

***The US Travel Trade Market in 2009
Trends, Change and Atlantic Canada's Position***

*MacKellar Cunningham
& Associates Ltd.*

Index

<i>Introduction</i>	3
<i>Methodology</i>	3
EXECUTIVE SUMMARY AND RECOMMENDATIONS	4
RECOMENDATIONS	9
<i>1.0 Trends</i>	12
<i>2.0 Trends in Destinations</i>	13
<i>3.0 Trends in Mode of Travel</i>	17
<i>4.0 Product Trends</i>	19
<i>5.0 Consumers</i>	23
<i>6.0 Trends in sales & marketing</i>	25
<i>7.0 THE PACIFIC MARKET (California and the West Coast)</i>	28
<i>Appendix</i>	35

Introduction

The Atlantic Canada Tourism Partnership implements an annual travel trade strategy which includes marketing partnerships with tour wholesalers selling to consumers in the Mid Atlantic and Pacific regions of the US.

This study was undertaken to meet the following objectives:

1. Identify emergent industry trends for package travel.
2. Identify recent and anticipated product and market shifts.
3. Identify existing and emerging product and market opportunities
4. Determine the strategies, tactics and targets tour wholesalers use to market travel packages.
5. Determine the awareness and relevance of Atlantic Canada and its travel products, experiences and packages.
6. Determine how best to enhance Atlantic Canada's product offer.
7. Determine how best to position Atlantic Canada travel packages in priority markets.
8. Determine how best to market Atlantic Canada packages in targeted markets.
9. Identify sales and marketing opportunities specific to Atlantic Canada

Methodology

This study is based on discussion interviews conducted by telephone with 35 travel trade suppliers in the Eastern and Pacific market areas of the US.

A total of 70 potential company contacts were originally supplied. This was subsequently reduced to 47 due to factors such as companies' no longer in business, company's not selling Canadian product, companies dealing with inbound travel only (see appendix for additional details).

Sample size and response rate			
Market Area	Number of Companies	Number of Interviews	Response Rate
Eastern USA	30	22	73%
Pacific USA	17	13	76%
Total	47	35	74%

EXECUTIVE SUMMARY AND RECOMMENDATIONS

With America in the midst of its first recession in more than 20 years it is not surprising that money (cost) became the driving factor in the US travel trade in 2009. It influenced the trends in destinations (who is offering the best prices); the trends in mode of travel (where are the discounts) and even buying patterns (booking late for last minute deals)

Two thirds (67 percent) of tour companies indicated customers shopping for deals or bargains was the single most important trend now taking place in the US travel trade industry.

Tour operators who sell worldwide product indicated the US itself was the destination that showed the greatest increase in 2009. They frequently noted that hotel rates were down, the product was solid and the overall savings associated with closer to home vacations made the US a very affordable destination.

Canada ranked second as a growing destination in 2009 however this was carried almost entirely by the Canadian Rockies. One third (33 percent) of tour companies based in the eastern US reported an increase in sales to Canada. Western Canada alone (specifically the Rockies) accounted for 23 percent. Almost all attributed this growth to a drop in hotel prices which made Western Canada a very good value.

Unfortunately Canada was also identified most frequently as a declining destination in 2009. Approximately one half (51 percent) of eastern companies reported Canada was one of the leading destinations in decline. This was almost always linked to cost.

Mexico and Europe ranked second as declining destinations in 2009 (both identified as declining by 30 percent of world sellers). The Mexican decline was directly attributed to the H1N1 virus.

With few exceptions, tour operators expect the same factors which dominated travel in 2009 will continue in 2010. As a result many of the same trends are expected to continue into next year.

The US is once again expected to lead growth in 2010 (45 percent of companies) and Canada is once again expected to rank second (28 percent of companies forecast growth). Canadian growth is expected to be largely limited to Western Canada (the Rockies) where rates are remaining favorable.

A resurgence in travel to Europe is expected by 20 percent of world sellers. Many feel there is a pent-up demand for European travel and

Germany's Oberammergau which is held only once every 10 years is expected to be a factor.

Atlantic Canada did not fare well in destination trends. None of the companies reported an increase in travel to the region; 14 percent identified Atlantic Canada as one of the destinations in decline and none are forecasting an increase in 2010.

Tour operators who sell worldwide product did not complain that Atlantic Canada's prices are too high but they did send the very clear message that competitors were reducing rates and it was having an impact.

It is very positive for Atlantic Canada that cruises is the trade segment which is expected to show the greatest increase in the immediate future. Sixty percent of the companies who sold cruise as well as other products predicted cruise would show the greatest growth and another 30 percent ranked it second.

The reasons for the anticipated increase in cruise were consistent...they were prepared to offer discounts and bargains ("slash prices") which resulted in exceptional savings and value.

In terms of product trends, a leading 60 percent of eastern tour operators identified sightseeing tours and participatory and learning experiences as tour products or tour elements they expect to see growing in the future.

Cultural tours, exotic destinations, discovery tours and culinary experiences ranked second with 50 percent of companies expecting continued growth. Low growth products included nature or wildlife observation tours, historical tours and gaming packages.

Atlantic Canada received its highest product ratings for nature or wildlife observation tours (58 percent rated the region as excellent). The region also rated relatively well for participatory experiences, sightseeing tours and historic tours. All were rated as excellent by 26 percent.

Two of Atlantic Canada's lowest ratings were in the areas of experiential experiences (0 excellent ratings) and culinary experiences (5 percent excellent ratings).

Tour operators saw product trends of the future being driven by a desire for more trip flexibility and especially the opportunities for involvement. The trip components experiential, culinary and cultural were rated very high.

