

Making it happen.

Shaping Niagara and other Canadian regional tourism for tomorrow



Contents

Foreword	inside front cover
Current state overview of Niagara region	2
Targeting the future – branding replaces location	3
Making it happen	4
Positioning Niagara for tomorrow's tourism realities	8
Contact information	inside back cover

Foreword

Tourism is a major global growth industry. United Nations World Tourism Organization statistics indicate there were 898 million international travellers in 2007, up from 703 million in 1990. The number of international travellers has increased on average 6.5% every year since 1950.

Canada, unfortunately, hasn't been enjoying the party. With a 2.5% annual growth rate, the Americas represent the slowest-growing tourism region in the world. This is largely due to weakness in Canada and Mexico.

Ontario's Niagara region is typical in its sensitivity to the downturn. Economic uncertainty, fears of post-9/11 terrorist attacks, fallout from the SARS epidemic, tightening passport regulations and ongoing volatility in the currency markets are all affecting the ability of border regions like Niagara to attract growing numbers of tourists.

Because Canada's geography places so much development along an elongated border with the U.S., its tourism industry is disproportionately reliant on American visitors. On that front, recent trends are negative. Tourism Industry Association of Canada (TIAC) statistics for January 2008 show a 14% drop in Americans travelling to Canada, to 1.16 million trips compared to January 2007 figures. Same-day car trips that month fell 20.4% to 634,000, a new record low.

Making a bad situation worse is the outbound flow of Canadians, who made 3.2 million trips to the U.S. in January 2008, an increase of 10.5% over the same period last year. The volatile currency exchange rate, for example, has increasingly encouraged Canadians to cross into the U.S., further contributing to falling revenues at home.

Perhaps nowhere in the Canadian tourism market is this situation felt more keenly than in Niagara region. It currently welcomes 12 million visitors a year, down significantly from 16 million before 9/11. The dropoff comes from both short-haul visitors – typically day-trippers who live within driving distance of border tourism regions – as well as long-haul visitors who come from further away on the continent or overseas. American visits are off by a third since 2001, while Japanese tourists, long a source of tour and charter business, are down by 25%.

Increased competition from major new attractions in both the U.S. and across the globe only begins to explain this trend. A competitive tourism market favours the newest, trendiest, most well branded offerings. And on that front, Niagara region, long known for its natural attractions, has fared well in recent years with significant investments in major casino development, new and renovated quality hotels, spas, water parks, world class golf courses, new wineries and family amusement development. Even with these investments, there has been a significant decline in American visitors to the area.

As traditional reliance on American visitors wanes, the need to market the region as a destination becomes critical, and will be key for attracting international visitors. Niagara region's challenge lies in

setting itself apart from other international destinations and building a brand image that allows it to compete for attention among tourists from further abroad. It must get on the radar screen of tourists and operators and convince them that Niagara offers a differentially more fulfilling experience than competing tourist destinations. At the same time, as it increases in destination eminence internationally, Niagara will need to look for ways to increase repeat visits from its local markets and to increase the length of stay in the region.

As Niagara region looks for a solution to capture the attention of tourists on both sides of the border as well as from abroad, stakeholders in other tourist regions across the country are watching and learning from the experience. The core factors at play in Niagara are easily transferable to other regions facing similar challenges.

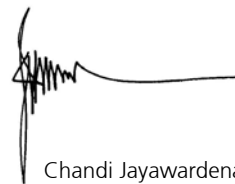
To help provide a basis for understanding and learning from this renewal effort, Deloitte, in association with Center for Hospitality and Culinary Arts at George Brown College, has developed this research paper to provide guidance for this process. **This paper outlines the current state of the market, an overall vision of what the ideal state could be and a summary of best practices that can be used to turn the tide and attain the target state.** Deloitte is privileged to be involved in this process and to share its industry insight into the renewal not just of Niagara region's tourism industry, but similar markets across Canada.



