



Canadian Tourism
Commission

Commission canadienne
du tourisme

2006-2010

CANADIAN TOURISM COMMISSION

Corporate Plan Summary

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Executive Summary

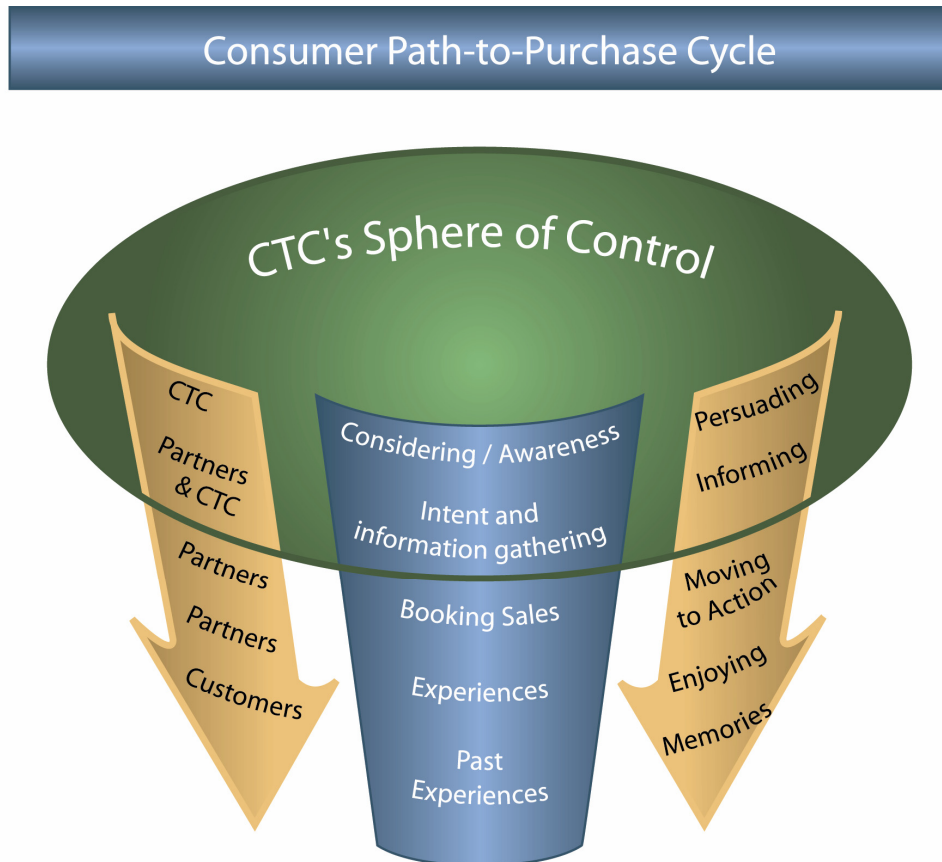
A New Era

The mission of the CTC is to harness Canada’s collective tourism voice to grow export revenues. The CTC’s theme for its 2006-2008 strategy is “Realizing Our Potential”. With our refreshed brand ready for implementation in 2006, we will focus on rebalancing the marketing mix from traditional mass advertising to relationship marketing. By doing so, the CTC and its partners will be in a position to realize the potential of the tourism industry in Canada – the ultimate goal of the CTC.

The CTC is primarily a marketing agency. To remain competitive and successful, a marketing organization must continue to adjust to new market realities.

Today and for the foreseeable future, the tourism sector is moving in the right direction. Increases are being recorded both in terms of the number of people travelling and the dollars they are spending. In 2004, Canada welcomed 17.5 million international overnight arrivals. Tourism revenues in 2004 were up 6.4 per cent over 2003, reaching \$57.5 billion.

Figure 1: Consumer Path-to-Purchase Cycle



As Figure 1 indicates, the CTC is responsible for generating awareness and intent and information gathering and thereby, creating leads for partners. Once leads for partners are generated, they are passed on to the partners who book the sales.

Second, the marketing activities of the CTC must reach the right customer, with the right partner, with the right message, at the right time. Third, the CTC must ensure that all required infrastructure is in place so that it can manage its activities with connectivity and speed across the organization. Fourth, the “enablers” (Human Resources, Information Services, Finance and Procurement, and Communications) must provide the CTC with effective and efficient support such that the CTC can achieve its goals and objectives.

The CTC in the coming years will incorporate the best of the past with what is required for the future. The CTC will continue to form critical partnerships with the industry and the public sector and achieve an overall investment ratio of 1:1. The CTC will also continue to reinforce targeting high-yield travellers and markets to focus on revenue generation and return on investment (ROI). Traditional methods of advertising and public relations will be combined with electronic (internet) marketing and the TravelCanada.ca website will be the call to action for all of CTC’s marketing campaigns.

Overall, a refreshed brand and messaging – *Canada: Keep Exploring* will be implemented. CTC activities will be targeted to push the potential visitor through the path to purchase cycle. New ways of doing business will be implemented so that the potential visitor is reminded about Canada several times in their daily routine. CTC’s call to action, the “Travel Canada Website” will be revamped, re-engineered, and be the main tool for promoting Canada as a travel destination. Strategic alliances with recognized global players in the tourism industry using established delivery systems will be established to reinforce CTC’s message. And finally, new systems of storing and conveying information across our organization about our customers and partners will be implemented. In doing so, better business decisions can be achieved.

Enablers will become more efficient and effective in the provision of management information required to support the organization and its business decisions. Performance measures for each business unit will be implemented to establish contribution and value to the CTC. Key risks identified in the “Enterprise Risk Management” analysis (discussed in separate section of this document) will be mitigated whenever possible.

In terms of steps, the first is to implement the refreshed brand, messaging, and new ways of doing business. The second step is to re-develop the consumer website, and establish customer analytics. The third step will be to put in place the electronic infrastructure to make the best business decisions possible. The fourth step will be to implement performance metrics for every business unit which when aggregated, will approximate an overall scorecard for the CTC.

Canada will move from a destination under consideration to a destination of choice. The following government priorities – key to the Prosperity Agenda – will also be addressed: creating wealth for Canadians, ensuring a prosperous and vibrant small and medium size business community, assisting in the development of the north and the aboriginal communities, as well as, maintaining vibrant cities.

Not only will Government of Canada priorities be facilitated but Canada will be able to capitalize on several developments and initiatives:

- ten year annualized growth forecast of world tourism demand of 4.5 per cent per annum;
- the Vancouver 2010 Olympics;
- GDP growth of at least 3.5% in major source markets for the next few years;
- the potential of China
- increased tourism budgets throughout Canada that will increase partnership;
- major global travel businesses wishing to align their companies activities with Canada promotions; and
- the growth of low cost creative ways of reaching our customers through the Internet, and portable communication devices (cell phones, ipods).

CTC's Direction for 2006-2010

- implement a new brand and messaging;
- conduct more in-depth analysis regarding customers and partners;
- introduce new e-business systems to support better business decisions (sales force automation, e-marketing and customer analytic systems);
- make the TravelCanada.ca website CTC's call to action for all of its marketing activities globally;
- rebalance the marketing mix so that the CTC place greater emphasis on public relations and e-marketing as an alternative to traditional mass marketing;
- adopt a content distribution strategy to reach the customer at the right time, with the right partner, with the right message, reaching the customer repeatedly in his daily routine;
- implement better management information systems;
- develop a succession planning system; and,
- place greater emphasis on measuring CTC activities and individual business unit performance measures.

1. CTC Overview

Industry Vision

Canada will be the premier four-season destination to connect with nature and to experience diverse cultures and communities.

Industry Mission

Canada's tourism industry will deliver world-class cultural and leisure experiences year-round while preserving and sharing Canada's clean, safe and natural environments. The industry will be guided by the values of respect, integrity and empathy.

CTC Vision

Compel the world to explore Canada.

CTC Mission

Harness Canada's collective voice to grow export revenues.

Mandate

To accomplish this objective the CTC must:

- Sustain a vibrant and profitable Canadian tourism industry;
- Market Canada as a desirable tourist destination;
- Support a cooperative relationship between the private sector and the governments of Canada, the provinces and the territories with respect to Canadian tourism; and
- Provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories.

