Northwest Territories Tourism Marketing Strategy - 1993-94 - 1998-99 (technical Report)

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Catalogue Number: 11-8-22

11-B 22

NORTHWEST TERRITORIES TOURISM MARKETING STRATEGY 1993-94 - 1998-99

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TECHNICAL REPORT

March, 1994

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Prepared for: *The* **Department** *of Economic Development and Tourism,*
Government of the Northwest **Territories.**

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1.0 INTRODUCTION

1.1 The Need for a New Northwest Territories Tourism Marketing Strategy

The NWT last produced a comprehensive tourism marketing strategy in 1986. Based on the experience of other tourism jurisdictions, the productive shelf life of a tourism marketing strategy is three to five years and almost eight years have elapsed since the NWT launched its first and only tourism marketing strategy. The primary objective of the 1986 strategy was to build awareness for tourism to the NWT, principally in U.S. travel markets.

There have been some very significant changes to the NWT's travel markets and products since the introduction of the 1986 strategy. In the mid 1980's the NWT and most of North America was enjoying a travel boom. In the 1990's, the tourism industry has largely come to a standstill, principally as the result of a North American-wide recession. Further, there have been major demographic shifts resulting in older travel markets gaining importance, as well as shifts in product consumption that have negatively affected the NWT's consumptive tourism products such as hunting and fishing and positively affected non-consumptive outdoor adventure travel products. There have also been some "surprise" niche market developments such as a very positive response from Japanese tour operators for Northern Lights viewing.

In addition to changes in tourism products and markets, the nature of government in the NWT has also changed, particularly the manner in which the Department of Economic Development and Tourism has organized itself to deliver services and programs. The Department is moving toward a more highly decentralized model of service and program delivery. In the case of tourism, Regional Superintendents will have greater authority in terms of the direction of tourism marketing and development as it affects their region.

Since 1986 there has been no comprehensive evaluation of the NWT's marketing strategy and programs. This includes answering such basic questions as how much money should Economic Development and Tourism actually be spending on tourism marketing and how effective have specific programs been in terms of generating inquiries and actual tourist visitors? Further, there are no established targets against which the success of tourism

marketing activities could be measured against, evaluated and adjusted. In essence, the tourism marketing function has been "drifting" for the last few years.
In the course of preparing the new marketing strategy, several questions were raised about not only the performance and effectiveness of existing marketing programs and services but about the basic structure and performance of the NWT's tourism industry. As a result, there were a number of needs identified to ensure that the new marketing strategy would be comprehensive in nature. A new strategy should:

- *Embrace all marketing activities and services from awareness to point of sale.*
- *Audit and evaluate the performance of the industry.*
- *Audit and evaluate the performance of existing marketing programs.*
- *Educate both industry and government about the structure of the NWT's tourism industry, relative to other jurisdictions and what components of the industry that a new tourism marketing strategy could realistically impact on.*
- *Identify key trends in both tourism products and markets that will both positively and negatively impact on the NWT's tourism industry.*
- *Set targets for the industry's development over a five-year period.*
- *Provide a directional strategy in terms of programs and services as to how the NWT can achieve targeted market growth for its tourism products.*

1.2 Limitations to This Marketing Strategy

The NWT, like a number of North American jurisdictions, experienced reasonably strong growth in its tourism industry for most of the 1980's. However, as the 1990's approached, the NWT's tourism industry began to stall. In fact, it appears that the NWT's tourism industry has not experienced any real growth since 1989. As a result, expectations are high that a new tourism marketing strategy would "kick-start" the NWT's tourism industry in order for it to return to the level of growth that the industry enjoyed in the early 1980's.

While this strategy does establish aggressive targets for the growth of the NWT's tourism industry over the next five years, there are limitations as to the impact that the marketing strategy can have on visitation to the NWT over the next five years. These limitations relate to currently available data about the industry and secondly limitations regarding tourism product development and delivery at the community and regional levels.

Data Limitations

A major limitation facing the preparation of the strategy was current data and information about the performance of the NWT's tourism industry. Most jurisdictions monitor their tourism industry annually or in the case of Statistics Canada's Canadian Travel Survey every two years. In the case of the NWT, the last comprehensive survey of the industry in terms of visitors, their demographics, origin/destination, product consumption and expenditure impact was completed in the sumrner of 1989.

The 1989 Visitors Survey is now five years old and the data and information contained in that survey are very "stale". In preparing this marketing strategy, attempts were made to analyze and update data and information contained in the 1989 survey. In some areas educated guesses had to be made about the demand for specific NWT tourism products and the numbers and type of visitors they attract.

One of the first steps recommended in the new five year marketing strategy is to undertake a comprehensive visitor survey. This survey will ensure that this strategy is "on-track" in regard to some of the key assumptions made such as the type of products that will drive new tourism demand and building a better understanding of the NWT's customer base and how/where to reach and convert that customer base into actual NWT visitors.

Good market data and information is one of the most important ingredients in developing a successful approach to marketing and developing the NWT's tourism industry. The NWT is a classic case for niche marketing and a good market data and information base will greatly assist the NWT in developing markets for its tourism products. The challenge for the NWT's tourism industry will be in finding and "targeting" very specific niche markets for the type of unique vacation travel experience that the NWT has to offer.

Product Development and Delivery

This marketing strategy largely addresses the market side of the NWT's tourism industry. It does not speak to the need for product development and delivery in the NWT. Some regions and some tourism products are at differing states of development in the NWT. The last comprehensive inventory and analysis of the NWT's tourism products on a territory-wide and regional basis took place in 1986, almost eight years ago.

At the regional and community levels, the range of product delivery varies from very sophisticated offering world class adventure products to almost elemental. Some NWT tourism operators have annual matching budgets that exceed **$50,000 whereas some operators** *have seasonal sales of less than that amount.*

Some regions, while possessing a "raw" product, have not been able to package that product to export standards where the product could be effectively delivered to national and international markets. This is somewhat the case for regions like the Keewatin and Kitikmeot. Other regions such asthe Baffin *have successfully integrated product and market development to a point where that region has developed over 60 tour packages, principally in the outdoor adventure tourism product market. The* Baffin *has also developed a wholesale distribution system for its tour packages.*

The Department of Economic Development and Tourism should consider undertaking the development of a product-development strategy as a companion to the Five Year Marketing Strategy. This should bedone ona regional basis. As an example, the Dempster *Highway has long term potential as a tourism product. The market potential is reasonably strong for the kind of unique long-haul auto touring experience the* Dempster *has to offer. However, this product does not yield major economic dividends for the* NWT *largely because the visitor length of stay and expenditure impact of current* Dempster *Highway visitors is quite low. Destination areas like the* Dempster *will require simultaneous product and market development strategies.*

1.3 Steps Taken in Preparing the NWT's New Tourism Marketing Strategy

The preparation of a new NWT *Marketing Strategy was initiated March 1, 1993. In preparing the new strategy, the following steps were undertaken:*

1. **Situational Analysis**

   - **The value of travel and tourism** *to the* NWT's *economy* was *determined.*
   - *The value of vacation travel, towards which a new* NWT *Tourism Marketing Strategy would be strategically directed, was determined.*
   - *The* NWT's *principal tourism products were inventoried and profiled.*
   - *The* NWT's *tourism markets were analyzed with a view to determining key trends, both positive and negative.*

2. *Program Evaluation*

   - All *of the* GNWT's *current marketing programs and activities were evaluated to determine which programs were working and which ones were not.*

- NWT *operators were contacted via a detailed industry survey to determine their opinions regarding the* NWT's *marketing strategy and programs/services.*

- *Regional Superintendents were contacted for their views.*

- *The* NWT's *marketing strategy and programs were compared against other jurisdictions.*

3. Targets and Time Frame for Implementation

- *Targets for the development of the* NWT *tourism industry were established.*

- *A time frame for implementation of 1993-94 to 1998-99 was established.*

- *The economic dividend to the* NWT's *economy resulting from achieving set targets was determined.*

4. *Strategic Focus*

- *The strategic focus for the new Tourism Marketing Strategy was determined from both product and market perspectives.*

5. Program Components

- *The level of fiscal resources the GNWT should be committing towards a tourism marketing strategy was determined.*

- *The rationale and requirements for the program components, budget and mix for the new strategy was determined.*

- *Strategic program direction was set for each year of the Strategy's implementation.*

2.0 ECONOMIC SIGNIFICANCE OF TOURISM TO THE NWT AND IS IT WORTH GOVERNMENT'S STRATEGIC ATTENTION AND BUDGETARY COMMITMENT

2.1 All Travel Markets and Not Just Pleasure/Vacation Travelers Are Important to the NWT's Economy

- *All contribute to the* NWT's *travel infrastructure.*

  - Airports
  - *Air Transportation*
  - *Ground Transportation and Services*
  - *Accommodation, Hotels and Lodges*
  - *Food/Beverage Services*
  - *Visitor Services*

- *If any one market declines it affects the others.* Market *decline may* be *affected in one or more of the following:*

  - *Higher Prices*
  - *Reduced Service*
  - *Reduced Facilities*
  - *Lost Employment*

- *The development of* NWT *travel markets through the growth in the* NWT's *economy has been important, if not critical, in developing travel industry infrastructure.*

- *The development of the* NWT's *resident and business travel markets in the 1970's and early 1980's was important in building travel industry infrastructure that allowed the* NWT *to pursue the non-resident pleasure travel market.*

- *Some* NWT *communities are actually better served by air transportation than many southern cities with substantially larger populations, which is a direct result of business travel and air freight shipments to the* NWT.

- *For a number of* NWT *travel industry businesses* a customer *is* a customer *regardless of origin or reasons for travel to or in the* NWT *- just ask any hotel owner in the* NWT *or taxi drivers in any* NWT *community.*

2.2 At an Estimated $133.8 Million in Travel Expenditure Captured Annually, the NWT's Travel Industry Has a Major Impact on the NWT's Economy

The travel industry accounts for:

- **2,000 person years of direct employment (which is a conservative estimate as actual job creation is more likely in the range of 3,500-4,000 jobs). The travel industry is very seasonal.**

- *The third highest level of employment amongst* NWT *economic sectors behind government and the mineral industry.*

- *An estimated* 10% *of the* NWT's *employed* labour *force.*

- *$60 million annually in wages and salaries.*

- *More than 10% of total territorial income generation (direct and indirect).*

- *Over 7% of total Territorial GDP.*

- *Almost* 10% *of the* NWT's *total exports.*

ECONOMIC SIGNIFICANCE OF THE NWT'S *MAIN TR4VEL MARKETS*

Travel Markets	**Economic Value of Travel Markets to the NWT in Travel Receipts Captured by the Industry**
NWT *Resident Market – @90,000 trips*	- $45.0 million
NWT *Non-Resident* Pleasure *Market – @56,000 trips**	$56.0 million
NWT *Non-Resident Business Market – @32,800 trips*	$32.8 Million

* Includes both NWT vacation *travelers* as well as visiting friends and relatives in the NWT.

Source: 1989 NWT Visitors Survey and GNWT Quick Facts, 1993.

2.3 In Terms of the Value of Non-Resident Travel, the NWT's Travel Industry is Larger Than the Yukon's

TABLE 1
COMPARISON OF THE YUKON AND
NWT *NON-RESIDENT TRAVEL INDUSTRIES*
(Summer Only - 1992)

	VOLUME	VALUE	
	Number of Non-Resident Person Trips	**Average Per Trip Tourist Expenditure**	**Total Tourism Expenditure ($000,000)**
Yukon	**230,000**	**$251**	**$57.7**
NWT	**64,000**	**$1,000**	**$64.0**

Source: Yukon and NWT Visitors Survey.

2.4 The NWT's Travel Industry Has Been Based More on Value Than Volume

EXHIBIT 1
VISITOR LENGTH OF STAY AND AVERAGE PER PERSON TRIP EXPENDITURE CAPTURED BY THE NWT AND OTHER JURISDICTIONS

	Average Length of Stay in Nights	Average Per Person Trip Expenditure
NWT	**8.5**	**$1,000**
Alaska	*N/A*	*$589*
Yukon	**4.3**	**$251**
PEI	*4.1*	*$233*
BC	*3.1*	*$183*
Newfoundland	**2.0**	**$124**
Alberta	*1.7*	*1-$101*
Average for Canada	*1.9*	*$106*

Source: NWT, Alaska and Yukon Visitor Surveys and Statistics Canada's Canadian Travel Survey.

2.5 Realistically, the GNWT, Through a Marketing Strategy Would Impact on 30% of the NWT's Travel Industry, Which is Primarily the Summer Travel Vacation Market, Valued at $39 Million in Tourism Expenditure

all travel

- *While we have valued the* NWT's *annual travel industry at $133* million *this includes business travelers, resident travelers, persons visiting friends and relatives in the* NWT *as well as persons traveling to the* NWT *for purely pleasure or vacation travel.*

- *A new tourism marketing strategy* could *not influence all of these markets. The major market that the* GNWT *could realistically hope to impact - through a new marketing strategy* would *be non-resident vacation travelers who could be influenced to take pleasure travel trips to the NWT. The volume and value of this market is indicated in Table 2.*

TABLE 2

VOLUME AND VALUE OF THE NWT'S
SUMMER VACATION TRAVEL MARKET

Number of Visitors	*32,000*
Value of Visitor Expenditure to the NWT's *Economy –*	*$39.0 M*

Note: This estimate does not include some shoulder season and winier pleasure travel such as Northern Lights Viewing, flow edge viewing, dogsledding and pleasure-related components of business travel and/or NWT resident pleasure travel.

Source: Derived from 1989 NWT Visitors Survey and an estimate of vacation travelers to the NWT not included in the 1989 Visitors Survey such as lodge visitors. An estimated 27,000 non-resident visitors to the NWT were pure vacation travelers plus an estimated 5,000 lodge visitors. The average per person expenditure was estimated to be $1,218.

2.6 For an Economy that Lacks Diversity and Where Private Sector Job Creation Does Not Come Easily, Tourism Presents a Real Opportunity for the NWT

- *At present,* NWT *vacation travel is a $39 M export market.*

- *Relative to other NWT industry sectors like mining development, capital requirements for most tourism businesses such as tour operators and outfitters are modest.*

- *Tourism creates more jobs per dollar of capital investment than primary industries.*

- *Tourism requires less entry-level training/skills than other sectors and as a result labour force participation by NWT residents can be much broader.*

- *Tourism is a sustainable industry based on renewable resources.*

2.7 However, Tourism Has Not Benefited Every Region in the NWT to the Same Extent - The Eastern Arctic Accounts for Only 13% of the NWT's Total Non-Resident Pleasure Travel Visitation and 19% of Its Economic Value

TABLE 3

SUMMER VACATION TRAVEL VISITATION TO **NWT ZONES**

Zones	Number Vacation Travel Visitors	%	% Tourism Expenditure
North Slave	11,710	36.4%	
South Slave	7,535	23.4%	
Inuvik	4,535	14.1%	
Deh Cho	2,854	8.9%	
Sahtu	1,491	4.6%	
Total for Western Arctic	**28,125**	**87.5%**	**81% ($31.6 M)**
Baffin	1,864	5.8970	
Keewatin	1,552	4.8%	
Kitikmeot	622	1.9%	
Total for Eastern Arctic	**4,038**	**12.5%**	**19% ($7.4 M)**
Total for NWT	**32,163**	**100.0%**	**100% ($39.0 M)**

Note: The above zone visitation estimates includes visitation to lodges and hunting outfitters.

Source: 1989 NWT Visitors Travel Survey.

3.0 WHAT ARE THE NWT'S TOURISM PRODUCTS

3.1 The NWT's Primary Tourism Product Draws are Touring, Fishing and Outdoor Adventure Products

TABLE 4

NWT TOURISM PRODUCT - TOURIST ACTIVITIES THAT FORM THE PRIMARY BASIS FOR A VACATION TRAVEL TRIP TO THE NWT

Product	Number of Visitors	%
Independent Auto Touring	*12,555*	39.0%
Fishing	*8,902*	27.7%
General Outdoor Adventure Packaged Touring	*3,139*	9.8%
camping	*1,725*	5.3%
Canoeing/Kayaking	*1,113 "*	*3.5%*
Parks, Historic Sites	1,002	3.170
Hunting	*806*	2.5%
Nature Study	*806*	2.5%
Hiking/Backpacking	*501*	1.6%
Festival	*223*	0.7%
All Other	*1,391*	*4.370*
Total	**32,163**	**100.070**

* Consultants' estimate based on 1989 Visitor Survey and Tourism Operator Surveys. Touring involves a number of activities which could be some or all of the activities listed in this table as well as others. In the case of independent auto touring these are auto touring trips that may involve, for example, camping, fishing, visiting parks/sites and general siteseeing. In the case of general outdoor adventure packaged touring these trips are by air and would largely be described as outdoor adventure travel packages involving "soft" adventure activities such as wildlife viewing, visiting parks, sites, and cultural tourism.

3.2 The Ratio of Independent to Packaged Tourism Travel to the NWT is 69% to 31%

- *As shown in the following table, almost one-third of vacation travelers to the NWT are packaged tour travelers. For other Canadian jurisdictions, packaged tour travel accounts for less than 5% of total visitation. Packaged tour travel is proportionately very important to the NWT and the development of a new marketing strategy should take this into account.*

TABLE 5

NWT *INDEPENDENT AND PACKAGED VACATION TRAVEL*

Product	*Independent Tourists*	*Packaged Tourists*	*Total*
Independent Auto Touring	*12,555*	*0*	*12,555*
General Outdoor Adventure Touring	*o*	*3,139*	*3,139*
Fishing	*4,619*	*4,283*	*8,902*
Hunting	*o*	806	806
camping	1,673	52	1,725
Canoeing	445	668	1,113
Parks/'Historic Sites	931	71	1,002
Nature Study	101	705	806
Hiking/Backpacking	137	364	501
Festivals/Events	210	13	223
All Other	1,391	0	1,391
Total	**22,062**	**10,101**	**32,163**

* Consultants' Estimate based on 1989 NWT Visitors Survey and Tourism Operator Survey.