When asked more specifically about trends of the future the themes were consistent "*anything experiential...go beyond the customary*"; "*anything*

hands –on...anything that creates memories”; experiential and culinary...no question about it”.

Atlantic Canada's product position in terms of future trends was not seen as particularly strong. It was acknowledged that the region did have some excellent experiences but they tended to be viewed as " *too few and too far apart*". There was also a perception that very little has changed in the region and this in itself was seen as a problem "*People aren't interested in places that haven't changed in 5 years*"

When asked to identify the typical customer to Atlantic Canada the most frequent response was "seniors interested in nature". More than 80 percent of companies started the description with "seniors" or "older".

Atlantic Canada was seen as having a low awareness in the marketplace by 67 percent of companies (note: not "very low"). The remaining 33 considered awareness medium/average.

Atlantic Canada's image in the marketplace was consistently described as "a good place to view or experience nature". This was usually supported by another descriptive such as coastline, seafood or beaches.

The leading changes respondents felt the region needed to make in its image related to the main weaknesses they saw in the product...more opportunities for involvement, more experiential experiences, nothing new, not changing.

The leading trend in package sales was clearly more WEB sales and less being sold by travel agencies. This was reported by 85 percent of companies.

When asked if customers were now buying tour products with an experience or a destination in mind many operators pointed out that there was now a third element...a bargain in mind.

On the destination versus experience question, approximately 75 percent of operators said there was now a mix of destination versus experiencing seeking customers. Few said the shift from destination to experience was recent or large. Most considered it modest yet consistent.

The overall trend in consumer advertising by tour operators is toward more WEB based marketing and especially more integration between WEB and other media (usually direct mail).

Tour companies continue to differ greatly in terms of their primary markets, their level of marketing sophistication and their willingness to take risks and explore new approaches. Some successes were occasionally mentioned with respect to a particular choice of media

however there is no indication that a new approach to consumer marketing is taking hold.

The importance of social media is recognized by the trade. Approximately 95 percent confirmed that it is having an impact and a few went as far as saying the impact was already "huge".

Tour companies were very supportive of co-operative advertising by ACTP. Approximately 80 percent recommended co-operative advertising as the first priority ACTP should invest in. All other co-operative possibilities rated much lower.

It was emphasized that the program should be flexible and individual "*make it flexible...it should be based on what is working for the partners*". The current ACTP program was singled out by one past partner as one of Atlantic Canada's greatest strengths (flexible, fast, willing to take risks).

When asked what they thought Atlantic Canada's top priorities should be to improve its competitive position in the US trade market a leading 32 percent said the priority should be more consumer advertising. Lowering prices ranked second (23 percent) and developing more experiential experiences and better educating the trade ranked third (both at 14 percent).

The west coast (Pacific) market

The structure of the travel trade in the Pacific market area is very different from the East. Approximately two thirds of the tour operators who sell Canadian product can be classified as special interest. These companies tend to sell very upscale world wide adventure products. In most cases the Canadian product is skiing or mountain adventures in the Canadian Rockies.

Among non special interest tour operators the economy was clearly the main driver of trends in 2009 but how it impacted the industry differed from the east. Rather than bargain shopping ruling the day, the impact on the west coast was much more an overall decline in travel and a much stronger trend toward shorter close to home trips.

Travel within the US was reported to have increased by 66 percent of companies with all of the increase contained on the west coast. Travel to Canada was reported to have increased by 33 percent of companies with all of the increase occurring in the Canadian Rockies. Travel to Europe was reported as down by 50 percent of companies and Travel to Eastern Canada was reported to have fallen by 33 percent of companies.

Tour operators based in the Pacific market expect the economy to continue to drive performance in 2010 and they expect little change in

destination performance. Two thirds (66 percent) expect close to home west coast travel to continue to grow.

Anticipated trends in mode of travel matched the east and for the same reasons. One half (50 percent) of tour operators expect cruise will show the greatest increase. All said it was for the same reason...they will continue to slash prices.

Product trends on the west coast were generally similar to the east but there were some very key differences. Exotic destinations were rated much higher in terms of anticipated growth by western companies and sightseeing tours were rated much lower.

Tour products related to involvement, learning, culinary and experiential experiences were rated very highly in terms of growth expectations in the west. Culinary and experiential experiences in particular were rated much higher.

Tour operators in the Pacific market area gave Atlantic Canada its highest ratings for nature and wildlife observation tours and sightseeing tours. They did not rate the region highly for participatory experiences, learning experiences, culinary or experiential.

Pacific tour operators tended to see Atlantic Canada's geography and coastline as the product components which would have the greatest appeal to people living in California and the west coast market area.

Special Interest tour operators who were not carrying Atlantic Canadian product had varying levels of familiarity with the region. When asked for their opinions on six possible barriers to generating travel from the west coast a lack of awareness was seen as the leading barrier. Ranking second was *"It lacks the drama and excitement today's travelers are looking for"*.

The possible barrier "it takes to long to get there and back" was considered "somewhat important" by the majority. It was frequently noted that it was not so much the time as the cost and scheduling, both of which were described as terrible.

Special interest tour operators did not believe Atlantic Canada offered a product which was too similar to what was already available on the west coast. They leaned toward nature and the environment as having the greatest appeal to consumers in California and the west coast market area.

RECOMENDATIONS

1. The pricing situation

World sellers did not complain that hotel prices in Atlantic Canada are too high but they did lay out a fairly clear equation:

- In a recession costs are critical...
- Others are lowering their rates...
- If prices go down business goes up...
- It's your decision

While this appears very straightforward from a tour operator's perspective, it is far from straightforward for the accommodation sector. Pricing is very complex and involves far more than one segment of the market.

Recommendation:

As pricing decisions can only be made by industry, It is recommended that the situation be communicated to Industry.