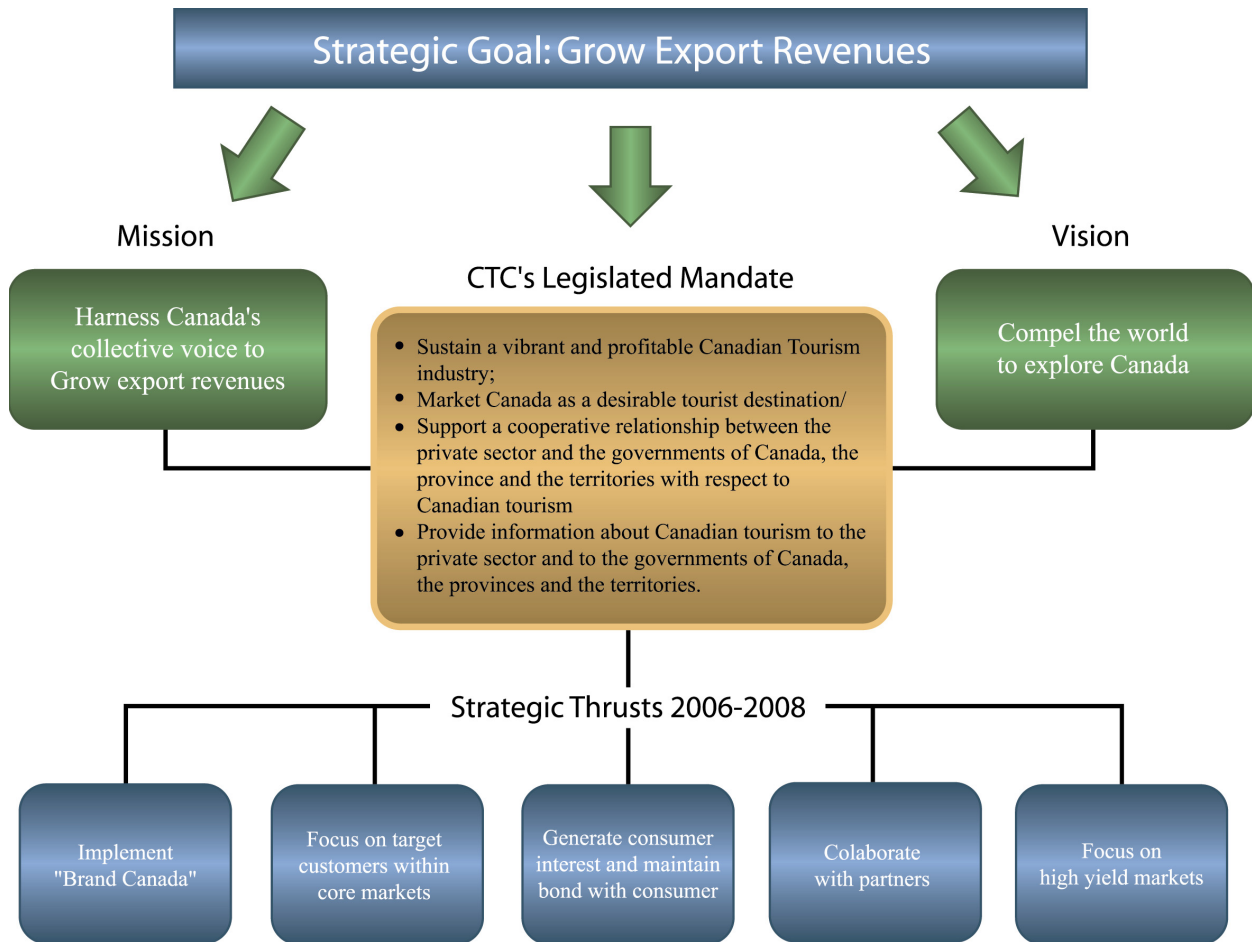
The CTC's vision, mission, strategic goal, mandate and strategic thrusts are illustrated in figure 2 on the following page.

Values

The CTC places greatest value on:

- Integrity and respect;
- Quality and professionalism;
- Teamwork; and
- Client-driven services

Figure 2: Strategic Goal – Grow Export Revenues



The Canadian Tourism Commission (CTC) model

The CTC is a federally funded national organization that integrates the key marketing components of supply, demand and research to promote tourism. Through Research, the CTC is able to guide and control the interaction of supply (Product Innovation and Enhancement) and demand (Marketing and Sales) by collecting and distributing pertinent market-related information. To achieve optimum performance, all three components must be operational and must continually drive one another.

Accountability, responsibility and transparency

In terms of the CTC overall, accountability, responsibility and transparency are cornerstones to the functioning of the organization. All transactions of the CTC are open and fair. For example, all hospitality and travel expenses of each executive are posted on the official business website of the CTC. All vacant positions are posted internally first.

Accountability and responsibility are stressed for any who manage the resources of the Commission. Quarterly financial variance systems are distributed and explained directly to the President. Commission policies in all areas are documented and underscored with all who manage. The target rule of one per cent as an acceptable variance for budget management has been implemented. Sole-source contracts are kept to a minimum, with an extensive RFP system utilized for almost all contracts.

Comprehensive performance measures are implemented to ensure this accountability and openness. With both efficiency and effectiveness measures being introduced for each business unit, the CTC will be better positioned to identify resources that can be allocated to the right market. The performance measures for each business unit will be cascaded up to the overall strategic goals and objectives of the CTC in the years ahead.

Guiding principles

- Industry led, market driven, and research based
- Achieve overall partnership of 1:1 with industry and public sector
- Sustain a vibrant and profitable Canadian tourism industry
- Market Canada as a world-class four-season tourism destination
- Provide information about Canadian tourism to the private sector and to the governments of Canada, the provinces and the territories

i. Industry involvement

The Commission is operated through a partnership between the public and private sectors, and is led by a 26-member Board of Directors. The Board establishes policies and direction, and approves the Strategic Plan and the subsequent allocation of resources. The Board also appoints Working Committees, comprised of industry leaders from the private sector. The advisory committees act as conduits for all programs at the CTC, overseeing development of existing programs and reviewing proposals for new ones.

Of the 26 members on the Board of Directors, 17 come from the private sector. There are also private-sector representatives on all the Working Committees. Private-sector individuals chair these committees. This significant industry involvement enables the CTC to benefit from industry expertise, knowledge and leadership.

ii. Targeted research

Perhaps most fundamental to the CTC's effectiveness is its ability to provide extensive and targeted research. Such research makes evident the importance of tourism as it relates to the Prosperity Agenda employment, fiscal growth, foreign exchange earnings, tax revenue and gross domestic output.

For marketing purposes, the Research Program:

- Tests market perceptions;
- Measures awareness levels;
- Identifies motivating factors; and
- Tracks product performance.

From a Product Innovation and Enhancement perspective, research:

- Assesses product trends;
- Identifies product gaps;
- Examines the distribution channels – wholesale and retail – through which products reach consumers;
- Identifies areas that need improvement; and
- Makes evident new marketing opportunities.

iii. Financial partnership

The CTC is an organization based on partnership. Under the terms and conditions of the partnership, the CTC must elicit from the Canadian tourism industry funds to match the CTC core budget of \$78.8 million (2006) received annually. In 2005/06, the CTC will receive a one-time funding allocation of \$25 million of which \$17 million will be used to pay for the costs of the head office move to Vancouver and the remaining \$8 million to support the marketing strategy – specifically the brand implementation. Therefore, the CTC's total program budget for 2006 is \$86.8 million dollars.

Ultimately, the CTC strives to maintain a minimum 1:1 government/industry investment ratio with the partnerable dollars. The goal of the CTC is to increase partnership ratios over the next three years to 1:1.3 in 2006, 1:1.4 in 2007 and 1:1.5 in 2008.

In an item-by-item review of the CTC budget, \$86.8 million (\$78.8 million plus \$8 million) – or 81.0 per cent – of the budget actually represents partnerable dollars; \$16.3 million or 19.0 per cent is comprised of non-partnerable dollars, which are allocated to support corporate services – human resources, financial resources, and liaison with the Board of Directors. As well, Information Services (including corporate communications, publishing and distribution, and industry relations) are included in non-partnerable dollars. It is noted that “partnerable” dollars are the most easily partnered; that said, the CTC does aim to partner its total allocation.

In 2004, industry investment – from 1,220 partners – amounted to \$94.7 million; the average per partner contribution was \$77,623. However, it should be noted these partners are both small and large and that for marketing, for example, approximately 90 per cent of the contributions come from 15 per cent of all partners.

Partnership contributions are based on three types of arrangements.

First is the case where the CTC receives money from its partners. In this case, the CTC acts as the banker and then in turn uses the partner money and its contribution to pay for the joint program. This is what is being reported as \$10 million (approximately) in section 9 of this plan.

The second type of partnership is what is referred to as third party. In this case, the CTC pays a third party (partner) who in turn takes all monies (and other partners) and funds the joint program. This normally represents about two thirds of the total. The last type is in-kind contributions. In this situation, the partner offers in-kind services upon which the CTC places a value or price. For example, an airline may offer airfares for a media trip to Canada. Although there is no exchange of money, these free tickets have value and are counted towards the CTC's total, when determining the airlines ratio contributions.

iv. Increase Partnership

The CTC must recruit new partners and expand its partner base to sustain support. Recognizing that the extent of partner contributions is limited by the size of the Canadian tourism industry, the CTC will seek to recruit non-traditional partners who will jointly invest in tourism marketing. An example of this type of partnership can be seen with Virgin Credit Cards. The CTC partnered with Virgin Credit Card to run a Members Shop promotion featuring a competition targeting their 280,000 existing Virgin Card holders. The prize is a trip to Alberta offered by Canadian Affairs and Travel Alberta. Canadian Affairs will also be offering a 10 per cent discount to members.

v. International cooperation

The CTC is involved with a number of international tourism-related organizations:

- Pacific Asia Travel Association;
- Asia-Pacific Economic Cooperation;
- Organization for Economic Cooperation and Development;
- World Tourism Organization; and
- Travel and Tourism Research Association.

