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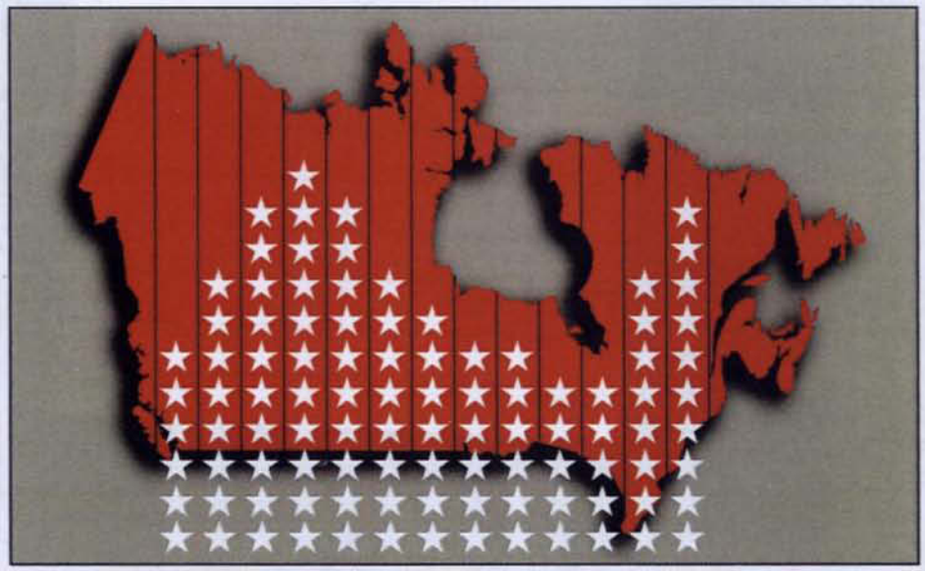
U.S. LEISURE TRAVEL

THE AMERICAN TOURISM MARKET EVOLUTION TO 2010



CANADIAN TOURISM COMMISSION

COMMISSION CANADIENNE DU TOURISME

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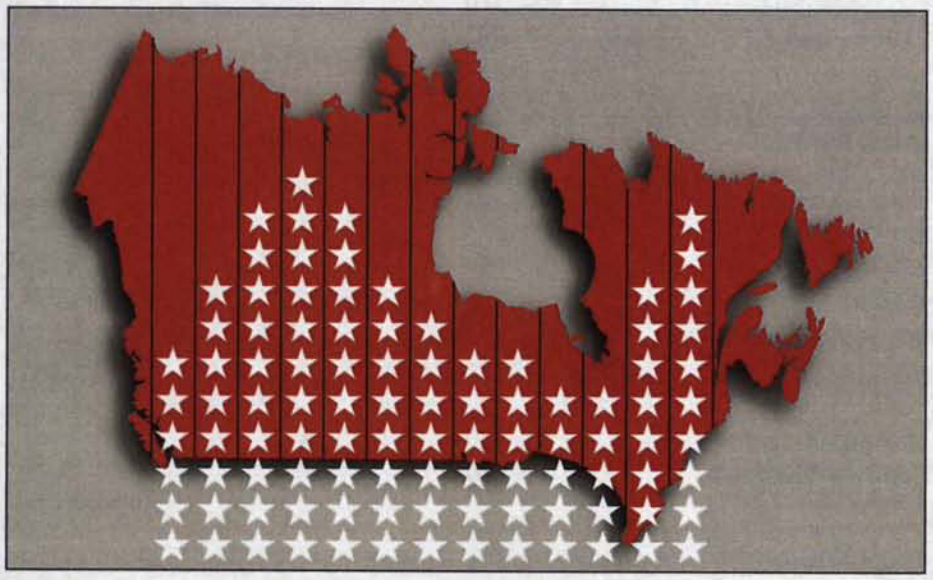

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Canadian Tourism Commission
Commission canadienne du tourisme

American Travel to Canada — The Market to 2010

© Canadian Tourism Commission
May 1998

ISBN 0-662-26859-8
Cat. N° C86-78/1998E

1. Travel agents–Canada.
2. Travellers–United States.

I. Canadian Tourism Commission
II. American Travel to Canada — The Market to 2010
G155.C3T37 1998 338.4'7917104648 C98-980210-8

For printed copies, contact:

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Ce document est aussi disponible en français sous le titre :
Tourisme américain — Évolution du marché vers 2010

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PRINTED IN CANADA
IMPRIMÉ AU CANADA

AMERICAN TRAVEL TO CANADA
THE MARKET TO 2010

INTRODUCTION

The American market for leisure travel to Canada is likely to change significantly during the next dozen years. Some powerful forces are about to influence U.S. tourists—economic conditions, socio-demographic shifts, technology and competition.

FORECAST AT-A-GLANCE

- ★ The American tourism market is changing in ways that can benefit the Canadian travel industry.
- ★ The growth segments of the market are the middle-aged and the mature, who have an affinity for nature and authenticity, traditional Canadian strengths.
- ★ U.S. population growth will be strongest in the South and West — areas which have not been strong tourism markets for Canada.
- ★ Baby Boomers, the wealthiest and best educated generation of Americans ever, will continue to be avid travellers as they age. They will have more time and money to travel after they retire, as many will before 2010.
- ★ The American tourism market is very large and very competitive, and will become even more competitive as technology evolves.
- ★ Canada competes in this market mainly against U.S. domestic destinations, and should emphasize its advantages—unspoiled nature, safe cities, authentic culture.
- ★ Advertising and marketing will continue to be crucial to Canadian tourism, but should be better targeted using insights from demographics, psychographics and media literacy research.
- ★ By concentrating on the Baby Boomers as they mature and catering to their tastes, Canadian travel businesses can continue to prosper well into the 21st century.

Economic Environment

The market for leisure travel and tourism is closely related to overall economic conditions. Economic growth and rising incomes increase consumer confidence, which in turn leads to more spending on discretionary items like tourism. When times are good, spending on tourism increases more than spending on necessities. Tourism is now growing faster than the American economy in general, but it will also fall faster in a recession.

Despite an Asian economic meltdown in November, 1997 proved a banner year for the U.S. economy. Indeed, even though investor anxiety persisted during the first quarter of 1998, U.S. stock markets set new records into April 1998.

The rate of growth in the U.S. economy is expected to slow this year. Gross Domestic Product (GDP) is predicted to rise by 2.8% in 1998 versus 3.9% in 1997. The long term U.S. GDP forecast calls for sustained growth at the trend rate of 2% to 2.25%.

There are many reasons for optimism about the U.S. economy. In Feb. 1998, the Conference Board reported that consumer confidence had soared to a 30-year high. Momentum is building, as consumer confidence and disposable income increase, industrial production accelerates, and sales outpace inventory growth. Housing starts are up, with long-term interest rates falling. These trends reflect a resilient, bustling, domestic economy. Indeed, it currently looks as if the Asian crisis will do more to contain inflation than to slow growth in the U.S. economy.

Seven-year boom

The U.S. economy has been booming for almost seven years. Although the boom cannot continue indefinitely (nine years is the longest uninterrupted period of growth since World War II; the average is 4.5) the outlook is generally promising. The economy is expected to grow, albeit at a reduced pace of about 2.2% per year, at least until 2005. The forecast compound GDP growth rate from 2005 to 2010 is 2%. If the GDP increases no more than expected, the growth rate will decline but there is no recession in sight between now and 2010.

Excellent prospects

As the U.S. economy grows, so will consumer confidence and disposable income, both prerequisites to leisure travel. Medium-to-long-term prospects for the U.S. travel market are excellent. Anticipated economic conditions will encourage travel, not hinder it.

This is good news for the Canadian travel industry. Exchange rates, which have been favourable for Canada recently, will also have an impact on the industry's ability to entice an increasing number of American visitors north. Even a rising Canadian dollar might not have such a negative effect, though, so long as perceived value were there.

Real GDP Growth Forecast

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2010*
USA	3.9	2.8	2.0	2.1	2.1	2.0	2.2	2.3	2.2	2.0
World	3.3	3.2	3.1	3.0	2.8	3.0	3.1	3.1	3.1	3.1

* Annual compound rate from 2000 to 2010.

Socio-Demographic Shifts

Age and life stage, closely related variables, are the fundamental demographic characteristics of a society. Along with earning power, they have a tremendous effect on demand for a wide range of goods and services, including leisure travel.

Barring social upheavals, social change is usually slower than demographic change. During thenext decade American social values are expected to continue their current slow evolution.