2. Bargain shopping

Customers' shopping for deals or bargains was identified as the most important trend now taking place in the US trade industry.

This trend has two very significant implications:

First, if prices are already a problem the issue is not one of lowering prices enough to be competitive; it is lowering prices enough to make it to the bargain list (undoubtedly a very significant reduction).

Second, it changes the competitive landscape. The Canadian Rockies were identified by one operator as "an American dream vacation". If a client enters an agency and inquires as to the best deals available they may well draw the response "if you have ever wanted to see the Canadian Rockies now is the time to do it". The actual cost may be higher than a trip to Atlantic Canada but it is a bargain relative to what the cost normally is. The success of the Rockies in 2009 suggests this is likely occurring.

Recommendation:

As previously noted, pricing decisions can only be made by industry and it is recommended that the industry be made aware of the situation.

3. Product trends

Tour wholesalers clearly pointed out that the region needs to update its product especially in the areas of opportunities for involvement, culinary and experiential experiences.

These are the elements that trade on both sides of the continent identified consistently as the leading product trends of the future.

Implementing this requirement will undoubtedly be a challenge and it is important to note that it is very unlikely that the US trade alone can support new product development. In order to be viable it will be necessary to appeal to other markets.

Recommendation:

It is recommended that the product advancements recommended by trade suppliers be reviewed and implemented where feasible recognizing that products must appeal to more markets than the US trade alone.

4. Cruise

The travel trade unanimously identified Cruise as the mode of travel which is most likely to maintain or grow passenger volumes during the recession and recovery period.

This market is important to Atlantic Canada and as it currently offers the best prospects for performance it may warrant special consideration.

Recommendation:

It is recommended that the cruise market be examined in terms of consideration for special programming.

5. Image and Advertising

The US travel trade clearly supports the need for consumer advertising by Atlantic Canada in the US. It was their leading recommendation to improve position (above even pricing).

An important factor is the linkage between the images communicated to consumers in Atlantic (provincial) campaigns and those being communicated by the trade. A review of WEB sites suggests it may be possible for trade to broaden their image of Atlantic Canada well beyond the current nature and wildlife observation.

Recommendation:

It is recommended that Atlantic Canada continue to recognize consumer advertising in the US as a priority and that the possibility of broadening the images currently being communicated by trade be explored.

6. Co operative Programs

The US Travel trade clearly supports ACTP continuing to offer cooperative trade programs and cooperative advertising was their number one recommendation.

The trade also emphasized the importance of dealing with partners on an individual basis as the partners know what works best for them against their target markets. The current ACTP program was noted as exceptional in the industry by one past partner.

Recommendation:

It is recommended that ACTP continue to offer a US travel trade cooperative marketing program. The program should not be limited to cooperative advertising although cooperative advertising should be recognized as a priority. The program should maintain its current flexibility and willingness to take risks.

7. Social Media

Social media was unquestionably recognized as important by the trade and they clearly expect it will become even more important in the future.

Social media appears to be still in the development stage with the trade. Where it will be a year or two from now is unknown. It is important that this rapidly growing media is followed as it may lead to cooperative marketing opportunities.

Recommendation:

It is recommended that developments in the field of social media be closely followed as they could lead to cooperative programming.

8. The Pacific Market

The Pacific market will undoubtedly be challenging but this study suggests that Atlantic Canada is not going-in facing insurmountable barriers to generating travel.

The travel trade will very likely be of disproportionate importance in the Pacific market (distance). Special programming or considerations may be required.

Recommendation:

It is recommended that the travel trade be recognized as disproportionately important in the Pacific market and that it may warrant special programming.

THE US TRAVEL TRADE IN 2009
Trends, change and Atlantic Canada's position

1.0 Trends

1.1 The recession dictated trends in 2009

- With America in the midst of its first recession more than 20 years it is not surprising that money (cost) became the driving factor in the US travel trade in 2009. It influenced the trends in destinations (who is offering the best prices); the trends in mode of travel (where are the discounts) and even buying patterns (booking late for last minute deals).
- Some operators reported this cost consciousness extended to the trips themselves with customers more scrutinizing and critical of what they considered questionable value.
- There is little indication that 2009 was a one time situation... almost without exception the cost factors which influenced performance in 2009 are expected to continue into 2010.
- The longer range future is unknown, however speculative thinking on the part of tour companies tended to favor a lasting change *“There is a new thinking in America, consumers are debt conscious, paying off their credit cards is their first priority...I'm afraid the days of people walking in asking where they can go for \$6,000 are gone”*.
- As illustrated in the following table, when asked to identify the single most important trend currently taking place in the US travel trade industry one third (66 percent) identified consumers shopping for bargains or deals as the leading trend.

Single Most Important Trend Currently Taking Place In the US Travel Trade Industry Percent of Eastern US Companies* (N=22)	
Trend	Percent of Companies Identifying
Customers shopping for deals/bargains	67%
More hands-on / experiential experiences	18%
Increased travel within the US	9%
Increased importance on brands (quality)	5%
Increased internet booking	5%
Increased FIT	5%
Increased group flexibility	5%

* Totals exceed 100 percent as some companies identified more than one key trend

2.0 Trends in Destinations

Fifteen (15) of the 22 Eastern US tour companies interviewed have been classified as “world sellers”; they sell products from all over the world. The remaining 7 companies (mainly motorcoach) sell only North America. This distinction between companies has been used as only world sellers can respond to conditions in the world marketplace.