3.3 However, In Terms of Economic Value, Packaged Tourism Would Account for 50% or More of Total Vacation Expenditure Captured by the NWT

- *While we do not have precise information regarding expenditure data for independent versus packaged tour vacation travel to the NWT a reasonable assumption (based on the 1989 Visitors Survey) to make would be the independent traveller would spend $850 per trip and the packaged traveller $2,000. Applying these visitor expenditure rates, the following is an estimate* *of the economic value of independent and packaged tourism travel to the* NWT.

Independent Tourists	*22,062*	@$850/trip	*= $18.8 M*
Packaged Tourists	*10.101*	*@$2,000/trip*	*= 20.2 M*
Total	*32,163*	*Average - $1,218/trip*	*= $39.0 M*

Note: Average trip expenditures for NWT non-resident vacation travel at $1,218/trip is greater than the average trip expenditures for all NWT travellers at $l,OOOhrip-

3.4 Tour Packages Are a Significant Component of the NWT'S Tourism Industry

As shown in *the following* table, *tour packages are the single largest component of travel expenditure* incurred *by non-residents in traveling to the* NWT.

TABLE 6

NON-RESIDENT TRAVEL *EXPENDITURE COMPONENTS IN THE* NWT *AND BY REGION*

	9%0 Spent by Component						
	Tour Packages	**Transportation**	**Accommodation**	**Meals**	**Souvenirs**	**Other**	**Total**
WESTERN ARCTIC							
North Slave	20.6%	15.5%	20.1%	9.6%	9.6%	24.4?4	100.0%
South Slave	31.0%	24.9%	7.9%	5.3%	3.6970	27.3%	100.0%
Inuvik/Sahtu	27.3%	19.370	11.7%	8.5%	7.1%	26.1%	100.0%
EASTERN ARCTIC							
Kitikmeot	20.6%	37.7%	11.1%	11.470	2.3%	16.9%	100.0%
Keewatin	38.5%	18.8%	10.89Io	6.170	5.7?70	20.1%	100.0%
Baffin	30.4%	25.7%	16.9%	9.9%	11.4%	5.7%	100.0%
Total NWT	25.2%	20.990	15.0%	8.5%	7.4%	23.0%	100.0%

Travel expenditures made by persons who are part of a group or packaged tour includes more than the cost of the tour package itself, for example, souvenirs, and depending upon the package, individuals could also be spending money on meals, local transportation and other items.

Note: Based on 1989 Visitors Survey, Deh Cho was not established as a separate tourist zone at that time.

3.5 Tour Packaging is a More Important Component to the NWT's U.S. Pleasure Travel Market than is the Case for Canadian Visitors

TABLE 7
TOTAL TRAVEL EXPENDITURE PROFILE FOR CANADIAN AND AMERICAN PLEASURE TRAVELERS

Expenditure	Canadian Vacation Travelers	American Vacation Travellers
Transportation	13.1%	16.1%
Food/Beverage	8.4%	5.1%
Accommodation	15.1%	9.8%
Tour Packages	20.4%	29.1 %
Souvenirs	10.470	6.5910
Other Items	32.6%	33.4%
Total	**100.0%**	**100.0%**

source: 1989 NWT Visitors Survey.

3.6 Tour Packaging is Far More Important to the NWT's Tourism Product Base than for Other Jurisdictions

TABLE 8
comparison OF NWT TOURISM EXPENDITURE PROFILE WITH OTHER JURISDICTIONS

Expenditure	Canada	Saskatchewan	Yukon	NWT
Transportation	45%	44%	33%	20.99'0
Food/Beverage	21%	24%	25%	8.5%
Accommodation	16%	14%	25%	15.0%0
Other	18%	18%	1770	23.0%
Tour Packages	0%	o%	0%	25.2%
Souvenirs	0%	0%	0%	7.4%
Total	100.0%	100.070	**100.0%**	100.070

Note: In the cases of the Yukon, Manitoba and Saskatchewan, these provinces offer few package tours as the principal market is the independent road traveller. In the Yukon's case, it is true that the Yukon experiences a considerable amount of packaged bus tour traffic. However, most of the bus tours all destined for Alaska and not the Yukon.

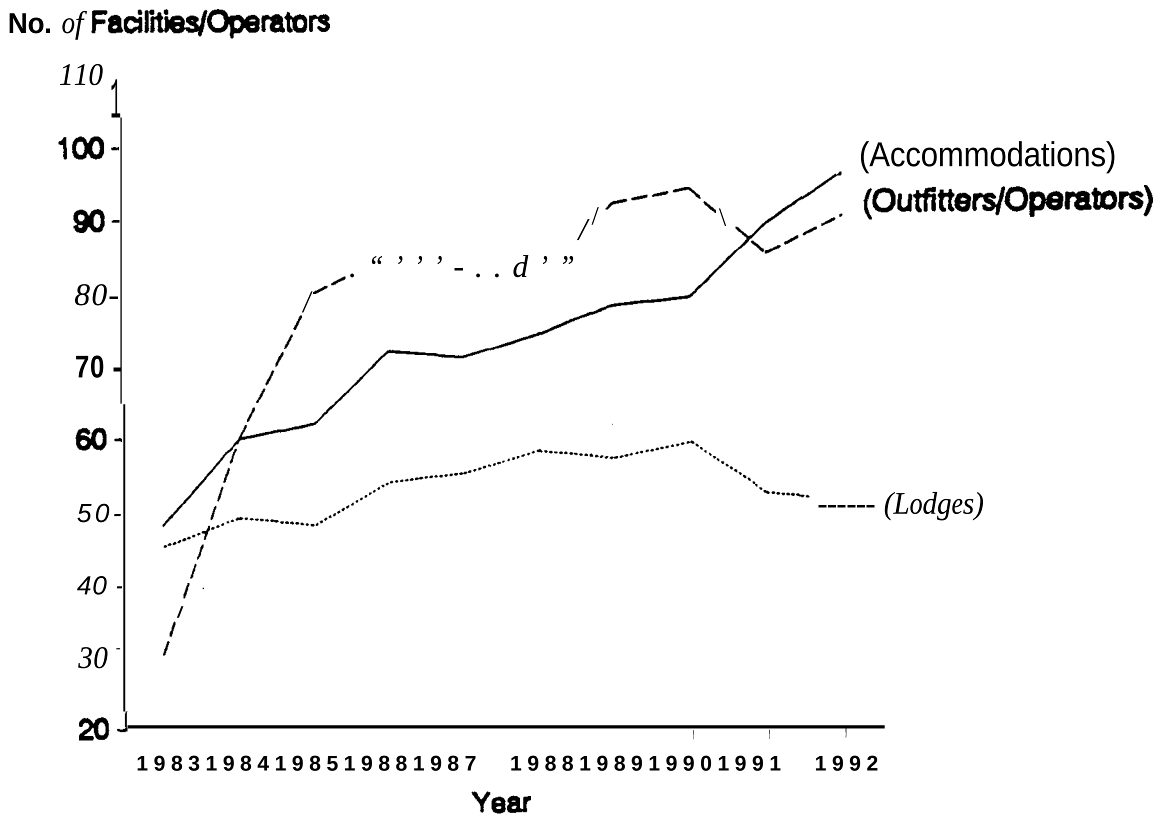
Source: NWT *and Yukon Visitors Survey and Statistics Canada Travel Survey.*

3.7 Growth in the NWT's Outfitting and Accommodation Sectors Reflects the Growth of the NWT's Outdoor Adventure and Touring Products

- *Even though fishing/hunting products generate the largest single economic impact for the NWT's tourism industry, participation rates for hunting/fishing have been declining in the NWT. This is reflected in the decline in NWT lodge facilities, as shown in the following exhibit.*

- *On the other hand, participation rates for non-consumptive outdoor adventure products and touring have increased. This is reflected by the growth in the NWT's accommodation and outfitting sector.*

Exhibit 2- Growth in NWT Tourism Facilities and Operators



Source: GNWT Quick Facts, 1993.

3.8 At the Regional Level There are Significant Differences in the Tourism Products Which Makes Organizing and Marketing the NWT as a Generic Destination Difficult

- *For a region such as Inuvik, the major tourism product is independent road touring accounting for 85910 of all tourists, whereas in the case of the* Baffin, 75% *of all tourists could be described as "packaged" outdoor adventure tourists.*

- The tourism product *base* in the *East differs from that in the West.*

- *The* NWT's *lodge industry is highly concentrated in the West.*

- *Comparatively, the West's tourism industry infrastructure is at a more advanced stage than is the case in the East.*

- *Road touring, currently the* NWT's *largest tourist visitor market, is not available in the Eastern Arctic.*

- *There are substantial cultural differences between the East and the West.*

- *There are significant differences in transportation access between the West and the East, as well as different market alignments* **(i.e.,** *north-south linkages).*

- *In commenting on a previous GNWT marketing campaign, Superintendents based in the* **west,** *noted "What have icebergs got to do with my region and furthermore, we don't even have Polar Bears".*

3.9 In Terms of Product Delivery the NWT is at Varying Stages of Development at the Regional Level

- *The range of product delivery varies from very sophisticated to almost elemental.*

- *The scale of operation varies significantly from large lodges and tour operators with $50,000 marketing budgets to smaller operators who can't even afford the $1,000 to participate in the Department's Co-op Marketing campaign.*

- *There are very few NWT-resident tour operators that could be described as full service in that they retail tour packages and have direct customer contact with the NWT's non-resident tourist markets. A number of NWT tour operators rely on southern wholesalers to sell their products.*

- *Even marketing products in some regions is questionable given their stage of development. This is somewhat the case for the Keewatin and Kitikmeot regions where a raw product exists but has not been fully developed to "export" (tourist) market potential and standards. This is even true for some larger zones. As an example the Dempster Highway has excellent potential for development but due to lack of product development both the length of stay and expenditure impact for the NWT are low. These areas require co-development strategies – in other words there must be simultaneous product and market development.*

- *The Baffin provides a good illustration of moving from the product development to the market development stage. The Baffin has co-developed product and market through integration of its parks and visitor services and the development of a number of tour packages. It has linked the development of tour packages with distribution systems, both wholesale and retail. It now has a semblance of organized tourism development that can "grow" visitors. We are not so sure that this has occurred elsewhere in the Eastern Arctic.*

3.10 The NWT's Tourism Marketing Strategy Should be Directed at Three Primary Products: Auto Touring, Fishing/Hunting and Outdoor Adventure Travel

TABLE 9
THE NWT'S PRIMARY TOURIST PRODUCTS

Primary Product	Current Visitation: Independent Travel	Current Visitation: Packaged Travel	Current Visitation: Total Visitors	Current NWT Tourism Revenues
INDEPENDENT AUTO TOURING	12,555	0	12,555	$10.7 M
• Primarily Independent Travel • Western Arctic Travel Product (South/North Slave, Deh Cho and Inuvik) • Low Spend/High Volume • Single Largest Tourist Market in North America • For Northern Jurisdictions There is Also a German Auto Touring Market based on Vehicle Rental				
FISHING/HUNTING	4,619	5,089	9,708	$14.1 M
Fishing – 8,902 Visitors of which 48.1% are "packaged" lodge visitors • *Market is evenly split between U.S./Canada but likely a 60/40 split in favour of U.S. when visitor expenditure is considered* • Primarily a Western Arctic product with the exception of the Keewatin Hunting – 806 visitors of which all are packaged • Primarily a Western Arctic Product				
OUTDOOR ADVENTURE TRAVEL	3,287	4,999	8,286	$12.8 M
Soft Adventure (Eco-Tourism) • 4,642 visitors of which 799'0 is packaged - General Outdoor Adventure Packaged Tours - Nature Study - Visiting Parks/Historic Sites - Adventure Tours Hard Adventure • 3,339 visitors of which 33% is packaged - Camping – Canoeing/Kayaking/Rafting – Dogsledding/Skiing – Hiking/Backpacking				
Total	20,461	10,088	30,549	$37.6 M

Note: Does not include other tourism travel such as attendance at festivals and events and other types of unspecified tourism travel valued at $1.4 million.

Source: Consultants' estimate based on 1989 NW'l' Visitors Survey and GNWT Quick Facts.

- We have *excluded products* like festivals, *events and* cultural *tours from being primary products. That is not to say that they should receive no marketing consideration. Rather, they would not be the focal point for a product focus. We realize that many would argue withus about excluding culture as a primary product, particularly in the case of the Eastern Arctic which is 80%* Inuit. *We do not believe that tourists come to view or consume culture. It is just not a stand-alone tourist product. Very definitely they will want to have contact with local cultures but only in association with other products such as visiting parks, historical sites, wildlife or floe-edge viewing. In other words, you would market Eastern Arctic culture in building an image for the region's tourism products.*

- *We have separated packaged from independent tourists for all products. This is an important distinction to make in developing marketing programs as these two broad types of tourists require very different marketing programs. In the case of packaged tourists, a significant portion of the* GNWT's *marketing programs should* support NWT *tourism operators as it will be the tourism operators that will really be driving tourist visitation. In the case of independent tourists, there is really no single operator that drives their visitation to the* NWT. *The* GNWT *therefore has a lead role in the maintenance and development of this market.*

- *As noted previously, while independent tourists outnumber packaged tourists, by virtue of the higher visitor expenditure for packaged tours, we recommend equal weight be placed on marketing programs developed for independent tourists and packaged tourists.*

4.0 THE NWT'S TOURISM MARKETS

4.1 The Market Orientation of the NWT's Non-Resident Visitor Market Has Changed Very Little Over Time, with Alberta, Ontario and the U.S. Being the Strongest Markets, Accounting for 70% of All Non-Resident Visitors

TABLE 10

MARKET ORIGIN OF NON-RESIDENT VISITATION TO THE NWT 1983-1989 (Summer Only)

	1983	1989	Change 1983-89
Alberta	34.5%	38.4910	3.9%
Us.	18.0%	18.2%	0.2?70
Ontario	15.09'0	12.7%	(2.3%)
B.C.	12.4%	9.8%	(2.6%)
All Other (Canadian/International)	20.1%	20.9%	0.8%
Total	100.0%	100.0%	

Source: Visitor Surveys for 1989 and 1983.

4.2 At the Regional Level There Are Real Differences in Market Structure Which Are Primarily the Result of Transportation Access and Proximity to Nearby Travel Markets

TABLE 11

REGIONAL MARKET ORIGIN OF NWT VISITORS

Destination	NWT	Western Arctic			Eastern Arctic		
origin		North Slave	south Slave	Inuvik/ Sahtu	Arctic/ Kitikmeot	Keewatin	Baffin
Alberta	38.4%	41.570	51.8%	21.6%	27.5%	6.1970	7.6910
Us.	18.2%	14.8910	18.7%	30.8%	21.0%0	22.8%	12.9%0
Ontario	12.7%	12.0%0	7.6%	10.7'%	22.7%	34.7%	36.6%
B.C.	9.8%	10.5%	7.7%	12.8%	7.1%	2.396	8.3'%
Saskatchewan	6.3910	9.1%	4.2%	3.3%	2.8%	2.0%	0.6%
Overseas	5.7%	4.7%	5.9%	9.8%	6.6%	7.19'0	4.090
Quebec	2.8%	2.2%	0.6%	1.0%	1.6%	3.9%	22.8%
Manitoba	2.8%	2.9%	2.1%	1.3%	3.9%	21.0%0	3.0%
Maritimes	2.0%	2.1%	1.3%	1.8%	6.7%	0.0%	3.8%
Yukon	1.2%	0.2%	0.2%	7.095	0.2%	0.0%0	0.4%
Total	*100%*	*100%*	*100%*	*100%*	**100%**	**100%**	**100%**

Note: This table includes both vacation and non-vacation travellers to the NWT.

source: 1989 NWT Visitors Survey.

- *The Western Arctic, in particular North Slave and South Slave, are highly dependent on the Alberta market which is not the case for the Eastern Arctic (Baffin and Keewatin).*
- *Inuvik is really a "hybrid" market in that it is closely tied to the Yukon-Alaska visitor base through the Dempster Highway. As a result it has the highest U.S. travel penetration rate.*
- *Ontario is the largest single market for the Eastern Arctic, which is not the case for the Western Arctic.*

4.3 In Regard to Vacation Travel to the NWT, to Which Most of the NWT's Marketing Efforts Have Been Directed, The U.S. Pleasure Travel Market is More Important, Especially for Packaged Tour Operators

TABLE 12

COMPARISON OF MARKET ORIGIN FOR ALL NON-RESIDENT (SUMMER ONLY) VISITORS, VACATION ONLY NON-RESIDENTS AND PACKAGED TOUR OPERATORS

origin	All Non-Resident Visitors to NWT	Non-Resident Vacation Travelers to the NWT	NWT Packaged Tour Operator Market Profile
Canada	76.1%	57.1%	41.6910
Us.	18.2%	34.3%	41.970
Overseas	5.7%	8.6%	6.5%

Source: 1989 NWT Visitors Survey.

