



**Skift.**

ADVISORY

**BUILDING A DATA-DRIVEN  
DECISION-MAKING  
CULTURE WITHIN  
ONTARIO'S  
TOURISM INDUSTRY**

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RTO Multi-Year Research Program

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RTO 9: Quarterly Insights Report Edition 2 of 6

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December 19<sup>th</sup>, 2024

## Disclaimer

The findings reported herein are provided to the Regional Tourism Organizations of Ontario and the Tourism Industry Association of Ontario, collectively referred to as "the Clients." The Clients are free to use these findings at their discretion, including sharing them with their travel and tourism industry stakeholders, partners, and/or the media.

The data and insights in this report originate from Destination Canada's Data Collective (<https://www.tourismdatacollective.ca/>) and Skift Inc. Please note that the data is current as of the date of publication. However, it is subject to change due to market dynamics, updated research, or new information becoming available.

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If you are considering disseminating the findings, we request that you consult with us regarding the form and content of publication. ESOMAR standards require us to address and correct any potential misinterpretation or misrepresentation of the findings.



# Purpose of this Document

The ambition of the Multi-Year RTO Research Program is to cultivate a strong, data-driven decision-making culture across Ontario's Regional Tourism Organizations, which will be achieved through the design and implementation of this comprehensive data and research insights program.

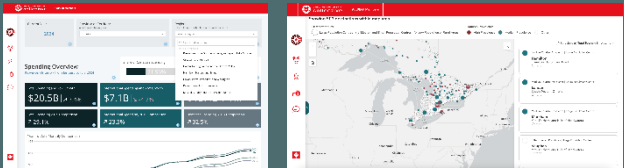
Our program features a series of quarterly insights reports and briefings alongside annual reports, providing comprehensive and ongoing analysis and strategic insights. These reports provide a snapshot of the latest trends and complement the access to the dynamic Destination Canada Data Collective Dashboard. Additionally, targeted training sessions are offered to enhance research capacity, ensuring that you can effectively leverage data to drive informed decision-making and foster long-term growth within your respective regions.

This document is the second of six quarterly insights reports that the RTOs will receive throughout the program.



# Backed by Sound Data...

24/7 Destination Canada Data Collective Dashboard



Destination Canada Data Collective LASR CSV files  
through monthly updated SFTP accounts

Annual Environics Analytics  
membership CSV files

Skift Research &  
Skift Pro insights



**Meet Skifty,  
the Research Raccoon!**

Skifty LOVES to dig into data and is here  
to guide you through key insights. Keep  
an eye out for his key take-aways!

**...Brought to Life  
Through Insights**

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# EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

## The Impact of Inflation on the Tourism Industry

Inflation poses a significant threat to the tourism industry by increasing costs for consumers and businesses, leading to reduced travel accessibility and dampened demand. Higher prices for transportation, accommodations, and food result in travellers opting for local or budget-friendly options. The industry is shifting towards value-driven experiences and sustainable practices, focusing on domestic tourism as consumers become more price-conscious and eco-aware.

- **Consumer Behavior Shift:** Inflation is reshaping how travellers approach spending, with many opting for more affordable and local experiences. This shift indicates a significant change in market demand that businesses must adapt to.
- **Increased Domestic Travel:** As international travel costs rise, there's a notable increase in domestic tourism, reflecting a broader trend towards cost sensitivity among travellers. This could lead to a revitalization of local economies.
- **Budget Reductions:** With nearly 88% of travellers reducing their overall budgets, tourism businesses must innovate to

maintain demand, focusing on value propositions and budget-friendly offerings.

- **Sustainability Concerns:** The rise in inflation has heightened environmental awareness, driving consumers towards eco-friendly travel options and practices. This demand reflects a growing trend that could shape the future of tourism.
- **Tech and Digital Transformation:** As consumers become more price-conscious, there will be an increased emphasis on technology to streamline bookings and improve customer service, which can enhance the overall travel experience.
- **Reallocation of Investments:** The tourism industry is shifting investments towards local attractions and affordable experiences to attract cost-sensitive travellers, which could foster long-term industry sustainability.
- **Economic Pressures:** Rising costs, combined with high household debt, are suppressing discretionary spending, including travel. However, easing inflation could improve consumer confidence, allowing for a potential rebound in travel demand.



