SOUTH EASTERN ONTARIO

Understanding our traveller impact and opportunities:

An in-depth brand & spend analysis for South Eastern Ontario

Draft v1 Report

October 24, 2019

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The findings reported herein are provided on a confidential basis to RTO9. RTO9 is free to use the findings in whatever manner it chooses, including releasing them to their travel and tourism industry stakeholders and partners and/or media.

The information and data found in this report are current as of the date of submission to RTO9 and subject to change given market forces and external variables.

October 24, 2019

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Introduction

As the tourism industry grows, sounds market research becomes even more essential for achieving our mission.

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According to the UNWTO growth in international outbound travel is averaging 4% to 6% per annum. This trend is expected to continue with:

1. relatively positive economic growth;
2. increasing wealth generation;
3. easier access to vacation planning through digital technologies; and
4. improving air access.

Both domestic and international travel continues to grow and break arrival records across Canada.

> "2018 was the best year for Canadian tourism on record, with arrivals reaching 21.13 million, breaking the 21 million mark for the first time ever." – Destination Canada

Based on recent market research by Destination Canada, Ontario maintains its position as a top Canadian travel destination amongst our top three international markets and consideration is strong across other growing markets.

The opportunity for RTO9

With this opportunity, we believe that our mission to foster successful destinations that set the standard in Ontario is more important than ever.

OUR VISION

To be recognized as the leading strategic tourism partner by destinations in our region.

OUR MISSION

Fostering successful destinations in RTO9 that set the standard in Ontario.

Achieving this position will require the most up to date and sound market research possible to facilitate better business decisions across the industry. There are many proven ways research can help:

- Understand how the market is changing
- Target consumers more effectively
- Measure the performance of the tourism industry in RTO9 more robustly
- Build capacity among DMOs and operators in RTO9
- Develop tourism products and experiences to better match demand

Introduction, cont'd.

With new technology and sources we can obtain deeper insights and reveal opportunities for consumer marketing, investments and collaboration.

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New sources, new insights

In the past data on international tourists came from Statistics Canada's International Travel Survey (ITS) which was based on voluntary self-reported traveller activity. In 2018, as a replacement to the ITS, Statistics Canada introduced the Visitor Travel Survey (VTS). On a quarterly basis, the VTS is able to provide sub-provincial spending estimates using payment processor data (credit and debit) from international travellers and an estimation model. Using this source and the payment processor data for the South Eastern Ontario region (accessed through our partner Destination Canada) we were able to generate insights that provide a picture of visitor patterns and spend in the region.

Moving forward the South Eastern Ontario region would greatly benefit from increased regional and local level third-party data from a variety of sources. In preparing this report we pursued a partnership opportunity with Destination Ontario to access brand and awareness research for the region but did not receive the information. Greater collaboration and data sharing would support insights driven decision-making and improve understanding of dispersal and spending across the destinations.

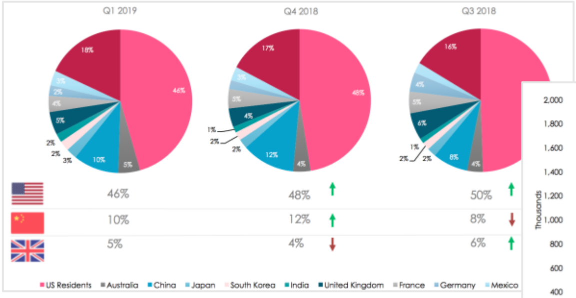
This report is intended to provide a general overview rather than a detailed analysis of traveller details. The data is based on the period of July 2018 to March 2019. Cash spending is not included in the report.

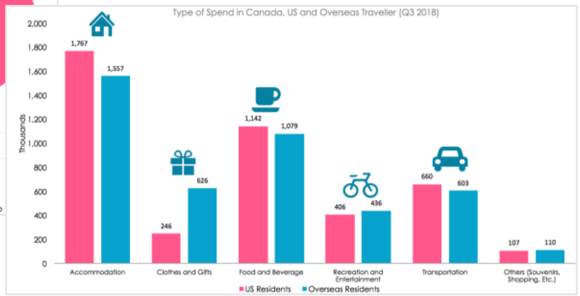
Summary

The data shows top markets, seasonal peaks and spending by type.

- Based on spend, the US, China and UK markets are the highest impact.
- Chinese visitors are more likely to visit in September and October while those from the US more often visit in the summer months.
- When travelling, Chinese visitors buy more clothes and gifts and UK travellers are willing to spend more on accommodation.

These are helpful insights for marketers and businesses at the local level. For example, packages or content marketing developed for the Chinese audience may focus more on shopping and retail and US traveller marketing a strong emphasis on hidden gems and local festivals and events.





Section 1
The value of tourists in South Eastern Ontario

The value of tourists in South Eastern Ontario

Tourism has been a significant economic driver for the South Eastern Ontario; creating jobs, government revenue and enhancing the quality of life for residents.

Tourism as an economic driver

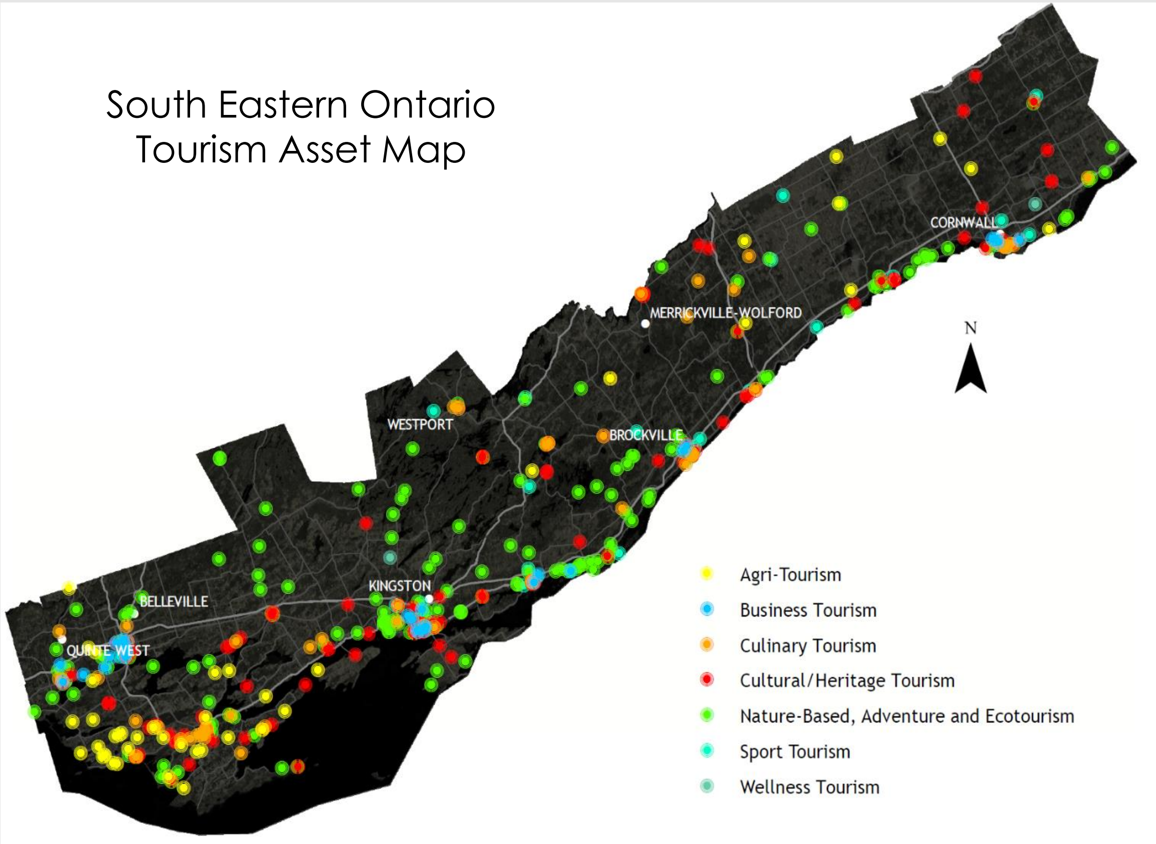
Since the year 2013, the South Eastern Ontario region has consistently benefitted from a global growth. The economic impact of tourism is significant here; visitors spend millions of dollars which creates jobs and revenue for all three levels of government.

While the Food and Beverage, Retail and Accommodations sectors continue to be the most impacted by tourist visitor spending, the industry as a whole creates spinoff benefits for a variety of supporting sectors and businesses. Overseas visitors alone spent $55.7 million in the region in 2016 and in 2017 the number of direct jobs in industries that were impacted by or participated in the South Eastern Ontario tourism economy was 44,940.