4.4 The NWT's Tourism Market Tends to be Older and More Affluent Than Canada's Tourism Market

- 60% *of the* NWT's *visitors have a household income greater than $40,000 compared to* 46% *for Canada.*

TABLE 13

COMPARISON OF VISITOR HOUSEHOLD INCOME FOR THE NWT *AND CANADA*

Income Group	NWT	Canada
Over $50,000	39.6%	31.7%
$40,000-$50,000	20.7%	*15.190-*
$30,000-$40,000	20.1%	19.3%
$20$000-$30,000	12.5%	16.5%
Under $30,000	*7.170*	*17.49?0*

- *30% of the NWT's visitors are over the age of 55 compared to only 14% for Canada.*

TABLE 14

COMPARISON OF VISITOR AGE PROFILE FOR THE NWT AND CANADA

Age Group	NWT	Canada
Over 55	30.5%	14.5%
41 - 54	22.4910	20.3%
31 - 40	19.2%	20.0%
20 -30	13.770	21.2%
Under 20	14.1%	24.0%0

4.5 After Experiencing Substantial Growth During the 1980's, Virtually No Growth Has Occurred in the NWT's Travel Industry Since 1989

TABLE 15

TOTAL NUMBER OF VISITORS TO THE NWT 1979 to 1992 (Summer Only)

1992	64,000
1989	64,000
1986	48,000
1979	36,000

Source: GNWT Quick Facts, 1993.

4.6 The Experience of the NWT's Tourism Industry Has Been Similar to that of Canada's -As the 1990's Approached, Tourism Growth Began to Slow Dramatically

While the performance of the NWT's *tourism industry began to "stall" as the 1990's approached, the* NWT *can take some comfort in the fact that the entire Canadian tourism industry experienced a similar trend:*

- *Between 1984 and 1988, participation rates in Canadian leisure travel in Canada rose from* 61% *to 64% but by 1990, leisure travel participation fell* to 60%.
- *Between 1980 and 1988 total overnight travel generated by the Canadian domestic market increased from 74.5 million to 79.4 million but by 1990, domestic overnight travel fell to 78.3 million.*
- *From a high of 13.6 million overnight trips in 1986, U.S. travel to Canada fell to 12.2 million in 1990, a* 10.3% *decrease.*
- *The only bright light for Canada's tourism industry as the 1990's approached was overseas travel which grew from 2.0 million overnight trips to 2.9 million.*

4.7 At the NWT Product Level, Similar No-Growth Trends are Evident, But with Some Exceptions

FISHING

- **The** *sale of all sport fishing* licences *has declined from 17,400 in 1989 to 13,500 in 1992, a decline of 22.29?0.*
- *The number of* NWT *lodge visitors has declined from 5,260 in 1989 to 4,660 in 1992, a decline of* 11.4%.
- *As shown in Exhibit 4, fishing inquiries to the* NWT *declined by* 53.5% *from 4,606 inquiries in 1987-88 to 2,490 inquiries in 1991-92.*

HUNTING

- *Mackenzie Mountain Big Game Outfitters, 396 clients in 1989 and 289 clients in 1992, a 27.070 decline.*

- NWT big game hunters, 870 clients in 1989, and 848 clients in 1990, a decline of 3%.

- As shown in Exhibit 4, hunting inquiries to the NWT declined by 74.6% from 1,612 inquiries in 1987-88 to just 410 inquiries in 1991-92.

- Preliminary information for 1993 indicates an increase in hunting licences.

AIR TRAFFIC

- Scheduled airline passenger traffic to the NWT peaked in 1989 and has declined by over 10% between 1989 and 1991.

AUTO TRAFFIC

- Only Dempster Highway visitor numbers have increased since 1989.

OUTDOOR ADVENTURE

- Some operators are enjoying improved sales and are positive about future growth.

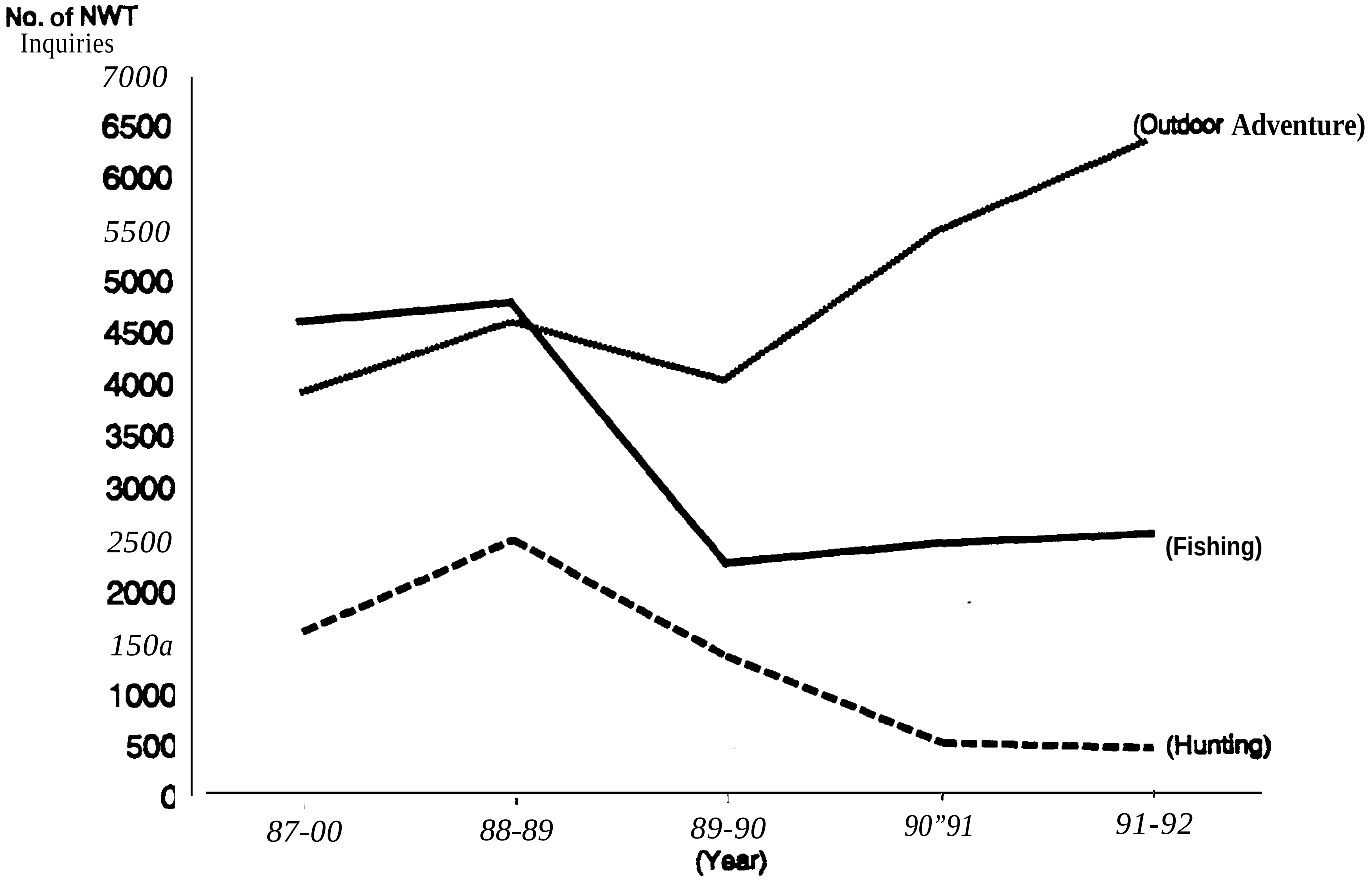
- Packaged tour sales in the Baffin increased by almost 20% from 1991 to 1992.

- Even during the recent recession, sales of outdoor adventure products have increased substantially and they have clearly outperformed other tourism products.

- As shown in Exhibit 3, outdoor adventure inquiries increased by 60.5fZo.from 3,916 inquiries in 1987-88 to 6,287 inquiries in 1991,-92.

EXHIBIT 3

NWT Inquiries for Selected Tourism Products - Fishing, Hunting and Outdoor Adventure 1987-1992



Source: Department of Economic Development and Tourism.

4.8 With the Prospect of Sluggish Growth in the NWT's Main Markets, the NWT Should Concentrate on Niche Markets and Product Segments that Appeal to Those Markets

OUTDOOR ADVENTURE

- *Over the past 8 years outdoor adventure travel has been a key "driver" in the* NWT's *pleasure travel industry.*

- *Adventure travel is forecast to be the fastest growing segment in the travel industry at a growth rate of 15-20% per annum for the foreseeable future. However, it is still a small niche market segment. For example, in the province of* Alberta, *it accounts for less than* 1% *of total tourism trips to and in that province.*

- *In the U.S. and Canada over 13 million residents are members of nature, wildlife, conservation, ecology and environment groups. At present, the portion of this market demand that is captured by the* NWT *is not even measurable.*

- *Outdoor adventure products that include contact with Aboriginal culture would have strong thematic appeal in European and U.S. markets.*

- *The creation of a new territory,* Nunavut, *will heighten interest in Eastern Arctic tourism and the NWT.*

- *The* NWT *is enjoying excellent success with niche outdoor adventure tourism products such as the development of Northern Lights Viewing for the Japanese market.*

AUTO TOURING

- *The type of trip most frequently taken to Canada by U.S. travelers is a touring vacation of 8-10 days in length and planned 2-3 months in advance. The* NWT *can offer a very unique auto touring experience that is distinctive from Alaska/'Yukon markets and that could appeal to U.S. and Western Canadian auto touring travelers.*

- *"Grey" travel will boom in the 1990's. The 55+ market is the fastest growing travel segment and they have the time to travel. The NWT enjoys much higher market penetration in the 55+ market than Canada does as a whole. This will be an important and growing market for the NWT in the 1990's.*

- *The Dempster Highway has the potential to develop into a significant auto touring destination for North Americans.*

- *The Alberta market for northern auto touring has largely been ignored – it's still one of the NWT's largest markets. Further, Alberta really has no marketable "North". There is virtually no northern Alberta fishing lodge or outfitting industry.*

FISHING/HUNTING

- *While fishing/hunting has been a no-growth market, it is still a 12 million person market in North America of which the NWT captures less than 1%. If the NWT were to capture 1% of this market, it would mean 120,000 visitors as opposed to the current level of 9,000.*

- *The NWT is being "beaten-up" by competition and costs in North American sport fishing markets, as well as by a general North American-wide recession. Saskatchewan, which currently has the single largest northern lodge industry, has taken steps through the Northern Saskatchewan Outfitters Association in developing a direct air charter service for their clients out of Denver to La Ronge, with marketing support from the Government of Saskatchewan. The Government of Manitoba has traditionally been very supportive of its northern fishing lodge industry.*

- *While it is true that market demand from consumptive tourism products has declined, in terms of economic value, the NWT's fishing and hunting products make up the largest single product segment in the industry. This fact should not be overlooked.*

- *The NWT should reposition itself as having some of the best fresh-water fishing in North America, emphasizing its exclusiveness and 24 hours of daylight in the peak summer periods.*

5.0 EVALUATION OF THE NWT'S TOURISM MARKETING PROGRAMS AND ACTIVITIES

5.1 For 1992-93 the GNWT Spent $2.4 Million on Tourism Marketing, with Print/Media Advertising Being the Largest Single Expenditure Accounting for 41% of the Total GNWT Marketing Budget

The *following table profiles the* GNWT's *1992-93 tourism marketing expenditures of $2.4 million by major program activity.*

TABLE 16

1992-93 GNWT TOURISM MARKETING EXPENDITURE BY MAJOR PROGRAM AREA *

	%
Print/Media Advertising Promotions (Principally Co-op Marketing Program)	**41.470**
Zone Marketing (EDA)	**16.4%**
1-800 Inquiry and Information Fulfillment	**10.3YO**
Tourism Information Publications (Explorer's Guide)	**8.8?40**
Consumer Show Program (EDA)	**7.2%**
Travel Trade	**3.5%**
Co-op Activities with Airlines	**3.5%**
Regional Support Initiatives - Advertising, Public Relations, Videos *and Studies*	**9.4%**
Total	*100.090*

* This does not include expenditures on marketing by Regional Superintendents.

Source: GNWT, Economic Development and Tourism.

As shown in this table, print/media advertising is the single largest marketing expenditure made by the GNWT. It is the primary marketing vehicle that links the NWT with potential visitors. Other programs, such as Zone Marketing, 1-800 Service and publications, are primarily fulfillment and information services. The Consumer Show Program does facilitate direct customer contact between NWT tourism operators and potential customers. However, this is done only through consumer shows that the NWT participates in, and as a result has very limited reach in terms of the total North American market. Obviously, not all of the NWT's potential customers attend consumer shows. The maximum potential of the Consumer Show Program would likely result in 700 visitors to the NWT. While successful in its own right, as a program it will never be the key program vehicle for the NWT's marketing strategy.

5.2 No Canadian Province or Territory Spends Less than $2.1 Million Annually in Tourism Marketing

The following table compares the value of each province's and territory's tourism industries and their estimated marketing budgets.

TABLE 17

COMPARISON OF TOTAL TRAVEL REVENUE AND ANNUAL MARKETING BUDGETS FOR CANADA, THE PROVINCES AND TERRITORIES (000,000s)

Jurisdiction	Total Travel Revenue	Annual Marketing Budget
PEI	$140.0	$2.2
Newfoundland	$401.0	" $2.1
New Brunswick	$588.0	$2.1
Nova Scotia	$899.0	$ 2.8
Quebec	$4,428.0	N/A
Ontario	$8,658.0	$ 10.0
Manitoba	$999.0	$3.1
Saskatchewan	$783.0	$2.1
Alberta	$2,763.0	$11.6
B.C.	$3,695.0	$10.0
Yukon	$53.5	$2.5
NWT	$133.8	$2.4
Canada *	$7,232.0	$11.5

* **includes only revenue from international** markets. Revenue from the provinces and territories is for resident, Canadian and international markets. Tourism in Canada is defined as any individual taking a trip 80 km or greater.

Source: Tourism Canada and Yukon/NWT Visitors Survey.

As shown in this table no Canadian province or territory spends less than $2.1 million in marketing its tourism industry. The NWT's *travel and tourism industry, while comparatively small, is actually larger than* PEI *and Yukon industries. At a budget of $2.4 million, the* NWT *marketing initiatives appears to be "in-line" with the other smaller Canadian travel jurisdictions of* PEI *($2.2 million),* Newfoundland ($2.1 million) and the *Yukon ($2.5 million).*

5.3 In Comparison to Other Northern Jurisdictions, the NWT is Not Overspending in Regard to Its Current Level of Marketing Expenditures

While the previous section compared the NWT *with other Canadian provinces, the following table compares the* NWT *with other northern jurisdictions only on the basis of non-resident expenditure captured and tourism marketing budgets. In the case of* Alaska, *Yukon and Northern B. C., we have combined their marketing budgets as each of these jurisdictions is involved in several cooperative marketing programs with one or both of the other two.*

TABLE 18

COMPARISON OF MARKETING BUDGETS EXPRESSED AS A PERCENTAGE OF NON-RESIDENT **TRAVEL** *REVENUE FOR NORTHERN JURISDICTIONS .*

	Number of Visitors	Per Visitor Revenue	Total Non-Resident Travel Revenue ($000's)	Annual Marketing Budgets	Marketing Budget as a Percentage of Tourism Revenue
Alaska	694,000	$589	$408,766		
Yukon	213,000	$251	53,463	$25.5 M	3.8%
BC - Peace River	351,024	$251	88,101		
BC – North by Northwest	952,376	$251	113,552		
Total	**1,710,400**	**$388**	**$663,882**		
NWT	**64,000**	**$1,000**	**$64,000**	**$2.4 M**	**3.8%**

As shown in this table, when annual marketing budgets are expressed as a percentage of non-resident travel revenue, the NWT is spending the same amount asother Northern jurisdictions at 3.8% of total non-resident tourist revenue captured.

5.4 Annual Territorial Government Tax Revenue Earned from the NWT's Vacation Travel Industry of $4.6 Million is Almost Twice the Level of Annual Marketing Expenditure Made by the GNWT

We applied Tourism Canada's impact model to the tourism expenditure generated by the NWT's pleasure travel industry.

TABLE 19

GOVERNMENT REVENUE EARNED FROM **THE NWT'S** *PLEASURE* **TRAVEL INDUSTRY**

Direct/Indirect Government Revenue	*$ 000's*
NWT Pleasure Travel Expenditure	*$39.0*
Federal Government Revenue @20%	*$ 7.8*
Territorial Government Revenue @11.9%	*$4.6*
Total Government Revenue @31.9%	*$12.4*

Source: Tourism Canada Impact Model.

As shown in this table the NWT's pleasure travel industry generates (directly and indirectly) $4.6 million for the GNWT. This is almost twice the level of annual marketing expenditure in the GNWT.

Based on the foregoing analysis, we feel the NWT should be spending $2.1 to $2.4 million annually to market its tourism industry. We know of no jurisdiction that precisely calculates the annual level of expenditure to market tourism. Most budgets are set by precedent (i.e. what jurisdictions have been spending in previous years) and take advantage of opportunities as they arise such as media coverage.

Lastly, based on a cost benefit analysis the GNWT's current marketing expenditure of $2.4 million annually is equivalent to 52% of territorial tax revenue generated by the industry.

