

# Tourism amid turmoil

## How Canadian companies can compete





Dear Reader,

There is little doubt that today we live in interesting times. Financial crises, security issues and even the search for talent are no longer confined by geographic boundaries. For tourism operators and the companies involved in the tourism, hospitality and leisure industry, the world has truly become an international playground. To be sure, this trend has the potential to benefit Canada by drawing growing numbers of international travellers to our country. On the flip side, however, competition from global tourist attractions and destinations has never been more aggressive – making it imperative for Canada’s tourism sector to evolve.

To help Canada’s tourism industry to succeed in this effort, Deloitte and the Tourism Industry Association of Canada (TIAC) have once again collaborated in a research initiative aimed at addressing the industry’s critical challenges. In this second annual report, we identify the global trends influencing Canada’s competitiveness in tourism and highlight the strategies that some of our country’s tourism leaders are taking in response.

It is our hope that tourism organizations and destinations across the country can benefit from the insight shared by these organizations on issues that include managing the economic downturn, training, recruitment, technological innovation, product development and branding.

A special thanks to all the members of the Deloitte and TIAC teams who helped with this initiative.

We hope you enjoy this report and we look forward to bringing you new industry research and insights in the future.

Sincerely yours,



**Ryan Brain**  
Partner and National Practice Leader  
Tourism Hospitality & Leisure  
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**Randy Williams**  
President and CEO  
Tourism Industry Association of Canada  
TIAC

# The trends that are shaping the global tourism industry

Canada's tourism industry has been facing a wide variety of challenges for some time. The appreciating Canadian dollar, fuel prices, US border security, and increased international competition, are all well known reasons for slowing in growth or even a downturn in the industry. With the current credit crisis and an inevitable recession in the US, the tourism, hospitality and leisure industry can only expect more challenges to come.

Canada's international tourism receipts totalled C\$16.2 billion of the US\$733 billion global share in 2007, a decline of 1.7% from 2006. Since its low of \$1.7 billion in 2002, the country's international travel deficit has climbed to \$10 billion. For 2007, domestic tourism accounted for 77.1% of Canada's total receipts, while international visitors generated only 22.9%.

As these numbers make clear, global competition for tourist dollars is intensifying – and Canada is scrambling to keep up. To respond appropriately to this evolving environment, tourism stakeholders must understand the interplay of several inter-connected trends that are contributing to the country's declining role as an international destination of choice. Those trends include the search for experiences that transcend locations; the growth of emerging markets; and shifting demographics.



### The search for experiences that transcend locations

In recent years, global travellers have demonstrated a growing preference for “experience-based” trips that transcend their preference to visit a specific location. Rather than visits to chosen destinations, travellers are seeking more opportunities to immerse themselves in experiential-based travel. This is fuelling a drive towards combined-purpose visits, where travellers seek to combine health and wellness trips, for instance, with spiritual tourism.

As a result of this trend, tour operators and attractions have started to offer a wide range of innovative travel experiences. In 2007, the Indian Ministry of Tourism worked with the Institute of Skiing and Mountaineering to offer waterskiing courses to tourists. One luxury operator in California developed the “babymoon”, a product geared towards expectant parents. To promote cultural and historic tourism, Kyoto, Japan provides free public transit and museum access to anyone wearing traditional Japanese dress.

According to the Caribbean Travel Organization, 250,000 annual trips involve participation in charity tourism, where visitors provide aid to communities in need. Approximately five million trips centre around health and wellness, which include spa visits, medical treatments and beauty procedures. Medical tourism accounts for US\$60 billion of global tourism receipts, while ten million travel annually to watch or participate in festivals.

To be sure, Canada’s tourism industry offers a range of experiential offerings, including spa, culinary and wine tourism. To compete effectively with the burgeoning range of international options, however, Canada’s tourism industry will need to roll out niche products and services more aggressively than ever before.



“Canada is a very large and diverse country. This brings a challenge in commercializing a coherent image: we’re much more than big open spaces!”

Pierre Bellerose, Vice President, Public Relations,  
Research and Product Development, Tourisme Montreal

### The growth of emerging markets

Thanks to improved global air access, and significant investment by emerging markets in their tourism infrastructure, international travellers have begun to demonstrate a marked preference for visiting exotic locales.

Global statistics certainly support this position. According to the World Travel and Tourism Council (WTTTC), China ranks as one of the top two nations for absolute tourism volume, industry employment levels and expected tourist growth. Deloitte research, in its Hospitality 2010 report, shows that India and China are expected to capture 15% of the global air passenger growth forecasted by 2010, which translates to 105 million of the 700 million additional passengers. WTO statistics confirm the trend, noting that Asia Pacific's share of the global tourism market increased by 22% between 2000 and 2006 and is expected to grow an additional 35% by 2020.

