ like Alberta’s is really nothing much different that government operating independently. Unless the council is mandated with a role and the government agrees to build the council into its decision-making and management process, it is really only a cosmetic thing.

Other models further away from being a government line-department, such as an agency or crown corporation have some real merits, particularly in providing the opportunity for more flexible, customizable and business-like structure and operations. However, they also are more complex to establish and are significantly more expensive to operate. They also presume a large and relatively sophisticated tourism industry. In our view, this is not the best initial approach for Newfoundland and Labrador. The province doesn’t have the kind of tourism budget nor the breadth of industry players to call upon.

The partnership council concept offers the opportunity of a partnership of some real substance, if designed properly and committed to by both industry and government. At the same time, it is reasonably simple to establish, does not require a radical change in delivery organization and does not create lot of extra operational costs. It is the best ‘first step’ model for the province.

Scope of the Model - Marketing Only or Both Marketing and Product Development?

As mentioned earlier, an important issue in Newfoundland and Labrador is the respective organizational approach taken with tourism marketing and that taken with tourism development, or whether they need the same model. In fact, fundamentally different models are needed.

With marketing, the approach needs to be built on how the customer looks at the destination, which is holistically first, then products and regions second. The marketing model therefore needs to sell the destination as a whole first, then influence what the customer does and where they go second. This suggests a centralized model in selling the destination, along with appropriate partnerships between the centralized model and regional models on both the ‘trip-planning-before-they-come’ marketing effort, as well as on the ‘extend-the-stay-and-spending’ effort directed at visitors.

With product development, the model needs to be more resource and infrastructure based - develop where there are quality tourism experiences available to support the business, and where the customer can get to readily. This suggests a somewhat more decentralized approach and a somewhat more decentralized organizational model. The exception to this is for major infrastructure and demand-generator projects, such as air access, major resort development, major attractions development, in which there needs to be a collaborative effort at the provincial and regional/local levels.

The essence of this is that we need the kinds of organizational models illustrated in the conceptual diagrams on the following page.

Having said all of that, the previous section made it clear that there needs to be a linkage among the various parts of the tourism effort - product development, through market-readiness to market development and marketing. Therefore, while the models need to be different, they should ideally be linked in a mutually-supporting manner.

Proposed Partnership Model

It is recommended that the initial model be a ***Newfoundland &Labrador Tourism Marketing Council*** (or Tourism Partnership Council).

Mandate

The mandate and role of the council would initially be basically as follows:

1. Assist the department with preparing strategic plans and annual marketing plans
2. Monitor the implementation of marketing programs
3. Assist the department with sponsor and industry marketing partnership initiatives
4. Report annually to the minister and to the tourism industry on the marketing programs and their results.