Age and life stage

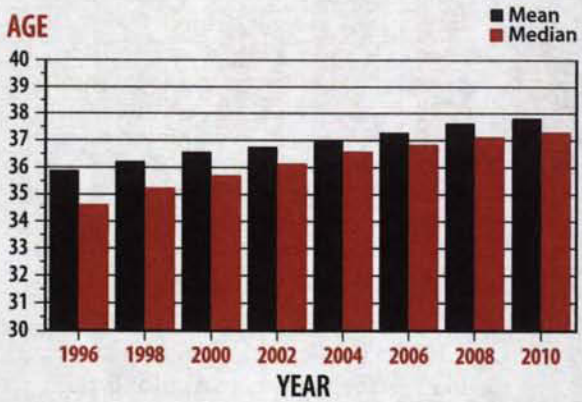
As people go from childhood to adulthood and then to maturity they pass through various life stages which closely correlate with age. As consumers, their needs and desires change significantly with each life stage. Life stage is highly relevant for leisure travel. There is a big difference in the type and amount of travel done when there are toddlers in the house compared to the travel done once children leave home. Also, the financial situation and career considerations of young parents are quite different from those of empty-nesters, the latter having higher disposable income favouring increased leisure travel.

U.S. population is aging

The U.S. population, currently estimated at some 268 million, is aging. In 1997 the average age was 36. By 2007, the U.S. population will increase to some 290 million with an average age of 37.4. During the same period, the median age will rise from 34.9 to 36.9 years. That means that, within a decade, almost half of the American population will be 37 years old or more.

The 78 million Americans born between 1946-1964 has come to be known as the Baby Boom generation. Throughout their life, so-called Baby Boomers have had an unrelenting influence in the American marketplace. Even before their birth, Baby Boomers drove the market, creating a huge demand for maternity wards and pædiatric care. In the 1970s and early 1980s, their demand for residential housing pushed most real-estate markets through the roof. Now the oldest Baby Boomers have reached middle-age. In 1996, the oldest of the Boomers turned 50 and by the end of that year, 3.4 million boomers had crossed the 50-year threshold. Each year for the next 17 years, four million Baby Boomers will reach 50.

Mean and Median Age of U.S. Population



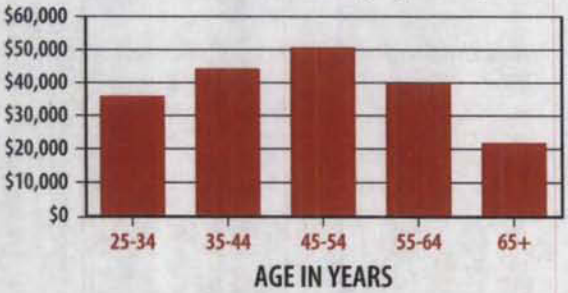
The Baby Boom generation consists of two groups: an older one made up of 34 million people born between 1946-1954 and a younger one comprised of the 42 million born between 1955-1964. Today, Boomers in the older group are between the ages of 44-52 and those in the younger group are between 34-43. Older Boomers have been economically advantaged and many are at a different life stage compared to their younger counterparts.

Income and wealth

Strong consumer confidence and a discretionary income are prerequisites to leisure travel.

Households headed by people between 35-54 have the highest median income of all American households. Half of the 23.8 million households headed by a person aged 35-44 earn a household income of US$44,420+, and half of the 18.8 million households headed by people 45-54 have an average income of US$50,472. These two groups represent 42.6 million households—42.2% of all U.S. households.

Median Household Income by Age Group 1996



Most workers reach their peak earnings between ages 45-54. Annual incomes usually increase as workers gain experience and assume more job responsibility. After that point, incomes stabilize and might even taper off as retirement approaches. The first Baby Boomers to enter their prime earning years did so in 1991 and the last to come through that period will do so in 2018. From 2000 to 2009 everyone in the 45-54 year age span will be a Baby Boomer.

There are also signs that Boomers are saving for retirement. Between Dec. 1993-Dec. 1995 the share of Baby Boomers who answered "yes" to the question, "Are you likely to put money into a retirement or pension plan during the next few months?" nearly doubled, rising from 11% to 20%. This is the highest level recorded since this survey began in 1978. The proportion of 30-to-44-year-olds who say that they are likely to put money in a pension or retirement plan increased from 14% in 1993, to 32% in 1995. The proportion in that age group who plan to put money in a regular savings account increased from 45% to 52%. And 84% of Boomers say that they feel the need to plan for retirement.

While for some Baby Boomers, aging parents might become a financial burden, for others they represent a potential inheritance windfall. Today's retirees could eventually pass on up to $10 trillion in legacies to their Baby Boomer children. This could reach 115 million bequests of some $100,000, on average. Many Boomers will probably remain affluent into their twilight years.

Education

Education is a primary determinant of an individual's earning power. It influences starting salary and the potential for raising one's salary as experience and job responsibilities increase. Usually, a higher education translates into greater lifetime earning power and results in a more prosperous retirement.

The 35-54 year age group has the highest proportion of college graduates and the second highest proportion of people with some college education. More than half of the people between 35 and 54 have at least some college education.

The 35-54 year age range corresponds closely to the Baby Boomers, more evidence that the

Education Attainment in U.S. Adult Population

	Elementary		High School		College/University	
Age	0-4 years	5-8 years	1-3 years	4 years	1-3 years	4 years+
25+	1.8%	6.3%	10.2%	33.6%	24.6%	23.6%
25-34	1.0%	2.9%	9.2%	32.0%	28.4%	26.5%
35-54	1.3%	3.6%	7.8%	33.4%	26.9%	27.0%
55+	3.1%	12.7%	14.3%	35.2%	18.3%	16.5%

Boomers are the most highly educated generation in U.S. history. Education usually broadens the mind and can nurture a taste for the good life which usually includes pleasure travel. Boomers are typically avid travellers.

During the next decade, as Baby Boomers enter retirement, they will have more time for travel and many will also have the wealth to indulge their passion. That wealth will give them the wherewithal to continue enjoying travel in the U.S., but their high level of education will continue to foster a taste for international travel. As the population of retired Baby Boomers increases, the mature segment of the population will fuel growth in American international travel, starting in 2001 and continuing until 2020.

Health and longevity

Disability increases as people age, and the elderly American population is not only growing quite rapidly—it is also getting older. This is of great concern to health-care professionals and to society in general. The implications for the travel industry, though, are less clear. True, when Baby Boomers live well into their eighties, as demographers expect, they might no longer be doing much travelling. However, as they age, they will travel longer and farther than any previous generation in its mature years.

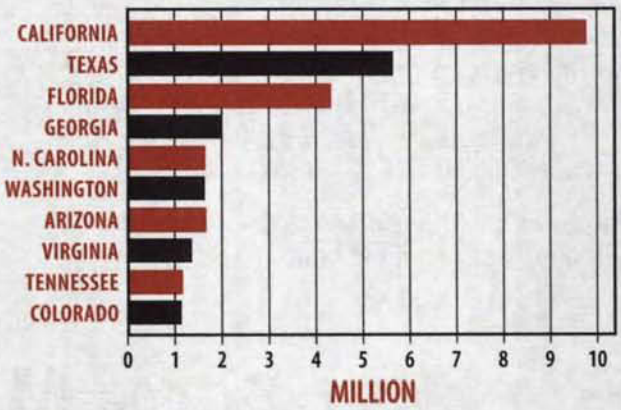
Baby Boomers will be healthier in old age. They are more likely than older or younger adults to take regular walks of one mile or more. Since 1953, per capita consumption of tobacco, butter, whole milk and cream and saturated animal fats has declined in the U.S., while consumption of vegetable oils and fish has increased. This behaviour might cut the rates of chronic disease in old age and lengthen the average person's productive life. These improvements in lifestyle can, at least in part, be traced to higher levels of education and income.

Baby Boomers who have survived their first 40 years can be expected to live at least until their mid-70s. Living a healthier and more physically active life will enable Boomers to remain active longer than previous generations did.

Migration, race and state population

States in the South and West are expected to show big gains in population between now and 2015, with the South remaining the most populous region. None of the states that are expected to grow in population by at least one million residents between 1995-2015 are in the Northeast or Midwest—Canada's best markets. The following chart provides a list of all the states where population will increase by at least one million by 2015.

Population Growth of more than 1 million 1995-2015



The three states that dominate population growth are California, Florida, and Texas. During the next decade, Texas will grow fastest. Texas is younger than the rest of the U.S. and has a smaller proportion of people aged 65 years and older. This age structure is a function of a large mostly Hispanic minority population.

Ethnic majority

By 2050, Americans who belong to racial and ethnic minority groups will outnumber non-Hispanic whites in the U.S. Blacks, Asians, Native Americans and Hispanics will attain a combined majority. They are already the majority in New Mexico and Hawaii as well as in many large cities. This will be the case in California by 2000 and Texas by 2010.

Hispanics are poised to become the United States' largest minority group in 2013. By 2010, they are expected to number 39 million, -12.9% of the country's population. Blacks, on the other

hand, are expected to represent 12.5% of the population. Hispanics will therefore represent a growing slice of the consumer pie during the next 20 years.

To date, little has been written on the ten-or-twenty-year implications of demographic shifts due to immigration, migration, and ethnicity. However, there are certain obvious implications for U.S. leisure tourist travel in general and their travel to Canada in particular.