At last count (in 2016), within the region there were over 6,000 tourism related businesses. These range from retail to transportation. The vast majority are owner operated or have up to 20 employees. Furthermore, of the surrounding tourism regions in Ontario, our region ranked 2nd in terms of share of total number of tourism related businesses in operation.

Boosting local tourism opportunities

From our consumer research, we know that today travellers are currently visiting the key demand centres such as Kingston, Prince Edward County and Gananoque but as a desire for more local, authentic experiences continues to trend there's a more lucrative visitor opportunity for destinations beyond. As evidenced by the inventory of over 500 tourism assets in the region there is plenty for visitors do and experience.



Source: Statistics Canada, RTO9 Product Development Strategy, RTO9 Product Development Strategy

Section 2
Competitive Context

Canada's Brand Appeal

Canada's brand appeal is strong but there is still more work to be done, especially when it comes to destination knowledge and trip planning.

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Understanding our market potential

A growing industry means intensifying competition for travellers within Canada and abroad. To understand our opportunities and growth areas, we analyzed Canada's brand perception and consumer ranking by market using Destination Canada's Global Tourism Watch reports.

We chose to delve deeper into the US, China and UK markets; given their positioning identified in our visitation/spend analysis in the following section and historical trend data that confirms their importance. Highlights include:

- Chinese travellers express the highest awareness of Canada as a travel destination
- UK travellers express higher interest/consideration of a trip (aided)
- US travellers express higher likelihood of travel

Additionally, beginning in summer 2018 we launched our own consumer insights studies to track leisure traveller awareness and propensity to travel to South Eastern Ontario. The respondents primarily represent a domestic audience within the Greater Toronto Area but are nevertheless valuable for spotting opportunities and trends.

See the following page for the summary table.

US	China	UK
Unaided consideration of Canada is significantly lower in 2018 (5%, down from 7% in 2017).	Unaided consideration of Canada has decreased significantly to 6%, down from 10% in 2017, but still above the 2016 result of 4%. Canada remains behind the US, Australia and France on this unaided metric.	Unaided consideration of the US continues to slide (28%, dropping from 31% in 2017 and significantly from 39% in 2016).
Those who have visited Canada recently continue to be more likely to mention Canada on an unaided basis than general US travellers (23% versus 5%).	Canada remains in top spot for aided consideration, ahead of the US, Australia, and France.	Japan is posing a stronger threat to Canada in 2018, recording significant increases in unaided and aided consideration.
Knowledge of travel opportunities in Canada has decreased significantly among US travellers (23%, down from 30% in 2017).	Canada is lagging in terms of destination knowledge, slipping from 7th to 13th place in 2018, as other competitors saw improvements on this metric.	Growing knowledge of other competitive destinations has relegated Canada to 8th spot on aided destination knowledge (down from 6th in 2017).

Source: Reprinted from 2018 Global Tourism Watch US, China and UK Market Reports

South Eastern Ontario's relative Brand Appeal by market

Awareness of South Eastern Ontario is relatively low within the Ontario travel market.
Chinese travellers are more aware of Canada and US more likely to travel.

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Market	Familiarity/ Aided Awareness	Interest/ Consideration	Likelihood
US	87%[1]	27%[2]	64%[3]
China	91%[1]	37%[2]	62%[3]
UK	87%[1]	44%[2]	60%[3]
Ontario	96%[1]	62%[2]	32%[3]
Ontario – GTA	45%[4]	67%[4]	58%[4]

Notes: 1 Canada, 2 Canada (aided), 3 Ontario 4 South Eastern Ontario

Source: 2018 Global Tourism Watch US, China and UK Market Reports, 2017 Global Tourism Watch Ontario Market Report, South Eastern Ontario Consumer Insights Survey 2019

Section 3
International Visitor Profile

International Visitor Profile

To increase spend, length of stay and dispersal destinations must take into consideration travel patterns and the behaviour of travellers from key markets.

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With a solid understanding of who our target markets are, we can begin to develop new products and experiences, attract new businesses and market in a way that appeals to traveller aspirations, needs and expectations.

In this section, we looked at country-specific spending and payment processor data to uncover important insights about visitor impact, spending and seasonality. For example, we were able to determine who's visiting, which regions in Ontario they go to, what they're buying and when they are more likely to visit South Eastern Ontario.

As outlined, there are two sources of data used. The first is estimated quarterly expenditures, which are based on a model derived from the Statistics Canada's Visitor Travel Survey and payment processor data. The second dataset, which relates to size of spend, comes directly from payment processor data sourced through Destination Canada. It is important to note spending and payment card usage are a proxy for visitation/spending – they do not represent actual visitor numbers. Furthermore, across countries travellers use cash and card differently, meaning they cannot be directly compared against one another.

Who's visiting Canada?

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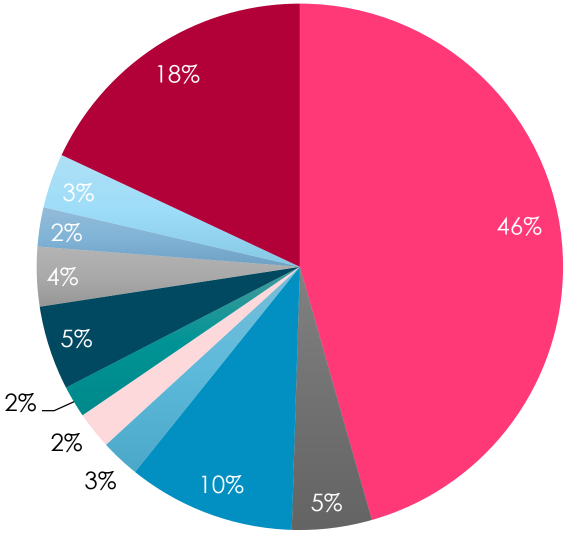
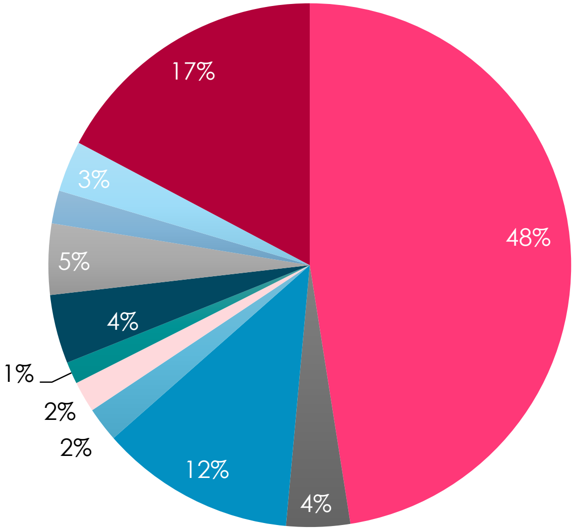
Comparing the spend of US and Overseas travellers confirms the US, China and UK are Canada's top three key markets.

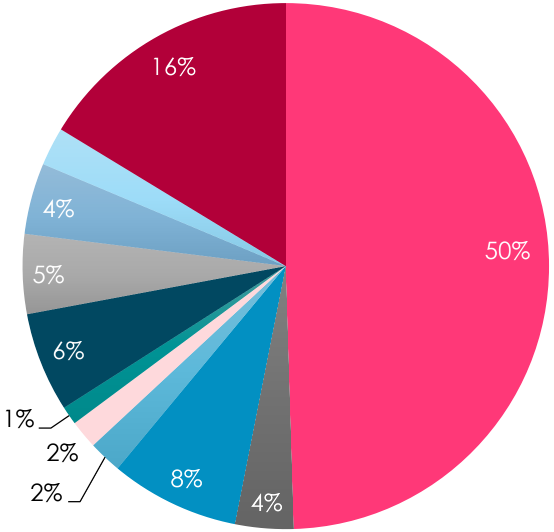
Q1 2019



Q4 2018



Q3 2018



	Q1 2019	Q4 2018	Q3 2018
	46%	48% ↑	50% ↑
	10%	12% ↑	8% ↓
	5%	4% ↓	6% ↑

■ US Residents ■ Australia ■ China ■ Japan ■ South Korea ■ India ■ United Kingdom ■ France ■ Germany ■ Mexico ■ Other

Source: Statistics Canada

Observations:

When results are examined across markets and quarters we see very minimal changes.

This shows that Canada successfully maintains its base of travellers.

Who's visiting Ontario?

Though US travellers play a significant role in Ontario's visitor economy, the summer months show increasing levels of visitor impact by Chinese and UK travellers.

