



TOURISM'S BIG SHIFT:

Key Trends Shaping the Future of Canada's Tourism Industry

November 2021



Maligne Lake

Jasper National Park

Alberta

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INTRODUCTION

As we all know, the COVID-19 pandemic has been the most significant disruption to global travel and tourism in the history of the industry. Despite unprecedented levels of government intervention to help Canada's businesses brace themselves against the prolonged and pronounced impacts of COVID-19, the tourism industry has suffered deep losses. The pandemic has had a profound impact on travel preferences – this is creating a permanent change in industry economics and shifting travel prospects, expectations and opportunities, while also shaping an unequal recovery.

With close to two years of COVID-19 behind us, some of the potential long-term effects are becoming clearer while others are still emerging. Developing a collective understanding of these changes in the industry and in consumer behaviours – along with their potential implications for Destination Canada and its many partners – are key to recovery. Only with this understanding, can we effectively adjust strategic areas of focus, mitigate risk and capitalize on market opportunities.

Destination Canada commissioned Resonance Consultancy to conduct an extensive scan and assessment to identify key trends that are most likely to have the greatest impact on the travel and tourism industry in Canada over the next one to three years. Long-term trends were also identified as part of the process to anticipate adaptive measures for the industry moving forward.

OBJECTIVES

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|-----------|---|---|
| 01 | Assess the impact of the COVID-19 pandemic on the industry | While the pandemic brought Canada's tourism sector to a virtual standstill, there are signs that it has triggered an acceleration of future trends, previously considered long term, to a closer timeframe. |
| 02 | Identify the key trends and changes | Observe market dynamics, traveller preferences, supply-side realities, competitors' strategies and other factors in both the Canadian and global environment. |
| 03 | Scan the competition | Understand responses from key national tourism organizations competing for travellers from the US, UK, France, Germany, Australia, Mexico, China and Japan. |
| 04 | Adjust the organization's strategy to mitigate risks | Validate or adjust Destination Canada's strategy and understand the key immediate changes anticipated from COVID-19. |
| 05 | Inform industry partners of the changes | Identify changes that will impact travel and tourism in the next one to three years and communicate the various implications for the tourism industry. |

