

Tourism

A International Environment

Since the 1950s, tourism has emerged as one of the world's most important growth industries. Currently, it is a \$2.65 trillion industry worldwide. The overall size of the industry is impressive, and the World Tourism Organization predicts that international trips will continue to grow at an annual rate of 4 per cent in the 1990s — a significantly lower rate than in the past. This slowdown, together with the growing availability of tourism products and services, has dramatically escalated international competition for travel revenue.

In recent years, the industry has shifted from its traditional focus on market growth to one of capturing market share. New entrants within the global tourism industry have significantly increased competition among countries for tourist dollars. Travellers have also become more sophisticated, value conscious and discriminating in their choice of destinations, forcing suppliers or producers to offer quality, competitively priced tourism products and services. Issues, such as competitiveness, productivity, the use of high technology, strategic partnering, transportation accessibility and sustainable tourism development have a major impact on a country's ability to maintain and develop market share.

Most international tourism revenue is earned by 20 countries. In 1990, the United States was the top generator of net revenues of US\$40.6 billion. Several European countries were also prominent tourism income earners. Western Europe is the most important tourist destination, followed by North America. Significant emerging markets to generate revenue are South Korea, Taiwan, Brazil and Argentina.

Throughout the 1990s, travel within Europe is expected to continue to expand. Rapid growth in traffic from Europe to North America (via the North Atlantic) is also expected. At the same time, trips within the Asia-Pacific region — as well as between Europe and Asia — are expected to increase significantly.

B Domestic Position

In Canada, tourism is a \$25 billion industry that accounts for 4 per cent of Gross Domestic Product (GDP) and 5 per cent of employment, generating about 550,000 jobs. In 1991, tourism ranked third among Canada's exports at \$7.8 billion, after motor vehicles (\$24.2 billion) and auto parts (\$8.4 billion). The tourism sector is comprised of a number of subsectors, including transportation, accommodation, restaurants, retail trade, recreation and entertainment.

Canada's tourism industry is the ninth largest in the world, with receipts of US\$6.4 billion and a 2.15 per cent share of the world market. The industry's annual 9.1 per cent growth rate in the 1980's was surpassed only by the United States and Australia among Organization for Economic Co-operation and Development (OECD) countries. Yet, like many other industrialized countries, Canada runs a deficit on its travel account (\$7.2 billion in 1991).

International revenues grew by 3.4 per cent in 1991 and are anticipated to continue growing at an annual average rate of 5.4 per cent over the remainder of the period. Higher growth in revenues compared to visitors are expected as a result of targeting high-yield, affluent tourists.

Canada's five major international markets are the United States, the United Kingdom, Germany, France and Japan. The U.S. market is, by far, the most important; it provides Canada with 80 per cent of its international visitors but 59 per cent of its revenues. The U.S. market is expected to grow at an annual average rate of only 0.7 per cent between 1991 and 1995.

Among the European markets, the United Kingdom is currently the most important to Canada. France is the fastest growing market, outpacing growth in all of Canada's international markets. In Germany, Canada ranks second to the United States as a preferred long-haul destination. Travel from the United Kingdom is expected to grow at an average annual rate of 1.5 per cent in 1992-1995. During the same period, growth in the number of French visitors to Canada is forecast at 7.5 per cent per year, and German travel to Canada is expected to increase at an average annual rate of 5 per cent.

In the Asia/Pacific market, Japan remains dominant. Canada's current share of the Japanese outbound market is 4 per cent. The average annual growth rate of Japanese visitors to Canada for the period 1992-1995 is forecast at 5.2 per cent. Japan is expected to become the leading source of tourists to long-haul destinations by the end of the decade.

Business travel to Canada accounted for \$1.4 billion in 1991 or 18 per cent of international travel revenues. It represents an especially lucrative market for Canada in the United States because of that country's proximity and its position as the primary generator of international business meetings, conventions and incentive travel. Canada's major competitive advantage in the U.S. market is its service infrastructure and customer service orientation. Customs, taxation and air accessibility issues remain obstacles, as does the magnitude of marketing investment needed in this highly competitive market.

C Strategic Direction

In general terms, Canada's tourism strategy attempts to match product supply and international customer demands in an increasingly complex operating environment.

Adapting its products and services to the demands of the discriminating international traveller is one of the major challenges facing Canada's tourism industry. As well, securing sufficient transportation links and overcoming skill shortages and productivity problems are issues for the industry. Better integration of public and private efforts is needed.

The Government's tourism marketing strategy has been designed to take into account global changes occurring within the industry. The tourism market is now demand- rather than supply-driven. Quality and value expectations of tourists are increasing. Travellers — particularly those who travel internationally — are more sophisticated, experienced and cosmopolitan. At the same time, competitive pressures within the industry are increasing, as the availability of tourism products and services continues to expand.