

Tourism:

Does it Pay?

P.A. Palmer



Mr. Palmer has been with the Royal Bank since 1961 gaining a wide range of banking experience at various Ontario locations. In 1971, he joined the bank's new team dedicated to the development and marketing of cash management services where he designed customized applications for specific industries. He has held many progressive positions and assumed his current responsibilities in 1986. Mr. Palmer has been a regular speaker at industry forums in Canada and the U.S., and lecturer at Sheridan and George Brown Colleges. Mr. Palmer is an active member of the Industrial Developers Association in Canada, the Canadian Chamber of Commerce, the American Marketing Association, and the Canadian Tourism Management Centre Advisory Committee. He is a double gold medalist graduate in honours business administration from the University of Windsor and obtained his fellowship in the Institute of Canadian Bankers through the University of Toronto.

Before I go any further, I would like to confess that this is my first visit to the North of Superior Region. That being the case, you might question my qualifications to discuss your area's tourism potential. I defend my position on two fronts: first, bankers love to talk, especially about increasing industry potential and second, as a tourist, I am perhaps best qualified to assess North of Superior's attractions.

Public opinion surveys suggest that travel has a high priority among consumers in industrialized nations. It ranks first among both Americans and Europeans as a symbol of the "good life", and the dollars spent on tourism support that finding.

Tourism is a \$1.8 trillion industry - that makes it the world's largest industry. Canada's tourism receipts totalled \$22 billion in 1986. That we don't get a greater percentage of the tourism trade is not because we lack attractions - we boast of some of the world's finest tourism features - but because we lack the image needed to lure travellers to our doors.

In September 1985, I visited New Brunswick to address the Industrial Developers Association of Canada on the future of Canadian tourism. New Brunswick attracts some four million tourists each year with an advertising campaign designed and targeted to attract special interest groups - the backpackers, rockhounds, canoeists, and so on, who bring money into the province each year.

New Brunswick's tourism industry benefits from the two variables which are a must in any business: a defined product and a targeted marketing plan. The absence of those two variables spells business failure, as our national tourism picture indicates.

Tourism has been a major growth industry for Canada over the past 30 years. It is one of the top five industry sectors in most of our provinces and territories. It comprises some 61,000 enterprises and employs more than 600,000 Canadians directly, and thousands more, indirectly. Despite recent improvements we continue to suffer a \$1.9 billion balance-of-travel deficit -1987 projection.

The total number of U.S. visitors to Canada who stayed overnight dropped 14.5% between 1972 and

1984. It is obvious, that in order to combat any further decline in our industry, we must begin to market aggressively Canada's unique attractions on a planned, segmented basis. The potential gains are well worth the effort.

In 1986, 14 million Americans visited Canada, staying an average of six nights each and spending an average of \$225 each. Federal government studies indicate that if we were able to increase the number of those visitors by just one percentage point, it would mean:

- \$30 million added to our economy
- 800 additional job years
- \$17 million in direct income for Canadians
- nearly \$11 million in federal, provincial and municipal government revenues.

It is for economic reasons alone that tourism has begun, finally, to take on added significance in Canada. Historically, Canada's economy has been resource-based. As you know, the continued growth potential of our price-sensitive resources sector is now in question. Our mining industry, for instance, is having difficulty competing in world markets as commodity prices have dropped substantially.

Reports on our forest industries indicate that we have reached the limits of annual allowable cuts and that timber shortages can be expected in five to 10 years. A recent senate committee report "Soil at Risk", suggests that our agricultural industry is in jeopardy due to soil erosion, salinization and the loss of agricultural lands to urbanization.

Canadian communities are starting to realize that tourism enterprises, properly structured and operated, can add to their bottom line by diversifying and stabilizing economies.

Unlike other centres in Canada which must create tourist attractions, your region benefits from a clearly defined tourism product: the outdoors - a highly prized commodity by travellers seeking the wilderness experiences of camping, canoeing and fishing - and a definite strength in promotional activities to attract nature lovers from all parts of the world.

North of Superior has a large and easily accessed primary market. Over 86 million people live within a day's drive of the region. This population base includes unexploited markets in southern Ontario and a broad arc of states extending from New York, west to Minnesota and south to Kentucky.

The region also benefits from a loyal client group. Your industry association reports that 80% of local fishing and hunting lodges' client base is repeat business. The challenge in today's competitive tourism environment is to keep and increase that business base.

Our resort operators are now competing on a global basis for the American sportsman's business. As recently as 15 years ago, Ontario was the only place to fish and hunt. Now, South America, Oceania and the American border states are fighting aggressively for the same tourist trade.