# EXECUTIVE SUMMARY (cont'd)

## Pan-Ontario Insights

**Summary:** In the first nine months of 2024, Ontario's tourism spending reached \$29.1 billion, marking a 4.8% increase from 2023. Domestic tourism spending rose by 9.0%, while international spending declined by 2.2%. This trend indicates Ontario's strong reliance on local travellers amid global economic uncertainties. Despite a slowdown in September, overall tourism spending remains higher than pre-pandemic levels, highlighting a resilient and evolving tourism sector.

### Highlights

- **Domestic Growth:** Ontario's domestic tourism spending increased by 9.0%.
- **International Decline:** International spending fell by 2.2%.
- **Total Spending:** \$29.1 billion spent in tourism YTD 2024.
- **Inflation Outperformance:** Domestic spending outpaced inflation.
- **Slow September:** September showed the slowest growth this year.
- **Food & Beverage Leader:** This category led tourism spending at 33%.
- **U.S. Market Importance:** The U.S. accounts for 22% of Ontario's tourism spending.

### Key Insights

- **Stable Economic Base:** The increase in domestic tourism spending reflects a stable economic foundation for Ontario, providing a buffer during

global uncertainties. This trend emphasizes the importance of nurturing local tourism to sustain overall economic growth.

- **International Market Challenges:** The decline in international tourism spending signals the need for strategic marketing efforts to attract overseas travellers while capitalizing on domestic strengths. Addressing the factors contributing to this decline is crucial for future growth.
- **Long-Term Recovery:** Despite short-term fluctuations, the average growth of international spending since 2019 suggests a long-term recovery trend. This highlights the resilience of the tourism sector, although it remains susceptible to global economic conditions.
- **Culinary Tourism Potential:** The strong performance of the Food & Beverage category indicates significant potential for culinary tourism development. Enhancing local culinary experiences can attract both domestic and international visitors, boosting overall tourism spending.
- **Regional Travel Preference:** The 9.0% increase in domestic spending showcases Ontarians' preference for regional travel. This trend should drive targeted marketing campaigns to further engage local travellers and enhance their experience.
- **Need for Innovation:** The plateau in Recreation & Entertainment spending signals a pressing need for innovation in these sectors to align with evolving visitor preferences and enhance the overall tourism experience.
- **U.S. Market Resilience:** With the U.S. accounting for a significant portion of tourism spending, maintaining strong relationships and marketing efforts in this market is crucial for Ontario's tourism economy. The growth from U.S. travellers emphasizes its importance as a reliable source.



# EXECUTIVE SUMMARY (cont'd)

## Regional Insights: RTO 9

**Summary:** Tourism spending in RTO 9 increased to \$1.8 billion in January to September 2024, with significant growth in both domestic (11%) and international (15%) markets. Intra-provincial travel remains dominant, accounting for 73% of total spending. While long-term growth has stabilized, September saw a downturn, indicating potential challenges for the upcoming winter. RTO 9's collaborative marketing efforts are proving effective, but new strategies are needed to boost accommodation and retail sectors.

### Highlights

- **Overall Spend:** Total tourism spending reached \$1.8 billion in 2024.
- **Domestic and International Growth:** Domestic market spending grew by 11%, international by 15%.
- **Intra-provincial Contribution:** Intra-provincial travel accounts for 73% of revenue.
- **Sustainable long-term Growth:** Strong long-term growth observed at 6-7% annually.
- **Food & Beverage Importance:** Food and beverage lead spending at 33%.
- **Short-term Rentals:** Short-term rentals see rising Average Daily Rates (ADR).
- **September Slowdown:** September spending downturn suggests potential winter challenges.