Slow or no population growth in northern states is bad news. Southern population growth as a result of immigration is a mixed blessing. While any growth is better than none, growth by immigration is unlikely to favour American leisure travel to Canada. Immigrants to the U.S. are more likely to want to visit their adopted country before venturing here. Also, most immigrants will have a very low awareness of this country.

Immigrants to the United States are usually young adults or children. Young families residing in the southern or western United States have never travelled to Canada in significant numbers in the past. There is no reason to believe this will change on its own. In fact, the increase in young immigrant families could entrench existing travel patterns.

Target markets

Ethnicity and population shifts to the South and West do not favour increased leisure travel to Canada, yet these are the engines driving population growth in the United States during the next 50 years. Given the low growth prospects in northern states, Canada will have to penetrate the South and the West or settle for a stagnant market.

Canada could gain market share in the South and West by targeting its market segments of strength—the mature, the middle-aged and younger Baby Boomers within the indigenous population, rather than targeting the immigrant segment.

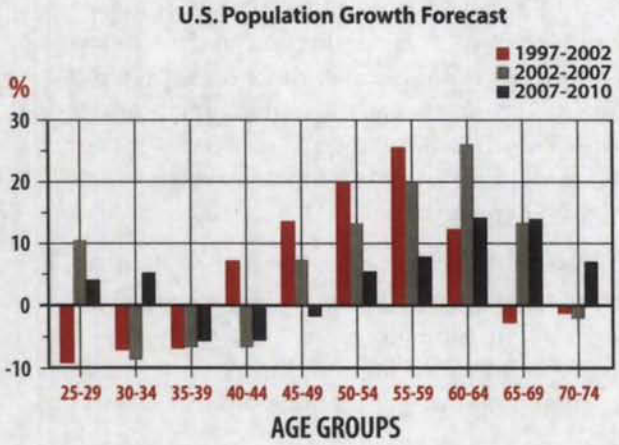
BABY BOOM MARKET IMPACT

Boomers create growth markets as they advance in age. Going from one life stage to the next, Boomers increase demand for certain goods and services as they get older, and leave a shrinking market in their wake. For example, after Boomers had a roof over their heads demand for housing took quite a dip.

Avid travellers

Baby Boomers have been, are, and will remain avid travellers throughout their lives. This is the largest, most highly educated, best travelled, and wealthiest generation the United States has ever produced. The limiting factor on Baby Boomer leisure travel has been family responsibilities and lack of time, not money. But this is changing. Boomers are entering a different life stage. Children are now adults, and retirement, in many cases early retirement, is approaching. Two-income families become two-pension families, and with retirement comes the time to indulge a passion for travel.

The following chart shows how the evolution of the huge Baby Boom Generation has affected markets.



Detailed figures

You will find details of population distribution by age group along with growth rates between 1997-2010 in appendices A, B, and C at the end of this document. Appendix B shows that between 1997-2002, growth will occur in age groups that fall between the ages of 40-64 years. Between 2002-2007 growth will occur in the 45-69 range, and between 2007-2010 it is the 50-74 age group that will grow the most. By 2007, the trend will start to reverse, and young adults will again become growth segments. By 2010 (see Appendix D), growth among the middle-aged market segment will turn into a decline. From 2010-2020, growth in the mature market will taper off and then decline, as the population aged 50+ decreases in relative importance.

During the next 15-20 years, goods and service suppliers—especially in the travel industry—should target the middle-aged and mature market segments. These will be the largest, fastest growing and consequently the most lucrative market segments in the U.S.

Tourism Product Demand

The American travel and tourism market will grow during the next 15-20 years, as the population ages. Baby Boomers approaching the mature lifestage will have the freedom and financial resources to indulge their love of travel.

Baby Boomers will increase tourism demand but not necessarily demand for existing tourist products. At every life stage, Baby Boomers have transformed the market, and the same will be true of Boomers reaching maturity. So products that are currently in demand by today's mature market could be obsolete in tomorrow's mature Baby Boomer market.

Technology-savvy consumers

Anticipating how Boomers will transform the market is key to prospering in the U.S. tourism market of the early 21st century. This is largely uncharted territory with few guideposts other than the generation's fundamental values.

Older Baby Boomers who came of age during the Vietnam War and the Civil Rights Movement—which coincided with a long economic expansion—are more individualistic and enjoy a feeling of economic security that is not shared by their younger counterparts. However, compared to other generations, all Baby Boomers are more individualistic and feel more financially secure.

They are less happy with the social status quo than other adults, and they are marked by scepticism and rejection of authority. These traits predispose them to independent travel. Also, those qualities could lead them to make their own travel arrangements—either through a travel agent or, on the internet, as travel services increasingly become available in cyberspace.

Today, Boomers are often too time-constrained and stressed to make travel arrangements. This explains the popularity of all-inclusive travel packages. But retired Baby Boomers will have more time and less stress, and might enjoy travel planning. So a large proportion of the many computer-literate, retired Boomers may make travel arrangements on the internet.

Baby Boomers are more likely to own a computer than any other adults, and they are likely to use a computer at home on a daily basis. They account for the surge in the use of computers in planning and booking travel.

Education is a Baby Boomer priority. In their youth, they obtained a high level of education and they have a lifelong interest in learning. This is true of both men and women. For this generation, travel and vacations are as much about learning as they are about relaxation. As aging Boomers leave stress behind, vacations won't be as much about relaxation as they will be about new experiences and learning.

Natural and authentic

Baby Boomers value things that are natural as opposed to synthetic or man-made. For Boomers natural means authentic. The whole green orientation is very much a Boomer phenomenon. This suggests that man-made attractions such as Disney World might not hold much appeal to empty-nesters.

If tourism is to capitalize on the Boomer market, operators will need to pay attention to nature and the natural. Tourism experiences will need to provide opportunity for self-improvement. Sophisticated Baby Boomers will have to be sold an unique experience as opposed to a product. This represents a tremendous opportunity for Canadian heritage, cultural and nature tourism. Canada still has the authenticity that Baby Boomers deem essential. With careful development and proper marketing, Canadian nature, heritage and cultural products could become major attractions.

Power players, fun seekers & matriarchs

THREE SEGMENTS OF THE BABY BOOMER MARKET WILL SET THE TREND:

★ Power Players are people in their 50s at the peak of their power when they achieve top posts in government and business. It is also when they earn and spend the most money.

★ Fun Seekers are all Boomers, an entire generation that just wants to have fun. As Baby Boomers' nests empty, fun cannot be emphasized enough as the best way for business to reach them. Boomers are the best thing that has ever happened to the travel and entertainment industries.

★ Matriarchs, the independent 50+ Baby Boom women, represent a totally new force in the marketplace. After years of working and raising children—often alone—finally they will be free to think of and spend on themselves. These independent women of means represent a golden opportunity for the travel industry. Not only will they travel to visit family but they will also travel for pleasure and to meet new people.

The midlife market

Baby Boomers will never be part of the mature market as we know it today. They are different from previous generations of Americans both in attitudes and lifestyles. They will create a new and vibrant midlife marketplace during the next two or three decades, pushing the traditional mature market threshold into older age groups.

The *Forever Young* generation is doing all it can to hold on to its youth. Witness the sales of skin care

products, hair colouring, cosmetics, food supplements, and vitamins. Spirituality, if not traditional religion, is seeing a rebirth as the Baby Boomers search for life's meaning.

It's the beginning, not the end

Some view the aging of America as the death knell for certain tourism industry sectors. The aging of the Baby Boom generation need not signal the demise of any tourism operation. It simply signals that it's time for the industry to adapt in order to serve a growing and changing midlife market segment.

The American ski market faces an interesting challenge. Recent years have been hard for American ski resorts. Their declining performance has been attributed to everything from the recession to poor snow conditions and the increasing number of snowboarders. The most troubling reason is demographic shift. Many believe that as America ages, fewer customers will come to the slopes and that there will not be enough young adults to stem the decline.

The ski industry has a choice: resign itself to its seemingly inevitable demise, or it can target the Baby Boomer. If ski slopes can retain their Boomer customers, that market segment is large enough to precipitate modest growth into the next century.

Product Transformation

★ Retaining Baby Boomer skiers beyond age 50 will require a rethink of the experience that ski resorts currently offer. Mature skiers are not prepared to wait in long lift lines.

★ According to *American Demographics*, comfort is the watch word: older skiers have different expectations than when they took up skiing two decades or more earlier.

★ Amenities like enclosed chair lifts with individual heaters could differentiate a product enough to give a resort a competitive advantage. The skiing has to be challenging but not be dangerous. Ski instructors and staff should be sensitized to the expectations of this new market segment.

★ Likewise, ski resorts should consider developing a selection of complementary activities—such as dog-sledding, skating, gourmet cooking and wine appreciation classes, art classes and dancing lessons—that mature skiers would enjoy.

★ These older skiers are also more discriminating about food, and more of them expecttablel service restaurants where they can enjoy a leisurely meal.

Comfortable environment

The transformation required of the ski industry is just one example of the change the entire tourism industry needs to make.