5.5 Evaluation of Individual Marketing Programs and Activities

While the previous section indicates, on a comparative basis, the NWT should be spending $2.1 to $2.4 million annually to market its tourism industry, it does not speak to the effectiveness of the expenditure of the $2.4 million that the NWT is currently spending on marketing the NWT. In this regard, we evaluated the GNWT'S existing and past marketing programs and activities. For each of the areas of major program activity, we described the program. Each program was then analyzed based on:

- *Tourism Operator Viewpoints - obtained from a detailed survey of 50 NWT operators.*
- *Regional Superintendents' Viewpoint - based on interviews with regional offices.*
- *Consultants' Analysis - based on our analysis.*

Finally, we provided conclusions as to the effectiveness of each program.

5.5.1- Print Media Marketing Campaigns

Program Description

- *This program has been the centrepiece for the NWT's marketing.*
- *It accounts for almost 42% of all marketing funds at $1.0 million.*
- *Over time, the NWT has moved from generic marketing campaigns started in 1987-88, aimed primarily at heightening awareness of the NWT as a tourism destination, to more product-focused specific campaigns (Co-op Marketing Program). Magazines have comprised the primary advertising vehicle, selected because of media impact, high geographic and demographic selectivity and long life.*
- *1992-93 Co-op Marketing Campaign invited NWT operators to buy in.*

Tourism Operators' Viewpoints

- *Operators are in favour of moving from generic marketing to more product-focused marketing.*
- *The majority of operators don't know if the previous general awareness campaigns have been helpful to their businesses; 40% weren't even aware of the campaigns.*

- *Of operators aware of the previous generic marketing campaigns, they rated them poor to average in generating leads and direct sales (not a primary objective of those campaigns).*

- *Operators believe that the GNWT should still be developing general awareness about travel to the NWT, but don't think the government should spend more money on it.*

- *Operators are generally supportive of the new Co-op Marketing Campaign because:*

  - *It provides direct point of sale contact for their businesses.*
  - *It is product focused.*
  - *They have a sense of ownership in the program.*

- *Most operators are willing to cost share in cooperative marketing campaigns, with some operators indicating they were willing to contribute as much as 25% of the cost of the activity. (Currently, operators are required to commit only 10% of the cost of the activity.)*

Regional Superintendents' Viewpoints

- *While Superintendents had mixed views about the recent advertising campaign, they were in agreement with the evolution of print/media marketing away from generic marketing to product-focused marketing, particularly as it relates to their own regions.*

- *Generic marketing for the entire NWT just doesn't work, - (e.g. What have icebergs got to do with my region?).*

- *Some Superintendents feel that the Cooperative Marketing Program is geared to larger tour operators. It doesn't help the little guy who can't even afford the $1,200.*

- *The Baffin has focused the promotion of its products through the travel trade and sees little benefit in a Territorial-wide print/media advertising campaign.*

- *The Co-op Marketing Program is seen more as a Western Arctic than an Eastern Arctic program in terms of its impact.*

- *In some regions, it was felt that emphasis should be on developing product with correspondingly less emphasis on advertising until operators are better able to service the customer.*

- California – *as large as the entire Canadian market*
- *Minneapolis – traditionally a strong market for Canadian fishing product*
- *Chicago Area - largest single North American market with direct flights to Calgary/Toronto – 40% of the U.S. population is located within one day's drive of Chicago*

- *The Program rents and books space, and airlines assist with travel.*

- *The Program is coordinated under contract with participation by operators and zones throughout the* NWT.

- *The* program has a budget *of $176,000 and is funded jointly by the GNWT and the federal* government *through the EDA Tourism Marketing Initiative.*

Tourism Operators' Viewpoints

- *The Consumer Show Program is one of the highest rated of all the Department's programs.*

- *Over 70% of* NWT *tourism operators indicated that the program should continue. Financial assistance and market development are continuously mentioned by participants as the best features of the program.*

- *The show is evaluated annually in terms of the performance of individual marketplaces and the program is adjusted accordingly.* We *noted that* this *program is the only* NWT *marketing program that has been consistently* evaluated. This may relate, in part, to its success. -

Regional Superintendents' Viewpoints

- **Regional Superintendents are generally supportive of the program and in some cases, given its relatively good performance, feel it should be expanded.**

- **Some Superintendents would like to have more direct control of the program. In other words, regional management as opposed to central management.**

- **Some regions (Eastern Arctic) do not find the program to be of value. In the case of the Baffin, the shows themselves are not felt to be reflective of their markets. Secondly the Baffin operates more on a wholesale basis to tour companies. Obviously in this case a retail market place such as a consumer show would not be appropriate for operators who only wholesale their products.**

Consultants' Analysis

➤ *The Consumer Show Program is one of the better marketing programs developed by the Department. The Consumer Show Program consistently produces positive net economic benefits as shown in the following table.*

TABLE 22

COST BENEFIT ANALYSIS OF CONSUMER SHOW PROGRAM 1989 TO 1993

	1993	1992	1991	1990	1989
Estimated Number of NWT Visitors Generated by Program	403	681	468	609	441
Projected Visitor Expenditure	$936,798	$729,608	$468,000	$609,000	$445,000
Program Cost	$176,000	$160,000	$160,000	$160,000	$160,000
Net Benefit	$760,798	$569,608	$308,000	$449,000	$285,000

Note: For 1993 actual operator package prices were used to calculate visitor expenditure. Prior to 1993 the average trip expenditure for all travel to the NWT waa used.

- *The program puts operators in contact with a "qualified" marketplace.*
- There are new operators participating in the program *each year.* 53% *of 1993 participants were in the program for two years or less.*
- *New market places are being "piloted" such as dentists' conventions/trade shows and are showing promising results.*
- *We feel that the program could be expanded given its relatively good performance.*
- *The evaluation of the program needs to be improved somewhat in terms of what kinds of products and marketplaces work best for* NWT *operators. The results of such an evaluation need to be communicated better to Superintendents, Zones and operators. The program should not be regarded as a panacea*

for all tourism operators. It works best for operators who have specific packages that can be retailed at the shows or through follow up with promising leads. The program does not work very well for operators or Zones seeking awareness. It works best for "full-service" tourism operators.

- *A total of 25 operators participated in 71 booth spaces with the breakdown by zone based on percentage of total booth space. (If operators promote products in more than one region, they have been included in the calculations for each zone in which they operate.)*

Region	Zone	% of Consumer Show Program Space
Kitikmeot	(Arctic Coast)	13??0
Baffin		13?70
South Slave	(Big River)	6%
Keewatin		9%
Deh Cho	(Nahanni/Ram)	19%
North Slave	(Northern Frontier)	25%
Sahtu		9%
Inuvik	(Western Arctic)	6910

Source: 1993 Consumer Show Evaluation.

Conclusions

While the Consumer Show Program is One of the Department's Better Marketing Programs, It Has Limited Potential for Growth

The Consumer Show Program has been consistently evaluated for the last five years. The maximum visitation to the NWT generated by the program was 681 visitors (1992) and the lowest 403 (1993). The success of the show varies with the types of operators who participate, among other things. The more experienced operators tend to account for a major portion of sales and leads generated as a result of participation in the various shows.

The type and number of shows selected for the Program has been refined over the last five years. The Program is being expanded to include dental and professional conventions with trade show components. The Program could be expanded somewhat, but given historical performance we doubt that this program by itself could generate more than 800 to 1,000 visitors a year to the NWT.

While this program is regarded as one of the Department's better programs, the cost of the program on a per visitor basis has averaged $313.61 compared to $39.88 for the Co-operative Marketing Program or 7.8 times the cost. In other words, even if there was significant potential to expand this program, the Department would be limited by budget restrictions.

Lastly, the program can also provide a very useful training vehicle for smaller, less experienced operators and could be expanded in this regard. Training support should not be measured in terms of increased sales.

5.5.6- Travel Trade - International Marketplace=

Program Description

- This program is directed at the NWT's overseas markets which currently account for 6% of the NWT's non-resident vacation travel market in terms of the number of NWT vacation travelers during the summer.
- The intent of the program is to develop travel trade networks and facilitate contact between NWT operators and travel wholesalers at travel trade shows such as:
  - International Tourism Bourse (ITB) - Berlin, Germany
  - Kanata – Japan
  - World Travel Mart (WTM) - London, England
  - Atelier Canada - Paris, France
  - Canada, U.S. Business Exchange (CUBE) - London, England
  - Rendezvous Canada - location of trade show varies each year in Canada
- The GNWT "buys-into" these travel trade shows through Tourism Canada.
- Components of the program include hosting fam tours to introduce key wholesalers to NWT tourism products, developing a database of contacts, participating in cooperative ads, providing brochure assistance, slides, videos, and other marketing support to the travel trade.
- The Department provides financial assistance to enable operators to attend.
- In previous years, the Department has budgeted $50,000 for this program but for 1993-94 it is proposed to increase the budget.

Tourism Operators' Viewpoints

- NWT *tourism operators have rated overseas trade marketplaces as average in terms of their effectiveness as sales vehicles.*

- *Rendezvous Canada has received the greatest participation by* NWT *tourism operators.*

Regional Superintendents' Viewpoints

- *On the whole, Regional Superintendents were not that familiar with the Department's travel trade activities.*

- *The* program *seems to be especially well matched to regions like the* Baffin where an *important component of* the *region's marketing strategy is linking area tour operators with wholesalers.*

Constants' **Analysis**

- *Travel trade marketplaces support the more sophisticated operators who have evolved to meet international industry requirements and consumer expectations.*

- *As noted in our market analysis, overseas markets, unlike the North American market, show excellent potential for growth.*

- *Given the potential for overseas markets, the Department should be committing at least* 6% *to 8% of its marketing budget equal to overseas visitation to the* NWT.

Conclusions

A Travel Trade Program is the Most Effective Vehicle through Which the NWT Can Reach Overseas Markets and the Travel Trade

- *The GNWT should be committing* 6% *to* 8% *of its marketing budget to overseas markets. Unlike North American markets, print/media marketing is not an effective marketing vehicle for overseas markets such as Europe or Asia. The only vehicle really available to the* NWT *(and Canada for that matter) is attendance at international trade shows. The* Department and NWT *operators have enjoyed excellent success at trade shows like* Kanata. *The latter has been a key marketplace for the very successful Northern Lights Tours for example. This year Departmental representation generated considerable interest in Eastern Arctic outdoor adventure products.*

5.5.7- Research, Planning and Evaluation

- Research, planning *and evaluation activities with regard to tourism have largely been carried out by the Department.*

- *There is* only *one person-year directed at these activities.*

- *Research reports are prepared on several sectors of the* NWT's *travel industry.*

- *A* major territorial-wide visitor *survey is undertaken every five years at an* approximate cost *of $200,000+.*

Tourism Operators' Viewpoints

- *The Department's research and market intelligence services were generally rated as poor. At the same time, tourism operators indicated that market research is very important to their businesses. They want information on target markets, trends and new markets as well as information related to product development.*

- *They would like quarterly research reports as well as an annual report. Further, they would be willing to participate in the collection of future research data.*

Regional Superintendents' Viewpoints

- *The Superintendents did not appear to be that familiar with the Department's research, planning and evaluation activities because Regional Tourism Officers are usually the main point of contact with the research and evaluation function.*

- *Most Superintendents were familiar with the 1989 Visitors Survey and some regional offices used the survey in their own research and planning.*

Consultants' Analysis

- *Given the nature of the* NWT's *products and markets, careful research is required to properly target the* NWT's *marketing efforts and to identify trends.*

- *The Department should be undertaking substantially greater program evaluation than it does now.*

- *Not* only *do the Department's research.* planning *and evaluation capabilities need* to be enhanced *but they should be' better* integrated *with the* GNWT's *marketing strategy on a continuous basis. Research and evaluation should be* *part of a yearly planning exercise that reviews the performance of the previous year's marketing programs and makes recommendations for next year's program applications.*

Conclusions

Research, *Planning and Evaluation Should be*
Driving the GNWT's Marketing Initiatives

- *If the* GNWT *is to become more targeted in its marketing programs as previously illustrated, it will require enhanced research and evaluation capabilities. This should include identification and* priorization *of key markets and evaluation of marketing programs.*

- *The Department's research and evaluation function should be tied directly to marketing programs.*

5.5.8- Media Relations

Program Description

- *Media relations includes attendance at media marketplaces, development of media kits, the hosting of travel writers, evaluation of media exposure, and development of a database of contacts, etc. There is no set budget for media relations with the* exception *of funds identified to attend the New York and Los Angeles media* marketplaces *and funds budgeted to cover fam tours confirmed from the previous year.*

- *Budgets varied from $26,000 in 1987, to $46,000 in 1989. We are unable to identify exact expenditures per year since 1989.*

- *Media relations evolved to generate exposure for the NWT through influential media in key markets and to build a database of contacts for future activities.*

- *Initiatives are generated through the media marketplaces, External Affairs (Consulates), northern tourism operators, tourism zones and regional offices, and direct solicitation by the media specialist.*

- *Tremendous numbers are unsolicited proposals from writers, film/video producers, photographers, zones and operators, received on a steady basis. For this reason, stringent criteria is applied to ensure* only *those media generating the greatest benefit, or potential benefits, are considered. On occasion the Department will enter into a test activity if the activity is driven by a group of operators or an industry association.*

- *Media relations involves extensive cost-sharing through partnerships with the consulates, tourism operators, airlines, zone associations, and on occasion, other jurisdictions.*

Tourism Operators' Viewpoints

- *As a whole, most operators did not know how the Department's media relations program affected their businesses.*

- *Those operators that were able to rate the program, were primarily from the* Baffin *and* Keewatin *regions, rating the program in terms of its helpfulness to their businesses as good and average, respectively.*

Regional Superintendents' Viewpoints

- *Generally Superintendents see value in media relations and implementation on a regional basis.*

consultants' **Analysis**

- *It is difficult to consistently evaluate the success of the media relations campaign as:*

  - *it often takes two to three years for coverage to be generated from a media trip and results often continue to accrue long after the fact; and*

  - *the NWT does not employ a clipping service to track print coverage.*

- *However, the analysis of the years 1987 through 1989, based on what information was available, demonstrates an excellent cost-benefit as follows:*

	Campaign cost	Benefit
1987	$26,000	$2,246,915
1988	$30,000	$ 702,300
1989	$46,200	$1,979,111

- *In most cases, because of joint sponsorship, the cost to host media is very low. Anywhere from $500 to $20,000 has been expended on one activity. The average cost is just over $1,000. Returns can be as high as 2,00090.*

- *The Department uses an industry standard for measuring benefits of media exposure to determine the comparable advertising costs appropriate to the amount of coverage received. Research consistently bears out that one of the biggest travel influencers consists of newspaper or magazine articles.*

- *There are two segments to the media relations program:*

  - *Print Media – newspaper and magazines (hosting Farn Tours).*
  - *Electronic Media – television and radio.*

- *Print Media - Targeted primarily through the New York and Los Angeles media marketplaces, Canadian Consulates,* and *regions. Some support for unsolicited proposals and operator/zone driven activities is also provided.*

  - *Almost consistently generates a high return on investment. Enables penetration of key markets. Media should be selectively supported in order to ensure maximum benefits. The drawback is that there is no guarantee that favorable exposure will be gained.*

- *Electronic Media - Recently the Department has been receiving numerous requests to support video productions, i.e. a bad experience may result in a negative product/destination review.*

  - *Two of the primary requests are for the production of videos for use to distribute to potential customers as a sales tool (operator driven), and/or for the production of a program to obtain exposure via a network, national spot or local spot.*

  - *On an individual product basis or through collaboration with several partners, video production can be relatively affordable. As far as promoting the north or regions as a destination, however, it* could *produce unimpressive results. The absolute cost is high and the level of audience selectivity is low.*

6.0 TARGETS TO WHICH A NEW MARKETING STRATEGY SHOULD BE DIRECTED AND MEASURED AGAINST

6.1 The NWT's Vacation Travel Market Penetration - The Current Base Line

Essentially three products drive the demand for vacation travel to the NWT. These products and their market orientation are estimated as follows:

TABLE 23

MARKET ORIGIN FOR THE NWT'S PRIMARY VACATION TRAVEL PRODUCTS (in person trips)

	Canadian	Us.	Overseas	Total
ndependent Auto Touring	8,583	2,698	1,274	12,555
;ishing/Hunting	3,792	5,679	237	9,708
)utdoor Adventure	4,855	3,232	199	8,286
	17,230	11,609	1,710	30,549

6.1.1- Canadian Market

The entire Canadian travel market for overnight pleasure travel trips greater than 900 miles is 1,368,225 trips. However, of this amount, 70.4% would include travel activities that would match with the NWT's product base for vacation travel. The size of the Canadian travel market for these products and the NWT's current market penetration is as follows:

TABLE 24

NWT TOURISM PRODUCT MARKET PENETRATION IN CANADIAN VACATION TRAVEL MARKETS (Measured in Person Trips)

Product	**Current Canadian Market Demand**	**Current NWT Visitation from Canadian Market**	**Penetration**
Auto Touring	*492,561*	*8,583*	1.7%
Outdoor Adventure	*355,739*	*4,855*	1.4%
Fishing/Hunting	*114,931*	*3,792*	3.3%
Total	**963,231**	**17,230**	**1.8%**

Source: Statistics *Canada,* Canadian Travel Survey.

The NWT enjoys *its best Canadian travel market penetration in* fishing/hunting *markets at* 3.3%. *However, this is the smallest of the three markets. Moreover, it is a mature market in terms of further growth and is characterized by stable to declining participation rates.*

Both the touring and outdoor adventure travel markets are significantly larger than the fishing/hunting *market segment. Both markets have enjoyed growth over the last 10 years, particularly outdoor adventure.*

It should be noted that all market segments in the table are "long-haul" (over 900 miles) and presumably high yield by virtue of length of stay and trip expenditure.