At the same time, a nascent middle-class in emerging markets such as Brazil, Mexico, China and India has burst onto the tourism scene and is casting around for the ideal locations in which to spend its tourism dollars. Unfortunately, overseas tourists typically do not have high levels of awareness or strong perceptions of Canada. As last year's Destination Canada report showed, many American travellers view Canada as 'boring', in part resulting in a 34% decline in U.S. visits to Canada between 2000 and 2006.



### Shifting demographics

For several years, motivations to travel have remained fairly consistent. According to UNWTO studies, 51% of tourism is motivated by leisure travel, while visits to friends and relatives, and travel for religious purposes, drove 27% of tourism in 2007. For its part, business and professional travel motivates only 16% of international trips.

What these numbers mask, however, are the shifting expectations of travellers, particularly as they break along demographic lines.

The aging of the world's population has already affected the tourism industry. As the Canadian Tourism Commission notes, 58% of international travellers are 45 years of age or older. As a result, travellers over 45 years old represent a critical tourism demographic. These so-called Baby Boomers remain one of the most affluent generations and have shown themselves more willing to travel than ever before. As these travellers age, they are increasingly demanding more health and wellness tourism products.

The youth market, which accounts for 20% of global tourism, is also making its wishes known to tourism operators. In addition to seeking more adventure-driven experiences, younger travellers are conscious of the environment and more prone to give their business to operators and locations that can demonstrate a positive environmental and social impact.

Unfortunately, meeting these discerning tastes is proving challenging for many destinations. As Canada's record shows, we have yet to fully capture the hearts and minds of travellers across key demographics.



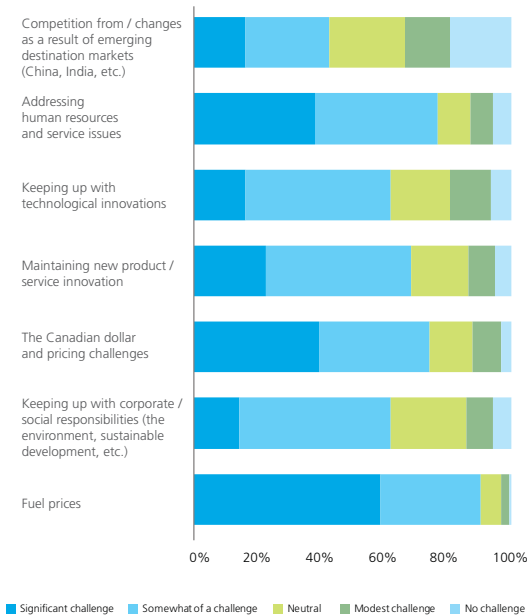
# The fallout: factors hampering Canada’s ability to respond to global trends

To understand the challenges that Canada’s tourism industry faces as it attempts to respond to global trends, Deloitte and TIAC conducted a nation-wide survey of 265 TIAC members, including tour operators, agencies, transportation companies, attractions and hospitality businesses. The research was supplemented by 18 in-depth interviews with senior executives of leading tourism, hospitality and leisure organizations. The survey and interview responses received, form the basis of this report and provide an important glimpse into both the issues – and solution strategies – that are top of mind for the Canadian tourism industry.

When asked about the greatest challenges facing their businesses, 90% of respondents agreed that rising fuel prices represent a significant or a somewhat significant challenge; 77% identified talent and human resource issues as a significant or a somewhat significant challenge; and 74% consider Canadian dollar volatility and pricing issues as a significant or a somewhat significant challenge.

Other challenges organizations are facing include the implications of the U.S. market downturn, rising competition from both local and emerging markets, the adoption of corporate and social responsibility initiatives and the need to roll out new products and services and invest in technological innovation. Here’s a closer look at these key challenges.

To what degree do the following fact serve as challenges for your business:





## Riding the U.S. economic downturn

Following the meltdown of the U.S. sub-prime housing market, and its spill-over into industries and regions around the world, there is little doubt that the global tourism, hospitality and leisure industry will feel the effects of an international move towards belt-tightening. Although it is difficult to predict the outcome of a situation in flux, one thing is clear: U.S. consumers have already reduced spending – a trend that will result in fewer travel bookings.

As this economic crisis spreads to countries around the world, global travel receipts will slow. According to the World Economic Outlook as of October 2008, China's growth is expected to fall from 11.9% in 2007 to 9.3% in 2009. For the same period, India's growth is forecast to fall by 2.4%, Brazil's by 1.9% and Mexico's by 1.4%. While it is unclear how this will play out on the global travel stage, Canada's tourism, hospitality and leisure industry must brace for a range of potential scenarios – many of which may predict negative growth.