One insightful whitewater-rafting tour operator in British Columbia already offers gourmet rafting. Most of his customers are 50-something. The rafters start out in the morning and rendezvous for a gourmet lunch at a site where a helicopter has flown in hot food, china, and waiters. In the evening, the rafters again rendez-vous with the helicopter for cocktails, a four course dinner with wine followed by a *digestif*. They then retire to comfortable cots in awaiting tents until they wake up to a hot breakfast.

Forever young

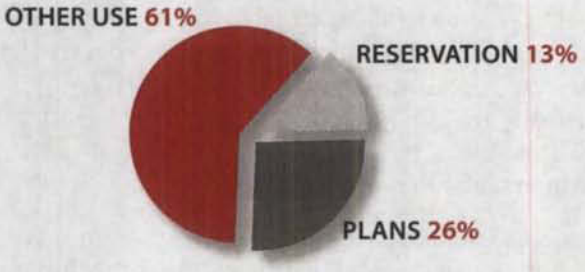
Aging Americans are not old in the traditional sense because they don't feel old, they don't act old, and they don't see themselves as being old.

This new market segment should prove a boon to the Canadian tourism industry. As long as tourism operators transform their products to meet the expectations and needs of the Boomer segment, demand for every product, be it adventure, touring, cities, resorts, and even winter products, can increase. Baby Boomers are knowledgeable, independent, cynical, and sophisticated consumers who will remain forever young in mind and spirit.

Electronic commerce will spur tourism industry growth

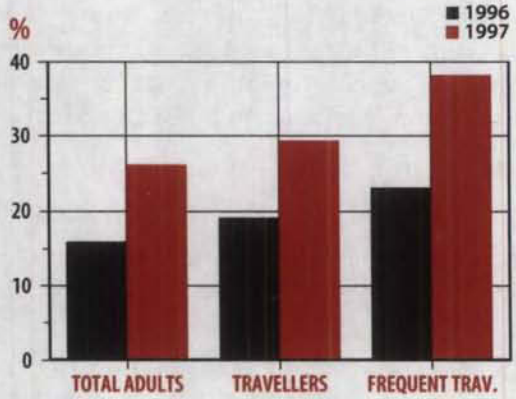
The use of the internet and the World Wide Web to plan and book travel is increasing in the U.S. market and is growing exponentially and appears likely to continue to do so for some time.

Internet Use 1997
Travel Planning & Reservations



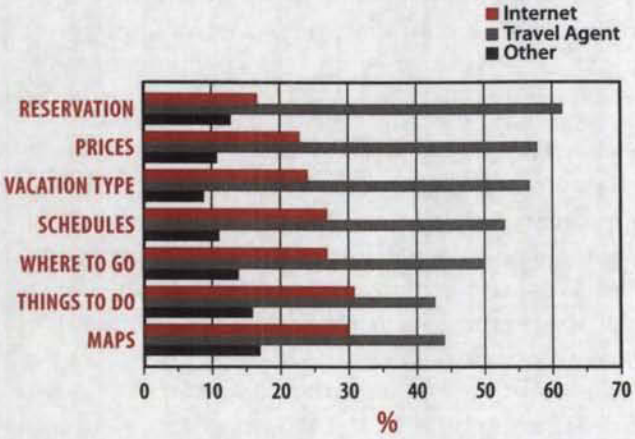
Only 16% of American adults used the internet as recently as 1996. This increased to 26% in 1997. Typical internet users average 38 years, with at least some college education, work full-time, and earn high household incomes.

Internet Use 1996 and 1997



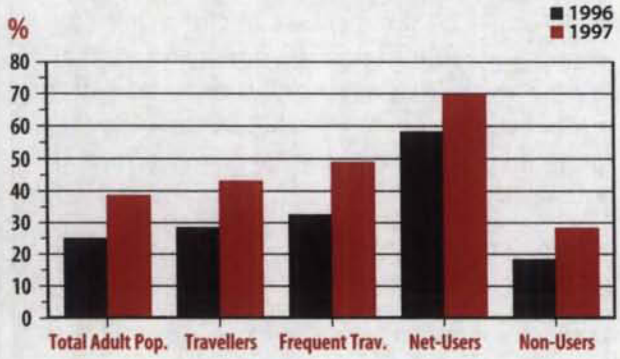
Internet use by U.S. travellers skyrocketed from 29 million in 1996, to 44 million in 1997. Among frequent travellers, internet usage nearly doubled from 12 million to 20 million. Among internet users in 1996, only 10% used the internet to make travel plans or reservations. In 1997, this number almost tripled, increasing to 27%.

Preferred Source By Type of Travel Information 1997



Besides reservations, a wide variety of travel information including maps and pictures of a destination are available online. The 1997 National Travel Survey showed that internet use for travel increased strongly from 1996 to 1997. The outlook for 1998 is even stronger. Eventually, people will routinely make travel reservations, particularly leisure travel reservations, through the internet. For the consumer, the internet becomes another distribution channel for travel products which competes with existing channels on price, information availability and timely response.

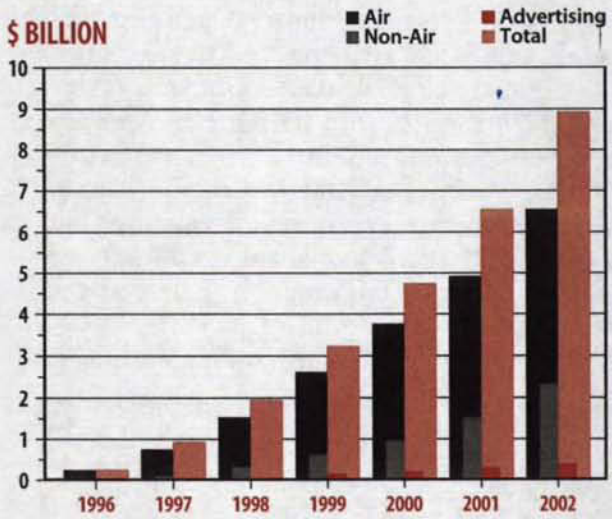
Intention to Use Internet to Make Travel Plans & Reservations



More and more, travellers are bypassing travel agencies and book travel arrangements directly with suppliers through the internet. While the middlemen in travel distribution might perceive the internet as a potential problem, it is also the solution. The most effective way to mitigate the impact of the internet on travel agents is for travel agents to go online themselves as full-service travel sites. Such sites could allow booking of air, lodging, and car rentals and supply travel-related information from a number of sources.

The chart at the right forecasts internet tourism revenue. Excluding managed business travel, it shows that the internet will account for almost $9 billion of travel revenue by the year 2002, about 1.5% of total travel spending—almost ten times the current level.

Online Travel Market Revenue By Type 1996 to 2002



COMPETITION

Competition in the U.S. tourism market is fierce and will intensify. Virtually every destination on earth vies for a share of the lucrative American market. However, these international destinations are not Canada's main competiton. The U.S. itself is. In 1996, only 4.5% of leisure trips taken by Americans were outside of the U.S. and Canada's share of that travel was 24.7%.

Besides being Canada's main competitor, the U.S. is Canada's largest international tourism market. In 1996 the U.S. provided more than $5.1 billion in revenue from 12.9 million tourists. U.S. leisure travellers (10.9 million) spent more than C$3.9 billion in Canada, and Americans travelling here on business (2 million) spent another C$1.2 billion.

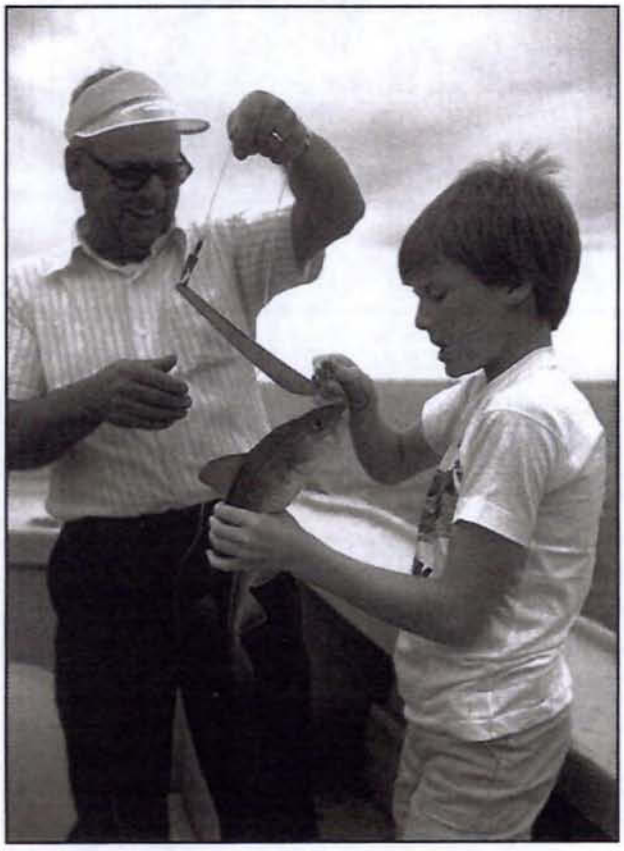
Vacation Destinations That First Come to Mind
(First destinations mentioned)

Market research repeatedly indicates that American awareness of Canada as a potential vacation destination remains low (see chart below) Until steps are taken to improve awareness, Canada will not move up the American vacation destination wish list.