Internationally, Canada's place on the world stage was acknowledged through such accomplishments as its election to the World Tourism Organization's (WTO's) Executive Council, Pacific Travel Asia Association (PATA) and the Executive Council of the Tourism Committee of the Organization of Economic Cooperation and Development (OECD). Canada's leadership position in tourism research was also recognized through the appointment of a CTC representative as the Chairman of the WTO's committee of statistics and macroeconomic analysis, and as member of the bureau of the statistical working party of the OECD tourism committee. The Executive Director of the CTC's Research Program was also elected President of the Travel and Tourism Research Association.

The CTC will examine and reassess on an ongoing basis the value of such involvement, ensuring it yields maximum return on time and operating funds invested.

vi. Government Priorities

The CTC strategy has been considered within the context of current government policy and direction and fits well within the government's prosperity agenda. The fundamental priority of the government is to ensure that Canada and Canadians remain competitive in the global economy. Tourism clearly fits within this primary government objective. By increasing awareness of Canada, this may also create opportunities for trade, investment and the attraction of highly qualified workers – therefore elevating Canada's position on the world stage. Tourism is not a cost to government but rather an investment to create wealth for Canadians.

One way the government endeavours to be competitive is by helping small business with venture capital.¹ The tourism industry, which is dominated by approximately 160,000 small and medium sized businesses, stands to benefit from this direction. Furthermore, the growth and prosperity of Aboriginal communities will be a priority.² One way of achieving this is by influencing the demand for cultural and outdoor products (two of CTC's product clusters). Government is also committed to developing the economy of the North. Tourism is one means by which this goal can be achieved. The growth in nature based, as well as Aboriginal, tourism products bodes well for development in Northern communities.

Another priority is cities and communities.³ The tax revenue generated from tourism can be used to build necessary infrastructure to make our cities and communities more attractive for our visitors. It has been estimated by Statistics Canada that governments received approximately 30 cents on every tourism dollar spent, including 14.8 cents (49.3 per cent) to the federal government, 13.5 cents (44.9 per cent) to provincial/territorial governments and 1.7 cents (5.8 per cent) to municipal governments.

Applying these percentages to 2004 tourism spending of \$57.5 billion results in the following government revenue estimates:

- \$17.4 billion in total revenue; \$8.6 billion to the federal government;
- \$7.8 billion to provincial/territorial governments; and
- nearly \$1 billion to municipal governments.

Currently communities' focus is on building good roads, maintaining clean parks and providing better transit. Tourism can produce the revenue to achieve these goals and can be used as an instrument to achieve results for government priorities.

¹ Address by Prime Minister in reply to speech from the Throne October 5, 2004

² Ibid

³ Ibid

The CTC also works closely with Heritage Canada, which views tourism as an effective way to promote cultural values among Canadians, and to share Canadian values with visitors from other countries. To that end, the CTC promotes Canada's multicultural traditions and cultural attractions to encourage both domestic and international travel. Currently, the CTC and Heritage Canada hold semi-annual meetings with a special Tourism Working Group comprised of members from federal departments and agencies that have an impact on the tourism sector. For example, the CTC liaises with Citizenship and Immigration, and the Canada Border Services Agency, to make Canada more accessible to international visitors.

2. Objectives, Strategies, Goals and Priorities

Objectives

The CTC's primary objectives for the period 2006 through 2010 are to:

- Manage limited revenues in efficiently and effectively;
- Increase presence in high yield markets;
- Generate top of mind awareness in CTC's core markets;
- Use brand building media during key consumer vacation planning periods;
- Expand the media/PR relations platform;
- Develop strategic alliances with organizations so that they support the intent of the marketing strategy, which is content distribution; and
- Increase the effectiveness and ROI of the marketing spend in CTC's core markets.

Establishing strategies

i. Strategies through 2010

By the end of 2010, the CTC aims to:

- Regain the 2002 level in 2005 and increase international overnight receipts by 3.1 per cent in 2006.
- Regain the 2002 level in 2006 and increase international overnight trips by 3.1 per cent in 2007.
- Maintain Canada's market share in overseas markets and increase by one percentage point Canada's share in the U.S. leisure market.
- Increase international overnight receipts to Canada in winter and shoulder seasons (QI, QIV) by more than ten per cent over 2002; and
- Maintain an overall partnership ratio of at least one-to-one that is generating partnership contributions equivalent to the available CTC partnerable dollars.

Long-term goal

The projected long-term goal for the CTC is to increase revenue from its 11 core markets by \$8.7 billion by the end of 2010. This represents an increase of 26.9 per cent over the total achieved in 2003, or an increase of 4.0 per cent per year on average over the six-year period. This assumes that no other major disturbances occur and that global economic conditions improve.

Priorities for the CTC

The priorities of the CTC reflect the approach the organization uses to build the tourism appeal of Canada, while incorporating tourism trends, research and industry priorities. These priorities include:

- Linking strategy to industry requirements;
- Responding to business environment and key market trends, while focusing on key objectives
- Conducting customer and industry research to make informed and effective decisions;
- Developing ways to make the tourism industry more resistant to external shocks;
- Maximizing return on investment, focusing on core markets;
- Assisting the industry in understanding border requirements to minimize reductions in travel to Canada;
- Implementing the Canada brand to make Canada more compelling, including:
 - Continuing with Air Canada as a major partner;
 - Forming partnerships with non-traditional advertising channels;
 - Developing sales and marketing tools to facilitate and improve sales and marketing;
 - Increasing business with non-traditional partners;
 - Developing comprehensive corporate and individual business unit performance measures; and
- Increasing organizational effectiveness by ensuring appropriate staff allocations and improving the financial management system.

3. The Industry Environment

The global tourism industry

Tourism is one of the largest industry sectors in the global economy, with a growth rate that tends to surpass that of most other industries. Based on initial analysis of the World Tourism Organization's (WTO) figures, international tourism was valued at US\$622 billion in 2004, an increase of 10.3 per cent over the US\$514 billion achieved in 2003.

According to the WTO, in 2004, the significant depreciation of the U.S. dollar influenced the appreciation of other foreign currencies. The global tourism industry growth was entirely positive from two per cent growth in Europe to 24 per cent in Asia/Pacific. In North American, outcomes were positive for the first time since 2001. As fears continue to lessen, demand for worldwide travel increased in 2004. The consumer confidence index showed a steady increase in 2004., The major cause of this increase in travel were increase in special "deals" being offered to travellers from travel agencies and airlines and other distribution channels.

Canada's tourism industry

In 2004, tourism GDP represented \$24 billion direct effects– or 1.9 per cent – of Canada's gross domestic product.

For the year 2000, within the tourism sector, there were 158,600 business establishments. Of these business establishments, 99.6 percent generate annual revenues of less than \$10 million and thus fall into the category of small - or medium-sized enterprises (SMEs).

The principal industry groups within the Canadian tourism sector are:

- Transportation;
- Accommodation;
- Food and beverage services;
- Recreation and entertainment; and
- Travel services.

Tourism accounted for 615,200 direct jobs in 2004 (of which 493,900 were within the sector). Of these, accommodation services industry generated the highest employment – 26.0 per cent of the total tourism employment – followed by food and beverage at 24.0 per cent, recreation/entertainment and travel services combined at 18.0 per cent and transportation at 14.0 per cent.

The Canadian tourism sector is also partly comprised of a number of government entities, many of which are major stakeholders in the industry. These include provincial/territorial departments and agencies; destination marketing organizations; meeting, convention and visitors bureaus; and regional economic development agencies and associations. As well, museums, heritage sites and parks comprise a large part of this sector.

Performance of the Tourism Industry in Canada in 2004 – Overnight Visitors

Table 1: Total revenues and trips – 2004

	Revenues (billions)	Change over 2003	Trip Volume	Change over 2003
Canada	\$23.5	4.6%	88,658,000	2.7%
United States	\$8.2	11.9%	15,087,400	6.0%
Overseas	\$5.4	24.6%	3,941,500	26.4%
Total	\$37.1	8.8%	107,686,900	3.9%

Source: Statistics Canada, International Travel Survey and Canadian Travel Survey 2004 – preliminary data

Table 2: Inbound revenues and trips – 2004

	Revenues (billions)	Change over 2003	Trip Volume	Change over 2003
United States	\$8.2	11.9%	15,087,400	6.0%
Overseas	\$5.4	24.6%	3,941,500	26.4%
Total inbound	\$13.6	17.2%	19,028,900	9.7%

Source: Statistics Canada, International Travel Survey 2004 – preliminary data

Market share

Regaining Canada's international market share is a primary concern for the CTC. Between 1999 and 2004, Canada lost market share in all of its outbound international markets: U.S. (-1.65 percentage points); U.K. (-0.83 percentage points); Japan (-2.25 percentage points); France (-1.32 percentage points) and Germany (-0.67 percentage points). While there has been yearly growth, it has not kept pace with the overall growth of travel to other destinations.

Over the last five years, Canada's overnight international receipts have decreased. Much of the redirected demand in international travel since 2001 was transferred temporarily to domestic and regional destinations. The following table shows Canada's loss in competitive position in all of its five international markets. However, it is a recognized fact that as more countries realize the potential of tourism, emphasis in terms of resources and actual participants in markets is increasing; as a result, the loss in market share may be inevitable. Notwithstanding, the smaller share means fewer tourists spending dollars in Canada. The number of lost trips times the average spending per trip yields an estimate of lost revenue to Canada. For the five markets combined, the revenue loss was \$1.02 billion in 2004.

The following table illustrates Canada's decline in international competitiveness.