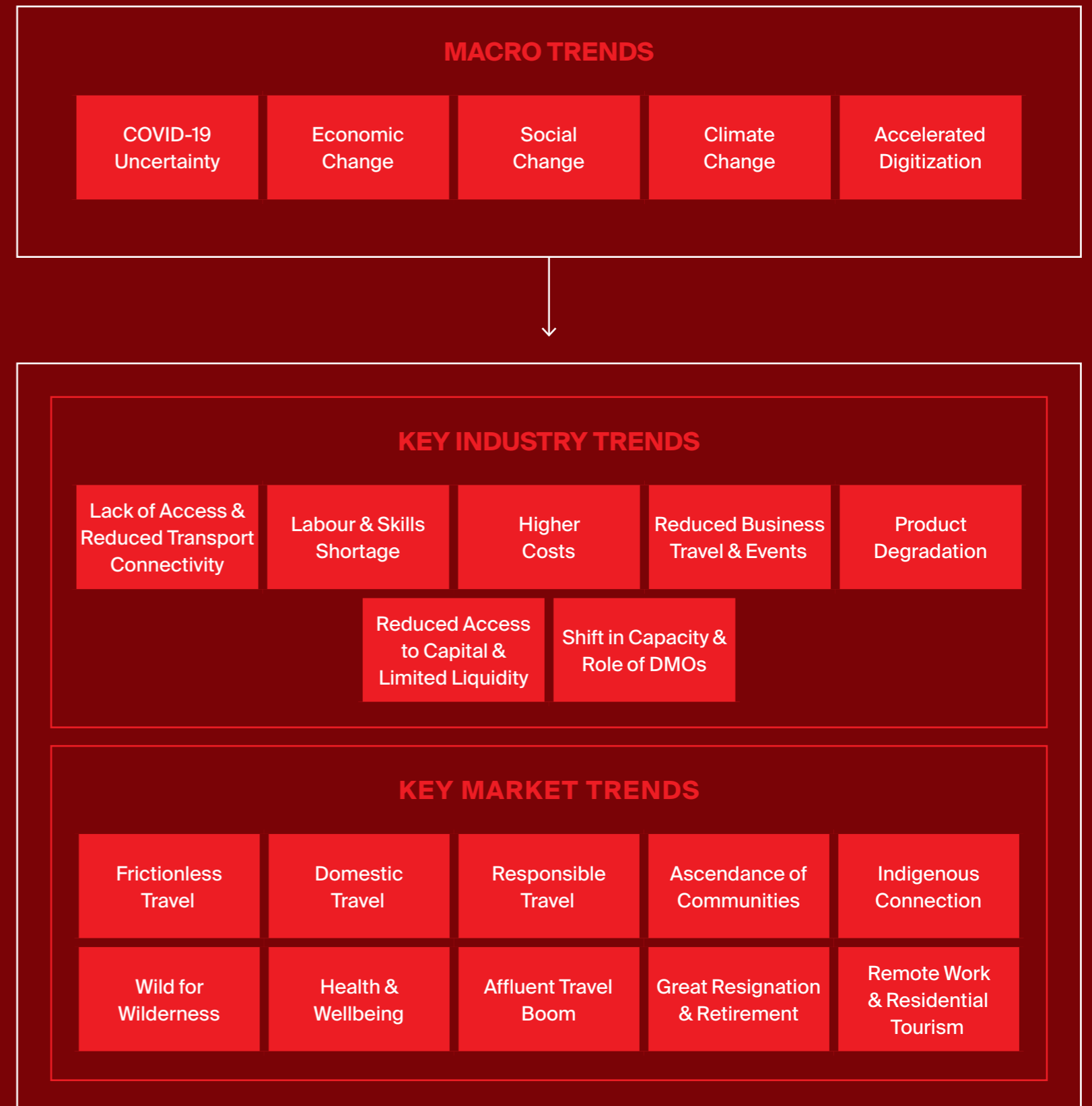
METHODOLOGY

This assessment, in partnership with Resonance Consultancy, has helped Destination Canada evaluate the impact of the pandemic on the industry as well as identify and understand potential key trends and changes in both the industry and the marketplace. Trends likely to affect the Canadian tourism industry were identified through a review of existing relevant research, interviews with more than 30 key national and international industry leaders, as well as consultations with all provincial marketing organizations (PMOs), large destination marketing organizations (DMOs), the Indigenous Tourism Association of Canada (ITAC) and Destination Canada.

The scan takes a strategic approach modelled around a STEEP (social, technological, economic, environmental, political) framework, with consideration of trends within the supply side of the industry, changes in consumer behaviours and responses from other competing international organizations. While more than 40 trends were identified, each trend was assessed based on its impact on the tourism industry and its anticipated timeframe. This framing allowed the scan to identify trends that are most likely to have the greatest impact in the next one to three years.

- **Impact** – Low impact or high impact as defined by the contribution of tourism to the Canadian economy through increases, decreases or changes in patterns of visitation, expenditure and employment.
- **Timeframe** – Near-term (one to three years) or long-term (more than three years) trends and issues as defined by those that will most impact the tourism industry as well as Destination Canada’s strategies and operations over the next three years.

The report that follows provides a summary of the key trends expected to have the greatest impact on travel and tourism in Canada in the near term.



01.

THE BIG SHIFT: MACRO TRENDS

The pandemic has resulted in accelerated profound socioeconomic changes that have and will continue to affect businesses and communities of all kinds. At the same time, the effects of long-term issues, such as climate change, are becoming more apparent. At a macro level, five key drivers will affect not only travel and tourism but Canadian society as a whole in both the short and long term.



1. COVID-19 UNCERTAINTY



Canadian Museum of History

Gatineau

Quebec

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COVID-19 has provided a perfect storm of uncertainty, ranging from differing entry rules at global borders (e.g., which nationals can be admitted, under what circumstances and with what quarantine or related requirements), refund policies (e.g., airfares, hotels and for business event planners, a range of greater costs), as well as constantly changing infection rates (e.g., Delta variant) and restrictions.

The focus for industry and governments around the world will be on practical tools to limit virus spread and reduce outbreaks through digitization of health information, coordination of border openings and controls and ensuring destination readiness through efficient approaches to admitting (or turning away) visitors. Modernization of border control procedures may occur much more rapidly than previously thought as the world works to reopen and raises the possibility of increased airport fees.

Vaccine passports will become the norm in most global destinations and will be key to reopening travel in international markets. A surge in travel within and between countries with manageable and moderate COVID-19 caseloads and vaccine access is expected in the short term as people feel safe enough to travel again both domestically and internationally – especially with the introduction of safety measures and health certificates.

According to a new report¹ by the Pacific Asia Travel Association (PATA), future travellers are likely to gravitate toward destinations perceived to be clean, healthy and safe. Early visitor sentiment suggests that health and hygiene will strongly influence booking behaviour, altering the competitiveness of individual destinations based on how the country is managing the pandemic. Canada's high vaccination levels combined with many destinations offering unique nature-related experiences may provide a competitive edge in this difficult new operating environment. Moreover, Canada has a nation brand that is well-respected and perceived to be trustworthy, giving travellers confidence in the health and safety information provided.