2.1 The economy (cost) was clearly the leading factor of influence on destination trends.

- More than two thirds of the 15 companies who sell destinations from around the world identified cost related factors as a main reason for recent trends in destination performance. Cost related factors included overall costs, perceived value, specific rates, etc.
- In a period of economic recession world sellers viewed cost as having a very direct bearing on why some destinations were chosen over others. It was the dominant factor of influence in 2009. *“Hotel rates have come down in New England...it’s now very good value...very affordable, it is selling well”*.
- Among the tour operators who sell only North American tours the effects of the economy tended to be an overall trend of reduced travel rather than specific destinations. *“What destinations are up...none ...we are down 30 percent across the board”*
- If there was a trend among North American sellers it was shorter trips, therefore less nights and ultimately less money. No individual destinations were reported as increasing with consistency. (Cap Cod, Niagara Falls and Quebec were among destinations noted as increasing but with very little consistency).

2.2 Destinations within the US showed the greatest increase in 2009

- The leading destination in terms of increase in 2009 was the US itself. Approximately 36 percent of companies identified the US or specific destinations within the US as showing strong growth in the past year. It was frequently noted that hotel rates were down, the product was solid and the overall savings associated with closer to home vacations made the US a very affordable destination.
- Canada ranked second with 33 percent reporting growth in sales to Canada however this was carried almost entirely by Western Canada, specifically the Rockies. In total, 23 percent of companies (almost 30 percent of world sellers) identified Western Canada as a destination showing strong growth. Almost all attributed this to a drop in hotel rates which made it a very good value.

- Africa ranked third as an upward trending destination in 2009 (identified by 23 percent of companies). Egypt was the only individual African country mentioned with consistency (identified by 20 percent of world sellers).
- All other worldwide destinations received very little mention in terms of growth. Approximately 9 percent identified growth in Europe but this was carried almost entirely by Spain and Greece. The UK, France, Germany and Italy received no mentions.
- None of the 22 tour companies reported an increase for Atlantic Canada over the past year.

Destinations Reported as Increasing Percent of Eastern Tour Companies (N=22)	
Destination	Companies Reporting Increase %
USA (total)	36
Canada (total)	33
Africa	23
Europe	9
South America	9
Mexico	0
Asia/Pacific	0
Australia	0
Na / all / none	18
Canada Distribution	
Western Canada	23
Ontario	5
Quebec	5
Atlantic Canada	0
Eastern Can (general)	0
All Canada (general)	0

2.3 Canada was the leading destination in decline

- Unfortunately, Canada was identified most frequently as a declining destination in 2009. Approximately one half (51 percent) reported Canada was one of the leading destinations in decline. This was almost always linked to cost.

- Mexico ranked second in terms of decline (23 percent of total and 30 percent of world sellers). Easily the leading reason was the H1N1 virus (Swine Flue) followed by crime and the earthquake.
- Specific destinations in the US were also identified as declining by 23 percent of total companies. This was carried for the most part by North American sellers. One of the leading reasons for the decline was the lack of change (nothing new) at popular Motorcoach destinations such as Branson Missouri and Williamsburg Virginia. Many companies noted that these destinations have already been visited by their clientele.
- European destinations (UK, France, and Italy) were identified as declining by 18 percent of total companies and by almost 30 percent of world sellers.
- Unfortunately, Atlantic Canada was singled out as one of the leading Canadian destinations showing a decline (14 percent of companies).

Destinations Reported as Increasing and Decreasing Percent of Eastern Tour Operators (N=22)		
Destination	Companies Reporting Increase %	Companies Reporting Decrease %
USA (total)	36	23
Canada (total)	33	51
Africa	23	0
Europe	9	18
South America	9	0
Mexico	0	23
Asia/Pacific	0	0
Australia	0	0
Na / all / none	18	14
Canada Distribution		
Western Canada	23	5
Ontario	5	9
Quebec	5	0
Atlantic Canada	0	14
Eastern Can (general)	0	5
All Canada (general)	0	18

2.4 The patterns of 2009 are expected to continue into 2010

- With few exceptions, tour operators expect the same factors, which dominated travel in 2009 will continue in 2010. As a result many of the same trends are expected to continue into next year.
- The US is expected to lead growth once again (45 percent of companies). Consumers are expected to remain very cost conscious and the lower overall costs associated with traveling close to home together with hotel rates that are expected to remain favorable are anticipated to be the deciding factors.
- Canada is once again predicted to rank second (28 percent of companies forecast growth) however this increase is expected to be largely limited to Western Canada (the Rockies) where rates are remaining favorable.
- A resurgence in travel to Europe is anticipated by 14 percent of companies (20 percent of world sellers). These companies tend to believe there is a pent-up demand for Europe. Germany's once every 10 years Oberammergau is also expected to be a factor.

Destinations Reported as Increasing, Decreasing and Expected to Grow Percent of Eastern Tour Companies (N=22)			
Destination	Companies Reporting Increase %	Companies Reporting Decrease %	Companies Predicting Growth %
USA (total)	36	23	45
Canada (total)	33	51	28
Africa	23	0	0
Europe	9	18	14
South America	9	0	5
Mexico	0	23	0
Asia/Pacific	0	0	9
Australia	0	0	0
Na / all / none	18	14	27
Canada Distribution			
Western Canada	23	5	18
Ontario	5	9	5
Quebec	5	0	5
Atlantic Canada	0	14	0
Eastern Can (general)	0	5	0
All Canada (general)	0	18	0

3.0 Trends in Mode of Travel

Trends in mode of travel are based only on the interviews conducted with the 15 companies who sell worldwide product. This is because very few of the 7 companies who sell only North American destinations were familiar with any types of trips other than group tours.

In this section Tour Companies were asked to rank the four types of travel: Group, FIT, Specialty and Cruise on the basis of their outlook for the future.