	US	UK	Japan	France	Germany
Average yearly market growth (total outbound) (%)	2.4	3.6	4.7	-2.2	-6.3
Average yearly growth rate of travel to Canada (%)	0.7	1.1	-0.5	-9.7	-10.3
Canada's shift in % share	From 27.6 to 25.9	From 8.1 to 7.3	From 5.8 to 3.6	From 8.2 to 6.8	From 5.9 to 5.3
Change in share in % points	-1.65	-0.83	-2.25	-1.32	-0.67
Loss/gain of revenue opportunity in 2004	-\$418M	-\$126.4M	-\$350.2M	-\$78.1M	-\$50.1M

Source: DKShifflet overseas outbound data and International Travel Survey data and in-house CTC research

New Opportunities for Canada

- Ten year annualized growth forecast in world tourism demand of 4.5 per cent per annum;
- The Vancouver 2010 Olympics offer the opportunity for a strategic alliances to showcase Canada to the world;
- The GDPs of Canada's core markets are projected to grow at more than 3.5 per cent for the next five years;
- Canada has the product desired by tourists in two of the fastest emerging markets – China and India;
- A refreshed Brand Canada will allow the CTC to impact international markets to a greater degree;
- Increased budgets for tourism in many provinces and cities provide for additional partnering dollars;
- For the emerging trend "health and well being" tourism, Canada is well positioned to be a world leader for this product;
- Major global travel business companies are prepared to partner with the CTC to reach the right customer, at the right time, with the right message; Growth of the Internet allows for low cost creative reaching of the customer in many facets of his/her life.

Emerging Issues

There are a number of issues that, in the next five years, will greatly affect the travel environment and CTC's ability to meet its goals. Examples include: Canada's potential to receive Approved Destination Status (ADS) from China, the Western Hemisphere Travel Initiative, the fragile U.S. market, the impact of a high Canadian dollar and soaring oil prices. These issues are also discussed in this section of the plan.

Taken separately many of the issues are to a degree manageable but it is when they appear to the consumer in aggregate that this represents a dramatic hurdle to visit Canada. As a hurdle they greatly affect the potential of tourism revenues. One significant way in which the CTC will work to counteract negative forces and maximize opportunities as best it can is to ensure a strong brand.

Loss in market share

In the past five years, Canada has performed relatively well as an international tourism destination; however, there have been ups and downs. It is a recognized fact that as more countries realize the potential of tourism, more emphasis in terms of resources and actual participants in markets is increasing; as a result the loss in market share may be inevitable and regaining share is unlikely.

Seasonal Factor

Canada's seasonality is a major factor that affects the profitability of the country's tourism industry. Nearly 70 per cent of international visitors to Canada arrive between April 1 and September 30. While some operators are able to extend the spring and fall shoulder seasons, there is a clear need to focus on winter tourism. In 2004, Canada witnessed a decrease in the winter seasonal share of revenue from all markets.

Winter tourism is a high priority for the CTC, whose objective it is to help the industry expand and better market the inventory of winter travel products. It is for this reason that all market programs underscore the importance of winter activities.

Price competitiveness

In the past few years, the rising cost of travel-to-Canada packages has hindered Canada's ability to remain competitive in large part due to the decreased currency exchange rates in several overseas markets. As such, the strong loonie makes us less price competitive, especially for American travellers, Canada's most important international market.

Travel within Canada for Canadians has also become more expensive relative to other goods and services. Since 1998, the travel price index in Canada has increased by 17.9 per cent, while the consumer price index has increased by only 14.7 per cent over the same period. With pricing being the result of market fluctuations and therefore beyond the control of the CTC, the best the Commission can do under such circumstances is prepare the industry for impending price disparities and suggest appropriate action. The Commission achieves this objective through its international sales force and its industry Working Committees, equipping them with detailed and accurate market research.

International demand

The desires and needs of international visitors change, many times unexpectedly. Through research and market analysis, the CTC helps Canadian tourism marketing organizations with their assessments, and also adjusts its own market objectives. One of the trends the CTC has identified, is the increase in experience-based travel: more tourists are now seeking a specific experience rather than a particular destination. These experiences might be health related, as in the case of spa vacations, or they might revolve around a love of nature – or a love of good food. To address such trends, the CTC must regularly adjust its marketing focus and related promotional material.

Aggressive competition

Many countries are becoming increasingly aware of the important role tourism plays in their economies. As a result, these countries have developed targeted international tourism campaigns, investing large amounts of capital to attract international visitors. Many of these international visitors are Canada's potential customers. Canada's future success in seizing business opportunities to improve tourism in Canada is predicated on partnership investments as well as government funding..

Understanding Canada's most Important International Market – the U.S.

The U.S. represents Canada's largest international market. However, over the 2000 to 2005 period Canada has lost ground in this market. Although the market expanded in 2002 when travel close to home by auto helped grow the short-haul market to Canada, by 2005 Canada is suffering dramatic reductions in visitors from the U.S. especially in the area of short haul auto.

A myriad of issues are suggested to explain this situation. These issues range from on-going world events, the price of gasoline, and perception of border crossing difficulties to a perception of Canada as a complex destination when deciding what to do on your vacation. Little is known however as to the actual impact or weight of any or all of these factors on the decision by the customer to ultimately travel to Canada or even consider it as a travel destination.

By the end of 2005, the CTC will have completed a study that will provide insight, facts, and, evidence on the American traveller's mindset /decision process and attitude toward a vacation in Canada. In particular it will highlight the key factors in this decision process and the relevance of current perceived barriers to Canada. This will help the CTC and the Canadian tourism industry identify critical factors which must be addressed in order to restore and grow the US travel market to Canada. The research will provide the CTC and its partners with information that can be used to influence the advertising and marketing communication instruments.

China and Approved Destination Status (ADS)

With the largest population on Earth reaching 1.3 billion, the Chinese are avid travellers. In 2003, the number of outbound Chinese visitors reached a record 20.2 million. China has more outbound international travellers than Japan (13.3 million in 2003). According to the World Tourism Organization, China will become the largest inbound tourism market and one of the top three outbound tourism markets in the world by year 2020. 70 per cent of the total Chinese outbound travel is to countries with Approved Destination Status (ADS). The ADS is a major incentive that guides Chinese tourists when making travel choices and makes it easier for them to be part of a pre-organized tour group.

There are currently 24 countries on the approval list and more than 20 awaiting approval. Despite the fact that Canada did not have ADS status, in 2004, Canada welcomed 94,000 of the total long-haul outbound travel. The advantage of being granted ADS is that Canada will be in a position to receive Chinese tourist groups through official outbound travel agents authorized by the China National Tourism Administration (CNTA), China's designated authority in ADS agreements. Traditionally, ADS agreements stipulate procedures, quotas and processes and guidelines for Chinese nationals to travel to a country. ADS agreements also require the selection of travel agencies to manage outbound and inbound tourism travel.

The CTC opened an office in Beijing in January 2005. The CTC's presence in Beijing will ensure that Canada is well-positioned to increase the awareness of Canada as an approved travel destination.

Western Hemisphere Travel Initiative

The Western Hemisphere Travel Initiative (WHTI) implements the Congressional mandate of the Intelligence Reform and Terrorism Prevention Act (IRTPA) passed in December 2004. The WHTI is to be implemented in three stages beginning on December 31, 2005 when all travellers (air/sea) to or from the Caribbean, Bermuda, Central and South America will require a passport or other accepted document(s) that establishes the bearer's identity and citizenship to enter or re-enter the U.S. By December 31, 2007 all travellers whether by air, sea or by land border crossings would require valid identification to enter or re-enter the United States.

While the Canadian tourism industry fully appreciates the enhanced security objectives of the WHTI, which is a shared concern, short-term effects on the industry are expected, particularly if passports are required. For the period between 2005 and 2008, a WHTI passport requirement is estimated to result in a cumulative loss of nearly 7.7 million inbound trips compared to the base case forecast for the same period and an estimated cumulative gross shortfall in international export receipts by the Canadian tourism industry of \$1.7 billion, as well as a net shortfall of \$1.6 billion in overall industry revenues adjusting for domestic substitution effects.

Oil prices

Oil prices continue to have a negative impact on the travel sector. The fallout of hurricane Katrina caused oil prices to soar to new heights of US\$70 a barrel plus. This sustained surge will continue to have a dampening effect on travel behaviour. The impact of Hurricane Rita is expected to exacerbate the situation in the short-term.

4. The CTC Environment

Moving to Vancouver

Canada's Prime Minister announced March 31, 2005 that the marketing head office of the CTC would be relocated to Vancouver by the end of this year. The relocation of the CTC is part of a larger initiative by the government to ensure all regions of the country are able to benefit from the presence of federal departments, agencies and Crown corporations.

The CTC will continue to promote all regions of the country ensuring that Canada remains a vibrant and profitable tourism industry.

Status of Move

The total cost of the initiative is expected to cost \$17 million – office relocations costs (\$3 million) and human resource costs (\$14 million). Nineteen out of 86 indeterminate employees have decided to relocate to Vancouver. Eleven of the 19 employees are bilingual – eight are Francophones and 3 are Anglophones.

The CTC will operate a small office in the Ottawa. This office will handle government relations and translation functions. This is consistent with other federal institutions that have head offices outside the National Capital Region.

