



Community Success Stories

Algonquin Backpackers

www.algonquinbackpacker.com

Maynooth, ON

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INTRODUCTION

This community success story case study is part of The Monieson Centre’s Knowledge Impact in Society (KIS) Project, a three-year endeavour to connect academic knowledge with economic development needs in Eastern Ontario. This case study highlights best practices from a real business in Eastern Ontario. The KIS Project is funded by the Social Sciences and Humanities Research Council of Canada. For more information, visit www.easternontarioknowledge.ca.

Located in Maynooth, Ontario’s historic Arlington Hotel, Algonquin Backpackers is a hostel privately owned and run by Tom Newman south of Algonquin Provincial Park. Hostels offer a great, budget-friendly travel alternative to hotels by offering a communal atmosphere at a low price point. Costs are minimized through shared rooms, shared bathrooms, and common kitchen and living area, instead of a luxurious reception and restaurant. Tom’s Algonquin Backpackers hostel is an established, successful operation, operating at capacity for the duration of the peak season. This study analyzes the determinants of the hostel’s current success, examines applicability to other rural businesses, and highlights opportunities for Algonquin Backpackers’ business growth.

INDUSTRY OVERVIEW

Algonquin Backpackers Hostel is a player in the accommodation sector of the Ontario Tourism Industry, targeting visitors to Algonquin Provincial Park. The park is a major Ontario tourist attraction, drawing over 1,000,000 visitors each year from across Canada and the world to explore its natural beauty.¹ Once at the park, visitors can camp, rent one of 21 cabins inside the park, or stay in a hotel or hostel outside of the park. Because of the different travel experiences that each of these accommodations offers, the individual services do not all target the same market segment. Algonquin Backpackers therefore is only in direct competition with the surrounding hotels and hostels in the area.

Wolf-Den Bunkhouse, located on the southwest side of the park, is the only other hostel in the region and serves as Algonquin Backpackers’ largest competitor. Wolf-Den, however, uses far less advertising, does not house a full-service kitchen and is priced at double the rate of Algonquin Backpackers, giving Mr. Newman’s hostel a clear competitive advantage. In the Maynooth area, Algonquin Backpackers

¹ “A Thumbnail Park History”, *Algonquin Provincial Park*, <http://www.algonquinpark.on.ca/geninfo/history.html> (Accessed June 25, 2010).

competes with cabin rental and lodge facilities like Algonquin Eco-Lodge. Algonquin Backpackers differentiates itself from these local competitors through hostel accreditation. By marketing through hostel websites and marketing programs, Algonquin has an easier time accessing a young, adventure-seeking, target market. Again, Algonquin Backpackers also offers its services at about half the cost of its local competitors.

Because Algonquin Backpackers targets international students looking for the “Canadian cultural experience,” they also face competition from other destinations that are viewed as uniquely Canadian. Other such attractions include Toronto, Kingston, Ottawa, Montreal, and Quebec City. These famous Canadian cities, provide various cultural, historical, and sightseeing opportunities for visitors. Additionally, there are quite a few hostels listed on the HI and Hostel World websites in all of these cities. In order to compete with hostels in these destinations, Algonquin Backpackers Hostel needs to market its distinct, nature-based experience at a value-added price.

COMPANY OVERVIEW

The guests of Algonquin Backpackers Hostel vary in age, but the core customer base is composed primarily of international backpackers, often post-secondary students, between the ages of 20 and 35. This group of people seek reputable, budget accommodation and often rely on fellow backpackers' recommendations. Their accommodation needs match Algonquin Backpackers Hostel's humble housing offering complemented by nearby, fun-filled outdoor activities. These consumers are relatively fit and enjoy nature and hiking, thus enabling them to fully experience Algonquin Park and take advantage of the different tours offered by Algonquin Backpackers. The hostel's ideal guest, then, is someone looking for a Canadian, adventure-packed experience, featuring cultural and environmentally educational opportunities on a budget.

The majority of Algonquin Backpackers' traffic is in the summer and early autumn when the business operates close to, or at, capacity, particularly on weekends. During these peak periods guests can take advantage of the warm weather and outdoor activities. Although, the winter still offers a variety of outdoor activities such as snowshoeing and dog-sledding, there is less traffic from backpackers travelling across Canada. In addition to offering accommodation, Algonquin Backpackers offers related services including guided hiking and canoe tours of the park; bike, canoe and kayak rentals; outfitting for camping and canoe trips; and a restaurant and bar for guests. Tom is also developing an all-inclusive package with a combination of accommodation, activities, and meals to ensure that students receive maximum value. Because the hostel is less accessible than those found in urban centres, such value-added packages create greater incentive for customers to visit destinations like Maynooth.