6.1.2- The U.S. Market

The U.S. travel market to Canada is currently 12 million trips annually. Approximately one-half of these trips are from nearby border states. Further, 81.6% *of all trips made by U.S. citizens to Canada are for non-business purposes. As* shown in *the following table, there are only two U.S. pleasure travel markets that the* NWT *Tourism Marketing Strategy could be directed at.*

TABLE 25

NWT TOURISM PRODUCT MARKET PENETRATION IN U.S. VACATION TRAVEL MARKETS

Product	Current U.S. Visitation	Current NWT Visitation from U.S. Market	Penetration
Independent Auto Touring	*2,940,400*	*2,698*	*.001%*
Outdoor Adventure *	*948,500*	*8,911*	*.00970*
Total	*3,888,900*	*11,609*	**.003%**

* Includes consumptive and non-consumptive outdoor adventure products and markets.

Source: Tourism Canada.

The potential U.S. market for the NWT is four times the size of the Canadian market and clearly should receive greater priority in terms of the allocation of the GNWT's marketing budget.

6.1.3- Overseas Market

Europe

At present the NWT's overseas pleasure travel market base is very small at 6% of all non-resident travel to the NWT. Overseas visitors to the NWT have the highest proportion of pleasure travel trips at 95.770, significantly above the average of 78% for NWT travelers from North America. In other words, overseas travelers to the NWT are drawn primarily for pleasure travel experiences. The largest single market has been Europe, accounting for over 80% of all overseas trips to the NWT. Two countries, Germany and Great Britain, account for over 45% of all overseas trips to the NWT.

There were 1.8 million European visitors to Canada in 1991 drawn principally (67970) from Great Britain, France and Germany. To put the current significance of the European market to Canada in perspective, it is only 15910 the size of the U.S. travel market to Canada.

Unlike the Canadian and U.S. travel market, projections for growth in the European travel markets are predicted to be strong. An annual growth rate of 6.8% in travel to North America by Europeans is forecast over 5 years.

Germany continues to be the NWT's best prospect for overseas travel, currently accounting for about a quarter of all overseas visitation to the NWT. There are 2.5 million high package tour orientation travelers in Germany.

German package tour travelers see Canada primarily as a place with:

- *outstanding scenery*
- *national parks/forests*
- *wildlife*
- *fishing*
- *hunting*

German package tourists are less interested in visiting cities and are considerably more interested in non-city touring and nature or outdoor adventure.

Japan

The NWT, outside of the summer vacation travel season, has enjoyed real success in developing a niche market for Japanese tourism largely surrounding Northern Lights Viewing in the later part of the winter season. The current market volume for this product is 600 to 800 Japanese visitors per season. The product is entirely packaged tour travel with NWT operators working with Japanese tour wholesalers.

Even at its current level of 600 to 800 visitors, it would be the NWT's single largest overseas market. Japanese tour wholesalers are showing interest in other NWT outdoor adventure products such as floe edge viewing and in other NWT outdoor adventure travel destinations. One Japanese tour wholesaler has indicated there may be sufficient market interest for as many as 2,000 Japanese visitors a year. This could make Japan the NWT's third largest geographic market after Canada and the U.S.

6.1.4- Conclusions

The NWT's largest market potential lies in the U.S. As shown in the following table the U.S. market for the NWT's tourism industry is four times the size of the Canadian market.

TABLE 26

COMPARISON OF NWT MARKET POTENTIAL IN *U.S.* AND CANADIAN MARKETS

Product	Canadian Market Demand	Us. Market Demand	Total	% Canadian	% Us.
Independent Auto Touring	*492,561*	*2,940,400*	*3,432,961*	14.4%	85.6%
Outdoor Adventure	*470,670*	*948,500*	*1,419,170*	33.2%	66.8%
Total	**963,231**	**3,888,900**	**4,852,131**	19.9%	80.1%
Current NWT Market Penetration	**17,230 trips @ 1.8%**	**11,609 trips @ .003%**	**28,839 trips @ .006%**	59.7%	40.3%

There are a significantly larger number of households in the U.S. that have the household income that would be predisposed to the type of long haul, high yield trip experiences the NWT *has to offer. There is no better illustration of this point than the market orientation of fly-in lodges located in Northern Canada. Traditionally these lodges have relied on U.S. markets for* 50% *or more of their market base.*

In terms of "level of effort" by way of the NWT's *tourism marketing budget the* NWT *should be* priorizing *its marketing initiatives as follows:*

1. *United States*
2. *Canada*
3. *Japan*
4. *Europe*

6.2 Targets for Marketing the NWT's Pleasure Travel Industry 1993-94 to 1998-99

Since 1990, the NWT *has seen little growth* in *its tourism industry. This is* true *for not only the* NWT *but also Canada. The introduction of the* GST, *the Gulf War and a North American-wide recession have been amongst the major contributing factors. In addition to these, the* NWT *has faced other trends such as declining interest* in *consumptive products as well as increased competition, particularly for sport fishing. At* *the same time there has been growth in niche markets such as Japanese interest in the NWT, as well as reasonably high growth in some of the NWT's more expensive outdoor adventure packaged products.*

Over the forecast term to which a new NWT marketing strategy will apply, 1993-94 to 1998-99, some trends will positively impact on travel to the NWT and Canada.

- *Canada now has one of the lowest inflation rates amongst industrialized countries and this is just starting to impact on the cost of travel to and in Canada.*

- *The value of the Canadian dollar has depreciated relative to other foreign currencies and the exchange rate is beginning to work positively for travel to and in Canada.*

- *The future growth of tourism in Canada and the NWT will come from value more than from volume. High yield tourism products have continued to do well in U.S. travel markets producing increases in tourism revenues earned from U.S. markets.*

- *High yield customers, to which most of the NWT's product base would apply, are looking for quality, value and are less concerned with discounts.*

- *Americans continue to favour a Canadian destination.*

- *Demographics are changing rapidly in North America with an older growth market segment that has the time 'and income to travel. The "Grey Travel Boom" is only just beginning and the NWT must position itself to capture growth that this market offers. The following sections examine each of the NWT's travel product segments in more detail.*

6.2.1- Outdoor Adventure Travel Products

The NWT's *outdoor adventure travel products present the best opportunity for current and future growth for the NWT's tourism industry.*

- *Outdoor adventure travel inquiries to the NWT increased by 60.5% from 1987-88 to 1991-92.*

- *The sale of outdoor adventure package tours in the Baffin increased by almost 20% from 1991 to 1992.*

- *Adventure travel in North America is forecast to be the fastest growing segment in the travel industry at a growth rate of 15-20% per annum.*

- *Outdoor adventure products have been and will continue to be the "key drivers" in "growing" jobs and income* opportunities *in the* NWT's *outlining industry.*

- *The hiah vield outdoor adventure travel* market, *unlike other tourism markets,* has shown *itself to* be relatively *recession-proof. As an example, the* Baffin *continues to sell higher priced tour packages.*

- *The* NWT, *and* Canada *for that* matter, cannot *compete immoderately priced travel or discount travel markets.*

- *The largest single growth market in North America will be affluent retired seniors, aged 55 and over. This market is especially well matched to the* NWT's *outdoor adventure products, especially soft adventure products.*

- By the year *2002, there will be 76 million people in the U.S. who will* be *above the age of 55, or one-third of the entire U.S. population. They will have the time and resources to travel, with household incomes in excess of $40,000 and a tendency to stay longer and spend more than any other travel segment.*

- *In its current marketing plan, Tourism Canada has identified the affluent seniors' market as Canada's number one priority market and 55% of Tourism Canada's entire marketing budget will be directed at this market.*

- *According to Tourism Canada's research, U.S. seniors prefer Canada almost two to one over alternate United States destinations.*

- *Travel preference includes package touring centred on history, culture, crafts, adventure, learning experiences and eco tourism.*

- *Over the five year implementation time frame for the marketing strategy, we feel that if properly targeted, the* NWT's *outdoor adventure products could begin to enjoy annual growth rates of* 15%.

- *Given a general aging trend, soft outdoor adventure will outsell hard adventure travel product growth.*

6.2.2- Fishing/Hunting Travel Products

- Fishing and hunting *are best characterized as mature* products that have limited potential. This is-particularly the case for fishing, as the North American participation rate for fishing has declined somewhat.

- Hunting is actually enjoying a modest increase in participation.

- In the case of fishing, there are various reasons for its declining participation rate, such as the rise in other outdoor activities and products. However, one of the best explanations is that the sport has failed-to replenish itself with younger markets. In the 1950's and 1960's, it was very popular for "Dad" to take his son fishing. Unlike golf which has very successfully replenished itself with younger markets, in the case of fishing Dad quit taking his son fishing in *the* 1980's. As a result, there was no younger group coming up to replenish that market as it matured.

- At the same time, there are still an estimated 12 million anglers in North America. The NWT needs only a very small portion of that market to make its industry viable.

- Fishing, outfitting and the NWT's lodge products *still make up an important part of the* NWT's *pleasure travel industry.*

- **As an objective,** *the new Marketing Strategy should aim at returning the* NWT's *fishing product* to *rates of growth enjoyed prior to 1989. From 1975 to 1987, fishing/hunting were enjoying annual rates of growth in excess of* 7.4%.

- *With more targeted marketing and by effectively repositioning the* NWT *as one of the best places in North America for fresh water fishing, the industry could enjoy annual market growth rates towards the end of the five year marketing strategy at* 4% *to 5%.*

- *By way of comparison, outfitting lodges located in Northern Saskatchewan have a seasonal guest base of 22,500 which is comprised of 12,000 for* northern fly-in lodges and 10,500 for northern drive-in lodges. In the case of fly-in lodges, Saskatchewan lodges have almost three times the customer base that NWT lodges have. In terms of point of entry where Saskatoon is compared against Edmonton, the NWT enjoys both a cost and access advantage for most U.S. cities. However, in 1993, Saskatchewan countered that disadvantage by cooperating with Northern Saskatchewan outfitters in introducing a direct Denver to Saskatoon flight (a Convair aircraft is being used).

6.2.3- Independent Auto Touring

- *In terms of volume, this is one of the* NWT's *largest pleasure travel markets.*

- *In terms of North America, it is the largest single tour market, with long haul trips estimated at 2.9 million for the U.S. and 0.5 million for Canada.*

- *However, for the NWT to capture an increasing portion of the North American touring market, very selective targeting will be required.*

- *The Dempster Highway has tremendous potential in the longer term. It will require product improvement not only concerning the highway but also in building awareness and improving the product offering available in the NWT. Services and attractions need upgrading and development.*

- *Marketing the Dempster in some ways is easier than for other road travel to the NWT. The reason for this is that there is already a very substantial market destined for Yukon-Alaska. This market is fairly well defined and the NWT could "buy into" it with cooperative programming activities in association with the Yukon and Northern B.C.*

- In the case of auto touring, we feel that reaching a targeted rate of growth of 8% per annum towards the end of the marketing strategy's five year life is feasible.

6.3 Economic Impact Resulting from the NWT Achieving Market Growth Targets

The following table is based on the previous sections and the targeted rates of growth established for each tourism product.

TABLE 27
TARGETS FOR GROWTH IN THE NWT'S PRINCIPAL TOURISM PRODUCTS OVER THE PERIOD 1993-94 TO 1998-99

Product	Baseline	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1993-94 to 1998-99
Independent Auto Touring	12,555	12,806	13,318	14,117	15,247	16,467	3,912
% Growth		2%	4%	6%	8%	8%	31.2?%
Fishing/Hunting	9,708	9,903	10,200	10,608	11,032	11,584	1,876
% Growth		2%	3%	4%	4%	5%	19.3%
Outdoor Adventure	8,286	8,452	8,959	9,855	11,333	13,033	4,747
% Growth		2%	6%	10%	15%	15%	57.3%
Total	30,549	31,161	32,477	34,580	37,612	41,084	10,535
Annual Growth	0.0%	2.0%	4.2%	6.5%	8.8%	9.270	34.5%

It will take up to two years, at least, before the impact of a new marketing strategy will be felt. As a result, it is not until later years that more accelerated growth, for example in the case of outdoor adventure products, would be likely to occur.

The following table indicates the resulting economic impact over the five year period from achieving these market growth targets:

TABLE28 ECONOMIC IMPACT OF ACHIEVING TARGETS FOR NWT TOURISM PRODUCT MARKET GROWTH		
	Current Value	**1998-99 Value**
Independent *Auto Touring @$850/Trip* *FishingJ'Hunting* @$1,453/Trip *Outdoor Adventure* @$1,544/Trip	$10,671,750 *$14,105,224* *$12,793,584*	*$13,996,950* *$16,831,552* *$20,122,952*
Total **@$1,213/Trip**	**$37,571,058**	*$50,951,454*
Direct **NWT** *Employment (in* **person years)**	*546*	*740*
Total Direct and Indirect Employment (in **person years)**	*710*	*965*
NWT *Wage Income* **(@44.8%** of Tourism Expenditure)	$16,831,834	$22,826351
Total Direct and Indirect Wage Income	$25,398,874	$34,444,320
Source: Baaed on Tourism Canada's Impact Model.		

[illegible] the model?

7.0 DIRECTIONAL STRATEGY AND RECOMMENDED PROGRAM COMPONENTS 1993-94 TO 1998-99

7.1 Directional Strategy

1. As a Target Objective the GNWT Should Aim at Increasing the Value of Its Pleasure Travel Tourist Industry by 35.6% from $37.6 Million in 1993-94 to $50.9 Million by 1998-99

The previous chapter outlined targets for the market development of the NWT's pleasure travel industry. If the NWT achieves these targets, it would increase the value of the industry, measured in tourism revenue, by 35.6% over the term of the Marketing Strategy from 1993-94 to 1998-99. The net economic outcomes of moving the NWT's industry from its current baseline to the targeted objectives for growth by the 1998-99 fiscal year are as follows:

- *Additional net tourism revenues captured by the NWT of $13,380,396.*
- *Additional net direct and indirect employment creation of 255 person years on an annual basis.*
- *Additional net direct and indirect wage income of $9,045,446.*
- *Additional net territorial Government tax revenues of $1.6 million.*

These are major economic dividends to the NWT where employment and income opportunities do not come easily.

2. To Achieve Market Growth Targets, the NWT Should be Spending at Least $2.2 Million Annually in Marketing Its Tourism Industry

Based on the level of the tourism revenues generated by the NWT's principal tourism products (outdoor adventure, auto touring and fishing/hunting) of $37.6 million, the direct/indirect return to the GNWT in the form of territorial tax revenue is $4.5 million. At $2.2 million in marketing expenditure, it would account for 48.9% of Territorial revenue from the industry. Clearly the GNWT can afford to reinvest close to one-half of its revenue into the marketing of the industry. The cost benefit to the Territorial Government on tax revenue alone is 2 to 1.

Secondly, no provincial or territorial jurisdiction in Canada spends less than $2.1 million in marketing its tourism industry. Canadian tourist jurisdictions with industries similar in size to that of the NWT (i.e. the Yukon, P.E.I., Newfoundland) spend $2.1 million to $2.5 million annually on marketing. As a result, just to stay competitive within the marketplace, the NWT should be spending a minimum of $2.2 million annually on tourism marketing"

3. The **NWT's Tourism Marketing Strategy Should be Product-Based**

There was virtual consensus between operators and Regional Superintendents that the NWT's Marketing Strategy should move from awareness to a substantially greater product focus. Further, geographic or regional boundaries mean very little to potential visitors to the NWT. Rather, potential visitors want to know what products there are to consume, where they are located, how they can get there, what will it cost them to consume those products and what value will they derive from *consuming* them. In this regard, *We identified three principal tourism products that will drive marketing and future tourist visitation to the NWT. The present and projected growth for each product is as follows:*

PRESENT AND PROJECTED GROWTH RATES FOR NWT TOURISM PRODUCTS - (in person trips)

	1993-94	1998-99	% Increase 1993-94 to 1998-99
Independent Auto Touring	12,555	16,467	31.2%
Fishing/Hunting	9,708	11,584	19.3970
Outdoor Adventure	8,286	13,033	57.3%

This product focus should be reflected through the NWT's marketing programs from print/media advertising to the Explorer's Guide through to research, evaluation and market priorization.

4. The GNWT Will Need to Substantially Improve *Its* Research and Evaluation Capabilities in Order to Better Target Its Marketing, Otherwise the Targets for Growth Set Out in the-Strategy Will Not be Attained

The NWT's tourism industry is comparatively small. As noted elsewhere in this document, the North American market demand for the NWT's principal tourism product is 4,852,131 trips of which the Canadian market represents 963,231 or 19.9% and the U.S. market 3,888,900 or 80.19'0. At present the NWT's non-resident visitation for these products is 28,839 for a market penetration rate of .00670. The projected growth target by the year 1998-99 is 41,080 and this would increase the NWT's market penetration rate to only .00990. As a result, the NWT needs only a very small increase in market penetration.

However, while moving the NWT's market penetration rate from .006% to .009% sounds like a very modest goal, it is not. The marketing challenge facing the NWT is contacting and converting 41,084 out of a potential North American market of 4.8 million prospects. At a current tourist inquiry cost of $81 per inquiry, the NWT will never have the marketing budget to contact or reach 4.8 million people.