¹ *The Impact of Health and Hygiene on Post COVID-19 Destination Competitiveness*, PATA, 2020

2. ECONOMIC CHANGE



City Hall

Edmonton

Alberta

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The economic impact of COVID-19 has been enormous on the tourism sector. In 2020, almost 900,000 jobs were lost at the height of the crisis, representing 43% of all tourism employment. In 2021, tourism employment over the first 10 months of the year remained 21% below pre-pandemic 2019 levels – a loss of 360,000 jobs, while overall employment in the Canadian economy had recovered to pre-pandemic levels². Employment in the Indigenous tourism sector declined 68% in 2020 and is expected to remain at 51% below pre-pandemic levels in 2021³. A broad range of supports from governments at all levels have helped many tourism businesses and employees survive the crisis while managing toward a time when recovery is possible. However, the length of the pandemic and continued operating uncertainty has left many tourism businesses with depleted reserves, limited access to capital and liquidity challenges to support operations. The economic impact of COVID-19 on the tourism sector has clearly been unequal compared to others.

While household savings have historically declined after a crisis, the COVID-19 crisis is unique as household savings in many developed countries are at record highs. Moreover, increasing real estate and equity markets have resulted in the most rapid rise of wealth among affluent households in North America and Europe in an entire generation. Canadian household savings have risen an average of \$5,800 per household in 2020 (more than \$180 billion)⁴, largely because many high-contact services, such as travel and entertainment, were shut down and people are being more cautious about both their finances and their health. The shut down of these services, however, also triggered a chronic contraction of the labour pool in these sectors.

As more people get vaccinated, travel spending in North America has witnessed an accelerating increase since the beginning of 2021. Increased spending is evident across multiple income tiers. At the same time, costs are rising. Prices for airlines, hotel stays, food and car rentals have all soared over the past several months as part of a larger inflation trend amid supply chain issues and an economic reopening. The way income and prices play together in the future will determine overall travel demand.

² Labour Force Survey, Statistics Canada

³ The Impact of COVID-19 on Canada's Indigenous Tourism Sector : 2021 Update, [Conference Board of Canada, 2021](#)

⁴ Monetary Policy Report, [Bank of Canada, 2021](#)

3. SOCIAL CHANGE



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Squamish Lil'wat Cultural Centre

Whistler

British Columbia

The need for diversity and inclusion is key to building a more sustainable, equitable and representative society that the tourism industry must embrace for the future. While the pandemic exposed systemic racism and structural inequities around the globe, a newfound awareness is providing a unique opportunity to catalyze real change and work towards genuine reconciliation.

In 2021, Destinations International launched its equity, diversity and inclusion (EDI) strategy roadmap⁵ for more than 6,000 destination marketing organizations and partner members. It found that while the travel and tourism sector is one of the most diverse and gender-equal in the world – the workforce comes from all socioeconomic backgrounds and includes 50% women and 30% young people aged 15-24⁶ – much more is possible and necessary. By building a culture of equity that promotes inclusion and diversity, the tourism sector can drive innovation, creativity and competitive advantage in the workplace and across the supply chain, while making the tourism sector meaningful to current and future employees. As we move into a fragile recovery phase, this is critical.

While the discovery of unmarked graves at the sites of residential schools confirmed what Indigenous communities have long known, the discovery had a profound impact in Canada and around the world. In the light of awareness and in the spirit of true reconciliation, Canadian tourism organizations have a renewed sense of commitment to take actions that are meaningful to Indigenous communities, their tourism businesses and the visitors eager to connect with them.

The Government of Canada is also working toward reconciliation with Indigenous Peoples and understands that self-government can lead to improved quality of life, helping to close socioeconomic gaps. A new \$18 billion⁷ investment over the next five years is designed to create new opportunities, expanding infrastructure and economic development projects and supporting self-determination for Indigenous businesses and communities. This in turn will provide potential opportunities to Indigenous communities for tourism development.

⁵ *Equity, Diversity and Inclusion Study on Destination Organizations*, [Destinations International](#), 2020

⁶ *Statistics Canada*, 2016 Census

⁷ *Budget 2021: Strong Indigenous Communities*, [Government of Canada](#), 2021

4. CLIMATE CHANGE



Nova Scotia

Ambitious new greenhouse gas emissions reduction targets by 2030, along with more frequent extreme environmental events, are increasing global urgency to adapt to climate change by implementing sustainable and competitive operating practices. Travel and tourism accounts for about 8% of global climate emissions⁸ with the sector contributing through transportation, construction, food, accommodations and shopping.