Competing in a noisy market

Canada does not compete directly with overseas travel and with sun, sand and surf destinations for American tourists. But these destinations are a formidable presence in the U.S. marketplace at the worst possible time—the peak of Canada's annual advertising campaign. Collectively, they command more consumer attention than Canada. The noisy, ad-crowded marketplace muffles Canada's advertising and reduces the impact of its marketing communications on American travellers.

During the first half of 1997, total spending on tourism television and newspaper ads in Boston, New York, Washington, Chicago, Los Angeles, San Francisco, and Seattle exceeded US$277 million. Of that, US$10.3 million (3.7%) belonged to the CTC and its partners. Canada also placed about $2.5 million in magazine ads during this period. Data on the volume of competing magazine ads is unavailable, but it is evident that Canada's share would only be a fraction of the total. Competing ads in the marketplace impede efforts to increase awareness and improve Canada's market penetration.



The future will bring increased competition on all fronts. Destinations in Asia and South America that today might appear remote, primitive and distant will improve their infrastructure and tourism amenities and become some of tomorrow's trendiest tourist havens.

Competition for the 4-5% of American travellers who venture beyond their country's borders will be tremendous. Canada would be well advised to concentrate its efforts on persuading American domestic travellers to come north and experience the adventure of international travel without the risks, cost, and time commitment of going overseas.

The real competition

To compete successfully against American destinations, Canada will need to differentiate its tourism products from those available in the United States. Canada's tourism advantage lies in its wide open and unspoilt great outdoors; safe, clean, cosmopolitan cities; charming towns and coastal villages; and heritage and cultural products. The U.S. has outdoor attractions too, but they are often overdeveloped. Many U.S. cities have high crime rates and suffer from urban decay. Many American heritage products have been commercialized.

Canada = the great outdoors

Canada's man-made tourist attractions and sun, sand, and surf can't compete against those in the United States. Fortunately, man-made attractions and crowded beaches are not on top of Baby Boomers' vacation wish lists. They want to experience nature in its unadulterated state and they want authentic cultural experiences. American perception is that Canada can and does deliver on both counts. In an ad tracking survey conducted in the spring of 1997, 75% of the respondents rated Canada as an excellent or very good place to experience a spectacular outdoor vacation, to experience nature, or to relax.

Canada's great outdoors and heritage tourism products are unique, and are the most compelling attraction for Americans. For more than a decade, Canada has reduced its emphasis on the great outdoors in its tourism marketing programs. Research last spring confirmed earlier findings: the great outdoors is one of Canada's most recognized icons. It is so strongly linked to Canada that Canada, itself, is sometimes seen as a symbol of the great outdoors. Discerning Baby-Boomers want to get closer to nature. They want to feel that they are part of a grander plan and they believe that Canada can make this happen.

MARKETING AND ADVERTISING

In the 21st century, the marketplace will be even more crowded with advertising. Marketers floundered in responding to market frag-mentation and the demise of the mass market in the 1970s and early 1980s. By the 1990s, as the market continued to fragment, it was obvious that the mass market had died and that a new approach was needed. More progressive marketers switched to demand-side marketing. The customer became the focus and market research was used to determine what the customer wanted, needed, and how he could best be reached.

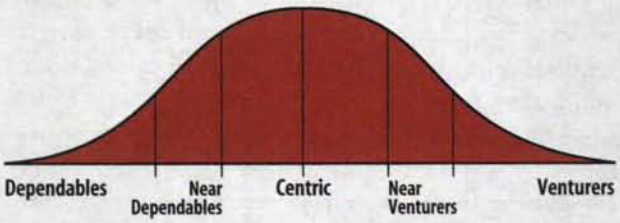
Focusing on the customer has spawned a wider use of increasingly sophisticated market segmentation and greatly increased the use of direct marketing. Today, the better marketers all have a customer data bank and direct marketing has evolved into relationship marketing. Witness frequent-flyer programs, privileged customer programs at hotels and car rental agencies. Each program member has a file in the marketer's data bank. Information on buying behaviour gleaned from transactions with the marketer and possibly with third parties is appended to the customer data files in an effort to learn as much as possible about each customer's market behaviour.

Psychographics: where venturers go, dependables follow

Psychographic characteristics encompass consumers' attitudes and values. Attitudes toward travel determine whether an individual will travel and the choice of destination. For example, people who don't like to fly are unlikely to go overseas. People who prefer the familiar are likely to return to the same vacation spot repeatedly.

A 1996 study reported that the values of Americans who have visited Canada are quite different from those that haven't, particularly in their attitude towards risk. Americans who have visited Canada are risk-takers while those who have not are risk-averse. Plog Research, Inc. has developed a psychographic model based on attitude toward risk and how it relates to travel behaviour.

Psychographic Distribution of U.S. Population



Risk-takers seek new experiences and have a high degree of self-confidence that leads to being venturesome. Venturers, as Plog refers to them, are usually achievement oriented and have a positive view of life. They search for new destinations that are not yet trendy and they are comfortable in other cultures. Venturers are the market leaders. Their friends and contacts will visit new destinations that they recommend.

Risk-averse travellers, termed Dependables, are diametrically opposite to Venturers. They don't like surprises, they are followers. The Dependables' lives are characterized by structure, routine, stability, and predictability. In terms of vacation destinations, they select vacation sites that are very well known and highly developed. When Dependables find a destination that they like, they return to it repeatedly.

In general, it's better to position products for the Venturer segment, since they will influence others who are not as venturesome. Dependables do not influence venturesome people. Venturers and Dependables are found in all demographic market segments.

A 1995-96 *American Traveller Survey* found that Americans who select Canada as their favourite vacation destination are located between the

centre and the most venturesome end of the Venturer-Dependable spectrum, as the previous page demonstrates.

Pure Venturers also visit Canada but don't put Canada at the top of their favourite destinations list. Venturers, by nature, don't have a long list of favourite destinations. They prefer to visit new, undiscovered places. Since it's such a large and varied country, Canada can attract Venturers to visit here a number of times because they can travel to different regions.

Since about 9 out of 10 Americans who visit Canada are repeat visitors, market growth depends almost entirely on attracting a larger number of first-time visitors. The research indicates that the border states have a high proportion of repeat visitors. To attract first-time visitors requires a greater shift in focus towards southern regions, where many venturesome travellers have not yet visited Canada.

Demographically, the target market remains the affluent Baby Boomers, but in psychographic terms the venturesome segment of the Boomer market is the strategic target. Marketing communications and product positioning should be aimed at the Venturers. Concentrating marketing resources on the Venturers will entice them to take that first trip to Canada. Upon returning home, Venturers will persuade Dependable market followers to visit Canada. Word of mouth from Venturers will be more attractive to the Dependables market segment than any advertising or marketing initiative would.

Media-literacy market segmentation is based on research showing that the way consumers use and relate to all forms of media—from television, radio, and print to the internet—has become the most reliable predictor of their behaviour.

As we enter an information economy, it is no longer enough to categorize people demographically and psychographically. Consumer dreams, goals, and expectations are best measured by media activity and skill. Consumers are categorized into one of four groups based on their level of media literacy. Each group represents between 23% and 28% of the market.

Group 1 consumers are the most educated and have the highest income of the four groups. These consumers use magazines for education and television as a source of information. When it comes to advertising, these consumers want just the facts.

Group 2 consumers are not necessarily affluent or well-educated but they like exploring the media. They consider computers to be their greatest creative outlet. They use magazines for understanding and deeper insights into their hobbies and special interests. Their level of confidence in television is low. Group 2 tends to prefer text in advertising.

Group 3 consumers have the lowest average income and are the least educated of any Group and are unskilled but active media users. They are fascinated by popular culture but overwhelmed by their numerous media choices. Group 3 consumers use magazines for entertainment purposes and view television as a friend which they can lean on for information. They have a high degree of confidence in the medium. In advertising Group 3 consumers look for testimonials and celebrity endorsements.

Group 4 consumers are unskilled and passive media users. They don't spend much time analyzing the information they receive, and like to rely on others for advice. They read magazines to catch up on current events. Television is a stress reducer and a means of relaxation. Group 4 consumers have no real advertising preference.

There is more to advertising and marketing than simply developing an ad and buying media. No single market segmentation approach will work as well as the skilled use of demographic, psychographic and media literacy in combination.

These tools will enable marketers to develop a clear and detailed map of target consumer behaviour, motivation, and expectations. The objective is to become increasingly well-informed about the customer. In the next decade, failing to know the U.S. customer will quickly equate to failing as a tourism business.

