Marketing Canada as an International Destination

Marketing Canada as an international travel and tourism destination is critically important to maximizing economic benefits for provinces but there is a downward trend in the level of core funding for the national tourism marketing agency. This trend of declining core funding needs to be reversed to ensure Canada can effectively compete in the international marketplace and by extension drive incremental visitation to provinces.

Background

The global tourism market continues to increase and is forecasted by the World Tourism Organization to reach 1.6 billion international tourist arrivals worldwide by 2020. [1] Many jurisdictions are vying for market share because the sector 'provides significant potential for economic growth and development'.[2]

In 2009, total tourism revenue for Canada was $69.5 billion. 80% (or $55.4 billion) came from tourism domestic demand and 20% ($14.1 billion) from tourism export revenue. [3] Over the last 10 years the contribution from international travellers to Canada's total tourism revenue has dropped from 35% in 2000 to 20% in 2010. Revenue generated from international travellers represents new dollars for the Canadian economy and this remains a primary focus of our national marketing strategies. According to the Canadian Tourism Commission's research, domestic travellers spend on average $91 per day while international traveller spend $129 per day on average.[4] Dependence on the domestic market is a concern with limited growth potential available from Canada's relatively small population base.

In order to capture a significant portion of the tourism market, Canada must remain competitive with other destinations. Between 2002 and 2009, international tourist arrivals to Canada declined from 20.1 million to 15.8 million, a 21.5 percent decrease.[5] In 2002, Canada ranked 7th in the world for international arrivals but in 2009 Canada ranked 15th behind new competitors like Malaysia, Turkey, Ukraine and Russia. The global tourism marketplace is increasingly competitive.

Part of Canada's declining competitiveness stems from limiting travel policies. For example, stricter visa and passport requirements dampen demand. When Canada imposed visa requirements on Mexican nationals on July 14, 2009 the market, already under stress from the global recession, contacted sharply. August 2009 customs entries to Canada decrease 50.1% compared to August 2008, and 2009 year-end Mexican travel to Canada was down 36.6% compared to 2008.[6] Likewise, the short-haul United States drive market has been negatively impacted by new passport requirements. Air access continues to be a limiting factor on international travel to Canada. Full implementation of Canada's 2006 Blue Skies Policy is important. A primary objective within that policy is to provide a 'framework that encourages competition and the development of new and expanded international air services to benefit travellers, shippers, and the tourism and business sectors.' [7] Greater liberalization of air service agreements combined with complementary visa policies would contribute to a more internationally competitive tourism sector in Canada.

Some situations are beyond immediate control and/or require negotiating complex agreements with other countries. Marketing, on the other hand, is totally within our control and represents another critical area of our international competiveness. In this area Canada is falling behind. By allocating the necessary resources for international tourism marketing, the Government of Canada can ensure that Canada competes on a level playing field with other long-haul destinations. Canada is currently ranked 20th in the world in terms of national tourism organization funding. The Canadian Tourism Commission's core funding has declined from nearly $100 million in 2001 to an anticipated $70.7 million in 2012.[8] By means of comparison, Tourism Australia receives an annual base investment of $147 million CDN from the government of Australia and Tourism Ireland receives a base investment of $211.3 million CDN.[9] In early 2010, the United States created the Corporation for Travel Promotion, which will oversee the development and implementation of a global marketing and promotion campaign aimed at increasing the number of international visitors to the U.S. The corporation's annual budget is projected to be $250 million CDN, making it one of the largest national tourism communications programs in the world.[10]

The Canadian Tourism Commission

The marketing of Canada as a destination is the responsibility of several groups including the Canadian Tourism Commission (CTC), provincial, regional and city Destination Marketing Organizations (DMOs) and private sector companies. The CTC is the lead entity and works to coordinate Canada's promotional efforts abroad in order to drive visitation. To achieve its strategic goal of growing tourism export revenues for Canada, the CTC focuses on markets where Canada's tourism brand leads and the return on investment highest.

It stimulates and promotes tourism through joint public and private marketing initiatives based on an industry-led and market-driven approach. The tourism industry's role within the CTC is to define industry needs and goals, contribute to strategic planning efforts, and invest financially in marketing initiatives.