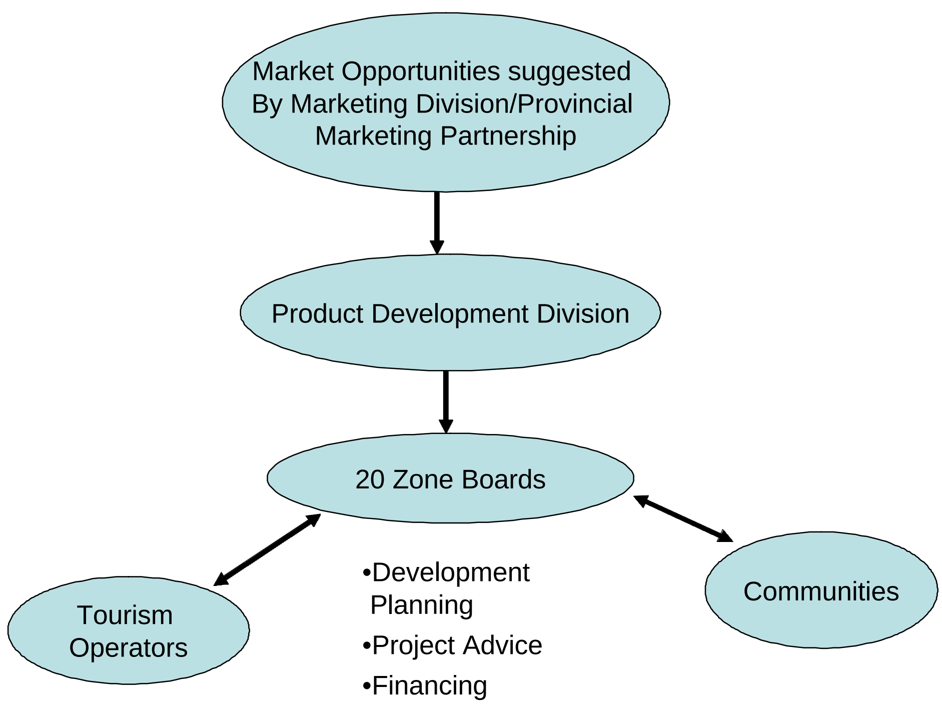
Scope of Functions

The marketing functions that would fall under the mandate would essentially be all of the functions of the Marketing Division of the Department of Tourism, Culture and Recreation, including:

- Marketing planning
- Marketing the province in external markets in Canada and internationally
    - Consumer advertising - paid media, collateral materials, website, direct marketing, promotions, etc.
    - Cooperative advertising and promotions with industry and other partners
    - Travel trade development and marketing support
    - Media relations, publicity and travel writers
    - Travel information services
- Marketing program performance measurement

Marketing Model

Product Development Model



In addition, it is critical that the tourism market research function of the Strategic Planning and Policy Division be included as well.

As discussed later in this section, it may be appropriate for other functions to be added in future.

Structure and Membership

We recommend a council structure approximately as follows:

- Council membership:
  - Deputy Minister, Assistant Deputy Minister and Director of Marketing
  - 7 to 10 tourism industry establishment owners and managers (staff of industry organizations would not be eligible) selected through an application process

- Committees accountable to the council:
  - ***Executive*** - advise and assist the Director of Marketing on the implementation of council initiatives
  - ***Marketing*** - input and oversight of the marketing programs and projects, advice on selection of agency of record and other contract suppliers, oversee program performance measurement
  - ***Visioning and Planning*** - long term strategic planning as well as preparation of the annual tourism plan and budget for approval by the council and the Minister, oversee market research in support of planning
  - ***Travel Trade*** (sub-committee of the Marketing Committee) - advice and assistance in travel trade market development, fam trips, etc.
  - ***Partner and Sponsor Development*** - planning and support - in liaison with regional and sectoral organizations, industry communications, development of partnerships for external marketing, and sponsor development)

- Task Forces (Ad hoc groups for specific projects):
  - ***Council and committee selection*** - constituted each time there is a round of changes
  - Others for special projects

Key **criteria for private sector membership** on the council and committees would include:

- recognized as an industry leader
- owner operator or senior manager of a tourism-related enterprise (mandatory for being on the council - ‘enterprise’ would include tourism operations, for-profit, not-for-profit or government operated - any organization that deals directly with tourists)
- understanding of the extra-provincial marketplace
- committed to taking a "big-picture" view
- appropriate marketing-related skills and experience

- participate in provincial co-op marketing programs
- committed to making the partnership a success
- ability to attend meetings
- not officially representing a provincial, regional or sectoral tourism association

Council members should meet ***all*** of these standards. Committee members should meet ***most*** of them.

The Executive Committee would be made up of the Director of Marketing plus two or three industry council members.   The other committees would be chaired by a council member and members would include both council members and others invited by council. The Partner and Sponsor Development Committee would include representatives of organizations - companies and industry organizations (eg: RTAs, sectoral organizations) that are active in investing in co-ops and marketing partnerships with the Province.