With respect to the requirement to report the results of the move to Treasury Board, the CTC will report on the total costs of the relocation of its head office from Ottawa to Vancouver.

Contingency Plan

The contingency plan developed by the CTC is fourfold. First, as part of a risk reduction strategy, our research staff and international sales force are continuously scanning the global industry, markets, media and existing information systems for indications of emerging issues that could grow into another major shock. These are assessed, summarized and discussed on a monthly basis. Second, when a major shock materializes the CTC assumes a leadership role in providing the best and most timely information available so that the industry can make business-case decisions given the impending shock. This information comprises in-market intelligence from our sales force plus commissioned research. Consultation occurs on a weekly basis with industry representatives to gain and share knowledge regarding the shock. Third, the CTC has agreed to review resource allocations on a yearly basis given market fluctuations and realities. This timetable can be adjusted to reflect a special situation. The CTC would move to reallocate resources amongst markets should results and information warrant such action. This, again, would be a business-case decision. Fourth, the CTC would mount a proactive tactical media and

stakeholder relations communications program to facilitate addressing the media with one voice and one set of facts and messages. This would ensure all stakeholders are working from a common and timely factual information base.

Enterprise Risk Management Assessment (ERMA)

As part of the Contingency plan, the CTC commissioned an Enterprise Risk Management Assessment (ERMA). It is designed with the intention of achieving the following objectives:

- Identify CTC's business risks
- Prioritize the key risks
- Develop an enterprise risk management strategy
- Implement risk mitigation measures for key risks
- Monitor the key risks

In the coming years the CTC will aim to eliminate these risks and minimize new risks that have evolved. The CTC will in the future implement a similar review on occasion to ensure risks are continually monitored and minimized.

Corporate Overview

The CTC operates on a continuum created by the cause-and-effect relations among three business components: marketing and sales, research, and product innovation and enhancement.

In essence, effective product innovation and enhancement depends upon sound research, while marketing and sales success depends upon having a ready supply of the right products. At the same time, there must be ongoing feedback from the marketing and sales people to those who own/develop products to ensure that the products in fact meet market demand.

Supporting the three business components are the enablers: market research, industry relations, communications, e-marketing, human resources, information technology and finance.

Marketing and sales

Overall, the CTC's marketing and sales efforts are based on four pillars:

- Consumer;
- Trade;
- Media and public relations; and
- The Internet.

Marketing and Sales has four major geographical market segments – Canada, the United States, Europe/Latin America and Asia/Pacific – and one global market segment entitled Meetings, Conventions, and Incentive Travel (MC&IT).

The objectives of the Canada based marketing staff are to:

- Provide expertise and information to working committees as they develop competitive strategic programs;
- Ensure integration with international staff to efficiently and effectively implement all programs and monitor the work to ensure it is done in the most effective, efficient way possible;
- Work with industry partners to make potential tourists aware of the possibilities for travel in or to Canada and build non-traditional marketing partnerships within and outside the industry;
- Develop marketing initiatives in order to promote awareness of Canada as a whole; and
- Facilitate collaboration between smaller businesses to develop coordinated marketing strategies and gain buying power.

The international sales force works toward three overall objectives:

1. To connect Canada with local tourism;
2. To raise awareness of Canada as a four-season destination.; and
3. To educate travel industry stakeholders.

Within Marketing and Sales, an e-marketing unit was created to take responsibility for both the consumer and industry websites of the CTC in order to keep pace with the explosion in demand for online travel researching and booking as travellers are becoming increasingly comfortable with the routines of searching and booking travel on the Internet.

The Research unit

The Research unit is fundamental to the CTC's success. From a macro perspective, the program establishes the economic value and importance of the amalgam of tourism-related industries that make up the Canadian tourism sector. Through research, the CTC tracks industry performance by monitoring the revenue the industry generates, the number of tourists it serves, and the number of jobs it creates. The Commission also documents and assesses worldwide developments and trends, determines if they might present challenges or opportunities, and advise the industry accordingly.

From a micro perspective, the Research unit helps the CTC develop and promote innovative tourism products through the identification of new market opportunities and niche-product demands; these in turn guide the ongoing activities of the Product Innovation and Enhancement Program. Research also enables the CTC to examine the distribution channels

through which travel products reach the consumer; such examination determines how such channels might be improved and Canada's products better positioned.

Market Research

The market research unit provides the CTC's Working Committees with the knowledge and feedback required to fulfill the Board of Directors' mandates. The unit tracks performance, assesses conversions, tests market perceptions, determines travellers' levels of awareness and motivation, and monitors price competitiveness. Guided by the Working Committees, Market Research performs these tasks for Canada's domestic market and all key foreign markets.

For future years and to ensure continuance of a proper research base upon which business decisions can be formulated, a five-year market research program to cover all markets is being developed; the program will produce advertising conversion results for all markets on a consistent comparable basis.

Product Innovation and Enhancement

The Product Innovation and Enhancement (PIE) Program has identified the following objectives:

- Improve the quality of Canada's tourism offerings stressing experiential products found in culture, adventure, cuisine, gardens and spas, as examples;
- Work with Marketing to ensure that product clusters align with Product Innovation and Enhancement and vice versa;
- Work with the industry to increase the quantity of market-ready products available;
- Foster the development of new products, consistent with emerging market trends;
- Encourage the packaging of these products so they can be effectively marketed;
- Facilitate information-sharing and networking relationships among individual operators and other potential tourism industry partners;
- Coordinate the CTC's annual corporate presence at Rendez-vous Canada.

Outdoor/adventure tourism, culture/heritage tourism, city/resorts, winter tourism and spa health and wellness tourism have been identified for specific attention in terms of product innovation and enhancement. The selection of these clusters is based on an assessment of market demand, industry needs and Canada's existing/potential ability to satisfy the demand. These clusters align with the CTC marketing priorities.

Tourism Innovation Partnership Program

The most visible, and no doubt, the most successful, of the CTC Product Innovation and Enhancement initiatives is the *Tourism Innovation Partnership Program*. Product Clubs are consortia comprised primarily of small businesses engaged in similar or complementary lines of business, which have been formed to develop new products and packages, and to upgrade the quality of existing product offerings, by sharing information and working collectively.

Rendez-vous Canada (RVC)

Another successful initiative led by the Product Innovation and Enhancement unit brings together international buyers and Canadian sellers of tourism products in a series of pre-scheduled interviews over a four-day period each spring. This event is known in the industry as Rendez-vous Canada.

Human Resources

The vision for human resources at the CTC is to be a premier employment destination that offers opportunities to grow in an international environment supported by values and leadership, in a diversified and innovative culture. The overall goal in human resources is to find the right people for the right jobs. Creating and implementing new policies and procedures such as a succession planning program are also a top priority in the human resource area as well as the development of an HR strategy.

With the upcoming move to Vancouver, the HR unit has begun implementation of a new plan for transitioning of staff and new staff in Vancouver. Hiring the right employee in the right job will be necessary in the transition. This will provide HR the opportunity to develop the optimal organizational structure.

Corporate Communications

Corporate Communications is an enabling unit that acts as the Commission's issues manager and conveys information to the industry, the public and private sectors, the media and the general public. The strategic priorities for the Corporate Communications business unit at the CTC include:

- Expanding the visibility of the CTC and its products and services;
- Delivering time-critical and business information to CTC's various stakeholders;
- Respecting the stipulations of the Official Languages Act in all Communications products/activities;
- Designing and implementing effective internal/external communications; and
- Accelerating the thrust toward electronic media.

Regarding the Canada Brand initiative specifically, the Corporate Communications unit is responsible for:

- Communicating Canada's refreshed tourism brand using the appropriate media in a cost-efficient and effective manner
- Promoting relevant and consistent brand use and integrating the refreshed brand into all communications; and
- Communicating Canada's tourism brand to the industry;

The Corporate Communications unit also includes several specific sub-units: Publishing, Translation Services, and Government Relations.

Publishing

The Communications team's Publishing and Distribution unit supports CTC efforts through the production of reports and corporate documents including the annual report, presentation material, brochures and posters. The unit helps to distil and distribute the information the CTC makes available, and is currently working to further centralize production, streamline processes and reduce costs.

The CanadaTourism.com site is targeted at the tourism industry and delivers valuable news, research and information to help make profitable business decisions. Additionally, it delivers early access to new program and marketing opportunities, and tools to help small businesses run more efficiently. The site was updated in early 2004 to include enhanced technology and content.

TOURISM family of products

As part of its mandate, the CTC distributes information that can empower Canada's tourism industry to develop and prosper. The TOURISM family of publications has a national business focus targeted at the tourism industry, mostly small- and medium-sized enterprises whose livelihood depends on the information provided by the CTC. *TOURISM Daily* is distributed via e-mail with daily and weekly delivery options. *TOURISM online* is published monthly on www.canadatourism.com. It is a compendium of news, opinion, research information on trends and opportunities, markets, and new developments in the tourism industry. Finally, *TOURISM, Canada's tourism business magazine*, is a bi-monthly business-to-business publication, printed in tabloid format and distributed free of charge to the tourism industry.

Translation services

In order to meet its obligations under the *Official Languages Act* for the production of materials destined both to the general public and to staff, and to ensure that communications are of the highest quality, the Corporate Communications team provides translation and revision support to all divisions of the CTC.