### Key Insights

- **Growth Momentum:** RTO 9 achieved an 11% increase in tourism spending year-over-year, signaling robust market recovery and effective marketing strategies. The growth in international spending (15%) outpaces domestic growth, indicating successful outreach to global travellers.
- **Intra-Provincial Dominance:** Intra-provincial travel constitutes 73% of total spending, underscoring the importance of regional marketing efforts that promote local attractions and experiences to domestic tourists.
- **Sustainable Long-Term Growth:** With stable long-term growth rates of 6-7%, RTO 9's tourism strategy is proving effective in sustaining interest and engagement, which is crucial for ongoing investment and development in the region.
- **Food and Beverage Leadership:** Food and beverage spending leads the market at 33%, suggesting a strong opportunity for culinary tourism initiatives that can enhance visitor experiences through local dining events.
- **Accommodation Challenges:** Despite a rise in ADR for short-term rentals, occupancy rates have declined, indicating a need for strategic marketing to attract visitors, especially in the off-peak seasons.
- **Untapped Markets:** Inter-provincial travel from Quebec and travel from the U.S. is growing, presenting opportunities for targeted marketing campaigns to capture these potential visitors and boost overall tourism spending.
- **Potential Winter Slowdown:** The downturn in September spending raises concerns for the upcoming winter season, highlighting the need for proactive strategies to maintain engagement and visitor numbers during typically slower months.



# INFLATION AS A MAIN THREAT TO TOURISM

- Inflation challenges the travel industry by increasing costs for consumers and businesses alike, making travel less accessible and dampening demand.
- Higher prices for transportation, accommodations, and food have made travel less accessible for many, affecting demand and industry recovery.
- Tourism businesses face higher operating costs, including wages, energy, and supplies, which forces them to raise prices or cut services.
- Higher travel costs push travellers to choose more affordable local or regional trips over long-haul or luxury options.
- There is a shift in spending patterns with travellers focusing on value-driven options like all-inclusive packages or off-season deals to manage rising costs.

Source: Euromonitor International. Travel Industry 2024; Statista 'Impact of Inflation on Travel 2024

# THE RIPPLE EFFECTS ON THE ECONOMY

- Inflation dampens disposable income, limiting travellers' ability to spend on leisure and tourism, thereby slowing industry recovery and growth.
- Inflation reshapes the travel landscape, pushing the industry to adapt with cost-effective offerings and targeted marketing to sustain consumer interest.
- To counter affordability challenges, domestic and short-haul travel see a boost as consumers avoid the high costs of international trips.

Source: Euromonitor International. Travel Industry 2024; Statista 'Impact of Inflation on Travel 2024





## Let's Dig Deeper!

### The Reallocation of Investment on Travel

#### SKIFTY SAYS...

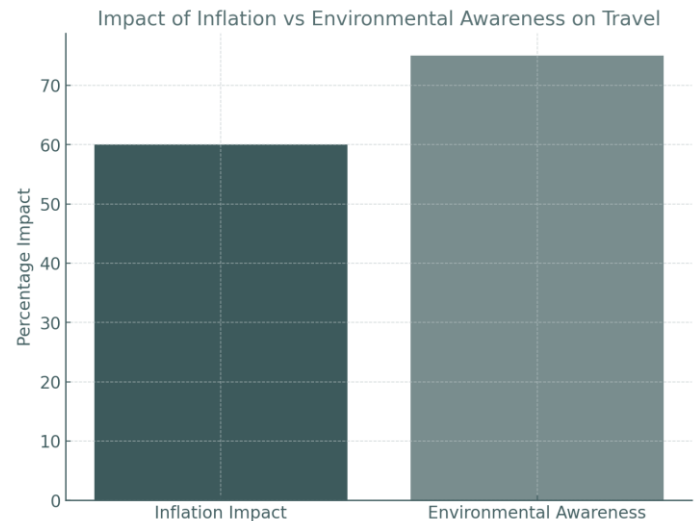
- **Dealing with Inflation:** Spending more on vacation isn't the only response to inflation; many travellers are opting to cut costs across major trip components. Nearly 88% of travellers report reducing their budgets for lodging, dining, recreation, and entertainment to manage expenses.
- **Focusing on Domestic Travel:** With rising international travel costs, a significant portion of investment is now directed towards promoting local tourism. Destinations, marketing campaigns, and infrastructure projects are increasingly tailored to attract domestic travellers, who are more cost-sensitive.
- **Affordable Experiences:** Investments are being redirected toward value-driven experiences, such as budget-friendly travel packages, discounted accommodation, and all-inclusive deals. This helps to meet the needs of consumers looking for quality travel at lower prices.
- **Tech and Digital Transformation:** As travellers become more price-conscious, investing in technology to streamline bookings, offer flexible payment options, and improve customer service is crucial. Digital platforms and virtual travel experiences are also seeing more investment as alternatives to traditional travel.
- **Sustainability and Local Economies:** Inflation has prompted a focus on sustainability, with investment shifting towards eco-friendly initiatives and supporting local economies. This includes sustainable tourism development, green certifications, and support for small businesses in the travel sector.
- **Increased Marketing for Local Attractions:** Investment in marketing efforts for local attractions and experiences is growing to capture the attention of domestic tourists. This includes campaigns highlighting local heritage, natural beauty, and unique cultural experiences that resonate with inflation-affected consumers.