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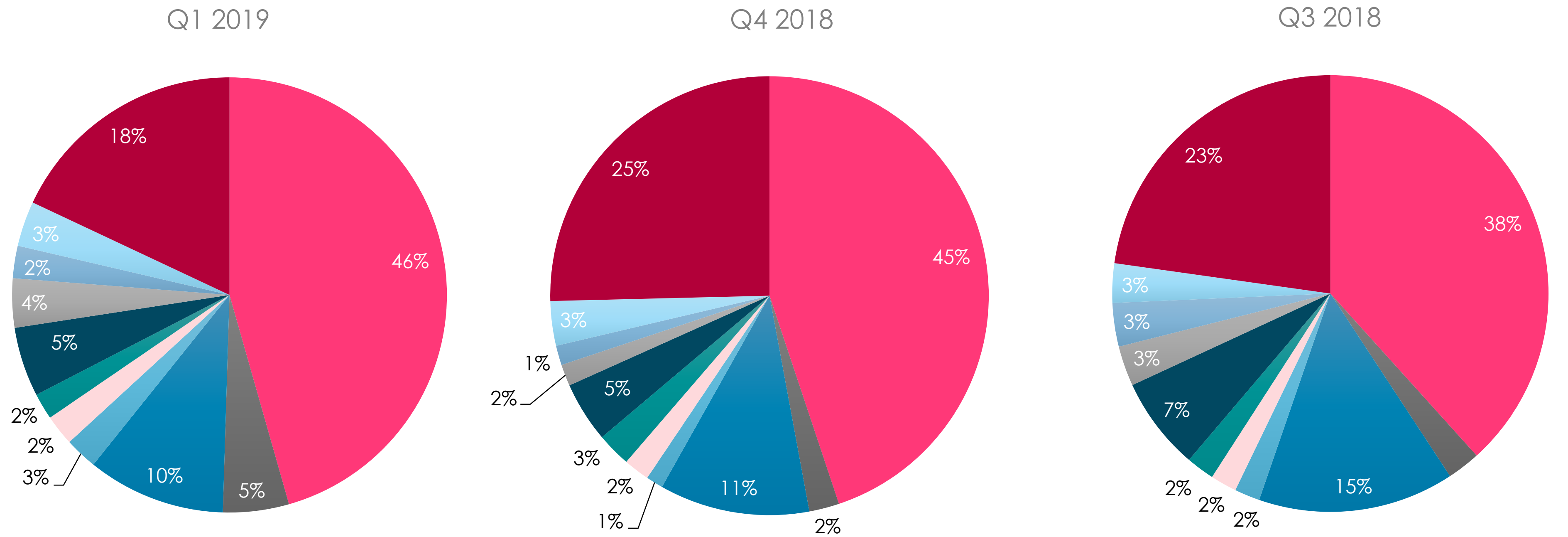

	Q1 2019	Q4 2018	Q3 2018
	46%	45%	38%
	10%	11%	15%
	5%	5%	7%

US Residents · Australia · China · Japan · South Korea · India · United Kingdom · France · Germany · Mexico · Other

Observations:

Similar to the top three key markets, travellers from all other markets show a relatively consistent spending/visitation pattern throughout the year in Ontario.

Source: Statistics Canada

Trip spending by tourism region

Unsurprisingly, when in Ontario the GTA is the dominant tourism region across Ontario's top seven markets.

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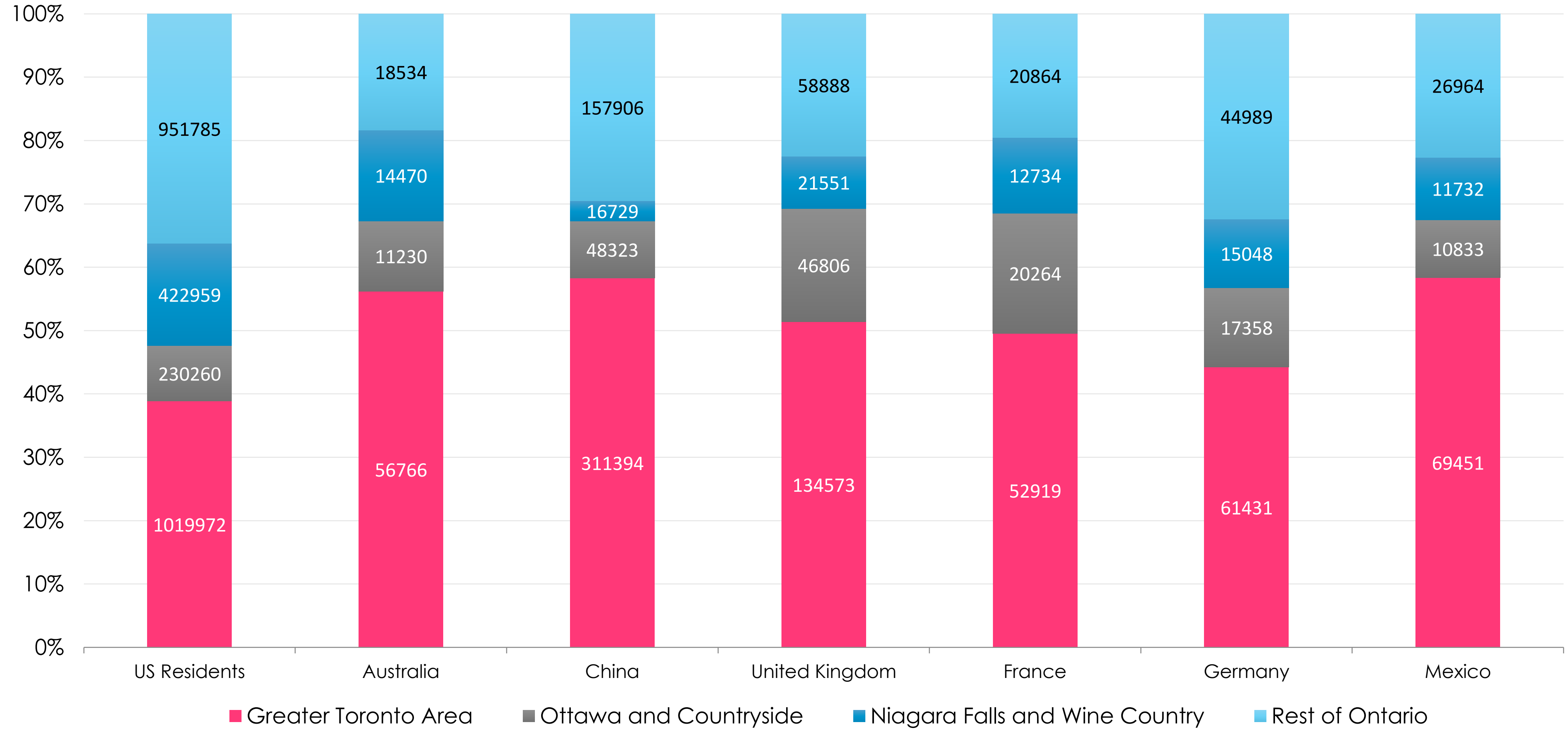
Trip Spend by Country and Region (Q3 & Q4 2018, Q1 2019)