Climate considerations are expected to impact corporate travel where demand will likely be limited by two significant factors: sustainability commitments and cost controls. Most North American-based companies' travel budgets declined by 90% or more in 2021 as they restricted travel to essential trips and added layers of executive approval. A growing number of multinational corporations are also pledging a reduction in their emissions, with corporate travel falling under Scope 3 emissions⁹ reporting (indirect emissions that occur in a company's value chain). A reduction of 30% by the year 2030 is a common target, as are goals of becoming carbon neutral by 2050. Companies looking to curb travel-related emissions say they will do so mostly by limiting trip frequency, keeping more internal meetings online and optimizing schedules to reduce the number of flights taken.

During the summer of 2021, the climate crisis also made itself increasingly visible through a torrent of extreme weather events across the world. The increasing frequency of intense or extreme weather events negatively impacts tourism, an industry that will rely on a sense of security in order to recover. The intensity and frequency of events will further impact insurance premiums for operators in high-risk areas, indirectly increasing operating costs and prices for consumers. More frequent extreme weather, such as fires, storms, floods and hurricanes will lead to increased concern among consumers. This could deter future travel, especially for destinations like Canada, which are founded on the natural beauty of the environment.

⁸ *The carbon footprint of global tourism*, [Nature Climate Change](#), 2018

⁹ [GHG Inventory Development Process and Guidance](#)

5. ACCELERATED DIGITIZATION



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Frontiers North Adventures

Manitoba

COVID-19 has catalyzed the adoption of digital technologies with the latest McKinsey Global Survey¹⁰ suggesting that companies have accelerated the digitization of their customer and supply-chain interactions by three to four years. Consumer adoption of technology has generated vast volumes of data over time, making it possible for operators to capitalize on data analytics to map consumer behaviours and make informed decisions around pricing, marketing and product development.

Geo-targeting and localization are becoming more prevalent and data can be used as a solution in near-real time to monitor the pandemic, airport capacity, source markets, booking trends, impacts of programs, jobs and sentiment analysis. As part of this transformation, governments have an opportunity to reimagine their roles in providing data infrastructure and capabilities to the tourism sector. Data will give destinations a greater understanding of their visitors and allow them to see trends, make predictions and enhance experiences. Further, better data on customer journeys and preferences, coupled with insights on products, experiences and infrastructure, mean destinations can be more strategic in making demand-informed investments in destination development and stewardship.

Such a dramatic digital shift is changing the face of marketing. Legislation is now requiring explicit documented consent to engage with consumers and this directly affects how organizations and businesses communicate with consumers and collect data. With the pending loss of third-party cookies, first-party data is key to engaging with different audiences and personalizing messages and experiences. Advertisers will need a more sophisticated approach to marketing focused on content and brand purpose.

¹⁰ McKinsey Global Survey, [McKinsey](#), 2020

02.

KEY INDUSTRY TRENDS

The monitoring and understanding of trends is key to helping the industry minimize risk and maximize market opportunities as business models shift and adapt during the recovery. The following trends and their implications are drawn from assessments of interviews conducted with both inbound and outbound tourism stakeholders.

1. LACK OF ACCESS & REDUCED TRANSPORT CONNECTIVITY

In the short to medium term, availability of transportation – both air and ground – will be limited, posing barriers to connecting travellers with their destinations. The fundamental change of airline economics globally will impact the competitiveness of Canadian aviation and overall air access. Reduced frequency on routes within Canada and, of particular importance, key international destinations, will have a prolonged impact on our recovery prospects. This lack of air access is linked to reduced global connectivity for international carriers due to decreased or changing demand, labour shortages and delayed aircraft orders and is not expected to return for years.

Access to ground transportation is increasingly limited across the country. Currently, it is inconsistent and expensive, creating challenges to the movement of travellers once in-destination. The pandemic, along with supply chain disruptions, has also forced the rental car industry to reduce a significant portion of its fleets in the early stages, reconfiguring the overall supply of rental vehicles and reshaping customer expectations in terms of availability and price.

In the short term, changing economics will delay the reopening of unprofitable routes and further reduce carrying capacity. In other cases, route cutbacks may leave single operators serving some destinations with a negative impact on pricing for travellers. Together, reduced air access and limited ground transportation will directly impact both the cost and ease of travel from one destination to the next.

2. LABOUR & SKILLS SHORTAGE

Recruiting, training and retaining staff across all tourism sectors was a perennial challenge prior to COVID-19, a situation that was even more acute in areas requiring specialized skills (e.g., culinary), in resorts and highly seasonal destinations and in frontline positions that required unique language and cultural capabilities. With dim prospects for employment in tourism during the pandemic, many workers have moved on to other industries resulting in a severe skill shortage and significant loss of intellectual capital in management ranks.

Going forward, diminished workforce capacity and lack of training will be a major challenge to industry recovery. Supporting innovation in workforce development and support services is critical as the industry (e.g., food and beverage, lodging, transportation, recreation, etc.) is faced with severe capacity shortages. Retraining and upskilling existing workers and attracting new and previous members of the workforce is a challenge for all industries in the tourism sector and at all hierarchy levels.