Committee members (not chairpersons) could be anyone the council believes could add value to the committee's work. The restriction of only having tourism industry owners and managers would only apply to the council and the chairs of committees. So, industry organization staff, consultants, non-tourism partners/sponsor could all be considered for committee membership.

There would be an annual process of advertising for council and committee people, who would submit an application. People could also be nominated if they agree. The Council and Committee Selection Task Force would review applications and present a slate of recommended candidates to the minister for approval. A few extras would be nominated to give the minister some latitude in choice. The minister could nominate people as well, however, they should be screened in the same fashion as all other candidates.

People would serve for two years, so half would turn over annually. Participants can reapply when their turn is up, if and when they choose.

Task forces would be established for special projects, with members selected by the council or a committee as appropriate. Unlike the committees, non-council members could chair these groups. They would be disbanded with the project is done.

Program Delivery and Accountability

The Department of Tourism, Culture and Recreation would continue to be the program delivery organization with its staff being accountable both to their superiors and the minister, as well as to the council and its committees.   They would report to the council and committees periodically as scheduled.

The council would report to the industry annually on results and future plans - at the HNL conference and in an annual schedule of regional meetings. These meetings should also be designed to get feedback from the industry and input into future programs.

Additionally, there must be government support - both staff and financial - provided directly to the council and committees in the form of a secretariat. EPG recommends that additional staff resources be acquired so as to provide one professional and one administrative support person. These people would work directly for the council and committees - assisting the members in follow-through on initiatives, internal communications, arranging meetings, etc. In other words, they do the implementation work on behalf of the council, the committees and their individual members.

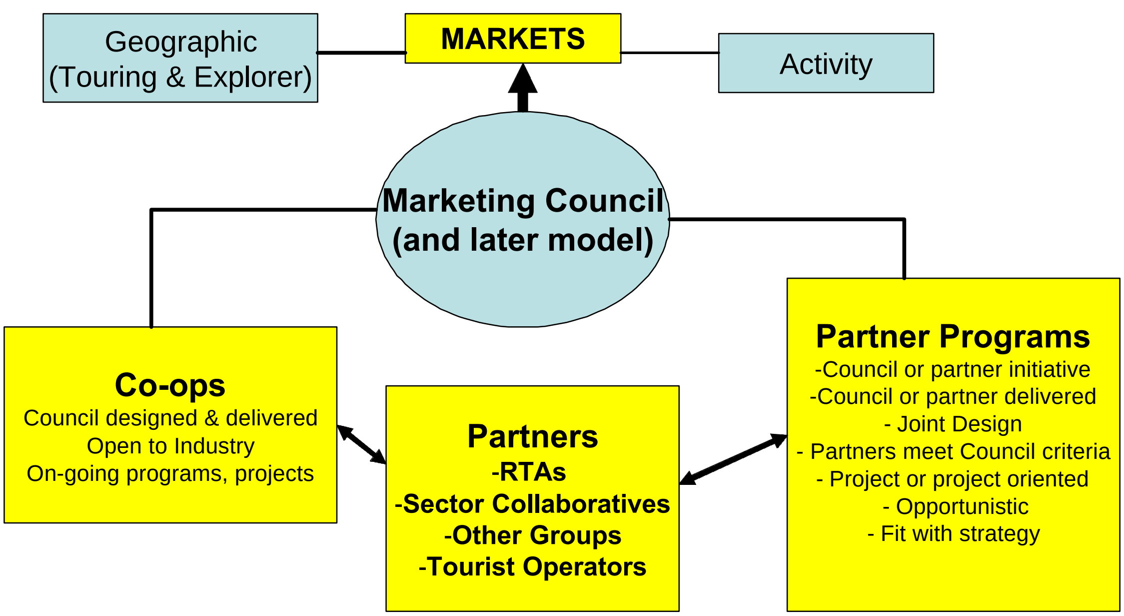
Relationship to Other Organizations in Tourism

All other organizations involved in tourism would be outside the partnership council and deal with it on an arm's-length basis. This includes product sector organizations and teams, RTAs, communities, and government departments and agencies, federal, provincial and municipal. No outside organization would be ***entitled*** to representation on the council or any of its committees, however, members of that organization could apply and, in fact, would be encouraged to apply in appropriate cases.