Government Relations Program

The Communications team provides Corporate/Government Relations support to all divisions of the CTC, manages corporate responses to all requests under the *Access to Information and Privacy Act* and provides official languages counsel to all CTC staff and divisions.

Finance, Procurement and Information Services

The Finance, Procurement and Information Services' unit overall goal is to continue to improve processes to ensure efficiencies, effectiveness, and, compliance with Government of Canada directives and to oversee the CTC's financial management, procurement and facilities management. Finance at the CTC acts as an autonomous unit carrying out all of CTC's financial administration such as procurement, payroll, accounts payable and accounts receivable.

Management maintains internal accounting control systems designed to provide reasonable assurance that relevant and reliable financial information is produced and that transactions comply with relevant authorities.

The following are the strategic priorities for the Finance, Procurement and Information Services business unit at the CTC:

- develop the internal control certification requirement of Treasury Board;
- review major processes (procurement, accounts payable, accounts receivable, payroll) and determine areas for process improvements;
- develop and implement workflow automation/enhancements to streamline information flow and availability;
- ensure that the CTC's web sites are sufficiently robust and reliable so that they can support the planned e-business initiatives; and
- increase staff productivity by providing useful information technology tools and services.

Shifts in Direction for 2006-2010

A new marketing approach

A new marketing approach will focus on 11 markets projected to yield the best returns. The CTC's brand strategy will stimulate consumer purchase behaviour and influence the consumer through the path to purchase cycle from awareness to intent and information gathering. The CTC is investing resources and budget in infrastructure that will build these strategies. Central to marketing infrastructure is Brand Canada and its branding strategy. Aligned with this central platform, are the *MIS tools* and their associated strategies. Also central to this new direction is expanding and leveraging strategic alliances that can distribute Canadian travel content to CTC core markets.

Goals and Objectives

The major goals and objectives for the 2006-2010 period are to:

- increase presence in high yield markets;
- generate top of mind awareness in CTC's core markets;
- use brand building media during key consumer vacation planning periods;
- expand the media/PR relations platform;
- develop strategic alliances with organizations so that they support the intent of the marketing strategy, which is content distribution; and
- increase the effectiveness and ROI of the marketing spend in CTC's core markets.

This focused approach will be carried forward into the 2006-2010 planning period. However, the strategic approach towards achieving CTC marketing goals will be different. The strategic marketing direction will be more integrated so that a content distribution based strategy may be pursued.

By focusing on a reduced portfolio (markets that are projected to yield the best returns), the goal for the CTC will be to achieve a high ROI for the tourism industry. The CTC will concentrate its limited resources in markets with the greatest potential. Within its core markets, the CTC will continue to concentrate on:

1. Implementing a refreshed Brand Canada;
2. Moving from mass to relationship marketing – using a method of reaching our customer repeatedly throughout their daily routine, known as content distribution;
3. Launching tools to measure sales and marketing functions; and
4. Globalizing our web strategy.

The CTC will focus on re-balancing the marketing mix. The CTC will move away from traditional advertising and place greater emphasis on electronic media and public relations and web marketing. Based on the CTC's own content distribution model, the CTC will be able to create awareness about Canada on a larger scale and have greater impact. That is why by being present in all channels possible in our potential customer's daily life – and trying to work with major media outlets who are eager to carry the *Canada: Keep Exploring* message around the world will generate even greater awareness about Canada.

This is a marketing strategy that incorporates many more public relations activities that will attract attention to Canada that would not otherwise be achieved through traditional advertising. This requires leveraging public relations and developing strategic alliances to push content and build Brand Canada. By utilizing relevant distribution channels in the marketing mix, the CTC will be better able to reach its customer. Partnerships with major distribution channels that have a global focus such as Amex, or speciality cable or satellite network channels that allow the CTC to promote Canada with greater impact. For example,

the great Canadian Railway Experience to be prominently displayed in Grand Central Station would generate high impact media exposure and awareness of Canada's unique experiences.

Implementing Brand Canada

Significant effort was made in 2004 to develop a refreshed Brand Canada. There were two driving forces behind the development of the refreshed brand. Research indicated that after years of communicating the same nature-based messages to consumers, Canada had become less relevant as a travel destination. Travel intentions had softened and in an increasingly competitive global tourism market, the CTC's messaging and communications strategies needed to become more focused.

By focusing all our efforts on a clear and intriguing message, Canada's tourism advertising expenditures will generate a greater return on investment. CTC's refreshed brand will differentiate and dimensionalize Canada, allowing us to break through the clutter of competing tourism messages and stimulate consumer demand. The refreshed brand will also allow the CTC to more effectively partner with provinces, DMOs and the private sector.

The CTC's goal is to retain and grow our existing partnerships with the Canadian travel industry and to expand our partnership strategy to include non-traditional partners in order to increase our global reach. Traditionally, the CTC's partnerships have been limited to programs focused on specific products targeting specific markets. We are currently working to complement this "vertical strategy" with a "horizontal" strategy which will allow us to create programs which span several markets or are global in reach. The CTC developed a refreshed and compelling tourism brand for Canada, which was unveiled in May 2005 at *Rendez-Vous Canada*. Brand Canada will stimulate curiosity and interest in Canada and inspire visitors to seek information and travel to Canada.

The refreshed brand is a shift from portraying what Canada has to sell to what foreign tourists want to buy and is more than just a logo. The CTC will build Canada's brand as a place for explorers rather than just marketing specific sights. Brand Canada will be leveraged using CTC's content distribution strategy. This strategy will permit the CTC to achieve brand differentiation and a competitive advantage. Furthermore, through business development and strategic alliances, content will be delivered through the right channels to reach the right customers.

The strategic objectives of the brand strategy are to:

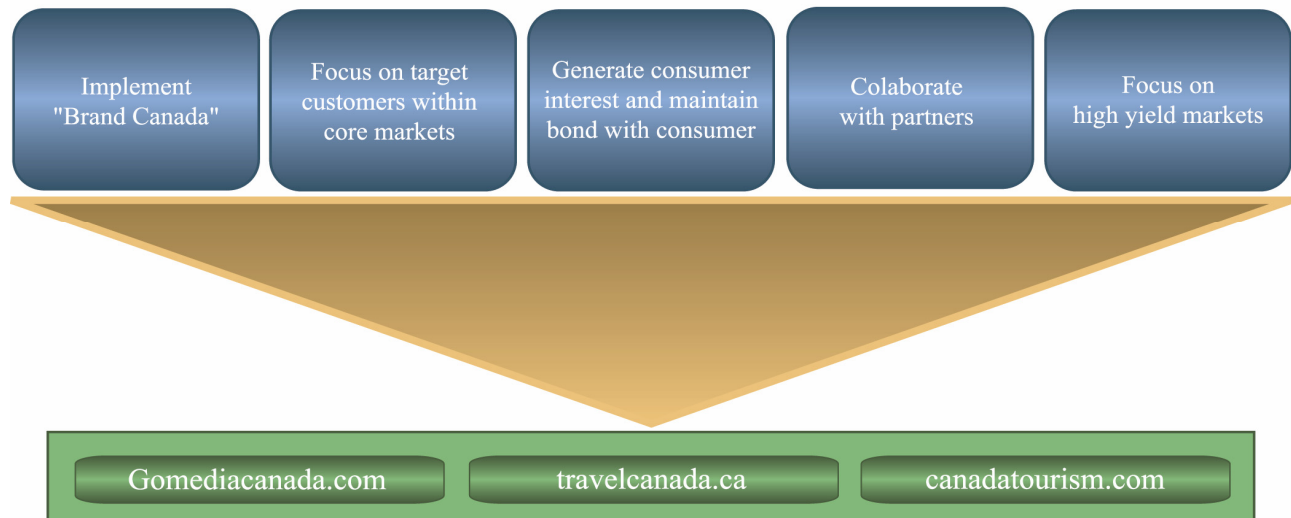
- Implement branding strategy for the refreshed Canada travel brand;
- Bring the brand to life in all marketing channels;
- Co-brand in strategic alliances ;
- Leverage Brand Canada in all CTC awareness advertising activities; and
- Link the brand with partners in go-to-market campaigns with CTC.

Strong and powerful brands can influence customer preference as well as the bottom line. The immediate goal will be to launch the brand that has been under development over the last year. Adoption of the brand essence by partners and an increase in the awareness of Canada as a destination will need to be measured the following year, once the full rollout of the brand is complete.

Web strategy

The core strategic thrusts for 2006-2008 will flow through to the CTC's three main web sites: TravelCanada.ca and canadatourism.com, gomediacanada.com as illustrated in the following diagram. The IT infrastructure discussed previously will allow these strategies to become a reality.

Figure 3: Web Strategy



The identification of the appropriate technologies to support the strategic direction is paramount. CTC's call to action, **TravelCanada.ca** will be revamped, re-engineered, and be the main tool for promoting Canada as a travel destination. The **CanadaTourism.com** website is the official business web site. It delivers news, business strategies, press releases, and information on hot issues impacting the tourism stakeholders. **GoMedia** Canada is a state-of-the art media site designed to improve the quality and availability of information for media outlets.

TravelCanada.ca is the CTC's consumer website. The web site will be CTC's call to action for all of its global campaigns.