3.1 Cruise is expected to show the greatest increase

- A leading 46 percent of the companies who sold worldwide product predicted Cruise would show the greatest increase in the immediate future. Ten of the fifteen companies who sold worldwide product sold cruise as well as other product. Six of these companies (60 percent) predicted cruise would show the greatest growth and another 30 percent rated it second in terms of growth.
- The reasons were consistent. Cruise was prepared to cut rates and offer huge discounts and as a result they offered exceptional value in a very price sensitive market place.

3.2 Group is expected to remain strong

- Group travel is expected to remain strong. It ranked second to cruise overall and almost always second to cruise among companies selling both products.
- Group travel is the core travel segment for the vast majority of Atlantic Canada's trade suppliers and they have a very vested interest in ensuring that it is maintained.
- This segment tends to be older; it differs significantly between companies (new seniors vs. traditional seniors) and several companies report a new trend toward multi generational group touring (children accompanying their parents or grandparents).

3.3 FIT a younger and possibly uncertain market

- FIT is generally regarded as a market of younger travelers who want to travel independently and with more flexibility than is available with group. Most companies consider it the fastest growing segment among younger travelers.

- Very few companies currently sell FIT's to Atlantic Canada and the segment itself is becoming clouded. Several companies in North America (WEB based) now sell city packages which typically include the FIT components: airfare, accommodation (at one hotel) and possibly a rental car or tickets to local sightseeing tours or attractions. The FIT basics are there but the organized tours to communities outside the destination city are not.
- FIT tours to Atlantic Canada are not sold by many companies and it is important to note that they are of limited interest to the regions leading suppliers. Some have tried them and they are not interested in going back.

3.4 Specialty Travel is limited.

- Specialty or Special interest travel is not a major factor for Atlantic Canada in the US North East Market area. Most of the Regions major suppliers are not involved in special interest and they are uncertain as to its future.

Rank of Anticipated Growth by Type of Trip Percent of Eastern US Tour Operators N=22					
Travel Type	Rank 1 st %	Rank 2 nd %	Rank 3 rd %	Rank 4 th %	Don't Know %
Cruise	46	23	0	0	23
Group	31	31	23	15	0
FIT	9	31	23	8	29
Specialty	8	15	31	15	31

4.0 Product Trends

In this section Tour operators were asked to assess the status of 12 types of tours or tour elements on the basis of growing, stable or falling.

4.1 Sightseeing tours and participatory and learning experiences lead growth expectations.

- A leading 60 percent of tour operators identified sightseeing tours and participatory and learning experiences as the tour products or tour elements they expect to see growing in the future.
- Cultural tours, exotic destinations, discovery tours and culinary experiences ranked second with 50 percent of operators rating them as growing segments.
- Low growth products included nature or wildlife observation tours and historic tours (both at only 25 percent expecting growth) and gaming packages with only 15 percent expecting growth. It was often noted that gaming was now “*too available everywhere*”.

Tour Operators Assessments of the Status of Tour Types and Elements Percent of Eastern US Tour Operators N=22				
Product	Growing %	Stable %	Falling %	Don't Know %
Participatory experiences	60	25	10	5
Learning experiences	60	30	5	5
Cultural tours	50	40	10	0
Sightseeing tours	60	30	10	0
Exotic destinations	50	15	25	10
Nature or wildlife observation tours	25	45	10	20
Historic tours	25	60	15	0
Discovery tours	50	25	10	15
Adventure travel	35	20	10	25
Gaming packages	15	25	30	30
Experiential experiences	45	30	10	15
Culinary experiences	50	25	5	20

4.2 Atlantic Canada received its highest ratings for nature and wildlife observation

- When asked to assess the same 12 elements for Atlantic Canada the region scored highest for the low growth “nature and wildlife observation tours”. In total, 58 percent of respondents rated Atlantic Canada as excellent in this area.
- Atlantic Canada also scored relatively well for participatory experiences, sightseeing tours and historic tours. All were rated as excellent by 26 percent.
- Two of Atlantic Canada’s lowest ratings were in the areas of experiential experiences (0 excellent ratings) and culinary experiences where only 5 percent rated the region as excellent.

Tour Operator ratings of Atlantic Canada Tour Types and Elements Percent of Eastern US Tour Operators N=22					
Product	Excellent %	Good %	Fair %	Poor %	Don't Know %
Participatory experiences	26	53	16	0	5
Learning experiences	21	47	26	0	5
Cultural tours	11	53	21	0	15
Sightseeing tours	26	58	16	0	0
Exotic destinations	0	21	16	32	31
Nature or wildlife observation tours	58	16	5	0	21
Historic tours	26	47	21	0	5
Discovery tours	11	58	21	0	10
Adventure travel	5	42	21	0	32
Gaming packages	0	11	21	0	68
Experiential experiences	0	47	26	0	27
Culinary experiences	5	47	16	5	27

4.3 The future lies in involvement and the right combination of tour components

- Tour companies were asked what they saw as the leading types of vacation products or experience their clientele were now looking for and how they related to the trends of the future.

- The future of the US trade market appears to be driven by two key elements. First, tour clientele want less structure and more flexibility. Second, they want more involvement.
- What this means depends on the type of clientele the individual tour operator attracts. Tour companies whose clientele are traditional seniors tend to express the need as *“customers want less structure, more free time at destinations to do things on their own”*.
- Companies who attract the new seniors take it much further *“they want to go on pub crawls...mix with the locals...find out what life is really like where they are visiting”*
- The companies that sell worldwide product and attract the new seniors rated the elements culinary, experiential and cultural highly. When asked about trends of the future the themes were consistent: *“anything experiential...go beyond the customary”*; *“anything hands on ...anything that creates memories”* *“hands-on experiences and culinary”*, *“experiential and culinary...no question about it”*; *“both are essential”*
- These companies also emphasized the need for the complete package and not isolated elements: *“Today’s seniors are interested in everything. They don’t want just a culinary tour, they want culinary included with everything...nature, culture, new experiences ...they want to learn and be involved, everything is important”*.