# THE ERA MARKED WITH HEIGHTENED AWARENESS

- Given environmental awareness and the pressing need to address climate change, cities are undergoing a remarkable transformation as travellers seek more responsible alternatives despite the rising costs to do so.
- Many still want to travel, but are opting for more sustainable/cost-effective options, incl. avoiding long-haul flights and choosing transportation modes like trains and buses that are less carbon-intensive
- As people become more eco-conscious, focus is on sustainable travel initiatives and guidelines aimed at reducing environmental footprint (e.g. eco-friendly hotels, reduction of single-use plastics, and the promotion of "nature-positive" tourism practices).

# Environmental Awareness & Increased Inflation are linked



Environmental awareness has a slightly higher impact, as more travellers opt for sustainable options in response to rising costs and environmental concerns. travellers are increasingly prioritising both when planning trips.

## SKIFTY'S INSIGHTS CORNER

### WHAT YOU SHOULD KNOW...

- As inflation rises, travellers are more selective about their choices, leading to greater environmental awareness.
- Many opt for sustainable, local, or lower-carbon options to balance the rising costs.
- Instead of taking long-haul flights, travellers might choose closer destinations or opt for slower, more environmentally friendly travel methods, such as trains.
- Conscious Consumption leads travellers to prioritize experiences that are not only cost-effective but also align with personal values, such as eco-tourism and green-certified accommodations.
- The desire for both cost-effectiveness and sustainability is creating a demand for responsible tourism practices that reduce environmental impact