The TravelCanada.ca website will be the “heart” of the process and CTC’s call to action to promote Brand Canada. It will be the main delivery and attraction channel where consumers will be able to find out about Canadian experiences. New data and analysis collected by it will help identify and understand customer behaviour, allowing for focused business decisions.

Profiled information will allow us to reach the customer, with the right product, at the right time, with the right message. Furthermore it will assist the CTC, to focus on yield and its strategic goal of growing export revenues. The CTC will focus on balancing traditional media with electronic marketing. Both will complement each other to achieve an overall synergy for the brand.

The TravelCanada.ca website, the official consumer site of the CTC will have a common look and feel and the content about Canada and its destinations will be the same whether you are visiting from Japan or the U.S. The globalization framework will be designed such that the CTC has the ability to provide audiences the right tools at the right time and in the right format. This will involve: customizing design templates and website layout, determining culturally-specific content architecture, developing customized labelling for navigation, creating market-specific content and image strategies.

As we move to a more globalized approach, we will be working with the in-market teams to ensure that the content on in-market websites suits the needs of each local target audience. Any content created for the North American markets, for example, will be written to reflect the travel and web surfing needs of North Americans.

CanadaTourism.com (www.canadatourism.com) is the official business web site of the CTC. It is a key information resource delivering news, business strategies, press releases, and information on hot issues impacting the tourism stakeholders. In addition, Canadatourism.com houses important research, marketing program information and product development data, developed by the CTC and targeted at the tourism industry. Additionally, in an effort to streamline and integrate its communications vehicles, CanadaTourism.com brings together CTC’s industry magazine, *TOURISM*, with CTC’s Daily Tourism News e-mail to deliver a comprehensive news and information vehicle called *TOURISM Daily*.

GoMedia Canada is a state-of-the art media site designed to improve the quality and availability of information for media outlets. The site was launched in January 2003 and empowers journalists to create their own profile, allowing them to save content and story ideas for future reference; contribute their published stories; and even send their entire profiles to interested parties. Other features include advanced search functionality, story ideas, pre-written stories, imagery, news releases, rates and important dates, a video library, registration and information for special programs, and an online feedback mechanism.

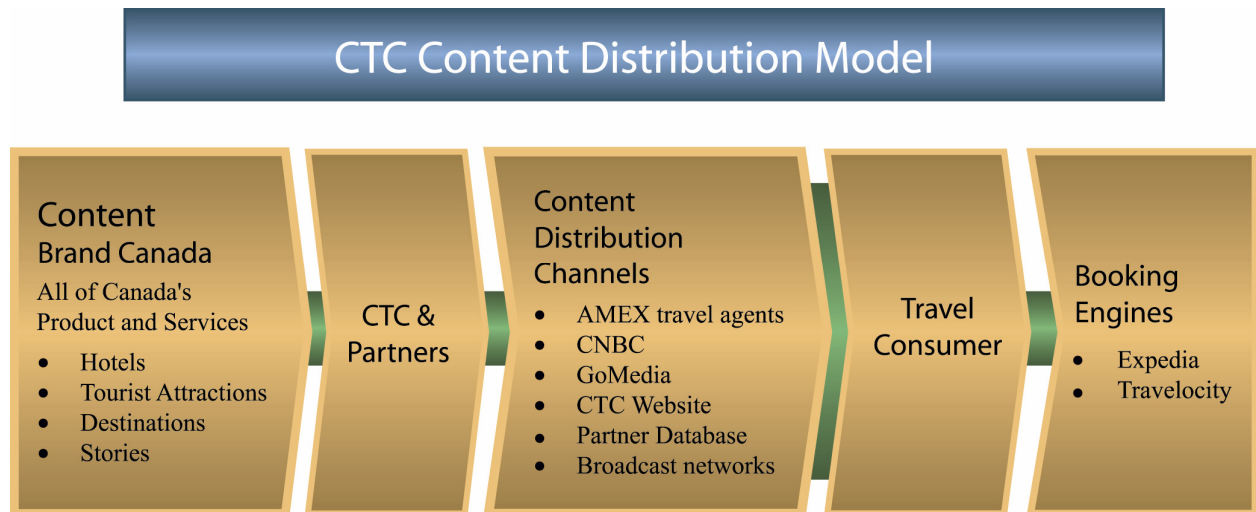
GoMedia’s comprehensive national media travel portal is an overwhelming success. The site has forever changed how the CTC manages media nationally, and allows us to focus on value-added activities, such as liaising with the media and the creation of editorial content to enhance coverage.

A strategic marketing mix

In order to implement the brand, the CTC will concentrate on re-balancing the marketing mix. The CTC will move away from traditional advertising and place greater emphasis on electronic media, public relations and web marketing. A content distribution model will be adopted, whereby the CTC will form strategic alliances and partnerships with organizations that can really push content about Canada to the travelling public through various distribution channels. The diagram below (Figure 4) illustrates the CTC’s own content distribution model.

The CTC’s goal is ultimately to increase awareness of Canada, create new opportunities and provide sufficient information to push the consumer through, the path-to-purchase cycle. With limited funds for mass marketing, the CTC must leverage the value of unpaid coverage, combining it with paid coverage at a ratio that delivers maximum impact for dollars invested.

Figure 4: CTC Content Distribution Model



Strategic research

Research is the foundation upon which the CTC is based. Research is vital both to the Commission and to the industry it serves. In the coming years, the CTC will conduct this research more strategically: distributing key information on related industry infrastructure; creating impact models to assess the economic, social and environmental effects of investments in infrastructure; and developing simulation models to measure the benefits of contingency marketing and the effects of government policies.

Elimination of redundancy

The subject of geographical organization raises the issue of duplication. There is a perception that each geographic area requires its own marketing products, tailored and titled to suit that particular market. This despite the fact that the CTC has adopted a global branding approach for all communication – an approach that, in establishing a common look and feel worldwide, enables industry partners to more easily incorporate their messaging and display their products. While there is no doubt that some degree of cultural variation exists from one market to the next – variation that must be respected – geographic boundaries continue to decrease in importance. Not every market needs its own version of a brochure, or its own advertisements. Similarly, the infrastructure necessary to deliver this material need not be specific to each market. Eliminating market redundancy will not only further reinforce common CTC marketing positioning, but will also result in considerably reduced operational costs.

Horizontal Government Priorities

Official languages

As a Crown corporation, the CTC is required to comply with the *Official Languages Act* (OLA). In December 2004, the Office of the Commissioner of Official Languages completed an audit of the CTC to evaluate its commitment to enhance the vitality and support of the development of Official languages minority communities.

The Commissioner formulated eight recommendations to help the CTC fulfill its obligations under part VII of the *OLA* more effectively, including:

- Establishing an official language policy and distributing to all employees;
- Drawing up an appropriate action plan for implementing section 41;
- Developing a strategy to create interest in minority communities to partner with the CTC;
- Taking into account the CTC's obligations in its partnership agreements;
- Enhancing the CTC's exposure to minority language communities;
- Consulting official language minority communities;
- Adopting mechanisms to monitor performance; and
- Ensuring manager accountability

In response to these recommendations, the CTC will take all measures possible to meet its obligations under the OLA, while ensuring that it fulfills its primary mandate – to raise Canada's tourism revenues from foreign sources. Specifically, the CTC will develop an action plan that will include concrete objectives with regard to its obligations under section 41 of the *OLA*.

The CTC will adhere to the Treasury Board's Implementation Principle of June 27, 2005 giving effect to Part V of the OLA, Language of Work: "whenever a head office currently located in a bilingual region for language-of-work purposes is required to move to a unilingual region, the status quo pertaining to language of work rights of employees choosing to move will be maintained by the institution..." when it moves its head office to Vancouver on December 1, 2005. Also, the CTC, whether in Ottawa or Vancouver, will continue to provide services to the public in both official languages and will continue to promote the recognition of English and French through its programs and services.

Government On-Line

The CTC also fully supports the Government of Canada's *Government On-Line* (GOL) initiative to make all government services available on the Internet by 2005. In fulfilling its portion of the initiative, the CTC is ensuring client-centered, single-window service for optimum site navigation and ease of use. The CTC ensures that any on-line services it develops are:

- Bilingual;
- Client-driven;
- Available round the clock;
- Intuitive and easy to use for all Canadians, including those with special needs; and
- Private and secure.

In doing so, the Commission will continue to effectively support GOL activities through to 2007, and will help the Government of Canada in its efforts to operate more efficiently and deliver information more quickly. Federal Identity Program (FIP)

The CTC acknowledges Treasury Board's decision that the CTC will comply with the Federal Identity Program (FIP) and has developed an action plan outlining the CTC's implementation strategy to meet FIP requirements. The CTC has referred to the Treasury Board of Canada Secretariat's FIP policy and FIP Manual to prepare this plan. To achieve compliance, the CTC will make changes in the following three areas:

1. The CTC will be identified in accordance with the requirements of FIP. In this regard, the FIP signature (with flag symbol) and 'Canada' wordmark will be the official identifiers on corporate fields of application of the Commission.
2. The present title of "Canadian Tourism Commission" will be registered as an applied title for the purposes of creating a FIP signature.
3. The stylized maple leaf will continue to be used in jointly financed marketing and promotional activities as a graphic element.