4.4 Atlantic Canada’s product position is not strong

- Atlantic Canada’s position in terms of experiential experiences and opportunities for learning and involvement was not seen as especially strong. It was noted that the region did have some excellent experiences but in general they tended to be viewed as *“too few, too far apart”*
- Some also noted that nothing new appears to have come on line and this in itself was an important factor *“people aren’t interested in places that haven’t changed in five years”*
- One respondent commented that the region was once a leader in experiential tourism and it has now been bypassed *“Who does it better?? Quebec...no question. Go to Quebec City and you will find dozens of experiences in and around the city...all well organized and group friendly”*.

4.4 Culinary efforts are being recognized

- Culinary experiences were seen as a key component in the types of tours today's customers are looking for and while Atlantic Canada's culinary product was not seen as especially strong (only 5 percent rated it as excellent), neither was it seen as especially weak (47 percent rated it as good).
- Other than emphasizing the importance of culinary which was described by several respondents as "essential", Tour operators commented very little on the regions culinary product. They did comment on the editorial coverage the region has been receiving. ACTP is responsible for generating a number of recent culinary articles in the US media and it is not going unnoticed by the Trade. It is *"exactly what is needed"*

5.0 Consumers

5.1 *The typical customer for Atlantic Canada is older and interested in nature*

- When asked to describe the typical customer to Atlantic Canada the first identifiers used by 80 percent of companies were “senior” or “older”.
- The exact senior starting age went as low as 49 plus however the majority indicated the starting age was 55 plus. Among companies that sold only North American product (mainly motorcoach) the average age was estimated to be considerably higher (mid 60’s; 75% are over 60 etc.).
- The second most frequently used identifier was “interested in nature” (approximately 30 percent of companies).
- The most consistent description of the typical customer to Atlantic Canada was “seniors interested in nature”. It was frequently volunteered that these tended to be past and not new customers for the company.

5.2 *Atlantic Canada is seen as having low awareness in the marketplace*

- On a scale from very low to very high two thirds of companies (66 percent) indicated Atlantic Canada had “low” awareness in the US market (not “very low”). One third rated awareness of the region as medium/average.
- Atlantic Canada’s image in the marketplace was consistently described as “a good destination to view or experience nature”. This was usually supported by another descriptor which varied: (nature: seafood; nature: coastline; nature: beaches).
- The nature component of image supported what they had indicated earlier in the product section was the Regions greatest strength (nature and wildlife viewing).
- It should be noted that what four companies described as Atlantic Canada’s image “a good destination to view or experience nature” and the type of customers it attracts “seniors who want to experience nature” essentially matches the image of Atlantic

Canada that the tour wholesalers themselves present in their promotional material.

5.3 Changes to image

- The leading changes respondents felt the region needed to make in its image related the main weaknesses they saw in the product: nothing new, not changing, more opportunities for interaction and involvement needed, more experiential experiences needed.
- One respondent suggested *“A lot of good things are happening there in areas such as science, technology and culture. These are interesting to people but they are not being brought out. There is no bridge to tourism. More creativity is needed...get out of the nothing has changed syndrome”*.

6.0 Trends in sales & marketing

6.1 The leading trend in package sales is clearly more sales by WEB and less by Travel Agents.

- The leading trend in package sales was clearly more WEB sales and less being sold by travel agents. This was reported by approximately 85 percent of companies.
- It was noted that the base clientele for group travel is the seniors market and as many are latecomers to WEB there is a catch up phase now underway.
- It was also noted by a small minority of companies that not all seniors are using the WEB and there is still a need for the catalogues seniors are more comfortable with.
- While WEB is clearly growing it should not be assumed that the end of the travel agency is in sight. Travel Agencies are still of vital importance to a number of companies and while they acknowledge that WEB is growing some see Travel Agents rising to a new level of importance where they will act as professional travel consultants.

6.2 The recession influenced the buying process in 2009

- When asked if customers were now buying tour products with an experience or a destination in mind many tour operators pointed out that there was now a third element ...a bargain in mind.
- Approximately 67 percent of operators identified bargain hunting or looking for deals as the leading trend in the US trade industry. Often this involved last minute or close- in booking.
- On the destination versus experience question, approximately 75 percent of operators indicated there was a now a mix of destination versus experience seeking customers (25 percent of companies said customers were still interested in destinations only).
- Few companies said the shift from destination to experience seeking was recent or large. Most considered it relatively small yet consistent.
- None saw this change as influencing ACTP, nor did they see ACTP playing any roll in the process.

6.3 The overall trend in consumer marketing is one of integration

- The overall trend in consumer advertising by tour companies is toward more WEB based marketing and especially more integration between WEB and other media (usually direct mail).
- Tour companies differ greatly in terms of their primary markets, their levels of sophistication and their willingness to take risks and explore new methods of marketing. While some companies deviate little from the standard direct mail now supported by WEB, others are experimenting with other media such as radio.
- Some successes were occasionally mentioned with a particular choice of media however there was no indication that a new approach to marketing is taking hold.
- On frequently mentioned way that Atlantic Canada can assist in marketing is by providing video (appropriate content, format etc) for use on their WEB sites.