At present, most of the market research conducted by the GNWT is based on industry performance data with less than optimal market intelligence data. Industry operators believe there is a real need for market data that will help them to expand their customer base, because they have very limited marketing budgets. The GNWT needs to refine and enhance its entire research and evaluation function. This should include:

- *Developing a house list of qualified travel inquiries that are segmented by product and postal code. This "house list" can be developed from magazine inquiries, hot-line inquiries, consumer/trade show inquiries and other travel inquiries made to the Department. The house list can then become the Department's qualified list that is used for direct marketing. It should be maintained by computer and updated regularly.*

- *Building customer profiles for each product list to include:*

  - *demographic profile*
  - *postal codes*
  - *product interests*
  - *media habits*

  The NWT has to know more about the existing customer base.

- *Purchasing qualified direct mail lists through magazines and other direct mail companies specializing in product-specific mailing lists.*

- *Conducting annual conversion studies of print/media campaigns to better assess the effectiveness of specific media used by the Department.*

- *Focus testing the effectiveness of the Department's current media campaigns.*

- *Consulting with Canadian Consulates and Tourism Canada offices in key markets. In the case of the Chicago Consulate, they have been developing qualified mailing lists of potential U.S. customers for outdoor adventure travel products.*

The forgoing *is best described as data-based marketing. It is a process of* identification *and refinement designed to continuously qualify the* NWT's *Customer base, improve the cost effectiveness of marketing and reduce the cost* of prospecting and *converting tourist* visitors to the NWT.

5. *The* **NWT** *Needs to Develop* **a Balanced Set of Marketing Programs that Reflects the Independent and Package Tour Markets, The Needs and Priorities of the Regions and Both Small and Large Tourism Operators**

There are four criteria that must be taken into consideration in designing individual marketing programs and program activities for the NWT's *tourism industry.*

Independent Travel Market

The independent touring market is more characteristic of southern jurisdictions as well as the Yukon. Services such as a 1-800 number and fulfillment information like the Explorer's Guide are important. This is the largest single customer market for the NWT and provides a major source of clients for small tourism operators and operators engaged in initial start-ups. Like *other jurisdictions, the* GNWT *should be principally responsible for marketing programs directed at this market. These programs greatly assist in building awareness for the* NWT *in travel marketplaces.*

Packaged Tour Travel Market

The development of this market will be driven by the NWT *tour operators and non-resident tour operators or wholesalers with marketing support from the* GNWT. *It consists of outdoor adventure, fishing and hunting packages. The* Co-op *Marketing Program has been designed to allow for participation by* NWT *operators who make direct sales through the Program.* NWT operators *like this approach.*

Other programs suited to the packaged tour market include travel trade programs designed to link NWT operators with tour wholesalers, and the Consumer Show Program that enables tour operators to sell packages directly at consumer shows.

Regional Priorities

It is extremely difficult for the NWT to develop a marketing program that meets the needs of all NWT regions. This can be addressed in part through *some* territorial-wide programs such as the Co-op Marketing Program and the Consumer Show Program where operators from all regions can participate. In fact some individual NWT operators have tour packages with products in more than one NWT region. However, the NWT is an expansive geographic area Sparming five provinces and one territory (Yukon) each with their own individual priorities and approaches to tourism market development. Within the NWT there are cultural differences and differences in natural resources, as well as in transportation access and cost.

While we have defined three principal products to form the basis of all Territorial marketing initiatives, the balance and distribution of those products is very different throughout the NWT. As examples, some regions have fishing and hunting products while others do not. The Western Arctic has an auto touring product, while the Eastern Arctic does not. Lastly, in the words of one Regional Superintendent, some regions actually see themselves as competitors. Finally, the rate of tourism development or readiness to market is also very different. Regions such as the Keewatin and Kitikrneot have a largely under-developed product base.

Given these differences, a marketing strategy for the NWT has to take regional differences and priorities into account. In other words, there has to be some flexibility for regional initiatives. This can occur through Zone Associations and Regional Superintendents buying into territorial-wide programs or complementing them with their own initiatives that better reflect regional priorities.

Large and Small Tourism Operators

In Canada, the tourism industry is described as a small business industry. While we think of most tourism businesses in the NWT as small businesses, a better terminology to apply to the NWT would be the established tourism operator versus the small operator who has only just started a tourism-related business or would like to get into the tourism business, such as an outfitter or a local tour operator.

Most of the NWT's *marketing programs are geared to established operators. The small operators require* both *-market and product* development. *They* require training and skills in developing and pricing packages and a better understanding of entry points. They also need assistance in developing networks with established operators or tour wholesalers.

Marketing programs like the Consumer Show Program can greatly assist small operators by introducing the to a consumer marketplace. Media relations can also enable smaller operators to successfully and cost effectively expose their products to targeted audiences. Lastly, balanced regional programs that are made available through the Zones and Regional Superintendents will better enable smaller operators to obtain assistance in developing their particular tourism products and services.

Finally, in our opinion, the most critical form of assistance for small tourism operators is developing and packaging their product as a component of a *larger* package tour.

6. It Will Take Up to Two Years Before the NWT Can Experience Benefits from a New Marketing Strategy

At first glance this may sound like a frustrating directional statement for the launch of a new marketing strategy. However, it is a realistic one. In fact, *we have even built this into our projections for market growth for each product segment.*

The year 1993-94 has been a transitional year for the Department of Economic Development and Tourism. It was a year for reorganization *and development of a more decentralized approach to the delivery of Department programs and services. The development of this marketing strategy marks the first time that the Department has undergone an evaluation of its existing marketing programs and activities in a comprehensive manner. Further, in the process of developing the strategy, a situational analysis was conducted of the tourism industry's performance identifying both positive and negative trends.*

The experience of other jurisdictions suggests that it can take as long as three years before a new strategy begins to have an impact. In the case of the new marketing strategy for the NWT *we are suggesting two years. It will take time to refine the existing 1-800 number service. In terms of research and evaluation it will also take time to undertake conversion studies and to better define* and provide directional market targets and improve the effectiveness of print/media advertising. In other words, it will simply take time for the GNWT to reach a new level of effectiveness in its approach to the delivery of marketing programs.

7.2 Recommended Program Components 1993-94 to 1998-99

7.2.1- Recommended Budget Mix and Rationale

Table 29 presents a budget summary by functional areas and program component for the period 1993-94 to 1998-99. In developing the mix and rationale for this budget the following criteria were used:

1. **Required Level of Financial Commitment: $2.2 Million in 1993-94 Rising to $2.6 Million in 1998-99**

   As stated in previous sections, the GNWT should be committing at least $2.2 million annually in marketing its tourism industry. In 1994-95, a one time only expenditure of $250,000 is needed to undertake a territorial-wide visitor survey which should be conducted every 5 years. The survey will be critical in ground-truthing the actual performance of the industry and some of the key assumptions made in this strategy. It will provide the NWT with a solid data and information base about tourism products and *markets at the territorial and regional levels. It should be noted that for all Canadian provinces, the Canadian Travel Survey conducted by Statistics Canada* is *conducted every two years. This provides each province with key baseline data to measure the performance of its travel and tourism industries.* Unfortunately, *this* survey *is not applied to the* NWT *because of small sample size.*

   From 1994-95 to 1998-99 the budget growth *for* print/media advertising has *been matched with the targeted growth in the* NWT's *three principal product areas of outdoor adventure, fishing/hunting* and *auto touring.*

   Given anticipated budgetary constraints over the term of the Strategy, all other program areas have been held constant.

2. **Regional Balance and Flexibility**

   While the Regional Superintendents agreed to the importance and necessity of having territorial-wide marketing programs, they felt that each region requires its own budget to address regional priorities that may not be reflected in territorial-wide programs.

   As an example, the Superintendents could not support a territorial-wide hunting campaign as hunting as a product is not available in *all regions. Regions* with *a hunting product could use their own regional program initiatives. Further. the distribution of tourism products and the level of tourism industry development through the regions is very uneven. As a* result, *the regions want the ability to buy into territorial-wide programs or to complement them with their own initiatives.*

TABLE 29

BUDGET SUMMARY
1993-94 TO 1998-99 NWT TOURISM MARKETING STRATEGY

Program Function	1993-94 *		1994-95		1995-96		1996-97		1997-98		1998-99	
\. Advertising												
• Co-op Marketing Program												
– Outdoor Adventure	$ 300,000		$300,000		(increase by 57.3% to match optimal target)						$471,900	
– Fishing	125,000		125,000		(increase by 19.3% to match optimal target)						149,125	
• Auto Touring	125,000		125,000		(increase by 31.2% to match optimal target)						164,000	
• Regional Marketing Initiatives (includes Hunting)	420,000		420,000		(increase by 24.8% to match optimal target)						523,975	
ub-Total – Advertising	$970,000	43.3%	$970,000	38.6%	$1,054,750	44.6%	$1,139,500	46.5%	$1,224,250		$1,309,000	50.0%
3. Tourism Publications/Visitor Information												
• Explorers' Guide	$214,000		$214,000		$214,000		$214,000		$214,000		$214,000	
• Zone Tourism Associations	284,000		284,000		284,000		284,000		284,000		284,000	
ub-Total – Tourism ublications/Visitor Information	$498,000	22.2%	$498,000	19.7%	$498.000	21.1%	$498,000	21.1%	$498,000	20,3%	$498,000	19.0%
C. Consumer and Industry Trade ProPrams												
• Consumer Show Program	$176,000		$176,000		$176,000		$176,000		$176,000		$176,000	
. Industry Travel Trade Program	129,000		129,000		129,000		129,000		129,000		$129,000	
ub-Total – Consumer and Industry rade Programs	$305,000	13.6'%	$ 305,000	12.0%	$305,000	12.9%	$ 305,000	12.9%	$305,000	12.4%	$ 305,000	11.7%
). Media Relations	$100,000	4.5%	$ 100,000	4.0%	$100,000	4.2%	$100,000	4.2%	*$100,000*	4.1%	$100,000	3.8%
:. Marketing Inquiries, Research and Evaluation												
• Tourism Inquiry and Fulfillment (1-800 Number)	$250,000		$ 250,000		$250,000		$250,000		$250,000		$ 250,000	
• Market Research	76,000		116,000		116,000		116,000		116,000		116,000	
• Visitor Surveys	0		250,000		0		0		0		0	
• Program Evaluation	40,000		40,000		40,000		40,000		40,000		40,000	
ub-Total – Marketing Inquiries, {cSearch and Evaluation	$366,000	16.4%	$656,000	25.7%	$406,000	17.2%	$406,000	17.2%	$406,000	16.6%	$406,000	15.5%
Total – All Programs	**$2,239,000**	**100%**	**$2,529,000**		**$2,363,750**		**$2,448,500**		**$2,533,250**		**$2,618,000**	
Less Federal EDA Contributions for Consumer Show Program and Zone Tourism Associations	**$1,915,800**		**$2,205,800**		**$2,040,550**		**$2,040,550**		**$2,125,300**		**$2,294,000**	

* Order of magnitude, not actual expenditure for 1993-94.

Given the Department's organizational thrust towards decentralization and greater regional empowerment through the Regional Superintendents' Offices, a regional marketing initiatives budget was established in 1993-94 for $420,000. It will be important for each Region to reach agreements with the Zone travel associations as to roles and responsibilities for marketing. It is recommended that Zone Associations priorize regional tourist publications, visitor services and information and media relations, while the Regional Superintendents' Offices priorize market and product development strategies.

The combined budgets for Regional Marketing Initiatives ($420,000) and Zone Tourism Associations ($284,000) represent 31.4% of the total marketing budget for 1993-94 and 31% for 1998-99. In other words 31% of the entire marketing budget has very direct regional control. This should insure that the marketing strategy reflects regional as well as territorial-wide priorization. It also allows each region some flexibility in meeting its own priorities and needs.

3.1993-94 to 1998-99 Advertising and Marketing Promotion Should Rise to 50% of the Total Marketing Budget

The following table compares the portion of total marketing budgets allocated by selected jurisdictions to tourist advertising and promotion with the NWT's advertising and total marketing budget.

As shown in this table, most jurisdictions spend 50% or more of their total marketing budgets on advertising. The average amongst those included here is 52%. In the case of the NWT in 1993-94, it is only 43.3%. By the year 1998-99 we would recommend that this rise to 50%.

TABLE 30

COMPARATIVE ADVERTISING AND TOTAL MARKETING BUDGETS FOR SELECTED JURISDICTIONS

Jurisdiction	Advertising Promotions Budget	Total Marketing Budget	Advertising as a % of Total Marketing Budget
Alberta	$3,500,000	$11,600,000	38.2%
Ontario	$5,000,000	$10,000,000	50.0'?70
British Columbia	$5,000,000	$10,000,000	58.0%
Manitoba	$1,890.000	$3,100,000	61.0%
New Brunswick	$1,200,000	$2,100,000	57.1%
Total	**$19,190,000**	**$36,800,000**	**52.2%**
NWT 1993-94	$ 970.000	$2.239.000	**43.3%**
NWT 1998-99	**$1,309,000**	**$2,618.000**	**50.0%**

4. A Balanced Mix of Program Initiatives Aimed at the Packaged Tour Traveller and Independent Traveller

Because of their tourism expenditure impact, it was recommended that the Marketing Strategy give equal weight to independent and packaged tour travel. The following table estimates, to the budgetary impact that each function of the marketing strategy would have on packaged and independent tourists to the **NWT.**

TABLE 31

BUDGETARY IMPACT OF MARKETING FUNCTION ON INDEPENDENT AND PACKAGED TOURISTS -1993-94

	Packaged Tourists	Independent Tourists
Advertising	**60%** **$582,000**	**4070** **$388,000**
Publications/Visitor Information	2070 $99,600	**80%** $398,400
Consumer and Industry Trade Programs	*90%* *$274,500*	*109'0* *$30,500*
Media Relations	**50%** *$50,000*	**50%** *$50,000*
Marketing Inquiries, Research and Evaluation	*40%0* *$146,400*	*60%0* *$217,600*
Total	**51.6%** $1,152,500	**48.4%** $1,084,500

5. Opportunities for Smaller Operators to Participate

The introduction of a Regional Initiatives Marketing Program will Provide the *best program response* for smaller *operators. The Regional* Superintendents *are in the best position to work with small operators. They* can assist smaller *operators by "topping-up" to allow them to more easily participate in programs such as the Consumer Show Program or Cooperative Marketing Program. Programs like the Consumer Show Program allow the smaller operator to gain direct access to consumer marketplaces. The Travel Trade Program will also create opportunities for smaller operators through the Department's participation at travel trade shows.*

6. Linking Market Inquiries Directly with Market Research and Evaluation

The GNWT should expand its current research function from one of reporting performance and economic data for the tourism industry to one of strategic market research that is tied very directly to the evaluation of the GNWT's marketing programs. We have indicated that the Tourism Inquiry and Fulfillment Program and the operation of the 1-800 number be included in the Research and Evaluation functions. We would recommend that the Department increase its research and evaluation capacity as it is crucial to link research and evaluation with tourist inquiries and the evaluation of the GNWT's marketing programs.

Throughout the term of the Marketing Strategy, the research and evaluation functions will continue to be enhanced in order to better target marketing funds through identifying key customer/product segments, conducting conversion studies to test the effectiveness of programs, and eventually through providing very strategic direction to the overall marketing campaign. It will likely take up to two years for the function to be fully operational and be comparable to research and evaluation functions performed by other provincial tourism jurisdictions.

7.2.2- Organization Requirements

- *Organizational delivery of a new tourism strategy, it could be argued, is more important than the strategy itself. It doesn't matter how good a strategy is if it cannot be implemented effectively. The structure of the organization has a lot to do with implementation capacity.*

- *Organizationally, there are currently several groups, both public and private, that impact on the NWT's tourism industry. They include:*

  - NWT Tourism Operators whose businesses rely totally on the tourism industry for 100% of their revenues (i.e. lodges, package tour operators)
  - NWT businesses that rely in part on tourists (i.e. hotels, restaurants, taxis and other support businesses) for their revenues. These businesses are often most impacted upon by the independent traveller.
  - Zone Tourism Associations
  - Tourism Industry Association of the NWT
  - A new ED&T Tourism Committee

- *Regional Superintendents/Regional Tourism Officers*
- EDA *Tourism Sub-Committee*
- *Headquarters, Tourism Development and Marketing Division*

➤ *Previously most decisions and programs affecting tourism were handled centrally. Our own analysis of various public and private tourism organizations in the* NWT *would suggest that communication has been very poor between all of the above groups. Further, there appears to be some overlap and duplication. We are also aware of the Department's recent initiative to reorganize and to place greater decision-making responsibility at the regional level where Superintendents are closer to the GNWT'S client base. In this regard, we would make the following recommendations in regard to organizational delivery of the strategy.*

ED&T Tourism Committee

- *The Internal Departmental Committee is made up of the tourism director and four superintendents. It reports to Deputy Minister.*

- *This Committee would "drive" the approval, implementation and evaluation of the Tourism Strategy, as well as other tourism programs related to product and market development.*

- *The Tourism Committee* would *function almost like an internal treasury board, in reviewing, evaluating, monitoring and providing recommendations on budgets, programs and strategy.*

- The *Committee* would also be represented on the EDA Tourism Sub-Committee.