At the same time, Canada's growing travel deficit with the U.S. is not solely due to economic factors – nor is it new. As we noted in last year's report, younger travellers, who represent the future of Canadian tourism, have long been lukewarm about visiting our country, with many rating it as an average place to vacation or just "plain". Even older generations who enjoy a stay in Canada cannot be counted on for a return visit. As Canadian Tourism Commission President and CEO Michele McKenzie observed in an interview with the Montreal Gazette,

"We find that people feel very positively toward Canada as a country, but don't necessarily know how they would translate that into a vacation experience."

With U.S. economic weakness forecast for the foreseeable future, Canada's travel industry will be increasingly challenged to attract both American and global visitors.



### Factoring Canadian dollar volatility into prices

While 68% of survey respondents agree or strongly agree that the appreciation of the Canadian dollar has had a negative impact on business over the past 12 months, most organizations indicated that they have not lowered prices or provided incentives to offset this trend. This may be partly due to the differential impact of Canadian dollar volatility. For instance, some tourism, hospitality and leisure operators noted that a stronger dollar creates a natural hedge against rising fuel costs and others say it may help reduce expenses denominated in U.S. dollars.

**“Our weak Canadian dollar historically provided a smoke and mirrors benefit. We must now learn to compete as a destination that is no longer a deal.”**

Ken Lambert, Vice President, Sales and Marketing, Delta Hotels

Evidence documented in a recent CBC report may work to the favour of Canadian tourism operators. The report ranked Canada as the third most vacation-deprived nation. Average vacation time decreased from 21 days in 2005 to 19 days in 2006. Additionally, 24% of Canadians fail to use all of their vacation days, with 10% not using any at all. This rampant workaholism likely discourages Canadian travellers from looking too far afield when booking their travel.

There is however, a danger that may result if the Canadian dollar continues to gain strength. While a stronger dollar may result in less inbound travel, it will also encourage Canadians to travel more beyond the country's borders. This would lead to a double loss for the Canadian tourism industry. In recent history, Canadian travellers have favoured local or short-haul trips, with domestic tourism accounting for 77.1% of Canada's total receipts in 2007. If this tendency was in any way influenced by a weaker dollar, a rising dollar could reverse the trend, to the detriment of the domestic tourism industry.

Canada's tourism industry must therefore recognize that it relied on a low dollar as a crutch for many years. With that perceived advantage gone, the country can no longer market itself as a “deal” and must instead improve the standards of its products and services if it hopes to keep attracting global visitors.



## Rising fuel prices

Rising fuel costs are impacting the entire industry. Very simply, travelers are less inclined to travel by car because it is much more expensive than in the past. Heating and other input costs are hitting hoteliers and all other tourism, hospitality and leisure stakeholders. Transportation companies have been particularly hard hit by the relentless rise of fuel costs. Due to the ongoing volatility of fuel pricing, many fares do not currently represent actual costs. Although consumer reaction is difficult to predict, even higher ticket purchase costs (due to fuel adjustments or new and expensive airport levies and landing charges and restrictions that flow through to fare prices), could be the proverbial straw that breaks the camel's back – prompting travellers to cut back on flights.

While the globalization of tourism has increased the likelihood of travellers to partake in long-haul travel, which tends to be facilitated by air travel, the challenge for Canadian transportation companies is to price their product so as to strike the right balance between demand and capacity. While this has always been the biggest challenge for airlines (and indeed most businesses), volatile fuel prices add another complicating factor to the equation. If fuel prices rise to the point where they drive ticket prices beyond what consumers will bear, then the resulting decrease in demand may threaten the health of the industry. Further complicating the situation, is the necessity for airlines to maintain sufficient capacity and a suitably robust airport infrastructure to attract international travellers. This is especially critical in light of the World Economic Forum's (WEF) conclusion that a destination's competitiveness and air transport infrastructure score is directly correlated with higher tourism arrivals and receipts.

“Our costs are increasing as we are incurring surcharges for fuel from our suppliers. We can't pass these on to our customers as there is too much capacity in the hotel and spa business which forces us to keep prices low.”

Nancy Adamo, President and Owner, Hockley Valley Resort

Domestic and international competition

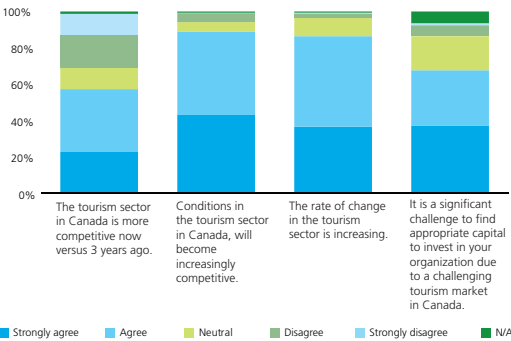
Given the international trends that indicate the preference of global travellers for destinations other than Canada, it comes as no surprise that 43% of survey respondents consider competition from emerging markets as a significant or somewhat of a challenge.