6.4 The importance of social media is recognized by the Trade

- When asked if social media was having any impact on trade approximately 95 percent confirmed that it was having an impact and a few went as far as saying the impact was already "huge".
- It was pointed out that the 55 plus segment was the fastest growing segment on facebook and that seniors in particular like to share their travel experiences.
- It was also pointed out that social media could be a two way street noting the Toronto situation as an example (garbage strike).
- While almost all expect the importance of social media to grow they are uncertain as to how Atlantic Canada can assist. When specifically asked, the most common response was "*first we would need to know what you are currently doing*"

6.5 Tour Companies support co-operative advertising

- When told that Atlantic Canada was prepared to invest funds in the US trade market and asked what they would consider the priority areas ACTP should invest in the vast majority (80 percent) recommended co-operative advertising as the first priority
- Co-op advertising was the only area recommended with consistency. Approximately 30 percent recommended FAM tours but a near equal number indicated FAM tours were not of interest.

Video support for WEB sites was one of the leading recommendations for approximately 20 percent.

- It was emphasized that the program should be flexible and individual “go to the partners and find out what they are doing”; “make it flexible ...it should be based on what is working for the partners”.
- One past partner considered ACTP’s approach to partnering one of Atlantic Canada’s greatest strengths (flexible, fast, willing to take risks,).

6.6 More advertising is recommended as the leading priority to improve position

- When asked what they thought Atlantic Canada’s top three priorities should be to improve its competitive position in the US trade market a leading 32 percent said the priority should be to advertise more to increase awareness and “get the word out”.
- Lowering prices ranked second (23 percent). This was carried almost exclusively by companies that sold North American product only (mainly motorcoach).
- Ranking third (both at 14 percent) were developing new hands-on or experiential experiences and better educating the trade industry on Atlantic Canada.

Leading Recommendations to Improve Atlantic Canada’s Competitive Position Percent of Eastern Tour Companies N=22	
Recommendation	Companies Recommending %
Increase consumer advertising/improve awareness	32
Lower prices	23
More hands-on/experiential products	14
Better educate trade industry	14
Try Texas & California markets	9
Provide video support for WEB sites	9
Better WEB presence	5
Improve what you have	5
Emphasize value for \$	5
Continue to be aggressive	5
Make GST rebate system easier	5

7.0 THE PACIFIC MARKET (California and the West Coast)

The structure of the trade industry is different on the West Coast

- The structure of the travel trade on the West Coast is very different from the East. The Pacific market area is dominated by special interest tour operators.
- Fifteen of the 22 west coast tour operators who sell Canadian product (from supplied list) can be classified as special interest. These special interest tour operators tend to sell very upscale (world wide) adventure products. In most cases the Canadian product is skiing or mountain adventures in the Canadian Rockies.
- The survey was successful in interviewing 6 of the 7 seven non special interest companies (sell worldwide product). Short interviews were also carried out with 9 of the 15 special interest companies to get a sense where they saw Atlantic Canada fitting in the Pacific marketplace.

WEST COAST COMPANIES SELLING WORLDWIDE PRODUCT

- The first section is based on interviews conducted with the 6 West Coast companies who sell worldwide product (non special interest). Although the sample is very small it represents almost all of the non special interest tour operators located in the market area (6 of 7 companies).

7.1 Destination Trends differed on the West Coast

- The economy was clearly the main driver of trends on the West Coast but how it impacted the industry differed from the East. Rather than bargain shopping and price reductions ruling the day, the impact on the West coast appeared to much more an overall decline in travel and a much stronger trend toward shorter close to home trips.
- Approximately 66 percent of companies reported an increase in travel within the US but all of this increase was within the West Coast region. In addition, 33 percent of companies reported an increase in travel to Canada with the entire increase taking place in the Canadian Rockies.

- The greatest decline occurred in travel to Europe (50 percent of companies reporting a decline). Travel to Eastern Canada was reported to have fallen by 33 percent of companies with half of the decline (16 percent) attributed to travel to Atlantic Canada.
- West coast companies expect the economy to continue to drive performance in 2010 and they expect little change in destination performance. Two thirds (66 percent) expect close to home west coast travel to continue to grow.

Destinations Reported as Increasing, Decreasing and Expected to Grow Percent of Pacific Tour Companies N=6			
Destination	Companies Reporting Increase %	Companies Reporting Decrease %	Companies Predicting Growth %
USA (total)	67	17	67
Canada (total)	33	33	17
Africa	33	0	17
Europe	17	50	0
South America	0	17	0
Mexico	0	17	0
Asia/Pacific	0	0	0
Australia	0	0	0
Na / all / none	0	0	0
Canada Distribution			
Western Canada	33	17	17
Ontario	0	0	0
Quebec	0	0	0
Atlantic Canada	0	17	0
Eastern Can (general)	0	17	0
All Canada (general)	0	0	0

7.2 Mode of Travel

Cruise is expected to show the greatest growth...and for the same reasons as in the east

- Trends in mode of travel did match the East Coast and for the same reason. One half (50 percent) of the companies indicated they expect Cruise to show the greatest increase. All said it was for the same reason... they have slashed prices.
- Group and FIT ran very similar in terms of anticipated growth. Specialty travel was ranked last by the majority.

Ranking of Types of Travel by Anticipated Increase Percent of Pacific Companies N=6					
Travel Type	Rank 1st %	Rank 2nd %	Rank 3rd %	Rank 4th %	Don't Know %
Cruise	50	33	0	0	17
Group	17	17	33	17	17
FIT	17	33	33	0	17
Specialty	0	0	17	67	17

7.3 Product trends on the West Coast are similar but there are some key differences

- Product trends on the West Coast were similar to the East Coast yet there were some very key differences. Exotic destinations rated highest in terms of growth on the West Coast (83 percent of companies rated them as growing). On the East Coast only 50 percent saw them as growing.
- Two key areas for Atlantic Canada; sightseeing tours and nature or wildlife observation tours did not rate highly in the West. Only 17 percent saw sightseeing tours as increasing versus 60 percent in the East. Only 33 percent saw nature or wildlife observation tours as increasing in the west. This was in line with the finding in the East (25 percent predicted growth).
- Key tour components related to involvement, learning, culinary, experiential and culture all rated very highly as growing in the West.