Conclusion

The American tourism market in 2010 will be an older market in which the middle-aged and mature segments dominate. In 2010, almost one third of the U.S. population will be 50+ and will do most of the leisure travel. Baby Boomers will have the time, the means and—above all—the money to travel, not only in the United States but also outside their country. Already, Americans 45+ account for 48% of the leisure trips taken outside the United States. Currently, almost half of Canada's American visitors are 45+.

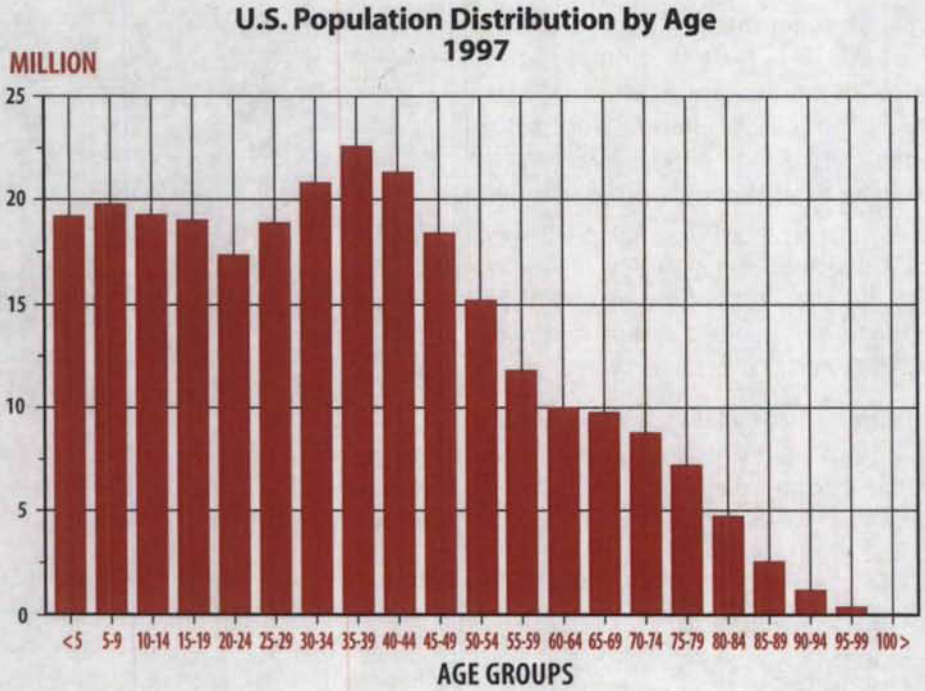
The economic outlook to 2010 favours the tourism industry. Even if it didn't, though, economics needn't be a primary concern, as long as Canadians target the mature and the middle-aged segments of the American tourism market. As 2010 approaches, the retirement population will grow and so will the number of financially secure retirees.

This paper stresses the significance of the demographic shift that is already underway and how it will favourably affect American travel to Canada. Millions of Americans are entering the empty-nester life stage and 78 million in total are approaching retirement. Aging Americans offer Canadian tourism operators an unprecedented opportunity. Market segments with a traditional affinity for Canada are beginning a long period of growth. However, tomorrow's retired Baby Boomers will be different from the current retirement generation. They will be healthier and more active, better educated, and more affluent. But—most importantly—their self-image and values differ radically from previous generations.

Baby Boomers are secure individuals both financially and psychologically. Their combination of education and life experience has made them self-reliant, independent and self-centred—characteristics until now rarely ascribed to the mature market segment. They want autonomy, freedom and authenticity. They want experiences that are genuine and natural. Most Baby Boomers have had their fill of consumerism.

Canadian tourism operators who make the effort to understand Baby Boomer market behaviour stand at the threshold of a period of tremendous business growth. ★

APPENDIX A


U.S. Population Distribution by Age
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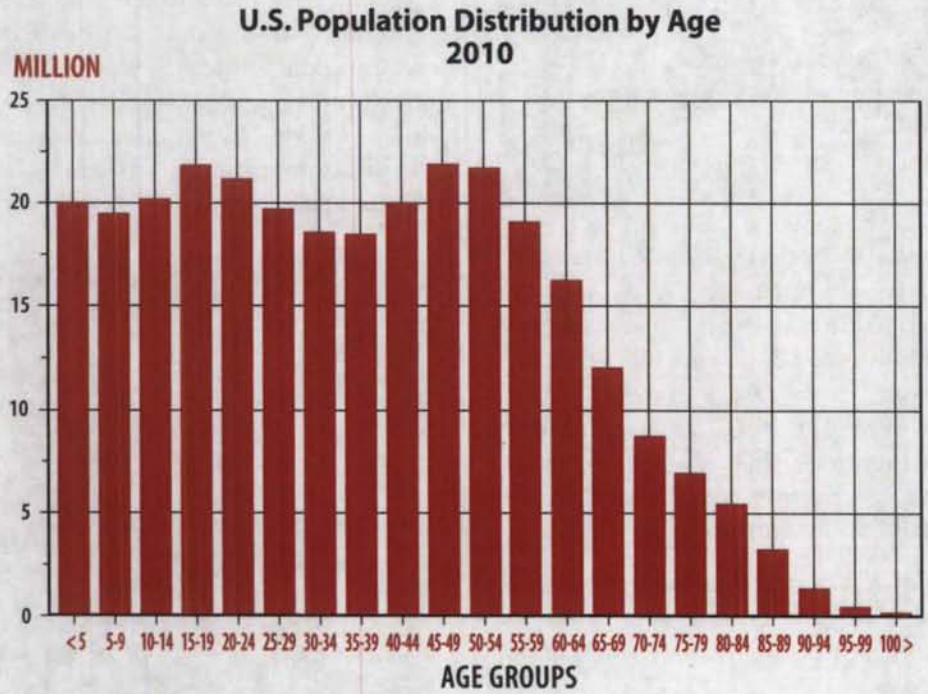
AGE GROUPS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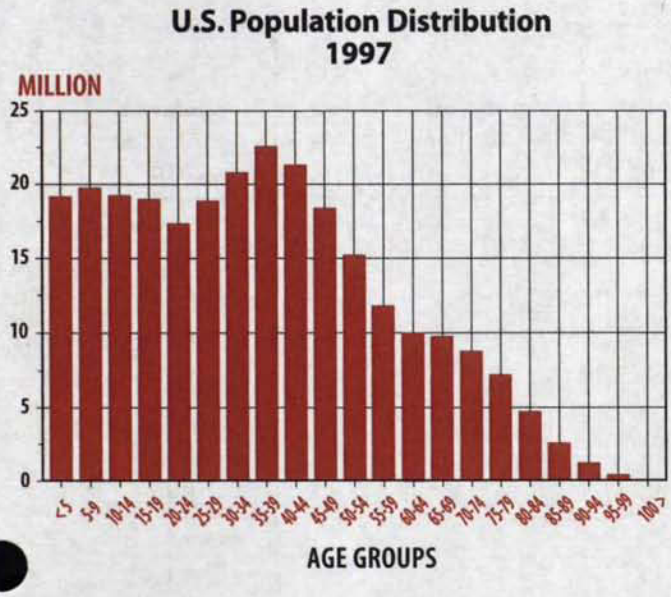
AGE GROUPS