Specifically, 80% of respondents agree or strongly agree that in the last three years Canada has seen a loss of visitors from traditional markets to the emerging destination markets. Similarly, 75% agree or strongly agree that there is increased competition in the Canadian market from emerging companies, firms and operators.

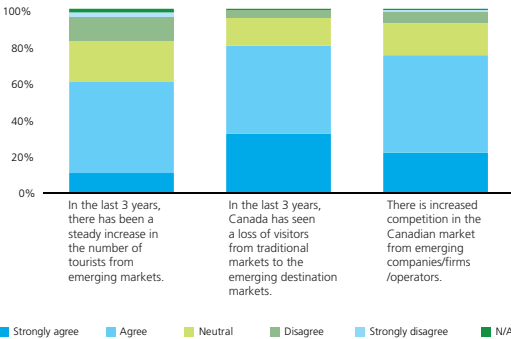
According to the executive interviews we conducted, the reasons for this increasingly competitive environment run the gamut, and include:

- A weak tourism infrastructure (despite over-supply in the accommodation sector in many large Canadian centres)
- Old and tired products that can no longer compete in an environment of a strengthening Canadian dollar and that frequently fail to respond to the evolving needs of today's travellers
- An increasingly educated consumer that is demanding higher service levels from the tourism, hospitality and leisure industry
- Stepped up competition from new market entrants who have shown themselves willing to make significant investments to enhance their tourism market

Please indicate the degree to which you agree/disagree with the following statements



Please indicate the degree to which you agree/disagree with the following statements - Emerging markets



“Sustainable tourism initiatives, above the efforts made in the context of today’s sound corporate responsibility, have to improve the quality-price ratio currently offered to the travelers.”

Philippe Sureau, President, Distribution, Transat A.T. Inc.

### Keeping up with corporate responsibilities

47% of survey respondents admit that it is somewhat challenging to keep up with all their corporate responsibilities (e.g. responsibilities to local communities, workers, customers, society at large, the environment, their shareholders). Their struggle could potentially stem from the ever increasing number of stakeholders who seem to have divergent demands, the perceived low return or long-term nature of investment on sustainability related initiatives, as well a lack of understanding of how to most efficiently address the corporate responsibility agenda. Each of these factors, increases the reluctance of tourism organizations to define and develop a corporate responsibility strategy. However, defining a meaningful business strategy that incorporates sustainability, is precisely the first action organizations should take to ensure that their sustainability initiatives create short and long-term value.

While images of green forests and pristine vistas have long characterized Canada’s global positioning, today’s savvy consumers are keeping a close eye on the environmental records and social endeavours of tourist destinations, operators and related industries. To that end, the time has come for Canada’s tourism sector to more clearly articulate its stance on sustainability. As TIAC noted in its Report on Canada’s Tourism Competitiveness, “Greenwashing will be seen for what it is as ethical consumers look for authentically sustainable operations and businesses.” With only 14% of respondents strongly agreeing that they will incorporate corporate social responsibility (CSR) into their new branding efforts, it is clear that Canadian operators have received the message and are making sure they are getting their actions right before communicating externally, but it also raises the question, how many are not providing the key CSR information consumers are now looking for?

### Product, service and technology innovation

Introducing new products and services, and keeping up with technological innovations, were perceived as only somewhat of a challenge by 46% and 45% of respondents, respectively. This is relatively good news, as Canada’s tourism sector can only compete effectively if it demonstrates creativity in product development and shows itself willing to adopt emerging technologies. However it may also highlight a lack of awareness and initiative around new product development. Many executive interviews indicated the critical need for newer and more exciting product across the country. The hope is that this lack of concern is because initiatives are underway to introduce much needed products and services.

“Starwood is an innovation company. It will always be at the forefront of what we do.”

Scott Duff, Senior Director of Development, Starwood Hotels and Resorts

“To maximize the return on Corporate Responsibility based investments, organizations need to ensure that these activities are integrated into and aligned with their business strategy, and are not executed as standalone, one off actions. Not only are disjointed initiatives inefficient, they may lead to unintended consequences.”