Source: Statistics Canada

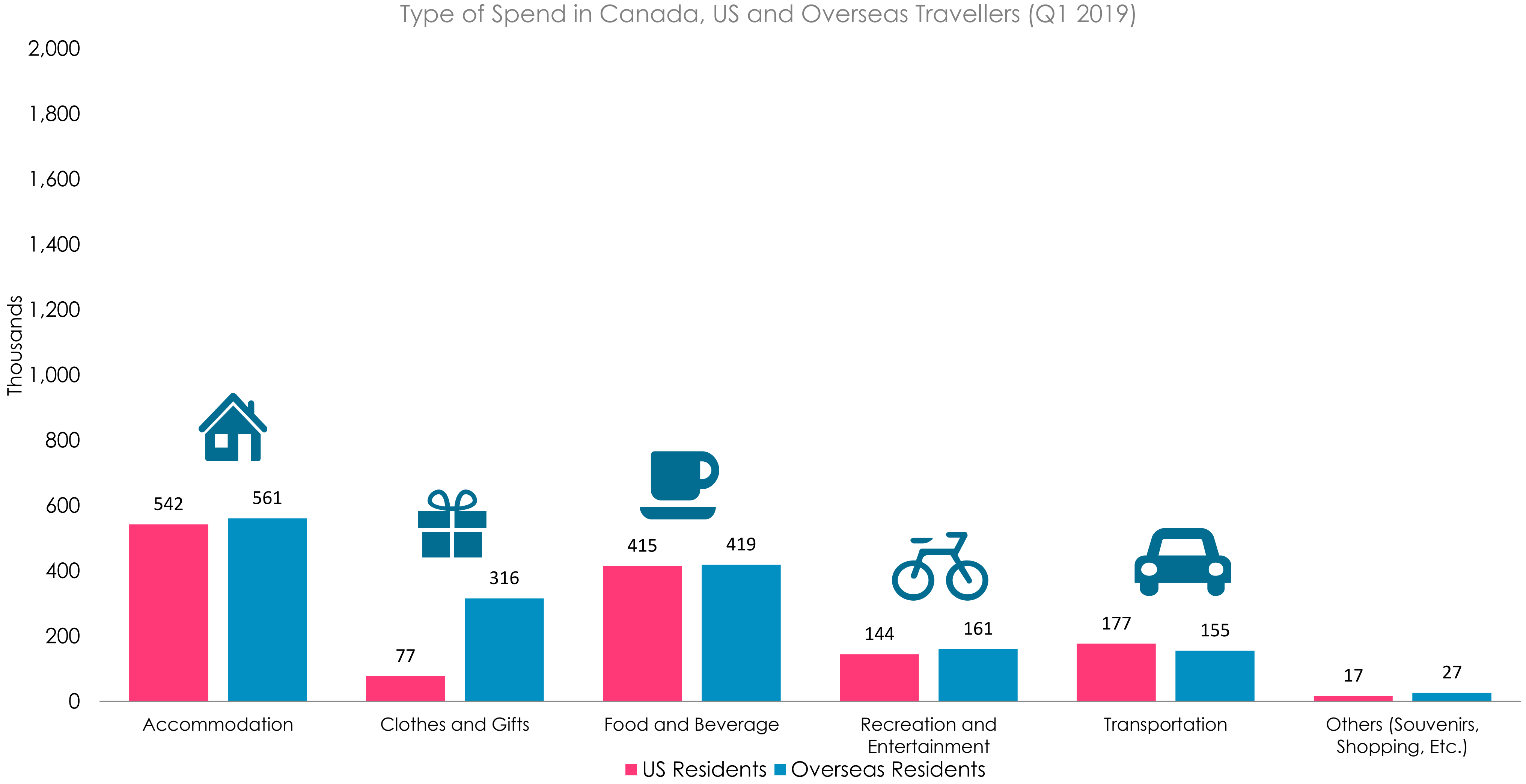
Observations:

US travellers are more likely to explore Ontario destinations beyond the GTA.

This aligns with past research showing that US travellers look for undiscovered places and more local experiences.

Trip spending by type (Winter)

For both US and Overseas travellers, accommodations and food and beverage items represent the areas of highest impact.



Source: Statistics Canada

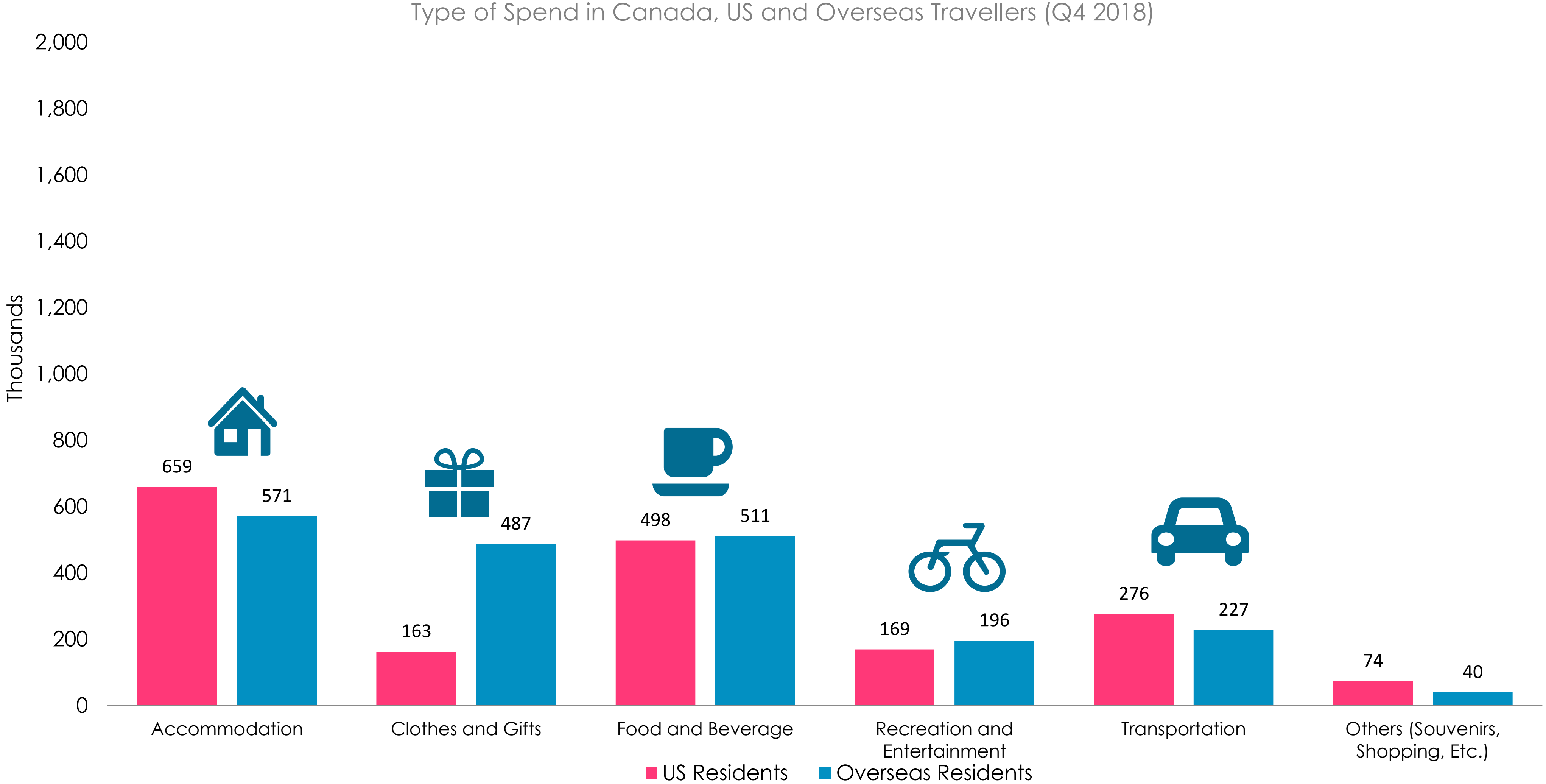
Observations:

Almost two thirds (64%) of US and Overseas visitor spending is on accommodationa nd food and beverage.

UK travellers consistently take the top spot for accommodation spend amongst Overseas markets.

Trip spending by type (Fall)

While accommodations and food and beverage items continue to represent high impact areas, travellers spend more on clothes and gifts in Fall.



Source: Statistics Canada

Observations:

Overseas travellers spend almost 3 times more on Clothes and Gifts than those from the US. Chinese visitors in particular spend more than any other Overseas market.

Trip spending by type (Summer)

For both US and Overseas travellers, accommodations and food and beverage items represent the areas of highest impact.