The same goes for the Product Development Division, Cultural Division, Natural Heritage and Recreation Division of the Department of Tourism, Culture and Recreation. They would be at arm's-length from the partnership council.

Nothing in the foregoing is intended to discourage collaboration between the tourism marketing effort and others, quite the contrary - collaborations, partnerships and joint efforts would be encouraged. They just wouldn't be built into - institutionalized - in the partnership model. Therefore no arm's-length organization would have ***voice within*** the partnership council, only the ***opportunity to work with it.***

The chart below provides a conceptual picture of the linkage between the council's programs and industry organizations and businesses in the province.



Some people were expecting this report to address the issue of the future of the RTAs. While this issue was originally one that was seen to potentially be part of the provincial marketing plan, in fact, the best approach by far is to have the RTAs remain at arm's-length from the provincial council. Therefore, the issue of how many there are, how they are funded, what they do, etc. is not directly relevant to this project and has not been addressed. This is a serious question, however, which needs to be addressed properly, and soon. *We strongly recommend an independent investigation into this issue.*

Future Evolution of the Model?

The initial model for the partnership needs to be kept as simple and straightforward as possible, and we believe the foregoing proposed model achieves that objective, as well having enough to it to make it effective and a real progressive step in tourism marketing. It also has the merit of not being too a radical departure from the current model, such that it would overwhelm both government and the industry, which has happened elsewhere.

At the same time, there may be merit in future to expand the scope of the mandate of the partnership once this first model is 'digested' and consolidated - for example, to bring some aspects of tourism product development under its purview as well, or at least create a stronger connection with product development which would be beneficial. This could be part of a second phase of evolution. We have not looked into this fully, so it would need a future investigation as to feasibility and implications.

Another potential future direction would be to move the council and the tourism marketing function further 'out' of government, into an agency of government, or a crown corporation. This will also require further investigation as to feasibility and implications.

We recommend that a review be made in about three years time of the council and needed areas of improvement. These issues could be addressed at that time.

Results of the Industry Consultations

The report on the industry consultations in Appendix IV provides the feedback we received on the proposal for a public-private partnership. A synopsis of the comments is presented below:

- There was overwhelming endorsement of the 'evolutionary rather than revolutionary' approach being proposed.

- The Nova Scotia model makes sense as a place to start.

- Leveraging private sector investment was key.

- Make decisions based on market opportunities, not politics.

- Make the council accountable to both industry *and* government.
- Support it with staff. Volunteers already have a heavy workload with the teams.
- Agreement that 'representation' was not necessary, but regional perspective is needed just the same.
- A fear of 'Avalonization' by some rural groups.
- Agreed that the council members should be the best and most knowledgeable tourism marketers.
- The process for selecting the council/board should be open and transparent.
- Councillors will have to find the right balance between 'my business, my region and my province'.
- Where do RTAs fit in? This needs to be addressed.
- Proper co-ordination is required to integrate the activities of the department, RTAs and HNL.
- Must be built on trust - both sides must work hard to build trust.
- Do we go forward? Yes. There was universal agreement among participants that a council should be developed.

These comments are generally very supportive of the proposal. However, it will be important to go back to the industry with the 'official' proposal for their final input. The attendance at the six regional meetings held by the consultants only connected with a small percentage of the tourism industry across the province.

Implementation

We recommend a first year transitional board/council to:

- fine-tune the plan in consultation with the senior department of tourism staff and the minister
- obtain agreement from the minister to introduce the plan to the industry
- present it to industry and other stakeholders for further feedback and fine-tuning, and
- oversee the first round of applications

The transitional council would operate as a pro tem council organization, fulfilling the same functions 'at the pleasure of the minister' until the implementation process is completed.