The tourism industry believes that the CTC is the appropriate entity to lead the Canada branding and marketing file and that its current strategies, informed by solid research, are the right ones to pursue as we go forward.

Investments in CTC's promotion of Canada as a tourism destination produce significant returns on investment. For example in 2009, CTC produced a return on investment of 101:1 on its core marketing activities. The demand created by this promotion directly created or protected over 15,000 jobs in Canada.[11]

In spite of strong business results, since its creation as a crown corporation in 2001, the CTC's core funding from the Government of Canada has declined from nearly $100 million to an anticipated $70.7 million in 2012.[12] This decrease in funding comes at a time when Canada faces increasing competition from existing and mature tourism markets and from new exotic market entrants.

Canada's overall global market share has eroded in recent years, in large part, as a result of competition from new entrants. Since 2000, Canada's overall market share of global tourist arrivals has decreased by approximately 24%, while overall global tourist arrivals to all countries have increased by approximately 24%.[13] Given the CTC's declining resources and intense competition, the CTC has had to sharpen its strategic focus and invest where Canada's brand has greater recognition and impact than the provincial and major Canadian city brands. It has reduced the number of long-haul countries where it targets high-yield travellers. For example, the CTC no longer invests in consumer marketing in the United States. This has been a difficult decision but a necessary decision given reduced core funding. While this strategy is producing excellent business results for the markets and the amounts invested, growth will be difficult to achieve and Canada will be hard pressed to reach the stated goal of $100 billion in tourism revenues by 2015.[14]

While CTC's base budget has been in steady decline, CTC has attracted some one-time or special project funds. For example, The CTC invested $26.0 million between 2008 and 2012 to leverage the 2010 Winter Games tourism opportunity for Canada, and $48.0 million in 2009-2011 as part of Canada's Economic Action Plan. These one-time funding injections are very useful in delivering short-term specified marketing programs for which the CTC has provided significant returns on investment (e.g. 43:1 ROI).[15] However, the long-term stability provided by core, or A-Base, funding allows for improved market development and sales strategies, increased partner contributions, and phased campaign implementations. As previously referenced, core investments produce significantly higher returns on investment for the Canadian economy than short-term one-time funding initiatives (e.g. $101 in tourism revenues generated for every $1 invested in the CTC's 2009 core campaigns compared to $43 to $1).[16]

Conclusion

Canada faces increasing competition from existing and mature tourism markets and from exotic new market entrants.

Canada's overall global market share has eroded in recent years as a result of competition from new entrants.

The CTC, Canada's national tourism marketing agency, produces significant business results for the dollars invested.

The tourism industry needs the CTC better resourced.

Recommendation

That the Federal Government increase investment for tourism marketing efforts of the Canadian Tourism Commission by increasing their current A-Base funding levels to a minimum of $100 million annually.

Submitted by the Kamloops Chamber of Commerce

The International Affairs Committee supports this resolution.

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2. World Economic Forum, The Travel & Tourism Competitiveness Report 2009: Managing in a Time of Turbulence. https://members.weforum.org/pdf/TTCR09/TTCR09_FullReport.pdf
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6. Ministry of Jobs, Tourism & Innovation, Overnight Customs Entries to B.C. and Canada, August Bulleting, and December year-End Bulletin. http://www.jti.gov.bc.ca/research/IndustryPerformance/pdfs/intl_visitor_arrivals/2009/International_Visitor_Arrivals_August_2009.sflb.pdf
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11. Canadian Tourism Commission, 2009 Annual Report
12. Canadian Tourism Commission, main estimates 2011.
13. United Nations World Travel Organization, Annual Compendium.
14. In September 2009, Canada's federal, provincial and territorial tourism ministers set a new national tourism revenue target of $100 billion by 2015, representing an increase of approximately $29 billion over 2009 revenue.
15. Canadian Tourism Commission, 2009 Annual Report, pg 34, Insignia Research: advertising tracking and conversion study
16. Canadian Tourism Commission, 2009 Annual Report, pg 34, Insignia Research: advertising tracking and conversion study