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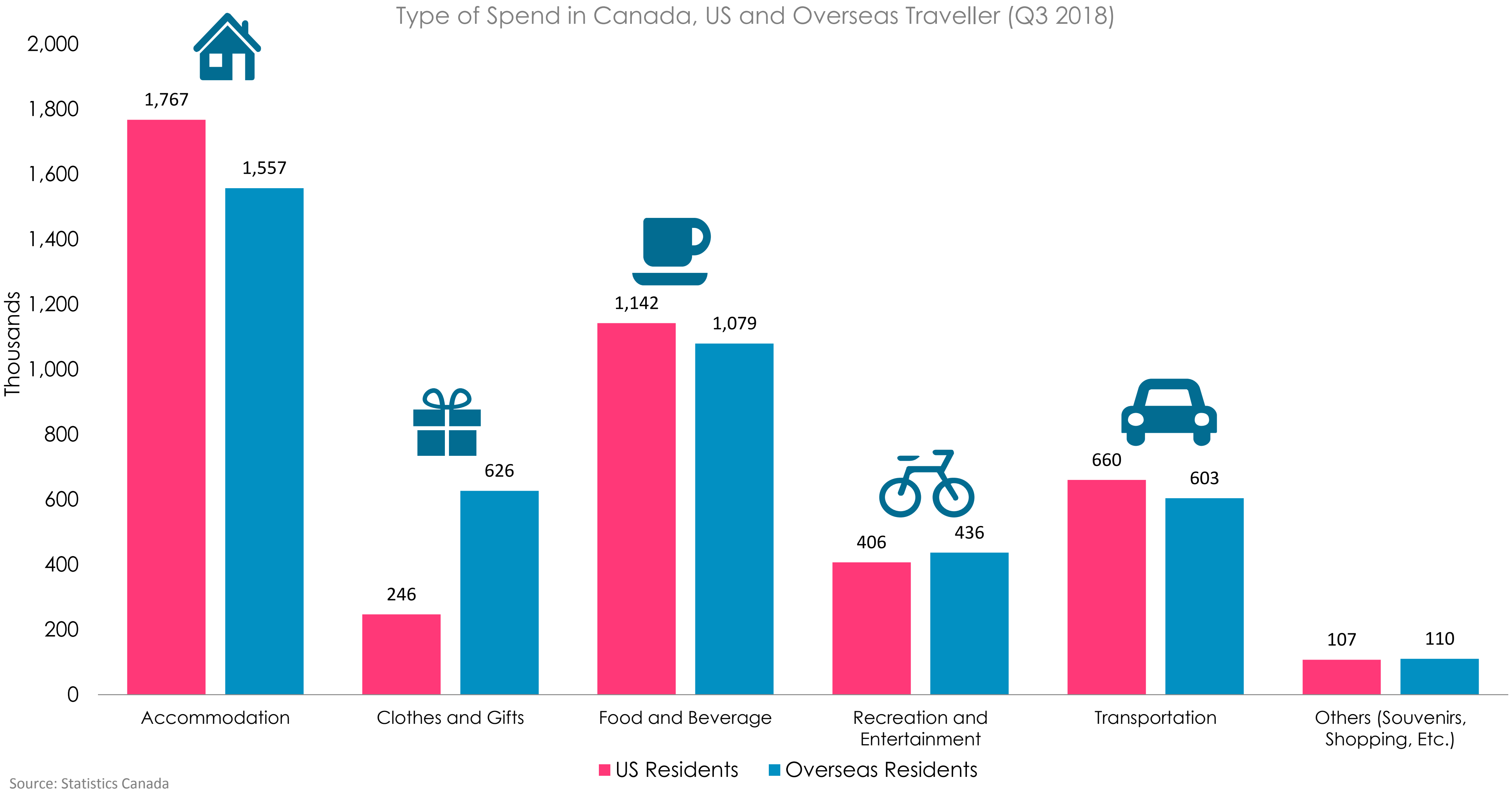


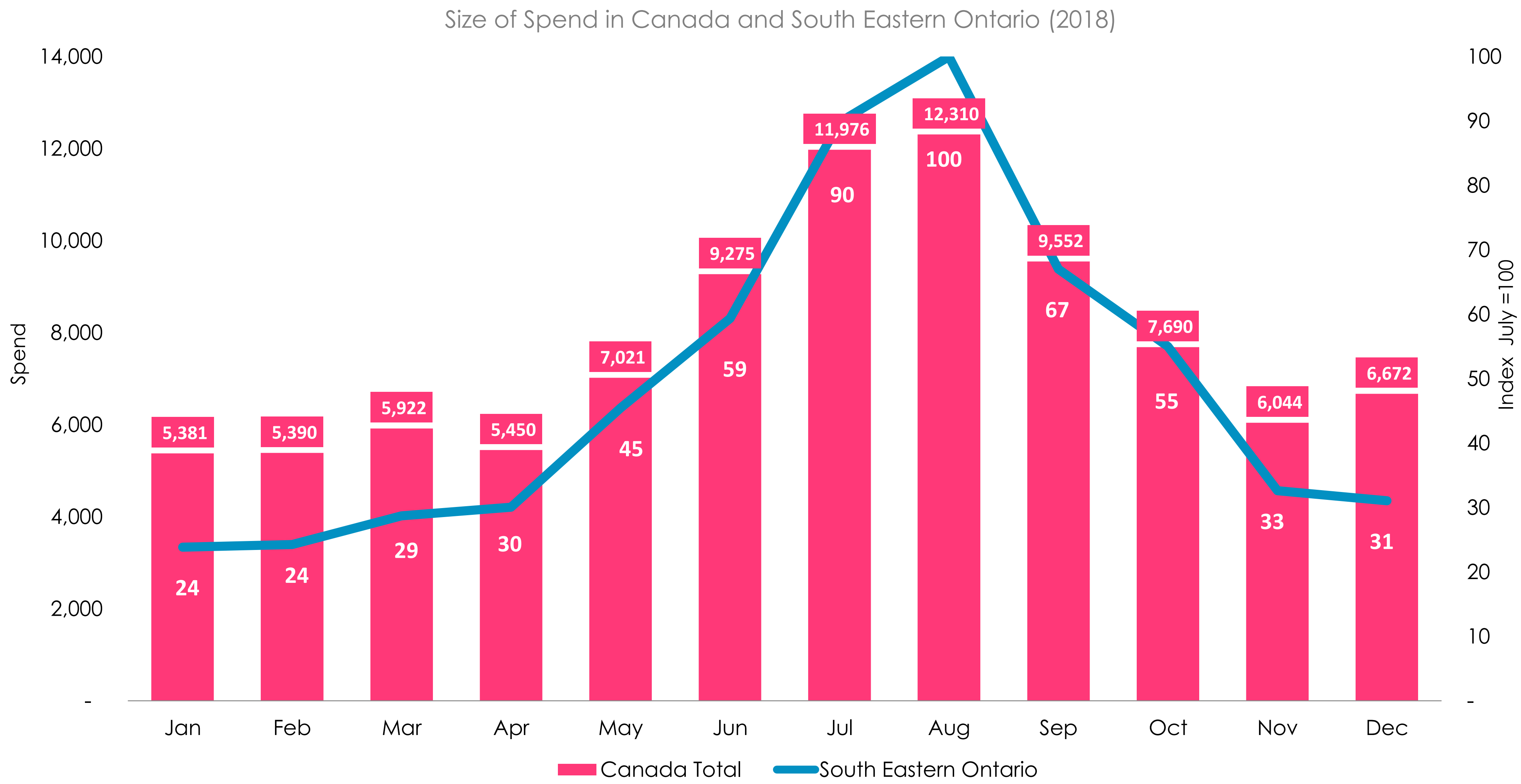
Observations:

Similar to Q1, spending on accommodation and food and beverage represents almost two thirds (63%) of US and Overseas visitor overall expenditures.

Source: Statistics Canada

Seasonality

The South Eastern Ontario region follows Canada's seasonal visitation/spending pattern, notably in summer, but lags further behind in December – March.



Source: Destination Canada payment processor data

Observations:

The South Eastern Ontario numbers represent the size of spend relative to the highest point in the chart.

The value of 100 in August is the peak spend for the period. January in contrast represents just a quarter of spend.

Note: This timeline is a proxy for international travellers visitation/spending in RTO9, not amount, throughout 2018.

Seasonality by top five markets

Based on the percentage of payment card spending by month there are seasonal variations that occur across visitor markets.