Ryan Brain
Canadian Practice Leader
Tourism, Hospitality & Leisure
Deloitte



Jason Burgess
Southwestern Ontario Practice Leader
Tourism, Hospitality & Leisure
Deloitte



Chandhi Jayawardena
Associate Dean
The Centre for Hospitality & Culinary Arts
George Brown College

Current state overview of Niagara region

The current state of Niagara's tourism market highlights some of the risks associated with relying on location as a driver of business. Border regions have long used their proximity to attract large numbers of visitors from nearby areas. Niagara region, blessed with its world famous falls, has been able to rely on its natural attractions to raise awareness and drive consistent traffic.

This reliance is proving to be inadequate, as a series of events over the past decade, including 9/11, the SARS crisis, tightened border restrictions, soaring energy prices and fluctuating exchange rates, have eroded Canada's default position as a relatively inexpensive and accessible destination for American travellers. American visits to the Niagara region have fallen off as trips to similar facilities closer to home increasingly offer greater relative value.

Niagara's traditional reputation as a family destination may not support a market growth strategy in the future as the target age group fades in number.

The resulting falloff in demand is forcing planners in Niagara and elsewhere to delve deeper into why anyone visits a given destination, how they can best actively sell the region and diversify demand away from their traditional sources of visitors and how they can meet and exceed growing visitor expectations once they arrive.

Initial conclusions point strongly to branding as a key element in any resulting strategy. Tomorrow's travellers will be influenced more by brand than by location. They will be increasingly willing to travel greater distances and spend more once they get there if they are reasonably certain the destination will deliver the experience they seek. Experience-seekers will allow regions to shift away from price as a differentiator, as these visitors tend to be less price sensitive.

But the branding needs to be precise and well-messaged. And Niagara region, with its broad diversity of activities, ranging from the iconic waterfalls and wineries to casinos and golf courses, doesn't yet have a cohesive brand identity. Unlike regions like Quebec's Mont Tremblant or California's Napa, the region does not yet have one dominant stakeholder to define the brand and build the message. A diverse stakeholder base has hindered consensus on a consolidated brand image. The resulting inconsistency in messaging has made it difficult for the region's voice to resonate internationally.

Targeting the future – branding replaces location

Even if the Canadian dollar goes into freefall tomorrow and the border crossings become completely open, regions like Niagara must avoid passively allowing location-based factors to attract visitors. An ideal state incorporates the following behaviours:

- **Stakeholder participation**

With diverse stakeholder input, all perspectives can be incorporated into a larger vision and no one dominant player can dictate the process. It also maximizes the will of each stakeholder to invest in future growth.

- **Creation of a strong brand**

Brand identity is crucial to establishing regional destinations as places that people want to visit. Many regions' current branding efforts tend to be disjointed and low-volume, however effective branding must be all-encompassing and broadly supported.

- **Insulation from changing market trends**

Strong branding renders a region less vulnerable to factors such as currency fluctuations and energy costs, for example.

