

## One Canadian's Perspective on the Country's Recent 'Decrease' in Tourism Volume

Woodall's Campground Management  
Wednesday, December 26, 2007

- The media, including the October 2007 issue of *Woodall's Campground Management*, have published a series of articles on the demise of Canadian tourism, citing reasons including the increased value of the Canadian dollar in comparison to the U.S. dollar.

While the reality is that tourism numbers have indeed dropped, the reasons behind this are very applicable to our industry. And the key to understanding the connection is quite simple. As you read the balance of this article, substitute 'RV Park' and/or "campground" for "tourism destination."

Many tourism destinations (or RV parks and campgrounds) have enjoyed a healthy rate of growth over the years. As a result, continuous growth has become an assumed norm. Unfortunately, at some point visitor numbers may drop, spurring many destinations to realize this presumption is in fact a major faux pas. What's happened? Where have they gone? They were here last year! They should be here this year!

Destination marketers today are faced with a series of challenges, many of which are a function of tourism and others a function of the external environment in which tourism operates. The Canadian tourism sector has been impacted by a variety of external forces ranging from high fuel prices to a fluctuating currency exchange, global warming, terrorism threats, changing passport regulations, SARS, hurricanes, tsunamis, a slowdown in the U.S. economy, perceptions regarding Canada as a bland destination and other concerns.

Add to these pressures a higher level of competition, increased product parity and substitutability. As a result, destinations need to create a strategy that deals with these various issues while creating a unique identity so as to differentiate themselves from potential competitors.

A destination's product is usually not a single entity, but a composite of services and goods, including accommodation, food and beverage establishments, attractions, arts, entertainment, cultural venues and the natural environment. Often times these entities are operated as small businesses managed by families interested more in their own survival. The overall quality of the visitor's experience will be dependent on the delivery of the component parts.

Tourism operators may benefit from stepping back from their own situation in order to gain a sense of perspective on what's really going on. As the tourism market matures, many tourism destinations worldwide are facing the challenge of revitalizing their product and repositioning themselves in the marketplace.

### **Tourism Area Life Cycles**

One of the clearest indicators of a destination's performance is the number of visitors it

receives. As most destinations experience fluctuations in numbers from year to year, it's imperative to understand the true meaning as to why visitor counts are increasing, decreasing or remaining relatively stable.

In other words, tourism operators need to position their destination in the context of the Tourism Area Life Cycle. This cycle proposes that a destination goes through key stages: exploration, involvement, development, consolidation, stagnation, and decline and/or rejuvenation. A destination could initially enjoy varying levels of popularity, but, over time, growth will dip. Does this sound familiar, i.e., a drop in tourism either in Canada or in your business?

The tourism life cycle can overlay with the life cycle of a business and, more specifically, a family business. The result is a graphic illustration of the interrelationships of various factors that contribute to the various phases noted earlier, particularly that of stagnation and/or decline. The vast majority of tourism enterprises are family-owned enterprises. As the businesses and their owners' age, the concern that older business people are less likely to expose their capital to risk on new investment or highly innovative projects comes clearly into play. As such, the individual tourism operators' own risk profile and life stage hinders innovation in product development.

### **The Canadian Picture**

Canada, for its part, has experienced a dramatic tourism deficit, mainly driven by its relationship with the U.S. Canada's deficit increased to \$4.3 billion in 2006, eight times the deficit reached in 2002 when it hit a low of \$544 million. A recent study revealed that half of all Americans have never visited Canada in their lifetime, and the 61% who have visited haven't returned in the past five years.

The outbound travel intentions of Americans have always been lower than that of Canadians, with only 18% intending to travel somewhere outside the U.S. in 2007. But more disconcerting is the fact that Europe has gone from fourth to second as a destination Americans intend to visit. In terms of outbound travel, Canadians have a continuing yen to visit the U.S. In fact, 40% of all Canadian adults visited the U.S. during the past year.

Tourism statistics like these form the basis on which dynamic strategies are created, but only if the leaders within the industry recognize the signals that point to either potential competitive disruptions or opportunities. Adapting to changing circumstances is the mark of organizations that want to perform to potential.

### **The Critical Tipping Point**

Every maturing tourist destination eventually reaches the critical tipping point, characterized by flattening visitor numbers. The development stage has become passé. Unfortunately, once past the acme, it's downhill from that point on. What separates the survivors from thrivers is how a destination's stakeholders manage their understanding of the various indicators of stagnation/fatigue and develop effective rejuvenation strategies.

Indicators of stagnation and fatigue are noticeable in changing numbers, the emergence of newer destinations, in the destination's infrastructure and in business performance. Specific signs include:

- A decline in visitors' length of stay
- Limited or declining appeal to overseas visitors
- Competition from emerging newer destinations
- The extent to which it's still "fashionable"
- Outdated, poorly maintained accommodation and amenities
- Newer properties under development on the periphery
- Declining profits of major area tourism businesses

Communities, destinations and entrepreneurs need to understand and appreciate the fluidity of markets. Change is inevitable. Just because visitors came last year does not translate into them coming this year! Stagnation can only be averted if managers realize that the approaches of the past will not necessarily work in the future.

### **Cultivating Rejuvenation**

Against this background of doom and gloom, tourism operators need to take a look at the Tourism Area Life Cycle model, as it offers a ray of hope to balance the concerns experienced by destinations positioned in the stagnation and decline stages. A destination can rejuvenate itself, i.e., it can turn visitor numbers around to a positive growth cycle if its various constituents develop a strategy which focuses more on the future and less on the past. We can examine the specifics of rejuvenation efforts in next month's column.

Fluctuations in visitor numbers are an important outcome for any destination. It's a big mistake, however, to expect continuous growth without continually implementing incremental and revolutionary innovations. A second mistake is blaming the decline in visitation on external forces.

No doubt these forces play a part in visitor numbers. However, the Tourism Area Life Cycle may be a better platform to use to explain downturns. Entrepreneurs with fatigued and stagnant products can implement a series of steps designed to rejuvenate their destination's appeal to visitors.

Key components of the rejuvenation include collaboration, development of a strategy, development of a destination brand that resonates with existing and future visitors, and innovation – both incremental and revolutionary. Once these key elements are in play, the destination should see visitor numbers rebound if not surpass previous high water marks.

RV parks and campgrounds that have been around for several years, and which are experiencing a decline or stagnation in growth can probably relate to these comments. I know, because I regularly receive calls from these parks as they seek solutions to the key problem of not reaching their potential.

Next month, we'll look at specific rejuvenation strategies that you can implement in your park, regardless of the level of decline.