**The Challenge is balancing travel demand with the need to protect the planet for future generations.**

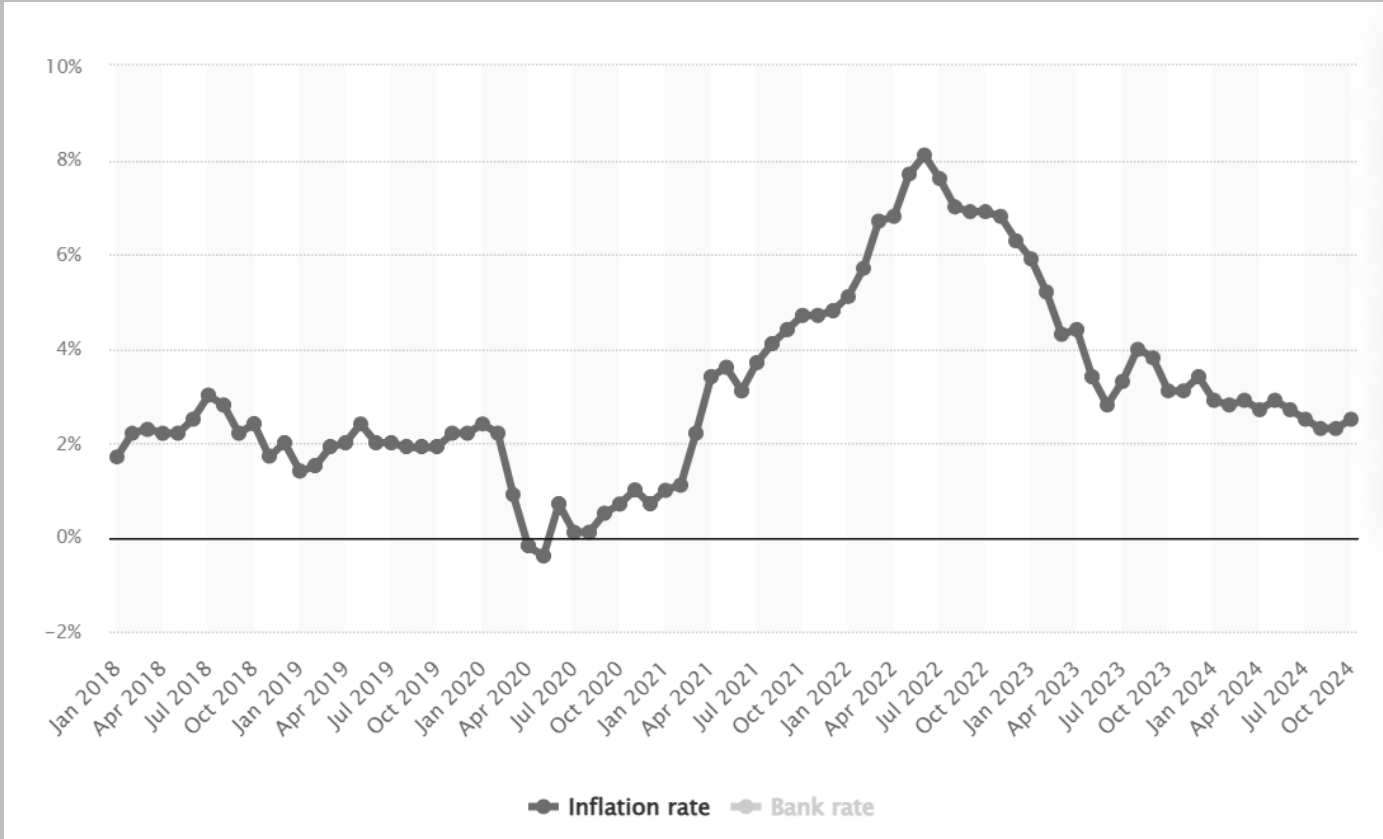
A woman with long brown hair, wearing a yellow long-sleeved shirt and a red life vest, is in the foreground of a red canoe, smiling and holding a white paddle. Behind her, a man wearing a blue t-shirt, a red life vest, and a grey cap is also smiling and holding a paddle. They are on a calm, turquoise lake. In the background, there are steep, rocky mountains with patches of snow under a cloudy sky. A large yellow geometric shape is on the right side of the image.

# A Look into Inflation in Canada

# Inflation Trends in Canada Limit Consistent Economic Growth

Rising Costs are reshaping the future of Travel and Tourism in Canada. Consumer behaviour has shifted to cater to the needs of travellers in this era..