Tourism Development and Marketing Division

- *The Tourism Development and Marketing Division would function somewhat like a secretariat to the Tourism Committee with the following key roles/responsibilities:*

  – *Program Coordination*
  – *Program Planning*
  – *Program Evaluation*
  - *Program Reporting*
  Performance Reports on Strategy and Program Uptake

Strategic Program Delivery in regard to Marketing Strategy Implementation

– *Selected Program Delivery*

Regional Superintendents

- Based on set program criteria determined by the Tourism Committee and the Tourism Development and Marketing Division, the Regional Superintendents should receive and approve applicable *marketing program applications or participation by tourism industry operators in their region, including zone tourism organizations.*

- *Superintendents should be promoting ED&T marketing programs to their client base. They should be fully versed in what these programs are and how operators apply. They should also be working closely with their respective tourism zone organizations in further communicating the Department's strategy and its programs.*

- *Development of Regional Market and Product Development Strategies.*

Tourism Zone Associations

- *The* NWT's *Tourism Zone Associations should direct their activities primarily at visitor services, information, and industry communication.*

- *The Regional Superintendents' offices should coordinate the development of regional marketing plans and ensure that they dovetail with both zone and territorial-wide marketing activities.*

- *Zones can also play a key role in organizing farn tours and hosting media writers.*

NWT Tourism Industry

- The Department and the industry should be encouraged to form product advisory groups around the key product areas contained in the Tourism Marketing Strategy which are:

  - *Auto Touring Product Advisory Group*

  - *Fishing/Hunting Product Advisory Group*

  - *Outdoor Adventure Product Advisory Group*

The advisory groups of up to 12 "volunteer" individuals each would advise the Government on:

– *Co-op Marketing Campaign and its marketing product segments; and*

– Product segments to be contained in the Explorer's Guide.

- Participation by industry advisors in each group would be informal, based on operator level of interest in the product area. The criteria for membership in such a group by an operator should be that the operator has substantial northern content in operations and is currently involved in the delivery of a bona fide package or product. Advisory groups *would be contacted for their input, possibly through an industry facilitator. There could be annual meetings and travel-related expenses could be covered for any required meetings.*

7.2.3- Communications

Communications between headquarters, regions, zones, industry and operators in the NWT *is very poor. Marketing appears, to some extent, to be a "black box" where operators only hear about programs after the fact. In our visits to regional offices, we noticed a virtual absence of material related to the GNWT'S marketing programs. This suggests that marketing has not been program-based. We found that some Superintendents were not fully aware of the Department's marketing activities and programs or how these programs were affecting operators in their regions.*

The Department's marketing programs should be described in program brochures that are uniform throughout the NWT. *Regardless of region, a tourism operator should be able to walk into a Superintendent's office and inquire about the* NWT's *marketing programs and activities and determine how those programs would relate to his/her business. For each marketing program activity, the Superintendents should be receiving annual reports as to how the program impacted on their regions and what* oper*ators/organizations participated in and benefited from the program. It is only through this kind of monitoring and evaluation that programs can improve their responsiveness to the* NWT's *tourism industry.*

7.2.4- Advertising Program Function

This function includes all of the Department's print/media advertising as per the following table:

	Budget 1993-94	Budget 1998-99
• *Cooperative Marketing Program*		
- Outdoor Adventure Segment	*$300,000*	*$471,900*
– Fishing Product Segment	*125,000*	*149,125*
– Auto Touring Product Segment	*125,000*	*164,000*
• *Regional Marketing Initiatives*	*420,000*	*523,875*
Total for **Advertising**	**$970,000**	**$1,309,000**

The Advertising Program function is one of the Department's more important *marketing vehicles in terms of market impact. In a significant way, it will be the performance of this program function that will enable the* GNWT *to achieve the targets established for the marketing strategy over the five year period.*

While we have established targets for the growth of the NWT's *tourism industry over the period 1993-94 to 1998-99, it is important to point out that in achieving these targets, the Department and industry has to replenish its existing customer base each year of the strategy as well as "grow" the baseline of 30,549 visitors to 41,084. Based on the 1989* NWT *Visitors Survey, it was estimated that 40% of all* NWT *visitors are repeat visitors. As a result, even to maintain the current baseline of 30,549 visitors for the* NWT's *outdoor adventure, auto touring and fishing/hunting products, the industry and the* Department will have to *find 18,329 new customers each year. This is the size of* the *marketing challenge facing the* GNWT. *Further, it does not mean that the Department or the industry should place no emphasis on repeat visitors as they will require some attention, by way of marketing, to ensure that they do in fact return their visitation to the NWT.*

To put this marketing challenge for the NWT *into perspective, the following is an illustrated model that assumes that advertising would only impact on 20% of the* NWT's *annual tourist visitation for the* NWT's *principal tourist products between 1993-94 and 1998-99.*

TABLE 32 *IMPACT OF PRINT/MEDIA ADVERTISING ON NWT VACATION TRAVEL VISITATION*		
	Existing Baseline	**Target for 1998-99**
Total *Vacation Travel*	**30,549**	**41,081**
Less *Annual Repeat Visitation* @40%	**18,329**	**24,650**
Less Visitation Generated by Positive Referrals, Word-of-Mouth and Other Department Programs and the Industry's Own Marketing @30910	**9,165**	**12,325**
Visitation to be Generated by the GNWT's Advertising @20%	6,110	8,217

At first glance *it does not appear to be a substantial challenge for the* GNWT's tourism advertising to produce 6,110 visitors in 1993-94 rising to 8,217 in 1998-99. However, for the Department, the *real challenge is the cost of producing those* inquiries *for what is a highly segmented tourism product base. The following table compares the costs of "producing" visitors from print/media advertising at the current inquiry rate of $81 as experienced by the Cooperative Marketing Program and at $32 per inquiry, which is a reasonable cost of inquiry for the* NWT *to target and is more comparable with other jurisdictions.*

TABLE 33 BUDGETARY REQUIREMENTS FOR GNWT TOURISM ADVERTISING				
	Advertising Budget Required at $81/Inquiry		**Advertising Budget Required at $32/Inquiry**	
	Current	**1998-99**	**Current**	**1998-99**
Target Objective *for Print Media Advertising*	*6,110*	*8,217*	*6,110*	*8,217*
Number of Inquiries Needed at a 10% *Conversion Rate* *	*30,550*	*41,085*	*30,550*	*41,085*
Total Budget Required	*$2,474,550*	*$3,327,885*	*$9779600*	*$1,324,720*

* *Assumes average* party size of *2 persons* per household inquiry (i.e., -309550 inquiries @2 persons per household = 61,100 x conversion rate of 10% = 6,110 visitors).

(assuming a conversion rate of 10%)

The point of this illustration is that the GNWT is going to have to be more effective in targeting its print/media advertising OVer the course Of the marketing strategy's implementation period. At $81 per inquiry, the Department will not have a sufficient print/media marketing budget" Through targeting its print/media, the GNWT can greatly improve the efficiency and impact of its advertising and as a result reach the targeted goals outlined in this strategy. The Department should be working over the course of the Marketing Strategy to reduce the cost of producing inquiries from its marketing activities to $32 per inquiry. This will likely mean greater use of direct mail that is very targeted. If this does not occur, the targets outlined in this strategy will not be realized.

7.2.4.1- Co-operative Marketing Program - Outdoor Adventure Product Segment

The NWT's outdoor adventure products will lead all NWT products in market growth over the five year life of the new Marketing Strategy. It is the priority product for growth and development. The target for this product is 57.3?70 growth over the period 1994-95 to 1998-99.

Outdoor adventure is currently a "hot" product. As well, secondly, it is one product that virtually every region of the NWT has available. Further development of outdoor adventure products will bring about a better balance of industry development and awareness throughout the NWT.

Based on an analysis of all travel inquiries to the NWT for outdoor adventure product information from 1987 to 1993, print/media advertising should be allocated between U.S. and Canadian markets at a ratio of 70% U.S. and 30% Canadian. Again, based on this historical analysis as to the market origin of inquiries, the following geographic markets should be priorized.

TABLE 34

PRIMARY NORTH AMERICAN MARKETS FOR NWT OUTDOOR ADVENTURE PRODUCT PRINT/MEDIA ADVERTISING

Us.	Population	1987-93 NWT Inquiries	% of U.S. Total Outdoor Adventure Inquiries
1. East *North Central Region* – *Illinois* - *Wisconsin* – *Iowa* – *Indiana* - *Ohio* - *Michigan*	**41.6 M**	*19,280*	*16910*
2. *Mountain Region* – *Montana* - *Idaho* – *Wyoming* – *Nevada* – *Utah* – *Colorado* – *Arizona* – *New Mexico*	*13.0 M*	*16,690*	15%
3. California	**29.3** M	**13,090**	13%
Total	**83.9 M**	**49,860**	**44%**
Canada	**Population**	**1987-93 NWT Inquiries**	**% of Total Canadian Outdoor Adventure Inquiries**
1. Ontario *2. Alberta* *3. British Columbia*	*7.9 M* *2.5 M* *3.2 M*	*15,230* *4,963* *4,705*	44% 13% 13%
Total	**15.6 M**	**24,898**	**67%**

A key market for NWT *outdoor adventure products in the U. S., which Tourism Canada has identified as a high priority, is the affluent retired seniors market which is profiled as follows:*

Affluent Retired U.S. Seniors Market

- *Age 55+*
- Household Income -$40,000 U.S.
- Package Needs and Opportunities
  - *Touring*
  - *History*
  - *Culture*
  - *Soft Adventure*
  - *Learning Experiences*
  - Eco-tourism
- Long Haul/High Yield Travellers
- *Preference for Canadian Vacations*
- Respond to Print/Media and Data Base Marketing
- **14 Million U.S. Households are included in this travel segment**

This market has the time and financial resources to travel. Tourism Canada believes it is Canada's number one priority market and is directing $3.6 million of its marketing budget at this market. The NWT *should attempt to "piggyback"* onto some of Tourism Canada's marketing initiatives, especially in key market areas like the East North Central region of the U.S. and the Chicago area in particular.

The second most important travel market for the NWT *in the U.S. is the older Baby* Boomer *Market segment, profiled as follows:*

Baby Boomer Market

- *Age 36 to 45*
- *House Income – $55,000+ U.S.*

- *Package Needs and* Opportunities

  - Get-Aways
  - *Outdoor Adventure*
  - *Culture*

- Mix *of Short/Long Haul*

- *Highest travel expenditure impact of all U.S. travel markets*

- *Respond best to data base marketing*

- *19.3 million U.S. Households are included in this travel segment*

In developing this market the NWT should use a combination of direct mail/data-base marketing and print/media as follows:

1. Direct Mail

- Purchase select mailing lists from nature/wildlife clubs and qualified list publishers that match the NWT's outdoor adventure customer profile

- *Develop in-house mailing list from all outdoor adventure inquiries to the* NWT *from 1989-1993*

Advertisements/Publications

2. Globe and Mail (Circulation – 311,171)

3. Canadian Geographic Magazine (Circulation – 249,760)

4. Natural History Magazine (Circulation - 509,221)

5. Audobon Magazine (Circulation - 467,618)

6. Sierra Magazines (Circulation – 500,746)

7. Outdoor Photography Magazine (Circulation – 190,411)

8. Equinox Magazine (Circulation - 170,338)

9. **Outside Magazine** *(Circulation – 417,633)*

For some of the above consider regional inserts only for key NWT *markets.*

7.2.4.2- Co-operative Marketing Program - Fishing Segment

Fishing is a mature market for the NWT. Of the NWT's three primary tourist products, it is expected to have the lowest market growth at 19.3% over the period 1993-94 to 1998-99. However, it is still a very significant tourism travel product for the NWT.

Based on an analysis of all fishing product inquiries to the NWT, the U.S. dominates interest in the NWT's fishing product at over 80% *of all inquiries. The following are the key North American geographic markets.*

TABLE 35
PRIMARY NORTH AMERICAN MARKETS FOR NWT FISHING PRODUCT PRINT/MEDIA ADVERTISING

Us.	Population	1987-93 NWT Inquiries	% of U.S. Total Fishing Inquiries
1. East North Central Region	41.6 M	4,995	24%
2. Mountain Region	13.0 M	3,897	19%
3. West North Central	17.6 M	2.988	14%
Total	82.2 M	11,880	57%
Canada	**Population**	**1987-93 NWT Inquiries**	**% of Total Canadian Fishing Inquiries**
1. Ontario	9.9 M	1,448	42%
2. Alberta	2.5 M	919.	27%
Total	15.6 M	2,365	69%

A combination of direct mail and print/media advertising should be used for this market region.

- *Direct Mail*
- *Field and Stream (Circulation - 700,000)*
- *In Fisherman (Circulation - 337,430)*
- *Outdoor Canada (Circulation - 113,770)*
- *North American Fisherman (Circulation - 346,543)*

7.2.4.3- Auto Touring Print/Media **Advertising Campaign**

Auto touring is the NWT's largest market. It is a product only available in the Western Arctic. It is best characterized as a "rubber-tire" touring market. While volume is substantial, it is a comparatively lower spending market than in the cases of outdoor adventure or fishing. The target growth rate for the product over the term of the marketing strategy is 31.2910.

Based on an analysis of all travel inquiries to the NWT from 1987 to 1993, auto touring print/media advertising should be allocated between the U.S. and Canadian markets at a ratio of 67910 U.S. and 32% Canadian. The following geographic markets should be priorized.

TABLE 36

PRIMARY NORTH AMERICAN MARKETS FOR NWT AUTO TOURING PRODUCT PRINT/MEDIA ADVERTISING

Us.	Population	1987-93 NWT Inquiries	% of U.S. Total Auto Touring Inquiries
1. East North Central Region	41.6 M	11,595	18%
2. Mountain Region	13.0 M	9,783	15%
3. California	29.3 M	8,944	14%
Total	**83.9 M**	**30,322**	**47%**
Canada	**Population**	**1987-93- NWT Inquiries**	**% of Total Canadian Auto Touring Inquiries**
1. Ontario	9.9 M	13,555	43%
2. Alberta	2.5 M	4,704	15%
3. British Columbia	3.2 M	3,927	12%
Total	**15.6 M**	**222,186**	**70%**

In developing this market the following print/media marketing vehicles should be used.

- **Direct Mail**
  - Negotiate and buy into Yukon-Northern B.C. direct marketing
  - Develop house list from previous NWT inquiries 1989-93 for direct mail
  - Purchase mailing lists from auto/RV travel clubs for priority markets

- *Milepost (Circulation – 90,000)*
- Motorhome *(Circulation* – 147,502)
- *Adventure Road (Circulation - 100,000)*
- Leisureways *(Circulation-610,000)*
- *West World (Circulation-970,000)*

7.2.4.4- Regional Marketing Initiatives

For 1993-94, the Department's Tourism Committee targeted $420,000 of the Department's advertising promotions budget or 43% to be used for regional marketing initiatives. This will allow each Regional Superintendent to develop a regional marketing strategy that can better respond to regional priorities and the needs of the region's tourism operators. It allows flexibility for the region to "buy-into" territorial-wide initiatives or to develop their own marketing initiatives for products such as hunting which is a product that is not available in all regions.

7.2.5 - Tourism Publications/Visitor Information Program Function

This program function contains two program activities:

	1993-94 Budget	1998-99 Budget
Explorers' Guide	*$214,000*	*$214,000*
Zone Tourism Associations	*$284,000*	*$284,000*
(EDA - GNWT Contribution)	*($85,200)*	*($85,200)*

The *objective of* this program function is to provide high quality and accurate tourism information about NWT products and NWT destination. The Explorers' Guide and tourism information produced by the Zone Associations function principally as fulfillment information in response to travel inquiries by NWT visitors and potential visitors. All travel jurisdictions in Canada produce travel guides most often referred to as vacation planners. This is done both at the provincial/territorial level and at the level of travel regions. Other publications also include accommodation guides. Such publications require annual updates.

7.2.5.1- Explorers' Guide

Almost 70% of all visitors to the NWT use the Explorers' Guide in planning their trip to the NWT and in determining specific tourism activity participation while in the

7.2.6 - Consumer and Industry Trade Program Function

This program function contains two program activities:

	1993-94 Budget	1998-99 Budget
Industry Travel Trade Program	$129,000	$129,000
Consumers howProgram	$176,000	$176,000
(EDA - GNWT Contribution)	($52.800)	($52,800)

The objective of this program function is to facilitate direct GNWT *and* NWT *operator participation at key travel industry and consumer show marketplaces that match the* NWT's *tourist products and markets. Both programs have their greatest impact on packaged tour markets and as a result are of greater benefit to* NWT *tour operators. The Consumer Show Program is orientated to the North American marketplace and the Industry Travel Trade Program is directed at the overseas marketplace, principally Europe and Asia. An Industry Travel Trade Program is the only financially feasible way for the* NWT *to approach European and Asian travel markets.*

7.2.6.1- Consumer Show Program

The Consumer Show Program has been consistently evaluated for five years and continues to provide a positive cost/benefit for the NWT. NWT *operators like the program and it has consistently high ratings. It is not a program that will benefit all segments of the industry. Its principal value is primarily for full-service operators who need assistance in marketing their products to very targeted marketplaces in key North American markets for the* NWT *such as Toronto, Minneapolis and Chicago. It is of minimal value to the independent touring market and of maximum value to the packaged tour operator offering packaged and adventure tour products, both non-consumptive and consumptive.*

The Program should be a vehicle for operators to penetrate and work new markets for up to four years. After four years, operators should assume 100?ZO of costs if they choose to continue to attend the shows. For smaller operators or operators just starting up tour packages, the Program could be expanded. Further, more specialty shows such as eco-tourism *expositions and product-specific shows like canoeing, fishing or hunting, and trade shows held with professional conventions such as medical and dental conventions could be included in the Program.*

Lastly, more activities and promotions could be held in conjunction with actual trade show attendance such as making presentations and working in conjunction with the Canadian Consulates.