We will have to work hard to overcome any perceived shortcomings. Our climate, for example, will continue to be a deterrent unless, as some resorts have proved, seasonality can be turned into an asset - as has been done by at least two lodges in northern Ontario.

Most lodges enjoy a maximum operating season of six or seven months. But Thunder Bay, with its downhill skiing and North Bay/Nipissing with the emphasis on ice-fishing, have added a winter season to their tourist trade.

With the proper marketing techniques, year-round resort business is possible: fishermen in the spring and fall, family vacationers in the summer, ice fishermen and skiers in the winter and the day traveller.

Today's fishermen and hunters have higher service expectations than in the past. They may want wildlife during the day, but they most certainly want their creature comforts at night. Substandard hotels and restaurants are clearly unacceptable. Your challenge is to, in effect, add value to your natural tourism potential by investing in the extra attractions tourists have now come to expect: superior accommodations, good food and secondary attractions such as amusement parks and water slides. Quality of service is as much the key to success in tourism as it is in banking.

I am sure your association was pleased by Canadian Living magazine's assessment of local restaurants. The article, entitled "Good Cooking North of Superior," says: "The sometimes harsh climate and isolation of this magnificent but challenging region haven't daunted the resourcefulness and creativity of these good northern cooks."

Resourcefulness and creativity are key qualities lacking in tourism marketing. Promoting the tourism industry is no different from selling any other industry. You have to determine exactly what you are selling, whether or not there is a market for

the product or, alternatively, if one can be created. To do that, you have to be willing to invest time and money.

We can all make the time to do our homework, but few of us have the money. That's where your bank can play a major role - leaving you to capitalize on your enthusiasm for what you do best.

Tourism enterprises are, for the most part, small businesses, or what the Royal Bank calls independent businesses. Almost half of Canadians working in the private sector work in independent businesses which generate more than 20% of the country's sales and pre-tax profits. In 1985, 90,000 new businesses were started.

The Royal's independent business clients represent 90% of our domestic business connections. Many start from scratch - they have skill and drive but often lack business management experience and sufficient start-up funds.

The Royal Bank formed a separate independent business group with financial specialists providing a number of special services for our small business clients, such as fixed-rate financing plans and variable-rate, fixed-payment financing. These loans make it easier for small firms to make regular payments which match their cashflow patterns.

We've done our homework to ensure that we are equipped to serve our emerging business customers. It has been our experience, however, that many new, independent businesses wanting to borrow start-up money have not always done their homework. They don't have the long-term business strategies and marketing plans that are the foundation of a successful business.

Based on our 1985 average return on assets of 53 cents for each \$100 loaned, we need almost \$19,000 in new loans, kept productive for a full year, to generate sufficient revenue to earn back a loss of \$100.

An average borrowing small business carries \$42,000 in outstanding loans. If you consider the fact that of the 90,000 new small firms formed each year, 60% falter within their first five years, it may explain why "no" is sometimes the best advice a banker can give to an aspiring entrepreneur who doesn't have well-documented supporting strategies.

There is no excuse for poorly executed business plans, with the information resources available from banks, governments, associations and many others. The Royal Bank publishes the popular "Your Business Matters" series of 17 booklets on

financial management. We've printed more than 1.5 million copies of the series since 1974.

The Royal Bank is being approached by growing numbers of business people who have really done their homework. Business plans are focused, with well thought-out financial and marketing strategies and are creative - a trend we can't encourage enough.

Education is an essential part of the creative process and it is encouraging to note that Lakehead University is actively encouraging creativity in the next generation. The University offers the Review Lecture Series established by Imperial Oil Limited. The series is offered to universities which might normally not have access to lecturers of the stature of, for example, Dr. Northrop Frye. Dr. Frye, Canada's pre-eminent literary critic and scholar, was one of several guest lecturers at Lakehead during 1985.

The lecture series was founded on the belief that the university community and the corporate sector have to improve their relationship in order to remain competitive in the world market.

Remaining competitive is the key for every industry, tourism included. As with any other business, success doesn't just happen. The future of Canadian tourism is linked directly to the effort we are willing to put in, and the value we are willing to place on, the industry.

I believe, given the product we have to offer, Canada, and in particular "North of Superior", can increase its tourism potential and profits. Our nation offers the mountains, forests, rivers, beaches, prairies and wilderness along with sophisticated cities, friendly country towns and fishing villages - all of which combine to make Canadian tourism a quality experience. The challenge is to continue to develop, package and market Canada's natural attractions. Start a trend in your region by inviting tourists to experience Superior in '88.