KEY SUCCESS FACTORS

Algonquin Backpackers' success is attributable to three overarching factors:

1) *Location*

The establishment's main attraction is its location in Maynooth, Ontario beside Algonquin Provincial Park, the oldest, largest Provincial Park in Ontario. The park spans 7,725 km², offering 2,500 lakes, a variety of vegetation, and wildlife including black bears to moose. The park attracts over 300,000 day

visitors and 60,000 hikers and canoeists each year. The variety of outdoor activities available at the park, such as hiking, canoeing and swimming, allows Algonquin Backpackers to take advantage of a second revenue stream and offer package tours to its guests. This increases Tom's profits and attracts additional visitors to his hostel.

The town of Maynooth itself is a natural attraction for visitors. It offers a classic small-town feeling with a strong appeal to outdoors enthusiasts. Algonquin Backpackers is located on the main street of the town next to a library with free internet connections, a grocery store for travelers if they choose to prepare their own meals, a gas station and a liquor store. In addition, Maynooth has a Greyhound bus stop, located across from the hostel. This provides easy transportation from Toronto, Ottawa, and Montreal. The hostel's unique location lends to its popularity and stream of incoming guests.

2) Strategic Partnerships

Tom has built lucrative partnerships to increase the strength and reach of his marketing campaign. Algonquin Backpackers Hostel is a certified Hostelling International (HI) member. HI is a network of different hostels which advertise and promote each other's operations in order to increase profits for all members. Algonquin Backpackers' promotional materials are therefore placed in all other HI hostels offering direct access to this niche market when they are considering their next trips. In addition, the hostel is listed on the HI website and information book which attract a variety of Canadian and international guests. Tom's HI membership is very valuable. Sixty percent of the hostel's bookings are a result of advertisements from the HI booklet. In addition, the book is a major source of credibility for Algonquin Backpackers, establishing the hostel as a reputable accommodation choice offering great value.

Tom has also established strategic partnerships with two tour companies: Salty Bear Tours and Moose Travel Network. Both of these companies offer tours to Algonquin Provincial Park including transportation, tours in the park, and accommodation at Algonquin Hostel. Although these ventures are given discounted rates by the hostel, they provide a steady income source.

3) Low Cost/High Value

As Algonquin Backpackers targets a young demographic seeking adventure on a limited budget, Tom has found great success by offering incredibly low prices for his accommodation. Tom's rates are far lower than urban hostels because of the relatively low cost of living in Maynooth versus larger centres. He is also careful, however, to undercut other local hostels, lodges and cottages. His limited profit margins for accommodation are offset by the many value-added services he offers. Thus, while guests pay a small amount for a room, many of them also use his equipment rental and outfitting services. Likewise, he leverages the community feel of the hostel by offering his guests a restaurant and bar. Because the restaurant is only open to guests of the hostel, guests perceive it as a unique aspect of the Algonquin Backpackers experience.

Future Opportunities

Tom has several low-cost opportunities to grow Algonquin Backpackers, particularly in the off-season, which will build on the hostel's current strengths. First, because Algonquin Backpackers targets a young

demographic, we recommend he expand his online presence, creating a window into the hostel, whereby potential visitors can get a sense of the community and its culture before they arrive. A photo gallery highlighting the historic facility, and, more importantly, activities offered by the hostel and the beautiful surroundings in which they take place, would help foster this. This feature will help guests from outside Canada build familiarity with Algonquin Park, making advance research more convenient and increasing future guests' level of comfort with signing up for a pre-packaged trip. Further, links to the hostel's activity partners and the official Algonquin Park website will also help draw customers into the community before they arrive. Last, social media is a low-cost way to connect with past and future guests to further extend the hostel's communal culture. By strategically using both Facebook and Twitter, Tom would be able to effectively market his packages to the target market at relatively no cost. By updating content on a regular, consistent basis, Tom can help engage potential customers and raise awareness of the park, Maynooth, and his hostel's offerings. Through efforts like encouraging visitors to post their own photos and stories on his Facebook page, he can use social media to develop testimonials and references for his business. Ultimately, these will build credibility and trust with the customer, similar to his current membership in the HI network.

His young target audience also means that Tom can look to promote his new packages to students. An innovative approach to this would be to build relationships with outdoor groups and international programs at schools across Eastern Ontario. He can build these relationships by networking with his current guests, and identifying individuals who might serve as a "brand ambassador" at their school. This will likely be a student involved in co-ordination of international student activities or an outdoors club. As a brand ambassador, the student would be responsible for ensuring that on-campus promotions are run properly, encouraging their friends and other students to sign up, answering any questions students may have, and acting as a liaison between the school and Algonquin Backpackers Hostel. For their services, the ambassador might receive free or discounted services from Algonquin Backpackers. As relationships build at various schools across Eastern Ontario, Tom could also look into chartering a large passenger van so that he can offer packages at different schools throughout the region. This will help overcome the transportation barrier which prevents many students from travelling to Algonquin Park.

CONCLUSIONS

Algonquin Backpackers' low-cost approach is a model which many other rural businesses can learn from. Through fostering a communal atmosphere, building local partnerships, and developing value-added services complementary to his core business, Tom has been able to create a successful small rural business. Algonquin Backpackers can now look to innovative marketing practices to further develop the business' offerings and achieve increased success in the off-season.