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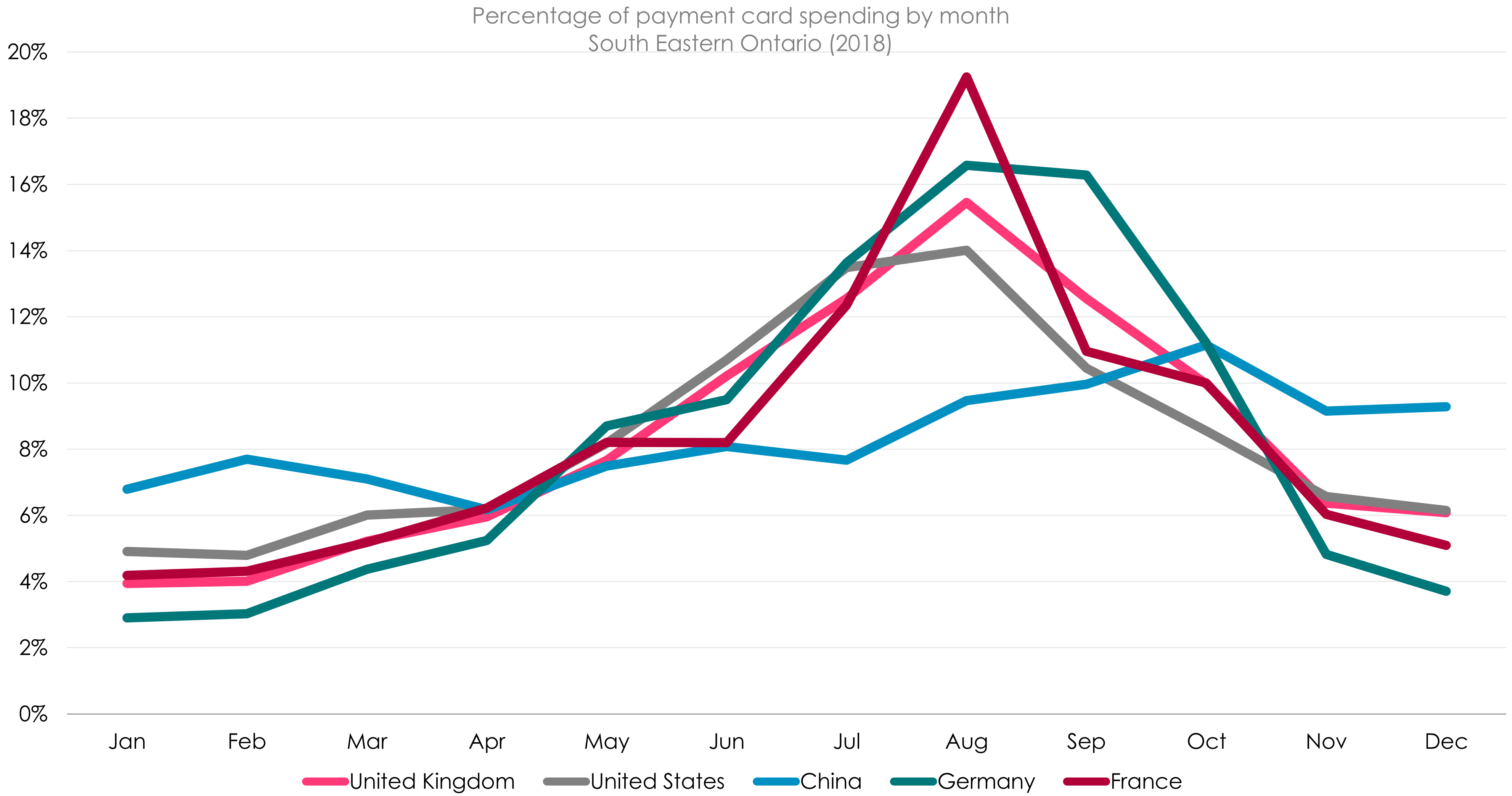


Source: Destination Canada payment processor data

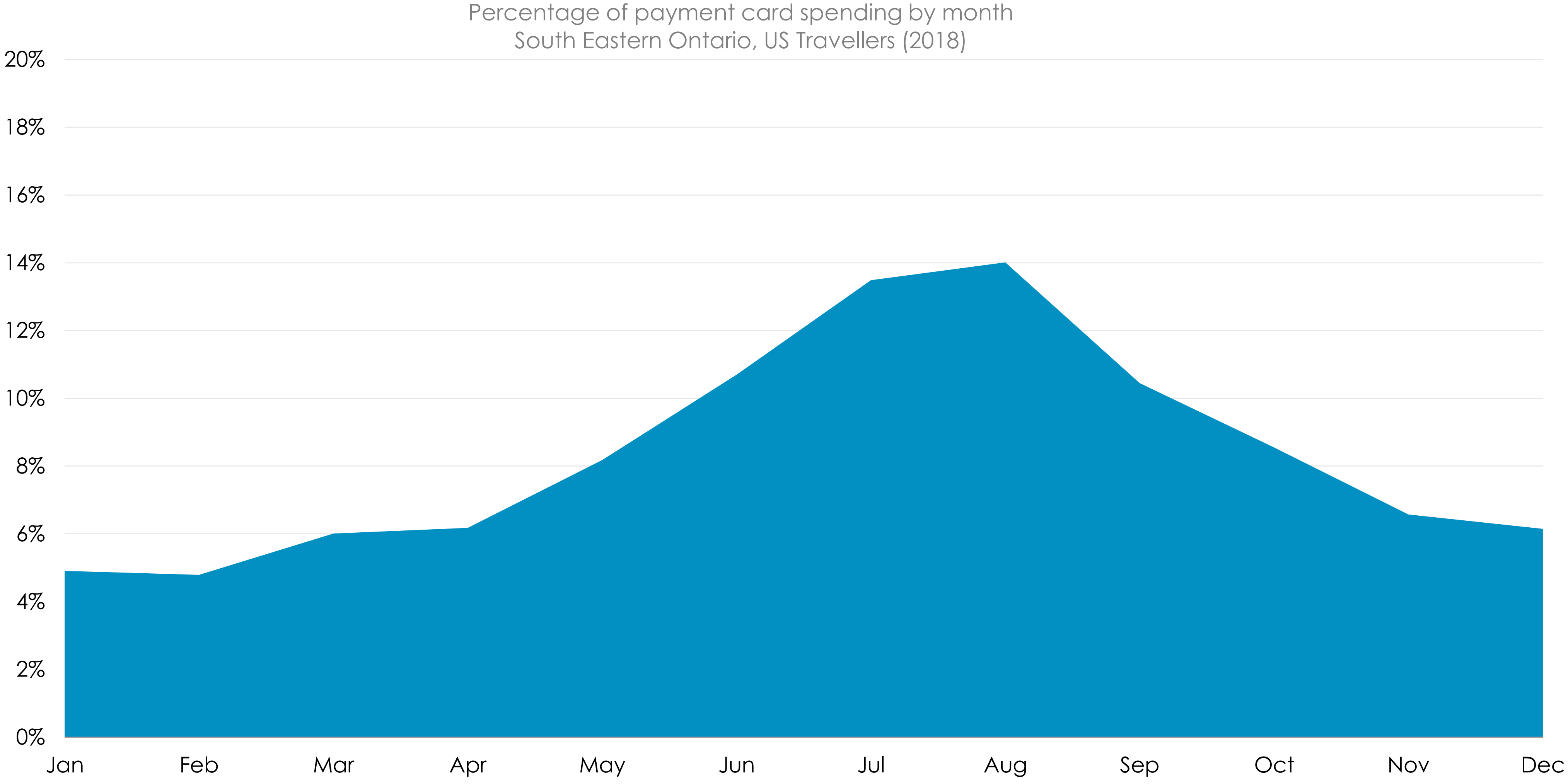
Observations:

The months of June to October receive a higher level of visitors and greater corresponding payment card usage.

The seasonal effect is prominent for French travellers.

Seasonality by US market

The US market shows a smoother trend throughout the year with a peak from late spring through to early fall.



Observations:

Peak: July, August

Low: January, February

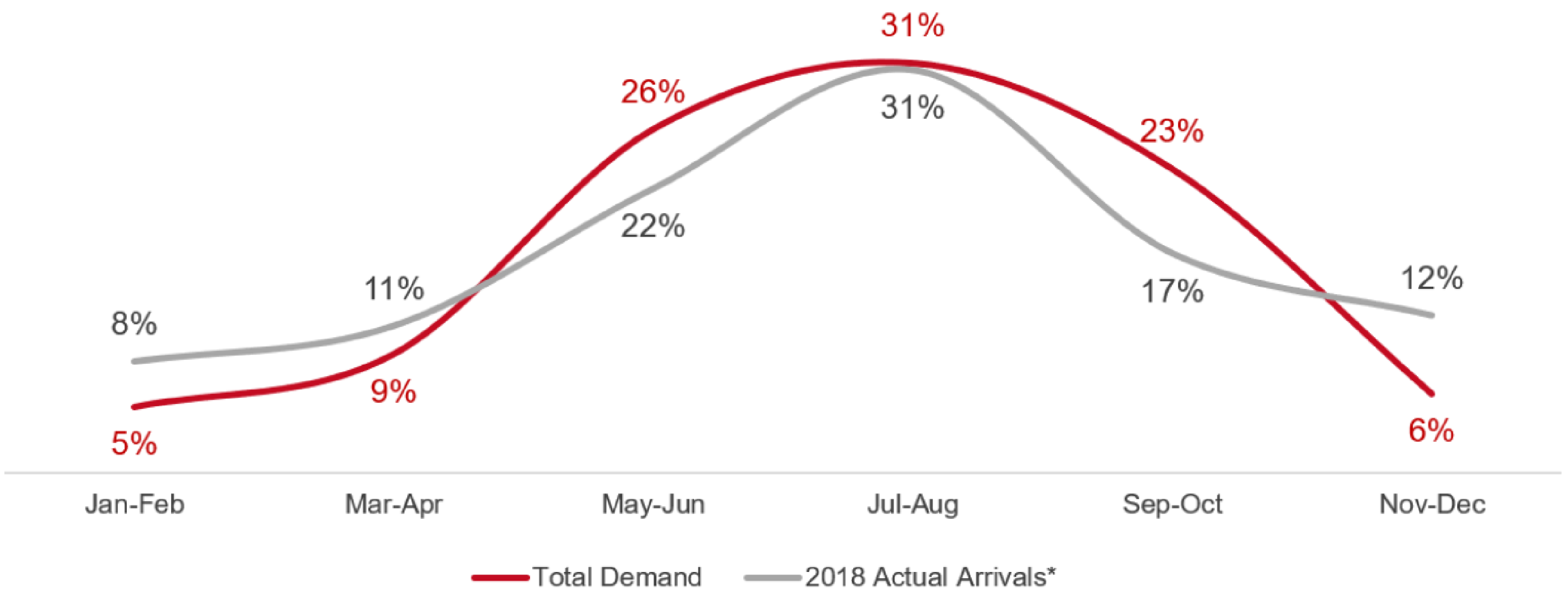
Based on the Global Tourism Watch in 2018 there is more demand for May to June and September to October travel.