- **Forecasting of future trends**

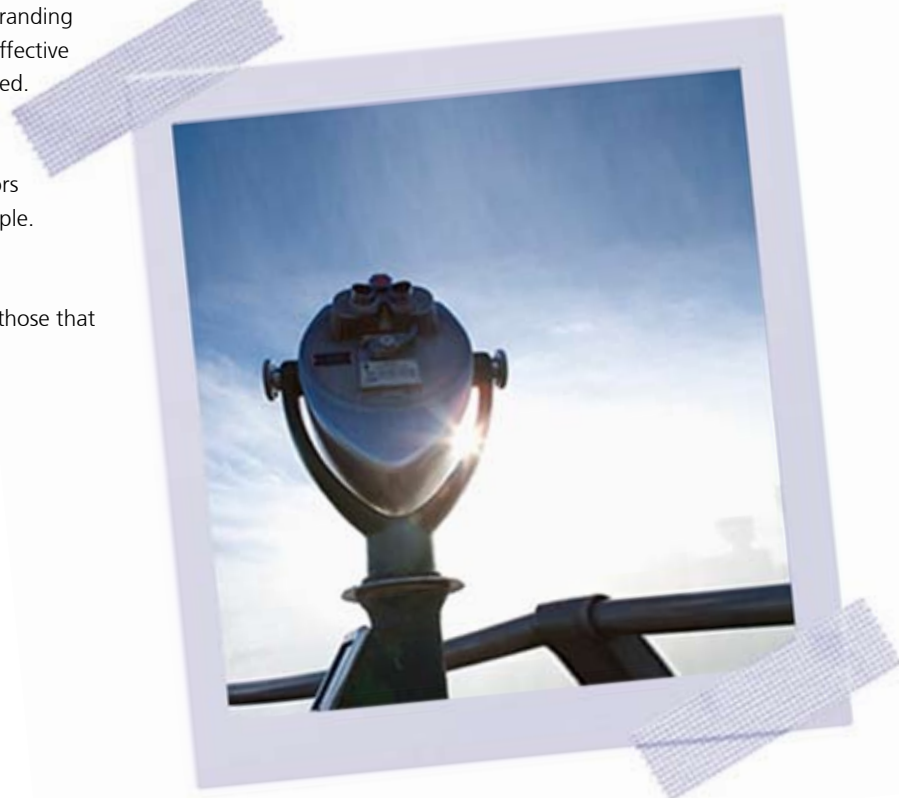
Branding that reflects forward-looking trends, including those that current customers have not yet thought of.

- **Established leadership infrastructure**

Recognized stewardship ensures consistent vision among all stakeholders and efficient allocation of resources for renewal.

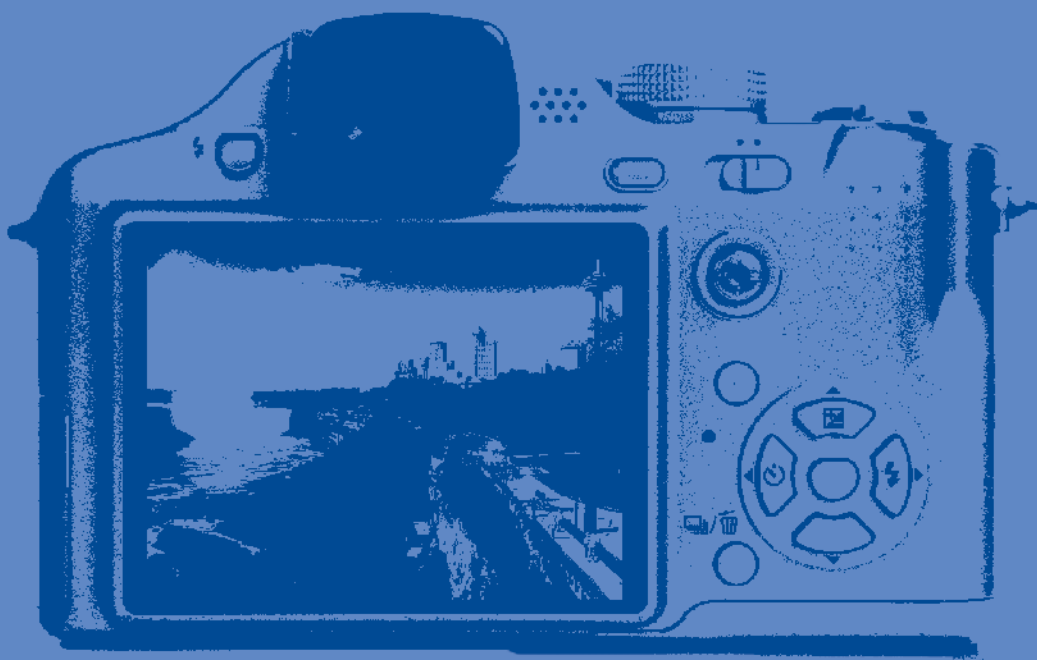
- **Collaborative partnerships**

Tomorrow's successful tourist regions will embrace former competitors and work together to increase interest in the destination.