AVERAGE INFLATION RATE IN CANADA FROM JANUARY 2018 TO OCTOBER 2024



## SKIFTY'S INSIGHTS CORNER



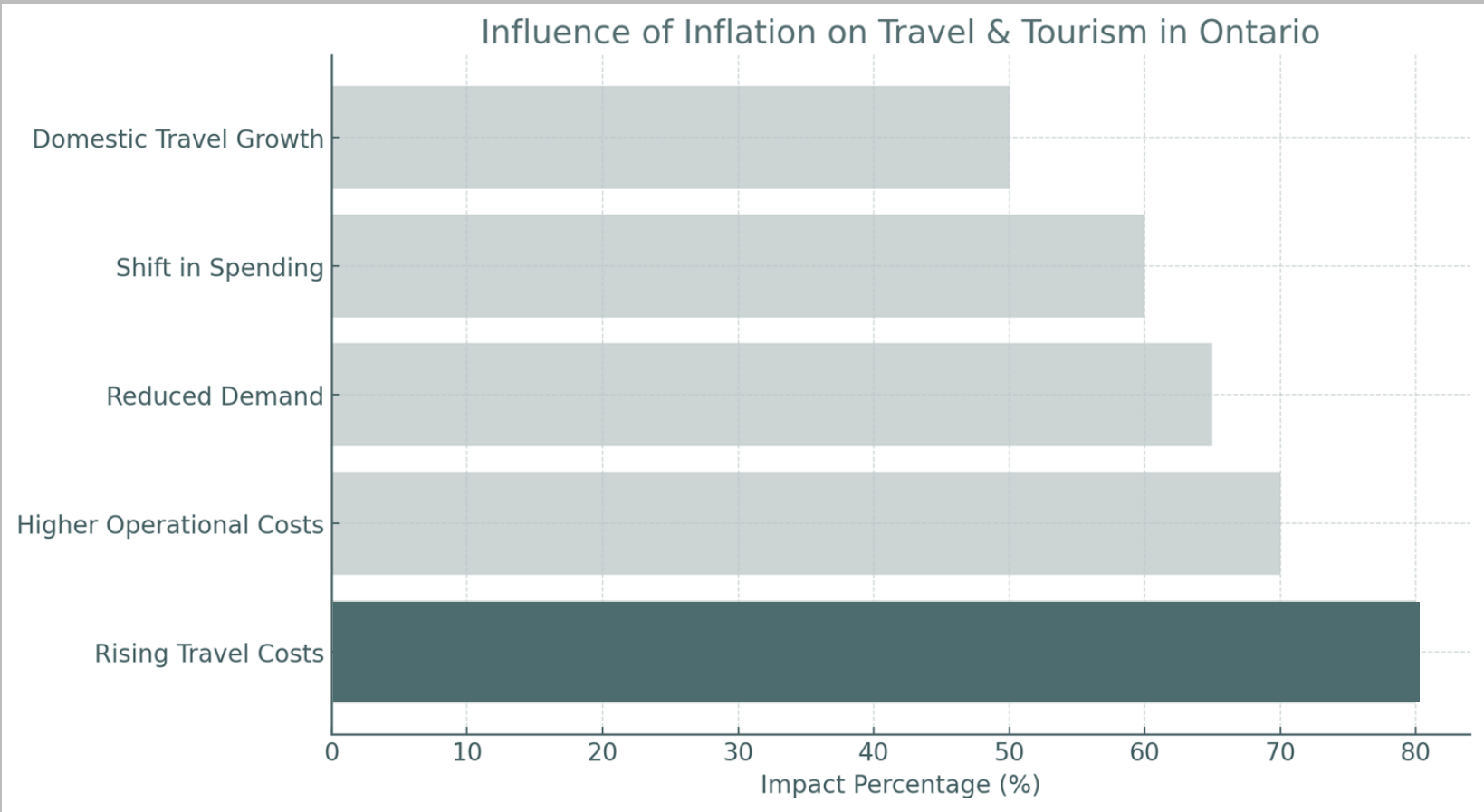
### WHAT YOU SHOULD KNOW...

- The Canadian experience aligns with the broader international trend of raising policy rates to combat inflation
- A shift occurred in 2024, with many countries, incl. Canada, beginning to lower rates.
- Reviewing messaging and comparing prospective visitor's consideration and purchase process outside of peak season, along with ease of travel and available products, will help to counteract purchasing decisions
- Offering and identify ways to discount packages without compromising on quality will help to mitigate challenges.

# Notable Influence of Travel & Tourism in Ontario

The impacts of inflation have influenced both consumer behaviour and industry dynamics in Travel & Tourism. Rising costs for fuel, accommodations, and food have made travel more expensive, leading to budget-conscious decision-making among travellers. This shift has resulted in an increased preference for domestic and short-haul trips rather than international or long-haul travel.