Valerie Chort, National Practice Leader, Deloitte Corporate Responsibility and Sustainability

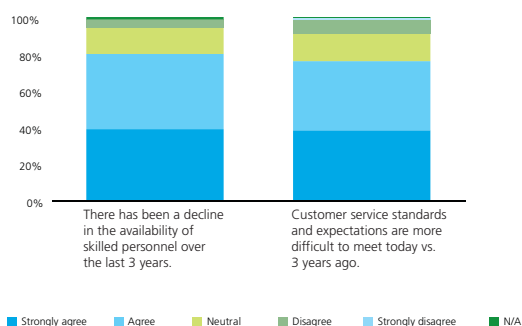


## The talent gap

An aging population and ongoing difficulty attracting skilled workers are combining to create a talent shortage in Canada's tourism sector. A majority (80%) of respondents agree or strongly agree that there has been a decline in the availability of skilled personnel over the last three years. The struggle to attract and retain skilled labour is translating into lower service standards; 76% of respondents agree or strongly agree that it has also become more difficult to meet customer service expectations.

In response, some tourist attractions have shifted their recruitment efforts away from the student population, with its decreasing willingness to undertake hospitality jobs, towards retired people seeking seasonal work. Similarly, many organizations look to Canada's newcomers to fill positions. While these measures help to fill entry level positions, they do not provide a longer term flow of qualified labour into key middle management positions, thus potentially hampering the industry's ability to devise and implement strategic initiatives.

### Please indicate the degree to which you agree/disagree with the following statements - Human resources and services



“We have been hiring students to offer services to the visitors. However as the shoulder seasons are expanding the students are not always available to meet the needs. We are looking as an alternative to hire active retired baby boomers to fill these positions.”

Carol Sheedy, Director General, External Relations and Visitor Experience, Directorate of Parks Canada Agency



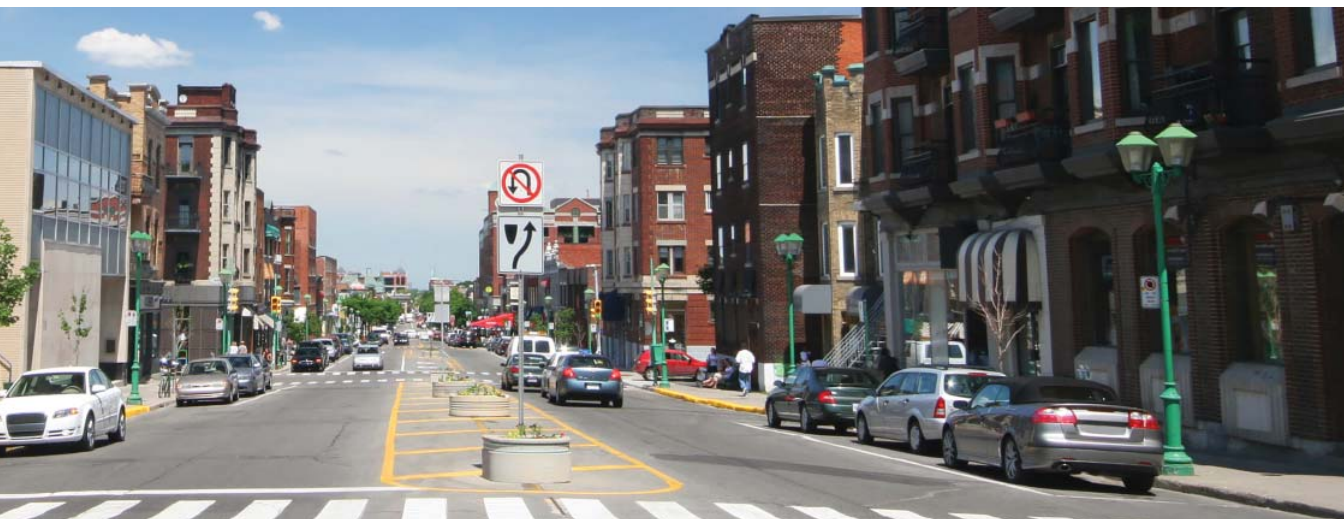
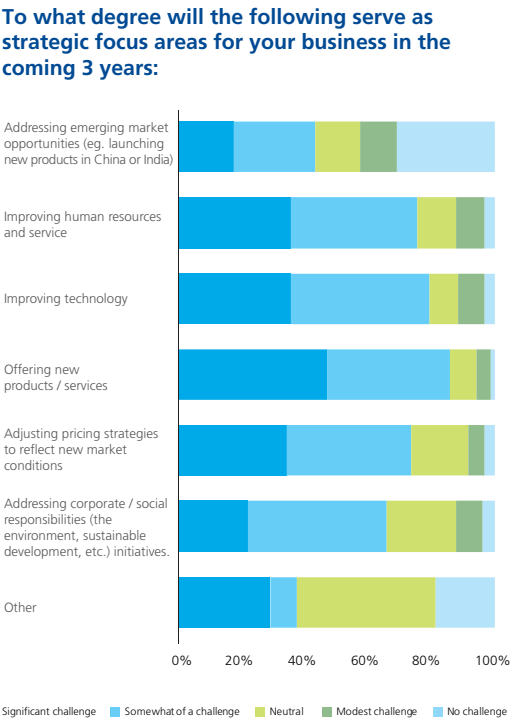


