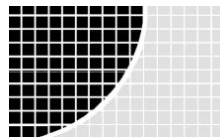


*A Review of the
Newfoundland and Labrador
Provincial Tourism Marketing
Strategy*

~Executive Summary Report~



THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

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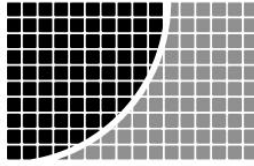
submitted by

The Economic Planning Group of Canada

in association with

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

October 2002



THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

October 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 this Executive Summary of 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 markets Newfoundland and Labrador is targeting. The work done by the Department

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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

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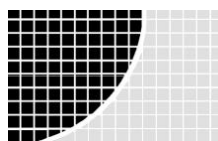
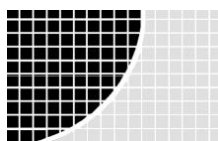


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THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

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:

Geographic Markets

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)

Purpose of Trip Markets

- 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.

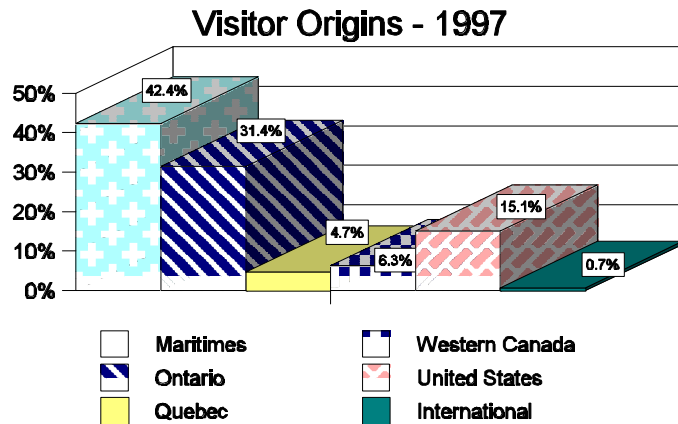
The Visitors

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 together 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.

Geographic Markets for Touring and Explorer Segments

- 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)

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 are 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 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.

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*.