Making it happen
Shaping Niagara and other Canadian
regional tourism for tomorrow

Making it happen



To accomplish this end state, Niagara region and similar regional destinations must adhere to the four pillars of growth that will enable them to gain traction and re-establish themselves as a desirable tourist destination for short-, medium- and long-haul tourists from all demographic groups:

1

Identify the audience

Tailor your message to demographic groups

While Baby Boomers continue to represent a significant proportion of the tourist market, Generation X and Y travellers are increasingly represented as well. Market leaders must study the demographic makeup of who's making the trip, and why, to ensure the region is optimally prepared to meet and exceed their expectations.

Don't stop at demographics

A growing amount of research suggests that the traditional forms of demographic segmentation are gradually being replaced by commonality of experience, and that people's attitudes prevail over age or gender. The suggestion that different demographic groups can often seek similar experiences – for example fun and excitement – is prompting deeper levels of profiling to ensure messages are delivered to these previously untargeted groups. While demographic understanding can help initiate the process of building the message, focusing on experience goals and attitudes can more effectively define a target group that cuts across otherwise-limiting demographic groupings.

Study the implications

Evolving demographic and experience-based factors are forcing tourist operators to consider how to adapt their offerings to appeal to a wider diversity of visitors. Looking to past actions for answers is counterproductive when the core market has already moved on.

Making it happen

Shaping Niagara and other Canadian regional tourism for tomorrow

2

Differentiate from competing markets

Build awareness of diverse activities

Effective branding can shed light on the region's diversity of activities, regions and cultures. While this may increase Niagara's appeal among a broader range of potential visitors, it may also provide any given visitor more reasons to return.

Identify niche opportunities

Many tourist regions fail to capitalize on their uniqueness, which can make it difficult to build a specific brand image. Over-representation of franchises or similarly-branded products that are otherwise available in other areas can make it difficult to differentiate the region. By custom-making products and services unique to the area, Niagara and similar destinations can further differentiate themselves from other commercialized tourism regions.

Follow a two-track strategy

Many regions fail to achieve an effective balance between special events such as festivals and year-round attractions. Both are equally critical to long-term success and a balanced approach can mitigate risk.

3

Focus on structural changes

Build partnerships

Go-it-alone marketing is no longer an effective means of building brand awareness and driving demand. Local competitors and complimentary attractions need to work together to increase the eminence of the destination vs. one specific activity or place. Solutions often exist further from home, a reality that is driving local and regional linkups as well as cross-border or binational partnerships. Long-haul visitors, for example, can just as easily target both sides of the Niagara Falls border, resulting in a win-win for the entire region.

Invest in continuous improvement

A hallmark of successful tourism management is recognition that what works today may not work tomorrow. Tastes change, facilities degrade and skills become obsolete. The appeal of a large-scale announcement is limited by the increasingly short attention span of visitors. Only by investing in renewal as an ongoing activity can tourist regions avoid becoming stale.

4

Fill the talent gap

Focus on the experience

As location fades as a key driver of tourist activity, visitors increasingly seek memorable experiences. Great facilities are irrelevant if the employees who run them are incapable of delivering those experiences. Exceptional, career-focused employees are critical elements of any differentiation strategy. To drive this, tourist-sector roles must have a defined career path and should not be structured as exclusively entry-level.

Build human resources maturity

Attracting and retaining top talent requires a solid commitment to organizational HR principles. Career management among tourist industry professionals is just as critical to bottom line performance as it is in other sectors.

Broaden the recruitment effort

Look to non-traditional demographic groups to help fill staff rosters and build longer-term employee commitments. Mature workers, for example, represent a stable and growing source of experienced, motivated employees.

Build partnerships

Work with regional schools to develop programs and encourage cooperative education experiences. Actively market career opportunities to students to build interest early.

Follow industry best practices

Optimizing recruitment and retention isn't fundamentally different in tourism than it is in any other sector, but the industry's relative lack of attention to this to-date represents a significant opportunity for improvement.