- Culinary and experiential experiences in particular were rated much higher in the west than in the east. Both were considered to be growing markets by 67 percent in the west as compared to 50 percent (culinary) and 45 percent (experiential) in the east.

Tour Operators Assessments of the Status of Tour Types and Elements Percent of West Coast Tour Operators N=6				
Product	Growing %	Stable %	Falling %	Don't Know %
Participatory experiences	67	33	0	0
Learning experiences	67	33	0	0
Cultural tours	67	33	0	0
Sightseeing tours	17	67	17	0
Exotic destinations	83	0	0	17
Nature or wildlife observation tours	33	50	17	0
Historic tours	33	67	0	0
Discovery tours	50	50	0	0
Adventure travel	67	33	0	0
Gaming packages	17	33	17	33
Experiential experiences	67	17	0	17
Culinary experiences	67	33	0	0

7.4 Atlantic Canada's product ratings in the west were similar to the east

- When asked to assess the same 12 elements for Atlantic Canada the general pattern of response was similar to the east. Western companies also gave Atlantic Canada its highest ratings for nature or wildlife observation tours (83 percent excellent) followed by sightseeing tours (50 percent excellent).
- Atlantic Canada did not rate as well in the west for participatory experiences, learning experiences or historic tours. Cultural tours were rated higher in the west (33 percent versus 11 percent in the east rated excellent).
- Two of Atlantic Canada's lowest ratings in the east were in the areas of experiential experiences (0 excellent ratings) and culinary experiences (5 percent excellent ratings). Ratings in the west were

marginally higher but mainly because of the small sample base (17 percent excellent ratings).

Tour Operator Ratings of Atlantic Canada Tour Types and Elements Percent of US West Coast Tour Operators N=6					
Product	Excellent %	Good %	Fair %	Poor %	Don't Know %
Participatory experiences	17	67	0	0	17
Learning experiences	17	67	17	0	0
Cultural tours	33	67	0	0	0
Sightseeing tours	50	50	0	0	0
Exotic destinations	0	50	33	0	17
Nature or wildlife observation tours	83	0	17	0	0
Historic tours	17	67	17	0	0
Discovery tours	33	50	17	0	0
Adventure travel	17	67	17	0	0
Gaming packages	0	0	67	0	33
Experiential experiences	17	67	17	0	0
Culinary experiences	17	33	50	0	0

7.5 They see Atlantic Canada's geography and coastline as having the greatest appeal in the west.

- Companies in the Pacific market area were asked “From what you know of Atlantic Canada, what would you say is likely to have the greatest appeal to people living in California and the west coast market area”. Individual responses for the 6 companies are listed below. It can be noted that geography and coastline are recommended most consistently.
 - Explore the geography...Cabot Trail, Fundy Coast, PEI beaches
 - Landscape and coastline
 - Wildlife and adventure
 - Marine & wildlife...History, connections to New England and Quebec, Fall colors
 - Culture & Geography...it's very different from the west coast
 - Cool weather...rugged coastline

7.6 Special interest tour operators view low awareness and a lack of drama and excitement as the greatest barriers to generating travel from the west coast

- Special Interest tour operators had varying levels of familiarity with Atlantic Canada. None were currently selling Atlantic Canada product. When asked for their opinion on the importance of six possible barriers to generating travel from the west coast 6 of the 9 felt they were sufficiently knowledgeable to respond.
- The leading barrier was seen as low awareness of Atlantic Canada on the west coast (67 percent considered this a very important barrier). This was followed by “*It lacks the drama or excitement today’s travelers are looking for*” (50 percent very important).
- The possible barrier “*It takes too long to get there and back*” was considered “somewhat important” by the majority (83 percent). It was frequently noted that it was not so much the time as the cost and schedule, both of which were described as terrible.

Importance of Possible Barriers to Generating Travel To Atlantic Canada from The West Coast Special Interest Tour Operators N=6				
Factor	Very Important %	Somewhat Important %	Not Important %	Don't Know %
It takes too long to get there and back	17	83	0	0
It does not have the product our customers are looking for	17	0	33	50
Atlantic Canada is not well known by our customers	67	0	33	0
There are too many other choices available right now	33	33	33	0
It lacks the drama and excitement today’s travelers are looking for	50	17	33	0
It is too similar to what can be found here on the west coast	17	0	83	0

7.8 Special interest tour operators leaned toward nature as having the greatest west coast appeal.

- When asked what they felt would appeal most about Atlantic Canada in the West Coast market responses tended to be mixed yet nature oriented
 - *Seasons...there are no seasons in California*
 - *Nature and the Environment*
 - *Culture and the coastline of PEI and Nova Scotia*
 - *Nova Scotia because it is best known*
 - *It's very different...exotic*
 - *Not certain*

Appendix

Methodology Specifics

A total of 70 potential contacts were supplied. This was reduced to 47 for the following reasons:

Inbound / agency sales only.....	8
No Canadian product / Ski only	5
Non tour wholesaler	7*
Disconnected / out of business.....	3
 Total eliminated from sample	 23

*Attempts were made to contact these companies and they were unsuccessful (all on answering machines).

The survey was successful in interviewing 35 of the 47 remaining (eligible) travel trade companies (74.5% response rate).

Only 1 company refused the survey (company policy), the remainder were unreachable.

A minimum of 6 call-backs were made to 9 unreachable companies.