3. HIGHER COSTS

High consumer demand for travel as restrictions are lifted, coupled with reduced supply and capacity, as well as workforce related constraints, are all fueling rising travel costs. Prices for airlines, hotel stays, food and car rentals have all been rising over the past several months as part of a larger inflation trend amid supply chain issues and an economic reopening. While airfares have not yet caught up with 2019 ticket prices in the US, the most popular destinations are seeing prices surge – hotel rooms in some popular destinations in the US are even more expensive than before the pandemic. In Canada, domestic fares are quickly catching up and in some cases surpassing 2019, while accommodation prices over the second half of 2021 are also at, or higher than, 2019 levels in some of the most in demand Canadian destinations.

For international travellers, regulations at the borders around the world are making it more costly to travel, including travel to Canada. In particular, these costs impact short-term travels – such as a weekend ski holiday or shopping trip. In a recent survey by the International Air Transport Association¹¹, 70% of respondents called the cost of testing a significant barrier to travel.

4. REDUCED BUSINESS TRAVEL & EVENTS

While leisure travel is clearly leading the way to short-term recovery, corporate travel faces a slower return, influenced by a more complex set of considerations. The pandemic is reshaping corporate events and business travel – how much travel comes back is an urgent question for airlines and hospitality, which rely on it for a huge share of their profits.

Digital adopters who are able to maintain high levels of effectiveness while working remotely may never return to their pre-pandemic levels of corporate travel. In fact, Deloitte's Corporate Travel Survey¹² forecasts that business travel will likely recover only to around 80% of pre-pandemic levels by 2024. For hotels, convention centres, meeting spaces, restaurants, retailers with airport locations, consulting companies and service providers that cater to travelling business professionals, a decline of this magnitude demands new thinking and new tools to support smarter location strategies.

Hybrid meetings are here to stay based on the widespread adoption of video conferencing during the pandemic. While stakeholders across the industry are concerned about the impact on face-to-face business events, event decision-makers also see the potential to increase audience engagement, drive membership and diversify revenue streams incrementally. In the end, the customer will validate (or not) the rise of omnichannel business events.

5. PRODUCT DEGRADATION

For businesses already dealing with complex supply chains in today's global economy, COVID-19 brings uncertainty and even more challenges. Many providers have drastically scaled back operations and services, downgrading the quality of experience delivered.

The pandemic has revealed the fragility of tourism businesses, with many struggling to survive and some having to make the hard decision to close. Federal emergency support programs have provided an essential lifeline. Since the beginning of the pandemic, the Government of Canada¹³ has provided more than \$15.4 billion in direct support to the tourism sector. To aid recovery, governments around the world will need to be thoughtful in lifting travel and hospitality restrictions, anticipating consumer responses and in recognizing the highly seasonal conditions in which tourism businesses operate.

At the same time, reserves and access to capital for most tourism businesses are extremely limited and there may be a long-term effect on the quality of tourism products in Canada as maintenance and other capital investments are deferred.

In the early days of reopening, both domestic and international visitors have been experiencing the impact of labour shortages and supply chain degradation as hospitality, leisure and entertainment operators are unable to open or provide the same level of quality or brand standard for a similar or even higher cost. While demand for travel remains very high as international borders start to reopen, the layering on of travel inconveniences and costs could, over time, tarnish travel experiences and gradually diminish a destination's reputation.

6. REDUCED ACCESS TO CAPITAL & LIMITED LIQUIDITY

Tourism and hospitality businesses have long experienced challenges in raising debt and equity to initiate, expand or otherwise support operations – the uncertainty brought on by the pandemic has exacerbated this already challenging problem. The preponderance of small and medium-sized businesses, seasonality, relatively high-cost base and labour dependency are all contributing factors. According to a recent PwC study¹⁴, 74% of lenders and 67% of equity investors indicated tighter underwriting standards for hotel investment and development prospects in 2021. The exceptions to capital scarcity have been in knowledge and tech-based startups, as illustrated by the initial public offerings of industry disruptors such as Airbnb and Uber.

Since the beginning of the pandemic, having sufficient liquidity to support operations with limited revenue has been extremely challenging for tourism businesses. Capital investments are at an all-time low, with any cash directed to supporting survival of ongoing operations. For example, tourism venues typically spend 5-9% of revenues annually to replace and update capital items. Some hotel brands have worked with owners to ease their capital expenditure brand expectations and increase cash flow. A variety of government programs have been put in place to aid business' access to operating capital, with strong uptake in many cases.

7. SHIFT IN CAPACITY & ROLE OF DMOs

The speed and impact of the pandemic has led to uncertainties for most city and community DMOs in Canada, many of which rely on hotel taxes and levies for a significant portion of their funding. With very low occupancy rates throughout the pandemic, revenues are also low. DMOs are shifting priorities and relying on government and its agencies to support tourism recovery.