Source: Destination Canada payment processor data, 2018 Global Tourism Watch US Market

Total Demand vs. Actual Arrivals in Canada (2018)

US Market

Time of Year Interested in Visiting Canada (Next 2 Years) versus Actual Arrivals



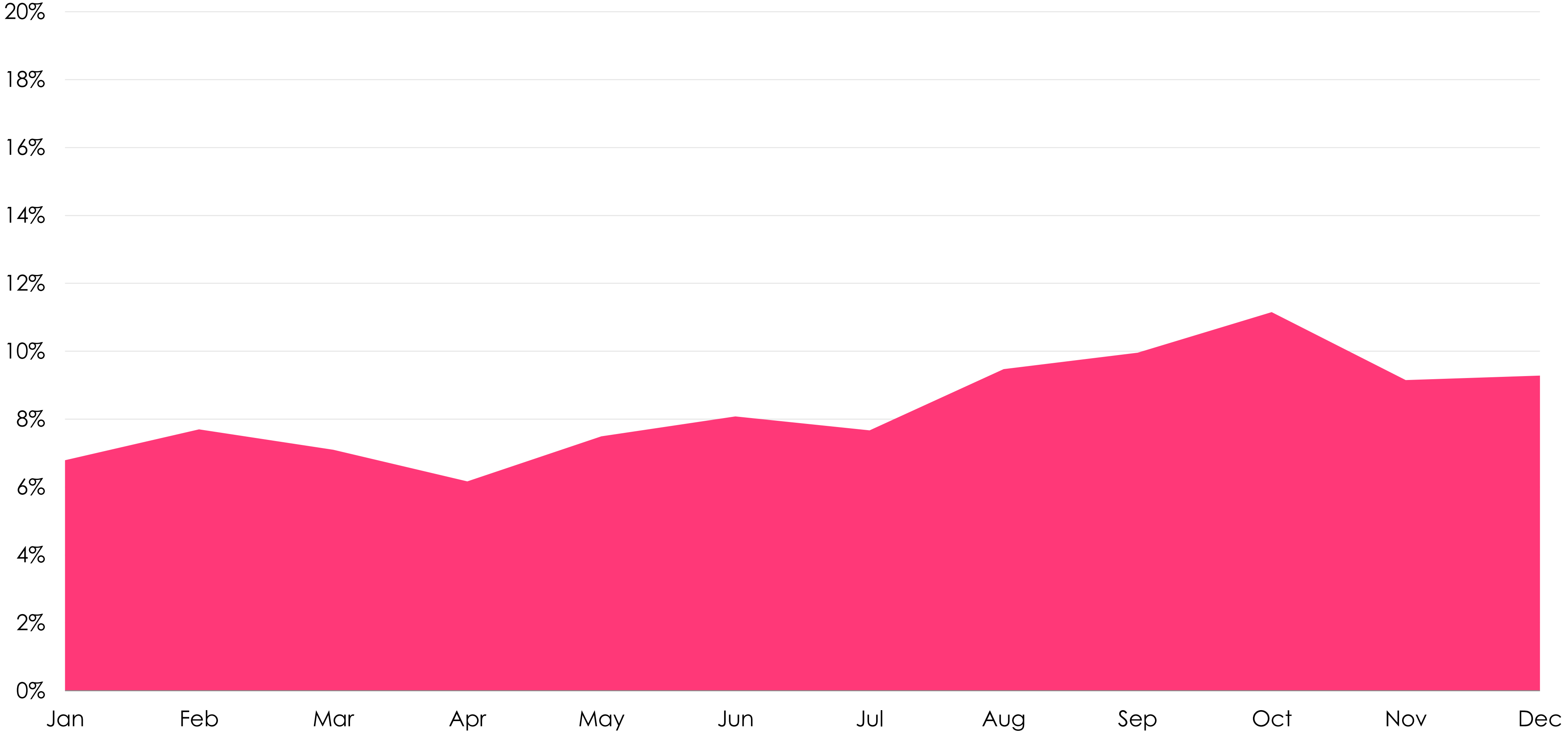
** Source: 2018 StatsCan Frontier Border Counts.*
Base: Those in the dream to purchase stages of the path to purchase for Canada (n=3313); data re-based to create distribution of demand
QPC3. What time of year would you consider taking a vacation trip to Canada in the next 2 years?

Source: 2018 Global Tourism Watch US Market

Seasonality by China market

Chinese visitors visit more consistently throughout the year with a notable peak leading up to October when Golden Week takes place.

Percentage of payment card spending by month
South Eastern Ontario, Chinese Travellers (2018)



Observations:

Peak: October

Low: April

Based on the Global Tourism Watch in 2018 there is more demand for September to October and May to June travel.

Source: Destination Canada payment processor data, 2018 Global Tourism Watch China Market

Total Demand vs. Actual Arrivals in Canada (2018)

China Market

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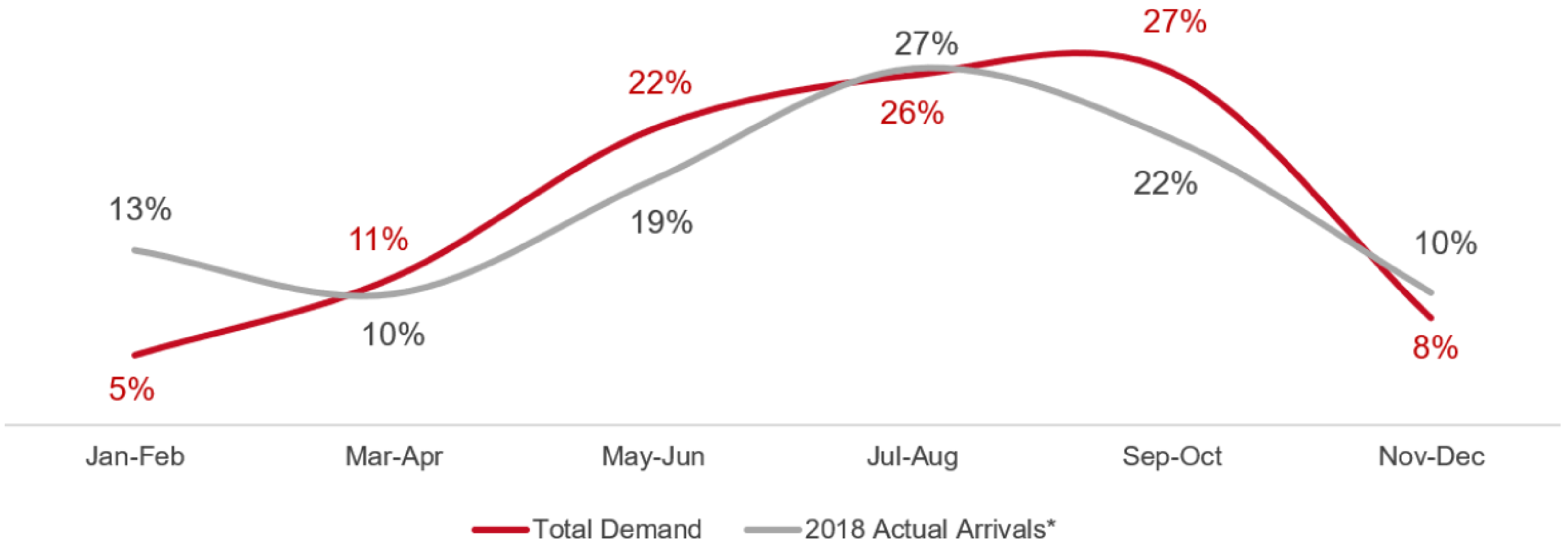
Time of Year Interested in Visiting Canada (Next 2 Years) versus Actual Arrivals