## INFLUENCE OF TRAVEL & TOURISM IN ONTARIO



## SKIFTY'S INSIGHTS CORNER

### WHAT YOU SHOULD KNOW...

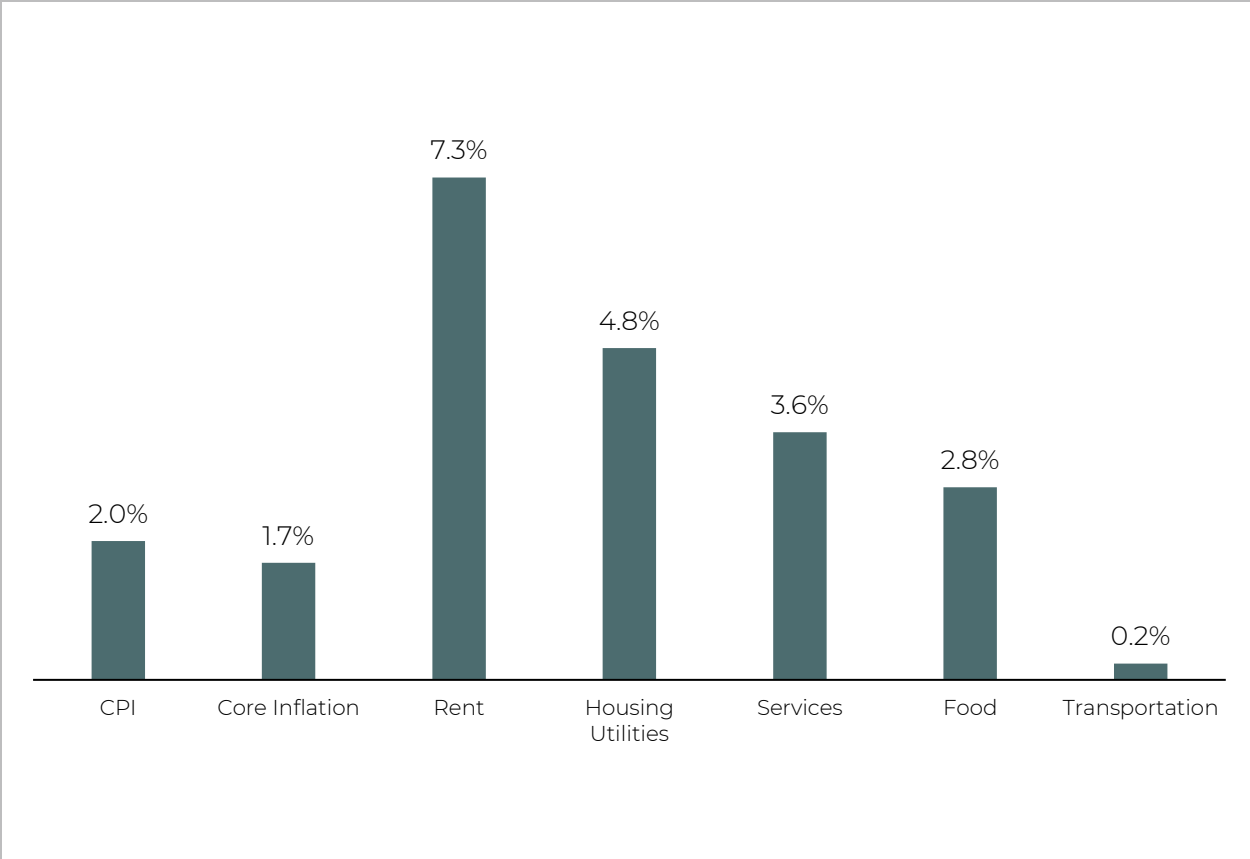
- Rising travel costs and higher operational costs are the most significant effects, followed by reduced demand and the shift in spending habits.
- The growth of domestic travel also reflects a response to the affordability pressures caused by inflation.
- While inflation presents challenges for Ontario's travel and tourism sector, it also offers an opportunity to focus on local offerings, value-driven experiences, and cost-effective solutions. Tourism businesses must innovate to maintain demand and recover.



# Inflation Metrics: Canada Year-to-Date

Overall inflation for the year is currently amounting to 2%, with Rent, Utilities and Services significantly outstripping the overall number. Transportation inflation is however flat for the year to date.

INFLATION METRICS JAN-OCT 2024



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- The **annual inflation rate in Canada rose to 2%** in October of 2024 from an over-three-year low of 1.6% in the previous month, overshooting market expectations of 1.9%.
- Despite the sharper-than-expected increase, the **headline inflation rate remained within the Bank of Canada's target** for the third consecutive month.
- The increase was largely driven by waning base effects for gasoline prices. **Gasoline prices fell by 4% annually** from the 10.7% drop in September, **driving transportation costs to swing to inflation** (0.2% vs -1.5% in September). In turn, inflation slowed for shelter (4.8% vs 5%) and food (3% vs 2.8%).