Appendix B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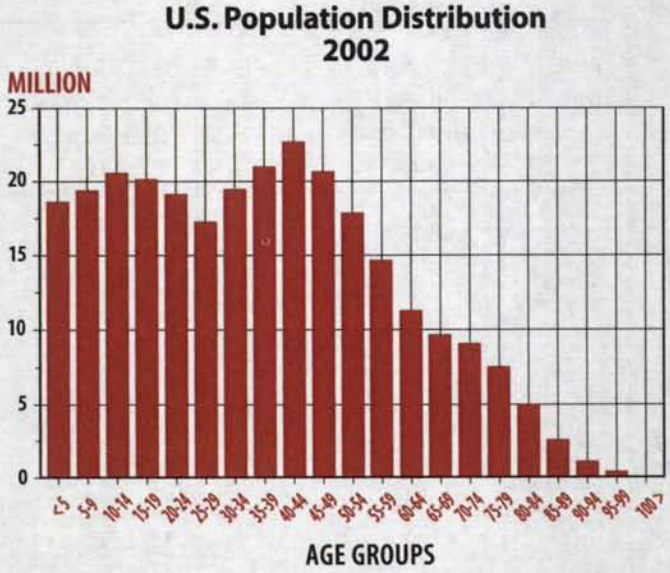
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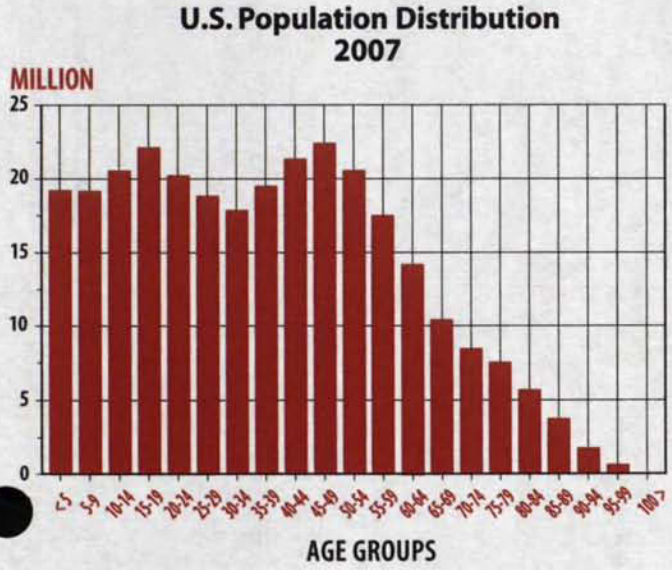
AGE GROUPS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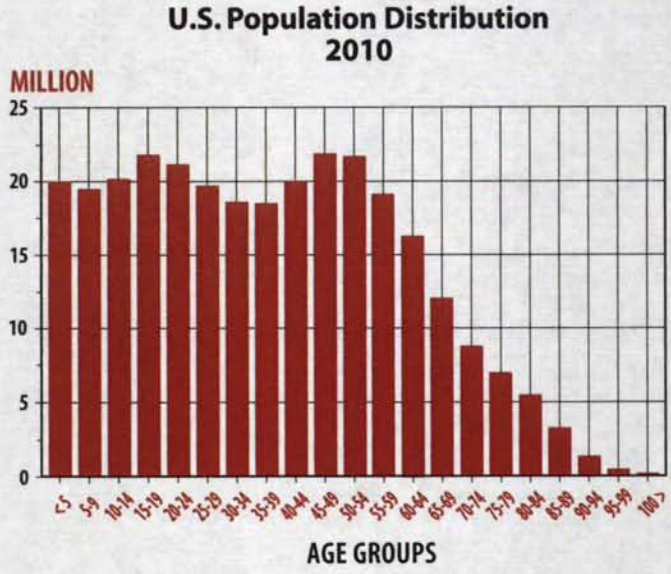
AGE GROUPS


U.S. Population Distribution
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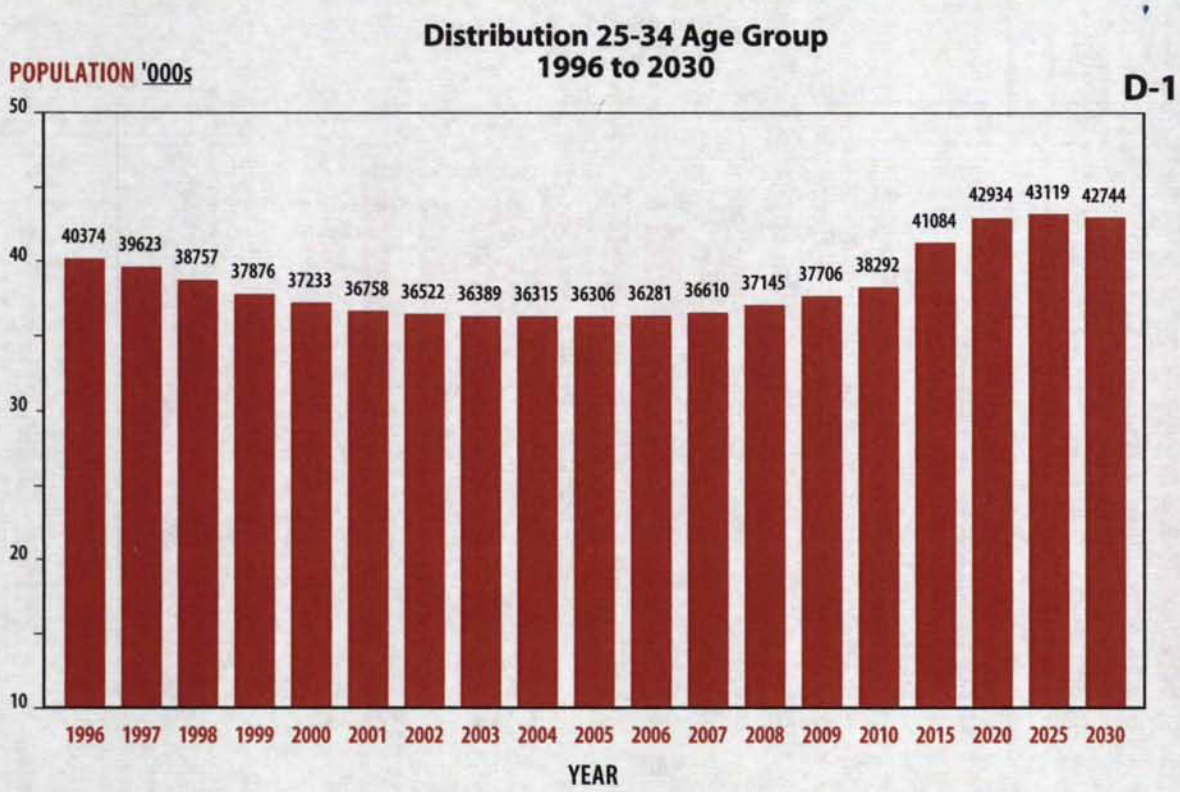
AGE GROUPS

APPENDIX C

U.S. Population Distribution and Growth

AGE GROUP	% Population Distribution 1997	% Growth 1997-2002	% Population Distribution 2002	% Growth 2002-2007	% Population Distribution 2007	% Growth 2007-2010	% Population Distribution 2010
25-26	7.0	**-9.0**	6.1	10.5	6.5	4.0	6.6
30-34	7.8	**-6.7**	6.9	**-8.8**	6.1	5.2	6.2
35-39	8.8	**-6.8**	7.5	**-6.7**	6.8	**-5.7**	6.2
40-44	8.0	6.9	8.2	**-6.8**	7.3	**-5.9**	6.7
45-49	6.9	13.1	7.5	6.9	7.7	**-1.9**	7.4
50-54	5.7	19.9	6.5	13.2	7.1	5.4	7.3
55-59	4.4	25.5	5.3	20.2	6.1	7.6	6.4
60-64	3.8	12.4	4.1	25.8	4.9	13.9	5.4
65-69	3.6	**-3.1**	3.4	12.9	3.7	13.5	4.1
70-74	3.3	**-1.7**	3.1	**-2.4**	2.9	6.6	3.0

Appendix D


Distribution 25-34 Age Group
1996 to 2030
POPULATION '000s
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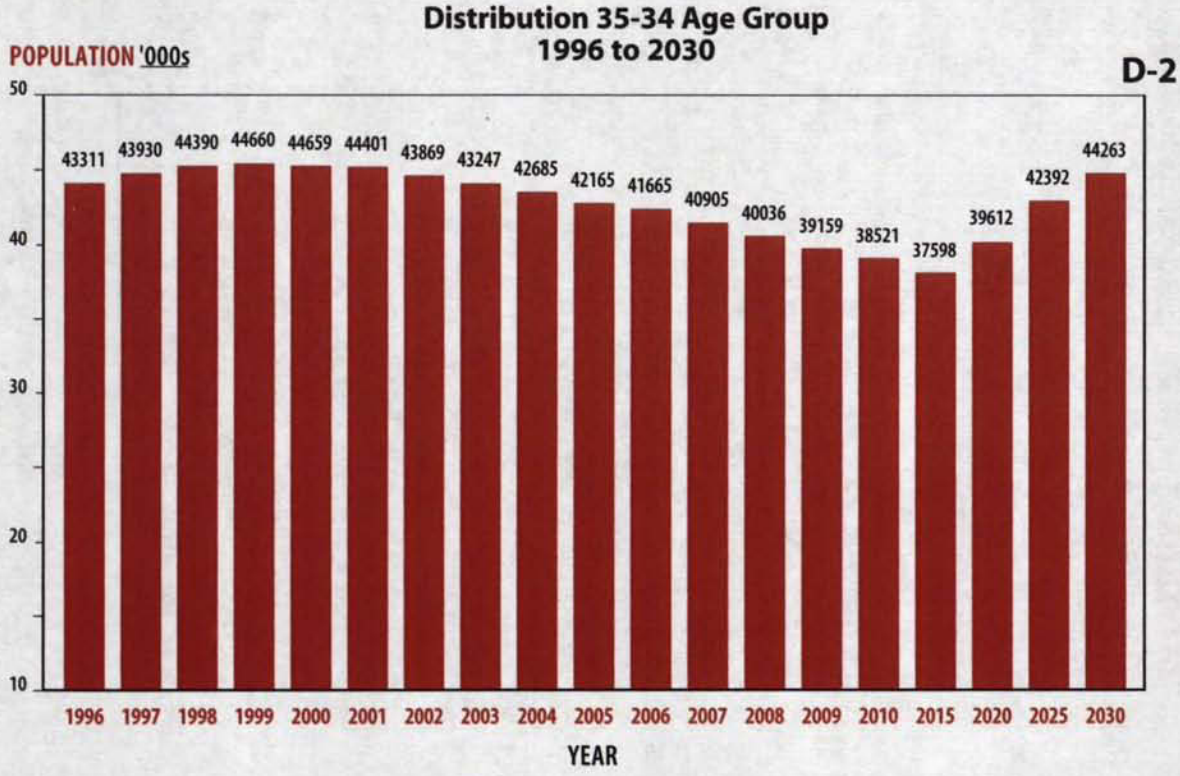
20
10
40374 39623 38757 37876 37233 36758 36522 36389 36315 36306 36281 36610 37145 37706 38292 41084 42934 43119 42744
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2015 2020 2025 2030
YEAR