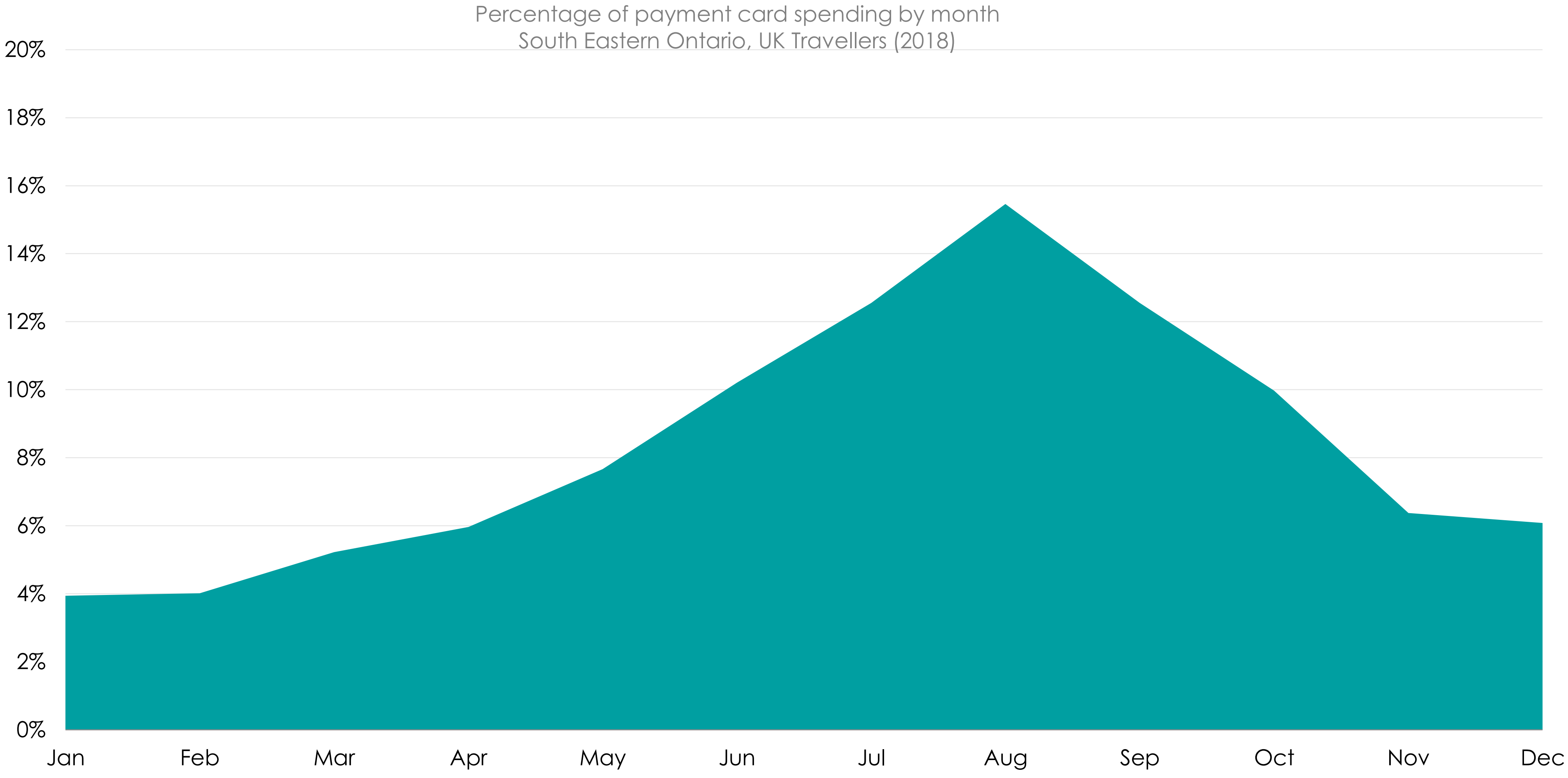


** Source: 2018 StatsCan Frontier Border Counts.*
Base: Those in the dream to purchase stages of the path to purchase for Canada (n=1804); data re-based to create distribution of demand
QPC3. What time of year would you consider taking a vacation trip to Canada in the next 2 years?

Source: 2018 Global Tourism Watch Chinese Market

Seasonality by UK market

The UK market tends to peak between June and October, while the late fall, winter and early spring are spread more evenly.



Observations:

Peak: August

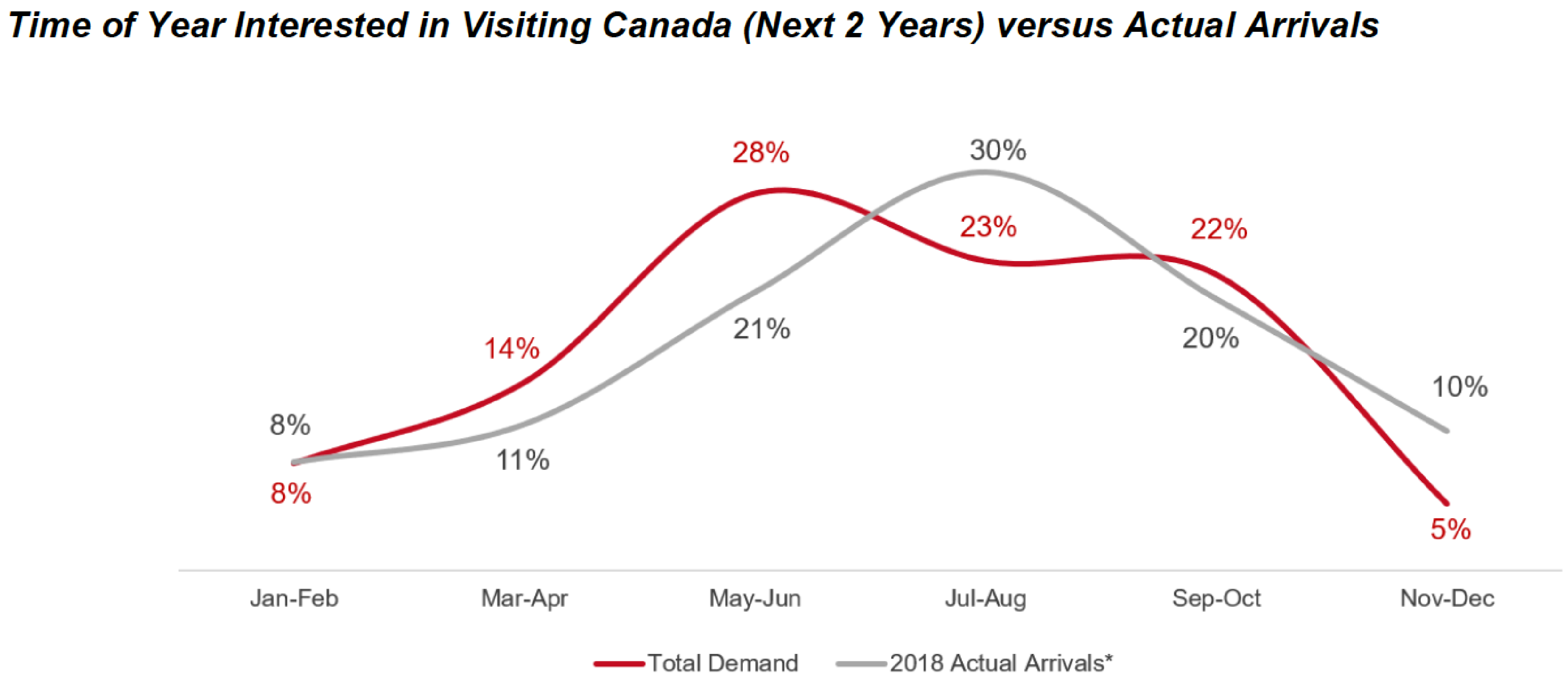
Low: January, February

According to the Global Tourism Watch in 2018 there is more demand for May to June travel.

Source: Destination Canada payment processor data, 2018 Global Tourism Watch UK Market

Total Demand vs. Actual Arrivals in Canada (2018)

UK Market



** Source: 2018 StatsCan Frontier Border Counts.*
Base: Those in the dream to purchase stages of the path to purchase for Canada (n=1161); data re-based to create distribution of demand
QPC3. What time of year would you consider taking a vacation trip to Canada in the next 2 years?

Source: 2018 Global Tourism Watch UK Market

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