According to a 2020 survey by Destination Analysts, budgets for DMOs have fallen by nearly 60% on average in Canada and 40% in the US.¹⁵ Of necessity, DMOs have taken on a range of new roles to support their local industry – securing emergency funding, finding alternative revenue streams, taking on a stronger advocacy role, advising tourism businesses on government grant and funding applications, and more.

As the industry recovers, there will be a lag in the return of funding to these organizations, which may require a reordering of priorities and responsibilities.



Toronto Island Ferry

Toronto

Ontario

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03.

KEY MARKET TRENDS

Around the world, the tourism sector is undergoing a transformation as consumer behaviours and values shift. What visitors value and where they spend their time and money is changing in response to the lasting impact of the pandemic. Destinations and businesses that explore and understand these shifts can act now to adapt operational models, improve product and service development, channel marketing budgets and prepare for what's next.



1. FRICTIONLESS TRAVEL

With COVID-19 naturally increasing the need for less human interaction throughout the consumer journey, frictionless travel has been accelerated and implemented with the rise of new technology providers – but, as 2021 has shown, travel is going to be a bumpy ride as visitors adapt to continuous uncertainty and change brought by the pandemic. The different national travel regulations and vaccine passports, as well as COVID-19 testing requirements, add to the initial challenges of navigating border crossings upon entry.

The anticipated volume of travellers, with reduced capacity in the system, will also bring new challenges in order to maintain a high standard for experiences. The customer experience is shaped across the entire end-to-end journey, from booking to travel to the return home. Travellers now need more, not less, assistance with journeys carrying a disproportionate weight in consumers' minds when they plan their next trip. Even seasoned travellers will have to adapt to new protocols, such as digital health certificates and safety measures.

Much like we have seen in retail sectors, as digital solutions replace services that can be easily automated, close operational gaps and streamline the customer journey, there will be greater emphasis placed on those services where personalized human interaction is more highly valued by travellers and which provide a differentiator for tourism operators.

Technology is moving the travel industry to a place where seamless travel experiences with limited, and even no, pain points are a reality. Destinations are using digital technology to increase connection, improve security and help drive a better experience for users. With disruption-predicting artificial intelligence (AI), personalized value-adds and real-time customer-centric technology, destinations can streamline the overall travel experience while introducing new solutions to collect data and better understand visitor behaviours in real time. The digitalization of the industry is placing more emphasis on customer experience – putting the user's needs front and centre – and raising the profile of the digital divide in Canada between highly connected urban centres and rural destinations. Canada's plan for expanding communications infrastructure will greatly benefit rural and remote communities and tourism operators.

2. DOMESTIC TRAVEL

In the context of growing uncertainties overseas and restrictions on international travel, Canadians have been taking more trips within their own provinces and territories. Early travellers will be highly motivated to re-connect with family and friends after an extended time apart. This will be evident in both short-haul and long-haul domestic travel. While there's much pent-up demand for travel, there's also a significant portion of the population that's not entirely comfortable straying far from home, creating opportunities for drive destinations and the creation of road trip itineraries for travellers willing to explore more deeply in a regional, provincial, territorial or national context. And while they're not the biggest spenders, these travellers are potential long-term loyalists and ambassadors and could be enticed to places that visitors from afar wouldn't consider. All of Canada is "local" to Canadian tourists and renewed sentiments of pride in the country could fuel enthusiastic travel in the short term.

3. RESPONSIBLE TRAVEL

The pandemic has enhanced the desire to connect in meaningful ways with places visited and to encourage local economies, while socio-environmental consciousness towards travel is also on the rise. Awareness of a traveller's impact – on urban and wilderness environments and also on local populations – has led to reflection on the part of both destinations and those who enjoy them. In sensitive environments, tourism operators are clear in their desire for balanced growth that also promotes local cultures, preserves the heritage and supports community economic development. From smaller communities with stretched infrastructures in the north and rural areas, to issues of overcrowded destinations and bad behaviour, people and places are rethinking the impact of visitation and how effects can be mitigated.

Travelling less often, but longer and deeper, is at the forefront of traveller mindsets today, but it is still a little early to see whether it will translate into meaningful action. There is growing consumer research supporting the idea of "responsible travel"¹⁶ which predicts travellers will want to lighten their footprint on destinations – supporting local economies, engaging with local cultures, reducing carbon emissions and enabling environmental conservation. Correspondingly, progressive destinations are examining the idea of "regenerative travel" wherein tourism contributes net benefits to its host communities – economically, socioculturally, and environmentally. Destinations are taking action by creating a symbiotic engagement between the host community and the visitors they want to attract. As the pandemic wanes and visitors return, the tourism industry will need to re-establish its social license with residents.