Distribution 35-34 Age Group
1996 to 2030
POPULATION '000s
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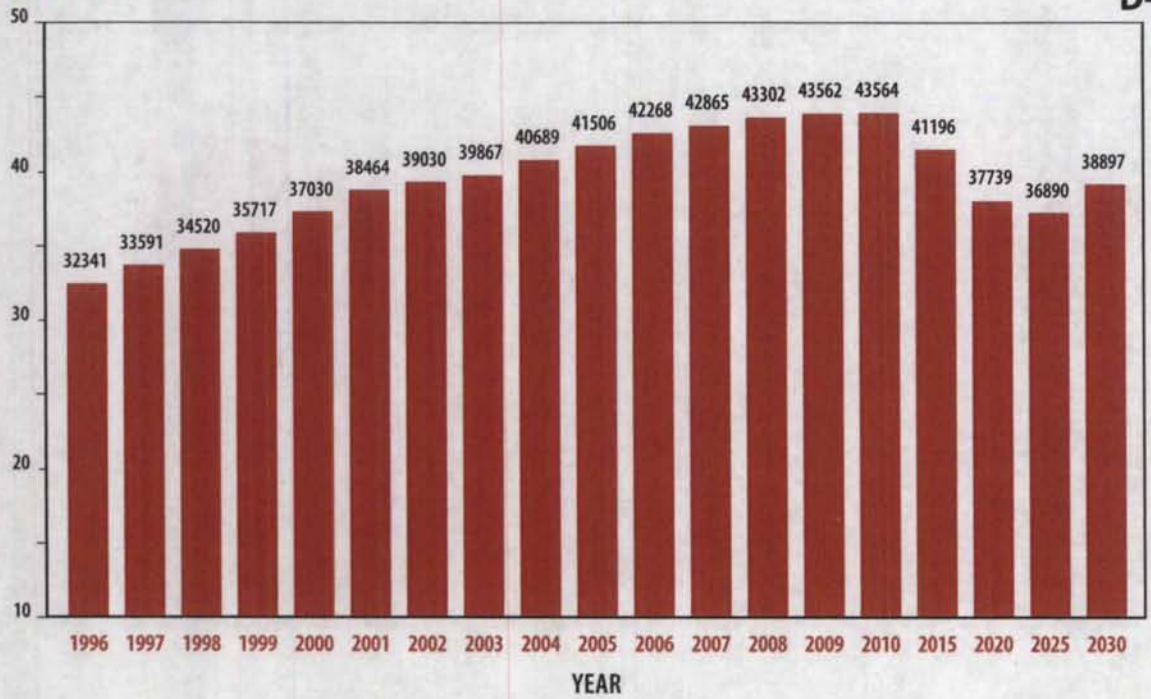
YEAR

APPENDIX D (CONTINUED)

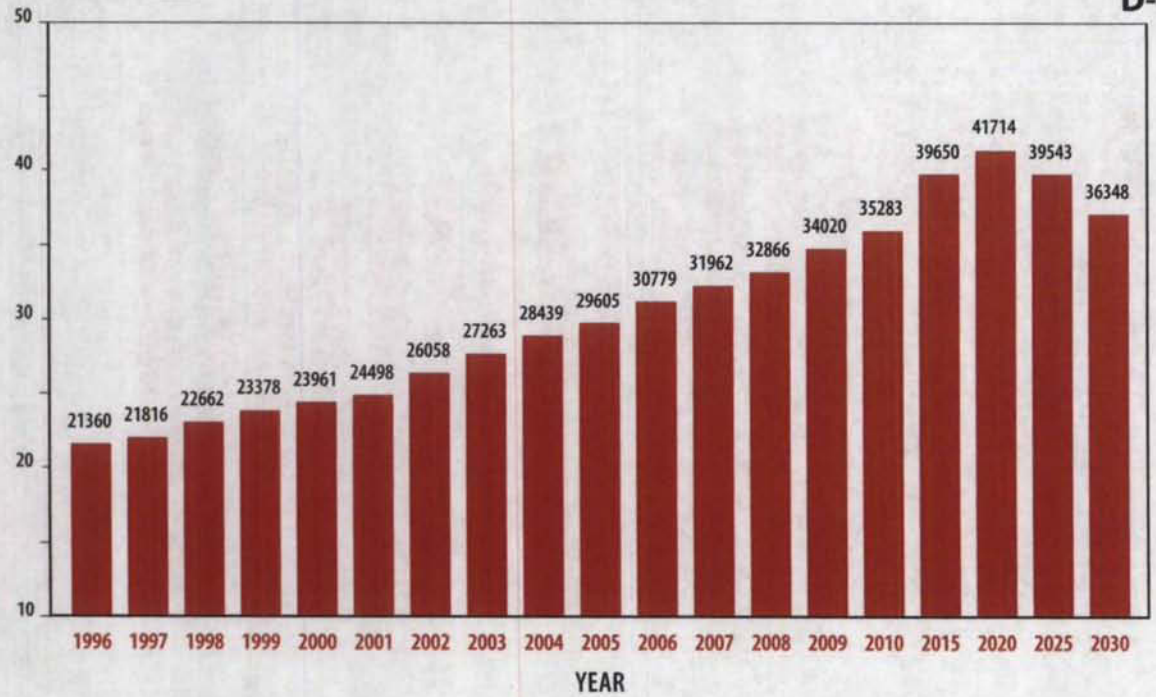
Distribution 45-54 Age Group 1996 to 2030

D-3



Distribution 55-64 Age Group 1996 to 2030

D-4



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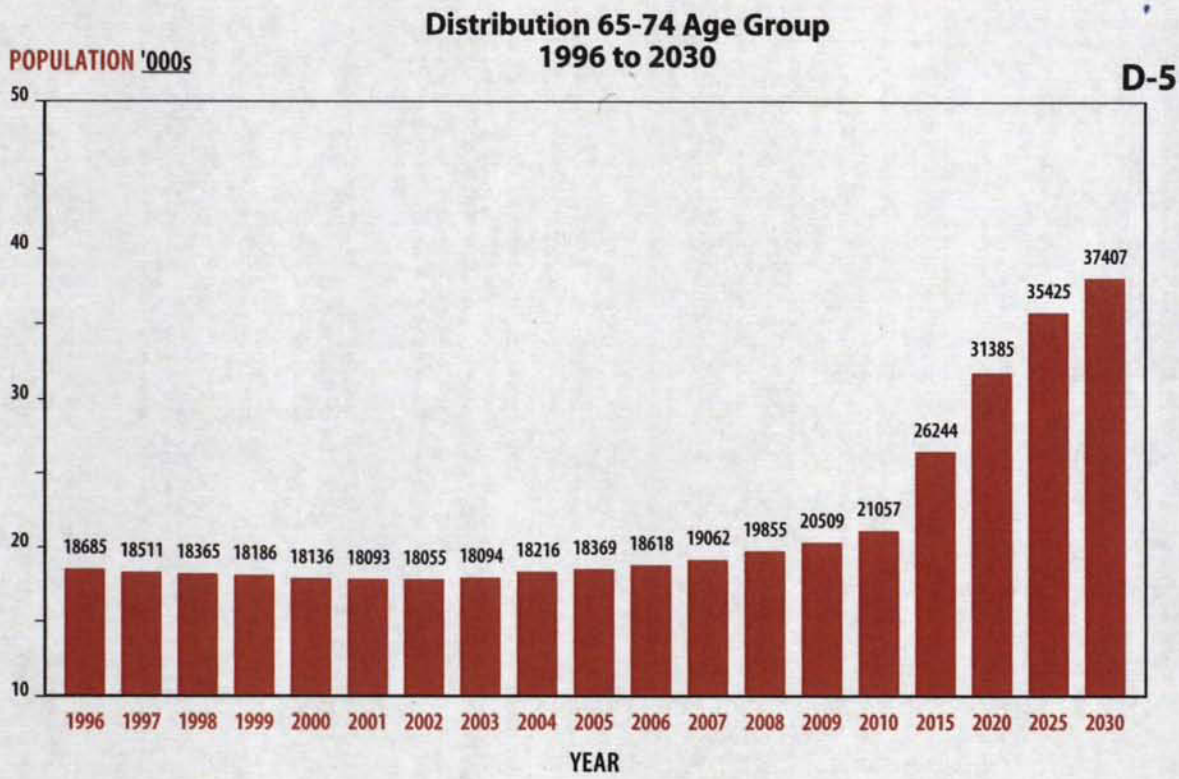

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