# Where to go from here

Responding to the trends and challenges buffeting Canada's tourism sector will be no easy task. Tourist organizations will need to strengthen their internal reach to withstand ongoing external pressures over which they have limited control, such as rising fuel costs and economic volatility.

Governments will also need to adopt a coordinated approach to Canada's tourism industry. As TIAC asserts, governments can control some of the background infrastructure, regulatory, fiscal and policy decisions that shape the tourism environment. Focus areas include assisting with the sale and promotion of the Canada brand overseas; adopting environmental sustainability programs; and streamlining border access.

That said, many response strategies lie squarely in the control of the tourism, hospitality and leisure industry. Here are some of the strategic focus areas identified by our survey respondents.



## Respond intelligently to the economic downturn

Despite softening demand and the volatility of the Canadian dollar, many tourism organizations believe that offering price concessions to compensate can set a dangerous precedent. As such, only 13% of survey respondents strongly agree that they plan to offer new pricing or promotions in the coming year. While the survey was administered just before the most recent financial and stock market decline, operators appear determined to take a different approach than in years past.

“The strengthening Canadian dollar has helped the outbound aspect of our business, but we’ve seen the reverse effect on in-bound.”

Joel Tkach, Manager, Passenger Marketing, Vancouver Airport Authority

Tourism, hospitality and leisure organizations may be reluctant to repeat their post 9-11 strategy of deep discounts intended to re-stimulate the travel market, as they have since struggled to regain market value pricing. Most also believe that the majority of cost reduction initiatives have already been implemented. Instead, tourism, hospitality and leisure organizations are concentrating on smarter and more pointed marketing and customer acquisition strategies. Marketing to upscale travellers who tend not to be overly price sensitive serves as an example.

Additionally, tourism organizations must, at the very least, continue to offer products and services of value and interest to the Canadian domestic travel market to ensure that Canadians continue to travel at home versus abroad. It should prove easier to retain existing visitors than attract new inbound tourists, if those who have already visited had, and will continue to have, positive experiences.

“Lessons were learned after the September 11 downturn. As an industry, we set a dangerous precedent by jumping to reduce prices. This time around, as demand softens, we must be strategic in attracting new customer segments while exploring untapped channels.”

Stephen Foster, Senior Vice President, Operations, Starwood Hotels and Resorts

“We need to make sure all the experience acquired by our soon-to-retire employees is transmitted to our younger workforce.”

Steve Del Bosco, Chief Customer Officer, Via Rail Canada.

### Invest in product and service innovation

Over the coming three years, 47% of survey respondents indicate that offering new products and services is a primary strategic focus. Given the general consensus that the Canadian product is “old and tired”, this marks an important step. As global competition heats up, Canada’s tourism, hospitality and leisure industry will need to focus on creating more compelling products, while guarding against spreading itself too thin. The trick will lie in picking the prime areas for innovation and consistently making them available to travellers across geographies and demographics.

Already, organizations have begun to embark on more concerted product development. In the past two years, 75% of respondents introduced a new product or service offering. In the next three years, 75% plan to spend more resources on product introductions, while 78% agree or strongly agree that they expect to partner with other companies to introduce new offerings. Interesting examples are emerging in the market, including:

- Girlfriend getaways: Women traveling with an all-female group
- ‘Mancations’: All-male vacations; similar to girlfriend getaways
- ‘Babymoon’ vacations: Romantic getaways with the intention of relaxing before a baby is born
- Other evolving product offerings across culinary travel, adventure travel, festivals and events, and health and well-being

Tourism organizations stress the importance of tailoring new products and services to different needs of niche markets. To meet spiralling customer expectations, this will increasingly require collaboration between multiple operators, other tourism players or symbiotic businesses. It also requires a commitment to continuous improvement in an effort to appeal to shifting tastes over time.