¹⁶ Tourism which minimises negative economic, environmental and social impacts.

4. ASCENDANCE OF COMMUNITIES

Pure growth in visitation can no longer be the primordial goal and the shift in focus towards the wellbeing and safety of local communities – urban, rural and Indigenous – has taken on new urgency. Destinations increasingly belong to the people who call them home.

Large and small municipalities are now taking a proactive approach to harness the benefits of tourism while minimizing its pressures. Pre-pandemic, we saw several international destinations ‘uninvite’ tourists as visitor volumes made life for locals untenable. The COVID-19 pandemic has accelerated the need for broader alignment with the community. In 2021, global DMO leaders identified the need for greater industry, community and government alignment to drive destination competitiveness and brand as a priority in the DestinationNEXT Futures Study¹⁷.

To develop long-term solutions, the true metric for tourism development must reflect an improved quality of life – creating economic prosperity, developing sociocultural vibrancy and growing environmental thriving. A locals-first approach is shifting destination development and tourism marketing toward more sustainable goals, filtered through a lens of resident quality of life.

5. INDIGENOUS CONNECTION

Indigenous experiences are of growing interest to Canadian and international travellers, which helps create sustainable employment for Indigenous communities while enriching travellers’ experiences through the sharing of culture, history and tradition. Research¹⁸ conducted by the Indigenous Tourism Association of Canada (ITAC) and Destination Canada shows that one in three Canadians are interested in Indigenous experiences and that historically, international visitors have an even higher level of interest (37%). With domestic travel on the rise, there’s an opportunity to build stronger connections with Indigenous Peoples, their communities and cultures through Indigenous tourism experiences.

Indigenous tourism has growth potential, but support will be required for businesses to recover and meet growing demand. ITAC reports¹⁹ that at least 1,889 Indigenous-owned businesses participate in the Indigenous tourism sector in Canada but that an estimated 674 businesses are at risk of closure in 2021 and 2022 due to the impact of COVID-19. According to Conference Board of Canada estimates, prior to March 2020, Indigenous tourism had generated an estimated \$1.9 billion in annual revenue supporting 40,000 jobs. Today, revenue and jobs are reduced by more than half. With a great many Indigenous tourism businesses relying on international visitation, the pain of the pandemic has been deep. Rebuilding of this segment of the tourism sector will take years of concerted effort.

6. WILD FOR WILDERNESS

For many travellers, the freedom of wild and wide-open spaces has been the perfect antidote to confinement, driving visitation to national parks and other nature-based destinations, even in traditional off-seasons. Many travellers and nature-explorers seek physically challenging adventures and retailers and other outfitters have created trips tailored to their customers' tastes and experience. Others are looking for a more passive way to engage with the natural world, seeking easy day trips or trails they can visit with children. Canada is understood to be a place closely connected to the wild and can authentically tout the benefits of contact with nature, which have been much documented. The natural world's ability to enhance wellness and provoke awe in visitors reduces anxiety and stimulates a sense of belonging to a grander story – even if, for some, that means “glamping” on the edge of a city. These are stories in Canada's sweet spot.

7. HEALTH & WELLBEING

While safety and hygiene took centre stage early in the pandemic, the growth of wellbeing and personal enrichment is one of many trends COVID-19 accelerated. After obsessing about health, hygiene, epidemic-level loneliness, decreased mental health and lack of connection – not to mention being collectively witness to an incomprehensible amount of death and loss – people are hungry for a sense of wellbeing and good feelings associated with travel, escape, rejuvenation and nature-based healthfulness. According to the Global Wellness Institute²⁰, the wellness travel market is now estimated at \$639 billion, with a pre-pandemic growth rate of 6.5% a year, which was more than twice the growth rate of tourism overall.

Post-COVID concerns with health and wellness will grow opportunities for destinations to capture part of a rapidly-growing industry and the broad definition of wellness is an opportunity for destinations to define it on their terms.

8. AFFLUENT TRAVEL BOOM

Affluent travellers are eager to spend their money on leisure trips, leading to a rebound of this segment. At the same time, the increase in savings is driving demand for legendary experiences in many demographics.

The affluent travel boom is one of the clearest signs of a spending surge by the wealthy that is likely to tilt the balance of recovery. In 2021, Google's search interest in the phrase "luxury hotels" is at its highest since before 2006.²¹ In the US, high-income consumer spending rebounded fully in March and is now 11% above pre-COVID levels, according to data from Opportunity Insights²²; this finding is unsurprising, since high-income earners did not lose their jobs, and the savings rate among this demographic is 10-20% higher now than before the pandemic.