Positioning Niagara for tomorrow's tourism realities

There is no question that Niagara is in the middle of a tumultuous and, in some respects, painful transition. Traditional sources of visitors are drying up and traditional passive marketing methods are no longer sufficient to maintain the integrity of the industry. All this takes place within a larger context that sees the entire continent lagging global growth in tourism. Despite the gloominess of the numbers, there is no question that the situation harbours significant opportunity going forward.

To capture that opportunity, key stakeholders have begun efforts to reverse this trend and re-establish the region as a top-tier destination for visitors. Initial steps are being taken to understand Niagara's unique value proposition and what it will take to build a comprehensive branding strategy from that point. Efforts are being made to reach out to former competitors, foster input from a broad range of stakeholders and consolidate that input into a consistent brand image and message.

The lessons being learned here are directly applicable to similar regions across the country. The relative prevalence of Canadian border regions makes Niagara's experience an incubator of best practices that can ultimately be applied elsewhere. As tourist regions elsewhere watch and learn, it becomes increasingly clear that the old way of marketing Canadian destinations as convenient places for Americans to seek a discount vacation are long gone. Great opportunity lies in unique and comprehensive branding activities for those regions that have recognized the growth opportunity, as well as the risk of remaining complacent.

We invite you to read the publication: Worldwide Hospitality And Tourism Themes (WHATT) Inaugural Issue in the International Journal of Contemporary Hospitality Management, Volume 20 Number 3, 2008, *How should Niagara Region respond to the challenges it faces and find solutions to preserve and develop its tourism industry?*, Theme Issue Editor: Chandana (Chandi) Jayawardena.

Contact

Ryan Brain

Canadian Practice Leader
Tourism, Hospitality & Leisure
Deloitte
416-643-8210
rbrain@deloitte.ca

Jason Burgess

Southwestern Ontario Practice Leader
Tourism, Hospitality & Leisure
Deloitte
905-323-6023
jasburgess@deloitte.ca

Chandi Jayawardena

Associate Dean
The Centre for Hospitality & Culinary Arts
George Brown College
416-415-5000 ext. 2519
cjayawar@georgebrown.ca

About Deloitte's Tourism Hospitality and Leisure practice

Deloitte's Tourism, Hospitality & Leisure team has an unrivalled knowledge of both the industry and the business imperatives facing individual clients. Its teams work together to provide service excellence with a focus on value creation. Deloitte's team of professionals offer extensive expertise and experience across all functions and business models, and ensures that our global expertise can be delivered locally in response to any of our clients' business needs in: Audit, Tax, Consulting and Financial Advisory. Specialists teams work with businesses in the following sectors: Aviation & Transport Service, Betting & Gaming, Hotels & Resorts, Destination Leisure, Licensed Retail, Sports, Travel Distribution & Tour Operators, Health & Fitness.

About The Centre for Hospitality and Culinary Arts at George Brown College

Established in 1967, George Brown College's (GBC) three campuses are located in downtown Toronto, the most multicultural city in the world. With more than 15,000 full-time students, GBC is one of Canada's fastest growing colleges. Located at the heart of the Toronto's thriving dining and entertainment district, the newly expanded and modernized George Brown Centre for Hospitality and Culinary Arts (CHCA) is a showcase for innovation in culinary and hospitality education. The CHCA is the largest and most comprehensive facility of its kind in Canada. It includes state-of-the-art cooking, wine and demonstration labs, a full-service restaurant and a culinary research centre. The demand for qualified hospitality graduates has never been greater, and the CHCA offers the commitment to excellence, academic specialization and hands-on training that today's restaurants and hotels demand. CHCA enrolls over 2,500 full-time students a year, and 7,200 more in part-time, continuing education and professional developments courses. Visit www.georgebrown.ca for more information.



www.deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 7,600 people in 56 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. The firm is dedicated to helping its clients and its people excel. Deloitte is the Canadian member firm of Deloitte Touche Tohmatsu.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms have any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names. Services are provided by the member firms or their subsidiaries or affiliates and not by the Deloitte Touche Tohmatsu Verein.

© Deloitte & Touche LLP and affiliated entities. 08-1305

Member of
Deloitte Touche Tohmatsu