### Improve staff recruitment, retention and training

A full 75% of survey respondents identified human resource and service issues as a primary or secondary strategic focus area for their business in the coming three years. In order of priority, in the coming year respondents plan to spend more time, money and effort on:

- **Improving customer service standards (71%).** As customer service expectations rise, the tourism industry needs to attract staff capable of delivering exceptional customer experiences. To attract superior talent, some tourism organizations are focusing on enhancing their reputations as the employers of choice. Others are working to improve skills training and leadership development. By following industry best practices, tourism organizations can better position themselves to build the critical skill sets customers increasingly expect.
- **Attracting and retaining talent (61%).** As more workers reach retirement age, and the shortage of skilled labour persists, leading organizations are aiming to enhance their hiring and retention practices. This can translate into participating in more job fairs and college recruitment programs, offering a wider range of apprenticeships or internships, helping employees define a career path that extends beyond entry-level work and engaging in employee recognition programs with the aim of encouraging seasonal staff to return.
- **Expanding recruiting efforts to new demographics (42%).** Some organizations already hire retirees for seasonal work. Global recruitment is also becoming more popular, particularly in the accommodations sector. By looking to non-traditional demographic groups, organizations can do more than simply fill staff rosters. They can also begin to build relationships that enhance employee loyalty.

### Capitalize on emerging market opportunities

As international travellers begin to account for a growing percentage of the tourism market, Canada's tourism organizations must take steps to articulate an emerging market strategy. For instance, 47% of survey respondents agree or strongly agree that they plan to increase marketing efforts in the emerging markets to attract new customers. Similarly, 53% agree or strongly agree that they plan to offer products and services that are better targeted at visitors from emerging markets.

For many, the focus is confined to continental markets, such as Mexico and South America. Others are looking farther afield, in an effort to court travellers from nations such as China, India and the Middle East.

However, almost 25% of respondents have taken a neutral stance towards reaching out to emerging markets. This may partly be due to confusion about how to proceed or may simply come down to a decision to focus on a more domestic market.

Either way, tourism organizations must be prepared to deliver world-class products and more distinct experience-based offerings if they hope to attract tomorrow's travellers.

**“To attract emerging market opportunities, we must pick our spots and deliver our product better than anyone else. “**

Bill Knowlton, Vice President, Marketing and Sales,  
Jonview Canada Inc

**“We are investing in research in the emerging markets to understand where best to target marketing and advertising. Visitors looking for a whirlwind tour of Canada will not likely want to spend 2 days on a leisurely-paced train through the Rockies, however, our product is appealing to the increasingly affluent population in Mexico, so we are increasing our focus on this growing market.”**

Ian Robertson, Executive Director, Corporate Communications and Public Affairs, Rocky Mountaineer

### Enhance marketing and branding

Branding initiatives have taken the spotlight in Canada's tourism industry for several years. Even so, a full 68% of survey respondents strongly agree or agree that they are more focused on branding today than they were three years ago. This may be partly due to the increased consumer focus on brand, as travellers search for the ideal experience rather than the perfect location. As such, organizations continue to pursue a wide range of branding efforts:

- 76% of respondents agree or strongly agree that they are tailoring their customer experience to address individual visitor profiles and needs. To succeed in this effort, it is important that they get to know their customers more intimately. By learning about customer likes and dislikes, interests, desires, expectations and travel motivations, the tourism, hospitality and leisure industry will be better prepared to create both products and promotions that will appeal to their best prospects.
- 70% agree or strongly agree that they will brand or re-brand their products and services. The aim is to focus travellers' attention away from Canada's somewhat staid, conservative image towards the wider range of experiences the country offers – from adventure tours to winter sports.
- 60% agree or strongly agree that they will partner with other organizations to co-brand their products and services and build a destination experience for visitors.

**“We’re all about Brand.  
More so than ever before.”**

Robert Deluce, President and CEO Porter  
Airlines Inc.

**“The market is crowded with great accommodations. We need to offer our customers a consistent experience to ensure our brand is what they leave with and come back to, with each and every trip.”**

Tom Storey, President, Fairmont Hotels and Resorts

### Use technology as a differentiator

Almost 80% of survey respondents identify improving technology as a primary or secondary strategic focus for the coming years. This is imperative for several reasons. First, 90% of respondents believe that customers have rising expectations around technology, while 92% agree or strongly agree that technology is a critical element that will allow them to meet those demands. Second, 83% of respondents say technology can also improve their business processes and market access.

As TIAC explains in its June 2008 Report on Canada's Tourism Competitiveness, "We live in a technologically-savvy world where the availability of online information allows prospective visitors to be highly discerning about price and quality before making the purchasing decision."

When it comes to specific technology investments, 70% of respondents plan to increase spending on customer-facing technology, such as Web site interactivity, online check-in, advanced reservation systems, entertainment systems and providing in-room technology (such as wifi access). Starwood Hotels and Resorts, for instance, is teaming with Microsoft to offer Microsoft Surface, an interactive in-room technology that can turn an ordinary tabletop into an interactive surface. With this technology, customers can actually "grab" digital information with their hands and interact with it by touch and gesture, without using a mouse or keyboard.