To meet the demands of high-value travellers, the development of unique high-quality tourism attractions and destinations in both cities and the wilderness is needed. The needs of affluent leisure travellers have evolved during the pandemic; while proper health protocols were considered a luxury early on, more sophisticated desires for well-being and other experiences are emerging. Bespoke, personalized travel experiences, including those that provide a sense of wellbeing and personal growth or enrichment and high "badge-value," will be increasingly important to this market.

²¹ Google Trends Key Word "Luxury Hotels", [Google](#), 2021

²² Economic Tracker, [Opportunity Insights](#), 2021

9. GREAT RESIGNATION & RETIREMENT

Post-pandemic, more people are rethinking their work-life balance than ever before. Younger and older generations have been quitting situations they find unsatisfactory, seeking new employment in companies that better support employees confronted with multiple demands that have been amplified by the pandemic.

The pace of boomer retirements has accelerated in 2020. In the first quarter of 2021, 30.3 million US baby boomers reported they were out of the labour force because of retirement, according to the Pew Research Center's analysis²³ of government data. That is 2.7 million more people than in the first quarter of 2020, a much bigger increase than the average growth of roughly 2 million retired boomers annually over the last decade. By 2025, people aged 65 and older will account for 11% of the world's population and their international travel – the number of cross-border trips they take per year – will more than double. With time and money for travel, this segment remains a key audience for travel operators to consider.

²³ The pace of Boomer retirement has accelerated in the past year, [Pew Research Center](#), November 2020

10. REMOTE WORK & RESIDENTIAL TOURISM

The office environment reality has radically shifted since the onset of the pandemic. Remote work, made possible during the pandemic, has worked well for many companies and employees, providing an easy and less expensive means to conduct meetings and to avoid health concerns associated with travelling during the pandemic. Remote work may become a way of life for some. People are not just working from home, but working from a variety of what might be considered vacation destinations, using innovative platforms to adapt. The divide between live, work and play is smaller than ever.

As a result, remote workers are increasingly a new visitor segment in many regions. Destinations need to be prepared for this new traveller and partner with other industries to provide a different kind of visitor experience beyond what's offered for short-term stays. Remote visas and other programs have been implemented by destinations (at the country, but also city-level) to attract remote workers or so-called digital nomads to visit, work, play – and spend – for extended periods.



CONCLUSION: WHAT'S NEXT?

In 2022, as COVID-19 progresses into an endemic, the industry must start shaping its future. While the “next normal” will evolve quickly in the short and medium terms, the outlook for our industry presents new opportunities to create a path towards economic recovery and prosperity. As a result of these trends, we expect to see the following implications in the near term for the Canadian tourism industry:

01 More Domestic

With more barriers to travel and more travellers staying put, domestic visitation will prevail, with all generations and demographics seeking to explore the country. Residential tourism and long-term stays will also be favoured in the short term as locals seek to explore and discover their city or region differently.

02 More Leisure

The proportion of leisure travel will grow to become more important in the industry and will shift pre-existing business models. Leisure time will only rise with the democratization of remote work on a global scale.

03 More Digital

The industry has become more digital in its approach. Faster connectivity and smart data will give destinations a greater human understanding and allow them to see trends, make predictions and enhance experiences.

04 More Competition

While governments invest heavily in the tourism industry's recovery and competitiveness, the volume of international tourists from source markets will be limited, creating a highly competitive landscape in the short term – especially as destinations simultaneously open their borders.

05 More Change

As more uncertainty is expected, operators and destinations will need to be future-facing and flexible in order to proactively adapt to a new reality rather than wait for the industry to rebound to pre-COVID-19 levels.

In short, in the next couple of years, travel and tourism will be more local and domestic, focusing principally on leisure travellers, facing increased competition, adapting to a digitalized society and continuously evolving.

APPENDIX A: METHODOLOGY

STEEP FRAMEWORK

Social & Ethical	Key social and ethical trends in each of Canada's key markets shifting consumer sentiment and aspirations that could affect interest and desire to visit Canada in a positive or negative way.
Technological	Technology could continue to affect and shape the industry as it recovers, both in terms of how travel is marketed and sold and in how experiences are delivered and accessed within the destination itself.
Economic	Understanding the nuances of how COVID-19 has affected different markets, and the different segments of travellers within each of these markets is key to the realignment of Destination Canada's marketing strategy moving forward.
Environmental	Insights on potential environmental policy and regulations, both domestically and internationally, that could affect the future of Canada's travel and tourism industry.
Political & Regulatory	Insights on potential policy development, both domestically and in Canada's key markets, to understand how future regulations could increase or constrain demand for travel to Canada.

ADDITIONAL CONSIDERATIONS

Industry	Key supply-side trends within Canada and destination development strategies.
Competition / Market	Analysis of what other competing national tourism organizations are doing from a sales, marketing, destination development and operational point of view.

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