7.2.6.2- Industry Travel Trade Program

The Industry Travel Trade Program is directed entirely at the travel trade in international *markets. The Department has already prepared a submission for $104,000 to develop a program for* NWT *and operator participation in overseas travel trade shows. The 1992-93 budget was $50,000. As 6.0970 of the* NWT's *visitors are drawn from overseas markets, the* NWT *should be spending a comparable portion of its budget in this market. Attendance at the travel trade shows is one of the best vehicles to do this. European and Asian markets are also forecast to have the strongest market growth over the term of the Marketing Strategy. These are expanding markets, particularly for the* NWT's *outdoor adventure products.*

The program is of particular benefit to operators offering a fully packaged and commissionable product with a proven overseas market. At present, the Baffin's approach to tourism marketing is based on providing support to its operators in developing packages and linking those operators with tour wholesalers. Attending travel trade shows where tour wholesalers are looking for product is a good vehicle to address the Baffin's approach.

It is *recommended that a further $25,000 be added to the budget to permit attendance at two U.S. travel trade shows thus increasing contacts with trade wholesalers in the U.S.*

Activities recommended under the program are as follows:

‣ GNWT attendance at selected Travel Trade Marketplaces *(includes workstations/booths and related travel costs)*	$55,000
Suggested marketplaces include:	
• International Tourisme Bourse (ITP) – Berlin, Germany • *World Travel Mart (WTM) -London, England* . Canada/U.S. *Business Exchange (CUBE) – London,* England • Atelier *Canada- Paris, France* • *KANATA* - Nagahama, *Japan* • *Rendezvous Canada – various Canadian cities* • *National Tour Association* (NTA) – various U.S. cities	
‣ *Operator Support at Travel Trade Marketplaces* (50% *of* booth/workstation/registration)	*$319000*
‣ Travel Trade Familiarization Tours	$25,000
• Additional Support to Travel Trade Wholesalers and NWT Operators	$18,000
• brochure assistance • video production, slides, A/V support • co-operative activities e.g. advertising • public relations/promotional activities	
Total	$129,000

7.2.7 - Media Relations Program Function

	1993-94 Budget	1998-99 Budget
Media Relations	$100,000	$100,000

• *Our program evaluation of the Department's media relations activities was very positive, Over the period, 1987 to 1989, media relations costs of*

$102,000 produced economic benefits of $4.9 million. Some Regional Superintendents indicated that effective media relations comprised one of the best marketing tools to stimulate awareness and eventually tourist travel to the regions/zones.

- In the past, the media relations function was treated more as an activity than a program and its use was more reactive than proactive. Since 1989 there have been increasing requests for video and film production support with as much as $70,000 being spent on film and video production by the Department.

▸ The media relations function typically involves primarily *establishing contacts at media marketplaces, and hosting those contacts or other media identified by other means on farn tours on products and locations within the NWT. Media relations can provide the long term benefit of generating awareness of the NWT as a tourist destination. This activity should be developed and evaluated as a separate program activity. The following is recommended:*

- *Increase budget for media relations to $100,000 to expand the area of activity on a regional basis, particularly in the Eastern Arctic.*
- *Continue to attend media marketplaces in order to generate leads.*
- *The program should be regionally driven and implemented.*
- *A standard evaluation system should be developed by the Tourism Development and Marketing Division and should be employed by the regions and zones to enable consistent evaluation of activities.*
- *Develop a data base of contacts and results that in future would be very useful to the regions in evaluating requests for fam tours and other activities within this function. The data base should be maintained for the travel writers and publications that have been successful for the NWT or that can piggyback on the Department's print media campaign.*

▸ *Print Media should be the primary vehicle for coverage. Visual and written support materials could be developed to provide background packages to visiting journalists and to be used as information kits when making media contacts.*

➤ *Video Production – considering budget limitations, the high cost and* lack of *audience selectivity in television promotion, the following approach should be taken:*

• *Product Videos*	*Responsibility of private sector with opportunity for BDF support.*

- *Destination Videos* – *Collaboration of partners including tourism operators, airlines, tourism zone associations.*
- *Documentaries* *Decision to support made by regions*

Budgeted activities recommended are as follows:

➤ *Attendance at Selected Media Marketplaces (includes registration and related travel costs for Department representative and industry representatives)* • *East Coast Media Marketplace – New York* • *West Coast Media Marketplace – Los Angeles*	*$8,000*
• *Media Press Trips* • 10 Travel Writers @$3,000 • East/West Media Trip @$10,000	*$50,000*
• Media Press Kit (one time cost)	$15,000
• Additional Support to Travel Editors, Writers, etc. • press release production, distribution • event information • media/operator database	$4,000
➤ Video-Film Support • co-operative activities e.g. advertising • public relations/promotional activities	$23,000
Total	$100,000

Lastly, in a related but independent industry activity, the Department *should be aware of potential opportunities to establish a film and video industry in the NWT. The Canadian film and video industry receives substantial support from the federal government as it is seen as an important cultural industry for Canada. All provinces have established film and video offices and/or associations. The economic impact from film and video production is substantial. In neighboring Yukon, the value of film and video production exceeded $2.0 million in 1992.*

Film making is not new to the NWT as segments of feature films have been shot in the NWT. An idea we proposed on a few occasions drew a very favorable response and that was the production of an IMAX film dealing with the Eastern Arctic, based on the *theme of Exploring the Northwest Passage.* IMAX/OMNIMAX theatres *are located in* all *major urban marketplaces throughout the world. The audience mix is a perfect match with many of the* NWT's *outdoor adventure products. Some of the most successful* IMAX *films deal with exploration and adventure. One of the most popular* IMAX *films today features the Grand Canyon.*

The real value of an IMAX *film to the* NWT *is the durability that such films have. Film runs in most* theatres *are 4 to 6 weeks. The films are often brought back year after year. The film library for* IMAX/OMNIMAX theatres *is still not large and the industry is "hungry" for new product. We feel that a film interpreting the Eastern Arctic based on a theme of Exploring the Northwest Passage would* have very strong *appeal. It would be a very strategic way in which to promote awareness and* travel to the *Eastern Arctic. It would also build on awareness generated by the creation of* Nunavut, *Canada's newest territory. Very likely the* NWT *could develop a travel trade show for film openings in each marketplace when the film is shown.*

There is one major "catch" to the above and that is the cost of producing such a film. It would likely be in the order of $6.0 million. It is a major undertaking, which would also result in major economic benefit not only in creating travel/cultural awareness but also in the production of the film itself. The NWT, through its Development Corporation, would have to be prepared to make a capital investment to lever funds from private investors and the Government of Canada. However, depending on the film's success it could be possible for the NWT *to recover some or* all *of its investment through such means as licensing fees. Obviously, a separate feasibility study would be required.*

7.2.8 - Marketing Inquires, Research and Evaluation

This program function involves a number of program activities, as indicated in the following table.

	1993-94 Budget	**1994-95 Budget**	**1998-99 Budget**
Tourism Inquiry and Fulfillment (1-800 Number)	$250,000	$250,000	**$250,000**
Market Research	$76,000	$116,000	**$116,000**
NWT Visitor Survey	0	$250,000	0
Program Evaluation	$40,000	$40,000	$40,000

These **four** *program activities should be* **linked** *together in order* **to** *improve the capacity and effectiveness of market research and program evaluation. While the tourism inquiry and fulfillment program activity is generally included with such functions as tourism publications, we have recommended that it be more strategically linked to research and evaluation. Over time, one of the best marketing data bases that the Department can develop is one that is related to tourist inquiries generated by* **print/media** *and all other written and 1-800 telephone inquiries to the Department. This function has never been properly managed.*

Strategically, *a data base needs to be developed and maintained each year. It should form the basis for a "house list" of* **NWT** *tourism travel prospects.* **Names** *in this house list should be sent, by direct mail, product-segmented tourism information about the* **NWT.** *The house list should be analyzed to develop high quality information regarding customer profiles for* **NWT** *pleasure travelers. These profiles* **can** *then* **be used to** *purchase qualified direct mail lists as well as to match demographic information with media readership for the* **NWT's** *specific magazine media placements and for its* **print/media** *advertising generally. These activities will be very critical in managing the Department's print media advertising and, if executed properly, should result in improved targeting of the Department's marketing and reduce the cost of "qualified" travel inquiries.*

Lastly, the Department has not really developed a comprehensive evaluation function. Conversion studies should be done annually of the Department's print/media campaign and other program activities. Evaluation will greatly improve the effectiveness of the **GNWT's** *marketing programs.*

7.2.8.1- Tourist Inquiry and Fulfillment Program

In **a previous chapter dealing with program evaluation, the 1-800 number service received a highly negative evaluation. In fact anyone reading that section would assume that our recommendation would be to terminate the service altogether. Indeed, given its poor performance, our initial recommendation was to do exactly that. However, this would be a very final decision and in the words of one Regional Tourism Officer "once you cancel a program/service like that it would be very hard to bring it back". As a result we were encouraged to come up with some optional considerations.**

In its *present state, the 1-800 number is poorly run and poorly managed. There are three options the Department* **could** *consider:*

- **Option 1** - *Cancel the* **1-800 Number.**
- **Option 2-** *Move the entire service back into the Department.*
- **Option 3-** *Set stringent standards for the operation of the service with the private sector operator and manage/demand better service.*

Option 1 - Cancel the 1-800 Service

Under this option the Department would rely on business reply cards as the response mechanisms to its advertising. However, even with the cancellation of the 1-800 number there would still be the cost of fulfillment and associated human resource cost in fulfilling inquiries. As a result there would not really be a major cost saving.

The NWT would also be disadvantaged relative to other jurisdictions which all have 1-800 number services. Further, it almost seems contradictory that for one of the most expensive pleasure travel destinations in North America, the Department can not afford to provide a toll-free inquiry service.

Another reason for discounting this option is the experience of the Co-op Marketing Campaign. Even though this program was product focused and allowed for much greater point of sale contact for individual operators through the actual ads themselves, independent inquiries to the Department still outnumbered inquiries to operators. It seems there is still a large number of potential customers who want general information and want to talk to a live body in getting that information. Further, if the Department accepts our recommendation for a separate auto touring campaign, a 1-800 number would be that much more important.

Lastly, while the 1-800 number service has never been strategically used for this purpose, it can provide the Department with a very important data base to better evaluate and target its marketing efforts.

Option 2 - Move the Entire Service Back to the Department

Most government jurisdictions that we talked to operate their own 1-800 number and fulfillment service. It's considered too important to contract out and it is so closely linked with marketing and evaluation that contracting out the entire program is not considered feasible. Further, it is regarded as one of the most important functions contained within the overall marketing program.

While we recognize that the GNWT, as a broad policy, has attempted to contract out government services wherever possible, we believe the time is not quite right to do this for a 1-800 number and fulfillment service. If the last few years of experience tells us anything, the private sector has failed miserably in delivering a 1-800 number service. This has been the result of deficiencies in Departmental direction, in operator implementation, or both.

Given its strategic value and the *fact* that **69%** of *travelers* to the NWT are *independent travelers,* the *entire service should be moved back* **into the** *Department* and *rebuilt* **to the same** *standards as those* **set** *for 1-800 numbers and fulfillment services operated* by *southern jurisdictions. However, in the* short run the *Department* has to get *hold* of this activity and run it *properly.* **As a short term** *option, the Department* could choose to contract out the *fulfillment service only.*

If this recommendation is *accepted* and the *Department* brings the service **in-***house, the actual budget will go* down as this contract service is **cancelled.** However, it will mean adding *up* to two *person years* and *related costs* **to the** *Tourism* and Marketing *Division's O &* M *Budget. These* costs include computer upgrades and other specialized equipment requirements.

If the 1-800 Number and associated analysis were operated in-house for a **one-**year "set up" period, a budget of $170,000 would **apply as shown below. This is $80,000 less** than **the operating cost** of the service for 1992-93 while under private contract.

‣ Management and Staffing Upgrade	$70,000
‣ Computer Hardware Upgrades	$30,000
‣ System Design	
• consultant required for system design, information needs analysis • software program to **collect,** store and analyze information	$20,000
‣ Analysis of market information	$20,000
• consumer demographics, lifestyle segmentation • analysis of marketing • Tracking and Conversion Studies	
‣ Specialized Equipment Requirements	$30,000
Total	*$170,000*

Lastly, while we have recommended that the operation of the 1-800 information number be brought back within the Department, it is really for the purpose of upgrading and enhancing service standards. Once this objective has been achieved, the Department could contract the service outside, but based on operational standards developed, set, and stringently monitored by the Department.

Option 3 - Set Stringent Standards for the Operation of the Service with the Private Sector Operator and Manage/Demand Better Service

Should the Department consider contracting out the operation of its 1-800 and fulfillment service, it will have to set very stringent performance standards for **a private sector operator. We would suggest that the Department call for proposals from contracting consortiums that have experience and qualifications in the travel industry and** with data &se management and reporting. This will mean that the contractor or operator should have demonstrated experience in the following:

- Familiarity with the NWT tourism industry, its operators, attractions and packages.
- Good training programs for hotline operators.
- Experience in "qualifying" customer inquiries
- A demonstrated ability to work with NWT tourism operators, Tourism Zones and Regional Superintendents.
- Experience in developing and managing tourism product/inquiry data bases.
- Experience with quality control management for:
  - tourism inquiries
  - fulfillment turnaround
  - accurate data entry

A very important consideration for the Department in choosing to contract out the 1-800 number and fulfillment service will be to ensure that the operation of this service is integrated with the Department's activities in an almost "seamless" fashion. In other words, the Department will have to take a very "hands-on" approach to the management of the service and integrate the service with its research and evaluation activities. The Department should set a number of performance standards with the contractor:

- Qualifying customer inquiries on a product-specific basis. The Department, using this strategy, will have to establish very product-specific inquiry codes.

- Developing ongoing communications systems with the Department tourism operators, *Zones* and Regional Superintendents.

- Developing systems to track and evaluate the effectiveness of the Department's print/media advertising (i.e. what really prompted the call or inquiry?).

- The Department will have to merge all inquiries into one central data base.

- Developing a "qualified" in-house mailing list for future direct mail marketing campaigns.

- Developing systems to conduct conversion studies of the Department's marketing programs and activities.

- Building NWT customer/product profiles which can be used to purchase mailing lists for ongoing direct mail campaigns.

- preparing an annual report on NWT travel inquiries and the impact/effectiveness of NWT marketing that can be used in planning subsequent marketing campaigns and improve the effectiveness of the Department's advertising.

- Preparing marketing intelligence bulletins/reports to the NWT tourism operators, Zones and Regional Superintendents.

7.2.8.2- Market Research

Market research is very important to the successful marketing of the NWT's tourism industry. We have provided several examples and illustrations as to why this is so. The NWT has to be very niche market-orientated and the major task facing the NWT is finding those niche markets within a very limited budget. Market research can greatly improve the effectiveness of the NWT's marketing programs.

For 1993 a budget of $76,000 is recommended for the Department's market research activities rising to $116,000 in 1994-95.

Functional responsibilities would include:

- Strategic management of 1-800 inquiries and fulfillment service:
  - Develop data base system
  - Define customer segments

- Produce annual evaluation report
- Develop ''prospect'' or house lists for consumer leads
- Conduct market analysis

- Develop standardized evaluation criteria systems for individual marketing program components.

- Produce market intelligence bulletins

- Continue to monitor annually: ferry crossings, hunting/fishing licences sales and hotel occupancy data and other industry performance indicators.

- Visit each zone/region at least once a year to determine priorities for research and market intelligence as well as establishing reporting systems for regional program activity.

- Conduct specific product sector market studies and analyzing trends in consumer preferences.

- Prepare for annual marketing campaign strategy planning session which will include:

  - Program Evaluation Reports
  - Cost/Benefit Analysis
  - Directional Statements

- Coordinate research programs and services with other jurisdictions, Tourism Research Institute, Statistics Canada and others.

7.2.8.3- **NWT Visitor Survey**

It is recommended that over the course of the new NWT Tourism Marketing Strategy, the Department undertake a one-time only expenditure Of $250,000 to conduct a Territorial-wide visitor survey in 1994-95. As noted, the last NWT Visitors Survey was conducted in 1989. This survey provides the Department and the regions with an important and accurate baseline performance analysis of the NWT's tourism industry. We would recommend modifying the survey substantially. While it will have to align with previous surveys to produce consistent information about all travelers, we feel the survey should ask only minimal questions of non-pleasure travelers and greatly enhance data and information capture for pleasure travelers. This includes:

- Better product segmentation.

- Profiles of Independent vs. Packaged Tour or Group Travelers.

- Testing/evaluation of Department' s marketing programs with visitors.

- Greater detail on pleasure travellers themselves which then can be used to purchase strategic mailing lists for direct mail programs (i.e. obtain their postal codes).

- Greater detail on activity profiles for pleasure travelers while in the NWT.

- Better information at the regional or zone level on pleasure travelers and their specific tourism product consumption.

7.2.8.4- **Program Evaluation**

The Department needs to significantly increase and improve its program evaluation activities. Prior to 1993, the only program evaluation undertaken by the Department was the Consumer Show Program. Over 90% of the Department's marketing programs and activities have never had any formal evaluation with respect to each program activity's effectiveness in meeting objectives.

Of key significance will be conducting annual conversion studies of the Department's print/media advertising. This should be done for all of the Department's print and media placement and direct-mail advertising. This can be done by means of mail-back or telephone surveys based on representative samples of respondents to print/media advertising.

Over time, program evaluation will greatly improve the effectiveness of the type and amount of print/media advertising utilized by the Department. It will improve targeting as well as providing the Department with tourist visitation data by market and product, both territorially and regionally.

An annual budget of $40,000 is recommended for this program activity.