**"We need to invest in non-customer facing technology so we can pay our customer facing people better."**

Michael Merrithew, President, Merit Travel

For its part, Web 2.0 functionality continues to transform travellers' online experiences. Sites like Travelocity and Expedia, for instance, already allow visitors to build personalized accounts and itineraries and access offers geared towards their travel interests. Semantic search sites, like Uptake, allow travellers to structure an entire trip based on their interests and needs. Going forward, other applications that feature Web 2.0 functionality could include sites that allow travellers to upload videos of their favourite vacation spots or that feature audio testimonials.

Leading organizations are also exploring ways to use technology to improve their marketing efforts. Strategies include targeted e-mail campaigns that allow accommodation providers to communicate with visitors both pre- and post-stay; reaching younger market segments by advertising on mobile technologies; and using technology to access markets that would be otherwise inaccessible.

**"Today you need very specialized knowledge because your customers have already checked everything on the Internet."**

Rita Tsang, President and CEO, Tour East Holidays Inc.

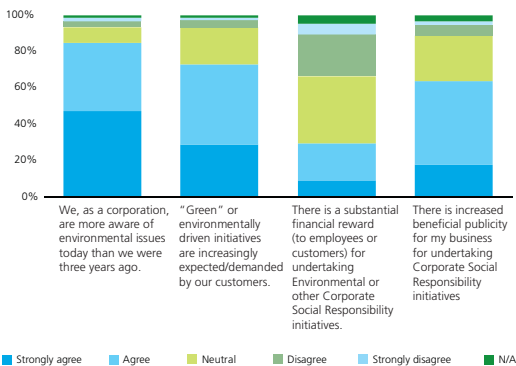


Go green

While addressing corporate social responsibility did not rank as a primary focus area, 44% of survey respondents identify it as an important secondary area of focus. However, the main impetus behind these sustainability initiatives remains increasing customer demand for an environmental response. Due to this demand, and ongoing media attention, 85% of respondents say their companies are more aware of environmental issues today than they were three years ago. This awareness, however, is not translating into a significant movement to go green or to undertake more socially responsible corporate actions.

Only 11% of respondents strongly agree (and 36% agree) that they plan to offer more corporate social responsibility initiatives in the coming year. While 59% plan to start new, or expand existing, CSR programs in the next three years, only 39% plan to measure the benefits of these initiatives. This lends weight to the argument that tourism organizations have undertaken a wait and see approach to CSR, waiting to respond to customer demand rather than seeing a greater business value attached to initiating green or CSR actions now.

Please indicate the degree to which you agree/disagree with the following statements - Corporate / social responsibility



“Corporate Responsibility is the ‘4<sup>th</sup> leg of the stool.’ Project Green Wolf – takes environmental matters from the back of the house to the front of the house, by obtaining guest involvement.”

Keith Simmonds, General Manager, Great Wolfe Lodge

The challenge may lie in the false perception that environmental and CSR initiatives fail to deliver substantial financial rewards. Although some companies recognized they could easily realize financial benefits by reducing oil and gas consumption or improving resource efficiency, most companies find it difficult to demonstrate a link between these initiatives and the bottom line, absent appropriate measurements. In light of the recent economic downturn, the move towards adopting more sustainable practices may slow even further, if organizations continue to take a non-integrated and short term view. As a result, it appears that the tourism, hospitality and leisure industry remains somewhat behind in its efforts to reduce waste, improve energy efficiency and adopt other environmental and social initiatives. The opportunity is for organizations to begin seeing how greening and more broadly sustainability can be utilized to better engage consumers, attract prospective talent, retain and engage employees, identify new market segments, and execute on business strategies. Those that choose to act now, will be in a position to create rather than protect value.

# The road ahead

In an environment of ongoing market turmoil and constantly evolving industry trends, Canada's tourism, hospitality and leisure industry faces challenging times ahead. Yet, opportunities abound for those who take the time to better understand and meet their customers' changing needs and expectations. Despite the obstacles, Canada's tourism industry has significant inherent advantages it can use to market Canada as a world-class destination to global travellers. Ultimately, however, the resiliency of the industry will come down to how well today's organizations lay the groundwork for future sustainability.

For more information on how Deloitte can help your business succeed, please contact:

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The Tourism Industry Association of Canada (TIAC) is the national private-sector advocate for Canada's \$70.6 billion tourism sector. It performs a unique and pivotal role in ensuring the Canadian business and policy environment works for tourism, by communicating its importance to Canadians, advocating positive measures, and lobbying government for action.

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