5. CTC Performance and Evaluation

The CTC evaluates performance at a number of different levels. Table 4 outlines the performance measures that CTC has established for its strategic planning period for the years 2006-2008. The dashboard shows how the CTC evaluates its overall performance and the benchmarks established show how successful the CTC has been since its last Corporate Plan. These measures are an aggregate of overall business unit measures. The CTC also evaluates performance at the business unit level and at the program activity level.

Partnership levels represent a primary indicator for the CTC. There is agreement that a high level of partnership participation indicates endorsement/reinforcement of CTC's activity maximizing potential market impact. Conversion and evaluation studies assist the CTC in determining the success of its marketing campaigns. The results of these studies guide decisions regarding future campaign launches.

Table 4: CTC Performance Dashboard

CTC overall			Performance Targets			
Program Activity	Objective	Measure	Benchmark	2006	2007	2008
CTC and industry	Harness Canada's collective voice to grow tourist revenues in CTC core markets (total domestic and total international)	Tourist Revenues	\$35 billion* (2004 preliminary data)	↑ 4.0%	↑ 4.0%	↑ 4.0%
Marketing programs	Grow qualified CTC consumer databases	To increase consumer databases	-	↑ 6%	↑ 12%	↑ 15%
Canada brand	To determine the success of the refreshed brand	Brand health measurement	-	The CTC will establish a benchmark in 2006 to evaluate the health of the brand	TBD	TBD
Partner support for CTC programs	Build the right partnerships with industry and meet or exceed the partnership goal of 1:1 (partners \$ ≥ CTC \$)	Partner Satisfaction Survey	In 2005, the CTC will establish a benchmark for partner satisfaction and loyalty	TBD	TBD	TBD
		Number of unique partners	1000 approx. (2004)	↑ 5%	↑ 5%	↑ 5%
		Dollar amount	\$95 million (2004)	↑ 5%	↑ 5%	↑ 5%
		Partner funding ratio	1.2: 1 (2004)	1.3 :1	1.4 :1	1.5 :1

Table 4: CTC Performance Dashboard

CTC overall			Performance Targets			
Program Activity	Objective	Measure	Benchmark	2006	2007	2008
Research: Communications and networking	Increase awareness, and use of partnered information products	Awareness and utilization, tracking and information user satisfaction studies	70% awareness rate of CTX users (2002)	↑↑ 10% CanadaTourism.com awareness rate	↑↑ 30% awareness rate	↑↑ 30% awareness rate
			32% monthly utilization rate (2001)	↑↑ 20% user rate	↑↑ 45% user rate	↑↑ 45% user rate
Overall CTC financial management	Accurately forecast budget vs. actual	Variance in year spend	-	4%	2%	1%
Organizational Health of CTC	To provide a productive working environment which the CTC delivers value-added services to its stakeholders	Organizational health (aggregate of different measures such as productivity and employee satisfaction)	In 2005, the CTC will establish a benchmark for the overall organizational health of the CTC	TBD	TBD	TBD

In recent years the CTC has also developed a number of evaluation tools to assist it in making more informed decisions regarding its strategic direction. Some of these tools are still under development. The Market Portfolio Analysis Index (MPA) helps evaluate the potential and performance of markets and then establish priorities based on the results. The Market Investment Model (MIM) is currently under development to assist in determining budget allocation by market. Tourism Watch is being test marketed in Europe to evaluate travellers' perceptions and awareness levels of Canada. This tool could then be use to evaluate the effectiveness of the new brand. Finally, an Analysis of Marketing Effectiveness (AME) is also being test marketed in European markets to measure the return on investment (ROI) of CTC marketing activities by type.

Partner support

Overall, industry participation, which is reflected in the number of partners, has grown since 2001. However, this has not been a unidirectional upward trend. Several programs – U.S., Europe, Latin America, and, Product Innovation and Enhancement – have experienced considerable fluctuation.

Program	2001	2002	2003	2004
U.S.	558	620	506	350
Europe/Latin America	542	512	357	338
Asia/Pacific	258	269	266	197
MC&IT	192	291	199	168
Product Innovation and Enhancement	187	136	121	45
Canada	96	166	196	74
Research	19	48	74	48
Totals	1852	2042	1719	1220

Source: CTC Compilation from Partner Funding Database

These partners generated revenues that have, for the most part, enabled the CTC to maintain the desired 1:1 investment ratio. To enable flexibility between mature, developing and emerging markets, the CTC calculates an overall average.

Industry support by program, reflected in the dollar amounts of partner funding has for the most part exceeded the required 1:1 ratio. It should be noted that the mandate of the CTC is to target the core budget allocation overall, not maintain a specific ratio for every individual program.

Program	2003	Ratio	2004	Ratio
United States	\$31.9	1.5:1	\$47.0	2.3:1
Europe/Latin America	\$16.3	1.2: 1	\$16.3	1.2:1
Asia/Pacific	\$10.8	0.9:1	\$10.3	0.9:1
Canada	\$7.2	1.2:1	\$5.9	1:1
MC&IT	\$5.3	0.8:1	\$5.7	1:1
Product Innovation and Enhancement	\$6.1	1.9:1	\$4.9	1.7:1
Research	\$5.6	1.4:1	\$4.6	1.2:1
Total	\$83.2	1.2:1	\$94.7	1.2:1

*Ratio in Partner funds to budget

Source: CTC Compilation

How the CTC tracks the success of its marketing campaigns

In 2003 and 2004, the CTC carried out several marketing campaigns in all of its markets. The CTC tracks and evaluates the success of its campaigns through evaluation and conversion studies. In 2004, the results from its U.S. long-haul and short-haul market campaigns, Phase 4 of the domestic I CAN campaign and the U.K and Germany campaign can be found in the following table.

For future years and to ensure continuance of a proper research base upon which business decisions can be formulated, a five-year market research program to cover all markets is being developed. The program will produce advertising conversion results for all markets on a consistent and comparable basis.

Table 7: CTC Marketing Campaigns – Return on Investment (ROI)

Canada	Type of model	Investment (\$millions)	Economic impact (\$millions)	ROI
"I CAN in Canada" – Summer 2003	Advertising Critical	3.1	148	48
"I CAN in Canada" – Winter 2004	Advertising Critical	1.7	65	38
"I CAN in Canada" – Spring 2004	Advertising Critical	1.1	307	278
TOTALS		5.9	520	88
United States	Type of model	Investment (\$millions)	Economic impact (\$millions)	ROI
U.S. Leisure 2003 Spring/Summer Campaign	Advertising Critical	4.2	97	23.1
U.S. Leisure 2003 Restimulation Campaign	Advertising Critical	8.95	37.5	4.2
U.S. Ski/Skiing Campaign Fall 2003	Advertising Critical	0.35 US 0.49 CD	3.5 US 5.0 CD	10.1
U.S. Leisure 2004 Spring/Summer Campaign – Secondary Markets	Positive Influence	2.0	56.8	28.4
U.S. Leisure 2004 Spring/Summer Campaign – Major Markets	Positive Influence	5.96	62.4	10.8
TOTALS		21.6	258.7	12

Table 7: CTC Marketing Campaigns – Return on Investment (ROI)

Europe/Latin America	Type of model	Investment (\$millions)	Economic impact (\$millions)	ROI
2003 U.K. Advertising Campaign	Potential Market	2.9	14.5	5
2003 Germany Advertising Campaign	Potential Market ⁴	2.125	16.9	8
2004 U.K. Advertising Campaign	Advertising Critical	1.3	23	9.3
2004 Germany Advertising Campaign	Positive Influence	1.4	27.6	20.1
TOTALS		7.7	82	10.65
TOTALS FOR ALL CAMPAIGNS		35	861	25

⁴ Return on Investment (ROI) as defined by the World Tourism Organization is: “a figure arrived at by trying to quantify what return an NTO (National Tourism Organization) achieves for a specified investment in promotion and marketing. The return may be estimated in monetary terms (the most common measure), visitor numbers, or in some other kind of measured output (e.g. increase in employment in tourism; increase in number of out-of-season visitors) depending on the objectives of the promotional investment”, *NTO Marketing Activities – Guidelines for Evaluation*, World Tourism Organization 2003, p. 90

For the CTC, return on investment is calculated by dividing converted revenues by total advertising costs.

$$\text{Return on Investment (ROI)} = \frac{\text{Converted Revenues}}{\text{Total Advertising Costs}}$$

Therefore, in the case of the CTC return on investment expressed in Table 7 is the revenue generated for every \$1 spent by the CTC and its partners on marketing campaigns.

An ROI analysis of twelve recent CTC campaigns in Table 7 indicates that the \$35 million invested in these campaigns alone contributed to economic impacts of almost \$861 million, which equates to an overall ROI of approximately 25:1. It is important to note that an ROI of 25 is only an estimate, as different methods were used to calculate ROI. The estimated ROI in Table 7, however does provide an indication of the success of its marketing programs.

6. 2006 Funding

As a Federal Crown Corporation, the CTC is largely funded through appropriations. Core funding for 2006 is currently at \$78.8 million.

The CTC is an organization that actively partners with industry to develop marketing programs. Although in most partnership arrangements the CTC is not the organization that disburses the funds, this does occur in some cases. In this regard, the CTC receives approximately \$10 million per annum from partners. Corresponding expenses offset these funds.