## Let's Dig Deeper!

### Trends in Canadian Travel

#### SKIFTY SAYS...

- **Increased Travel Costs:** The price of tourism-related activities, including accommodations, airfares, and dining, rose substantially, with a 19% increase in tourism consumer prices compared to 2019. This has led travellers to get less value for their spending, impacting both domestic and inbound tourism.
- **Rise of Domestic Travel :**  
Canadian residents have been travelling more within the country, partly offsetting the decline in foreign visitors. Domestic demand remains a critical driver of tourism spending.
- **Shortfall in International Travel:**  
International arrivals, especially from East Asian countries like China, Japan, and South Korea, remain significantly lower than pre-pandemic levels. Geopolitical factors and higher travel costs due to disrupted flight routes have contributed to this decline.
- **Economic Pressures:**  
With rising interest rates and high household debt, costs have suppressed discretionary spending, incl. travel. However, easing inflation and recent interest rate cuts may improve consumer confidence and spending capacity.
- **Opportunities for Growth:**  
To address these challenges, the tourism industry in Canada must adapt by emphasizing value-driven experiences, improving service quality, and promoting local destinations to offset inflation's impact on affordability and accessibility.



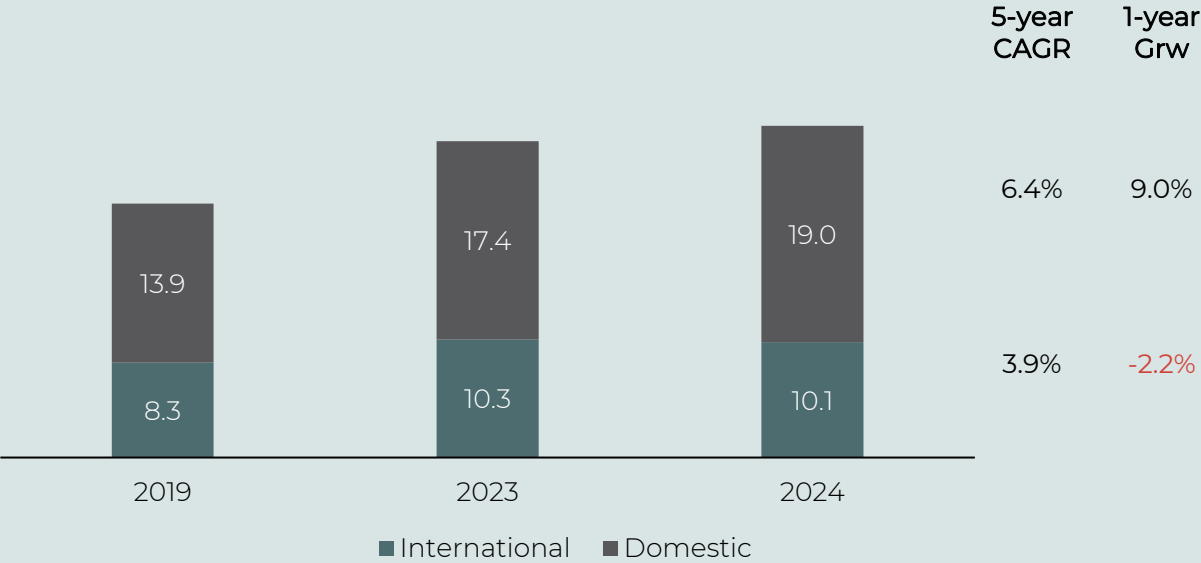
# PAN-ONTARIO INSIGHTS

- Industry spending is trending upwards, although spending from non-US overseas visitors is dropping and may be of concern.
- A slowdown in industry spending in September could be an indicator however that there will be a slowdown in the Winter season as a whole.
- Outside of intra-provincial travellers, the US market is an important contributor to tourism spending in the province.
- Transportation and Retail are leading category growth, but Food and Beverage and Accommodation remain the most important contributors overall.
- Growth in the Accommodation market is however comparatively slower and is not matching inflationary trends in the category.

# Sustainable Economic Growth Through Visitor Spending

With an increase in domestic tourism spending and a decrease in international tourism spending, Ontario remains heavily reliant on Canadian travellers and regional tourism.

TOURISM SPENDING JAN-SEP 2024 (\$ BN)



## SKIFTY'S INSIGHTS CORNER



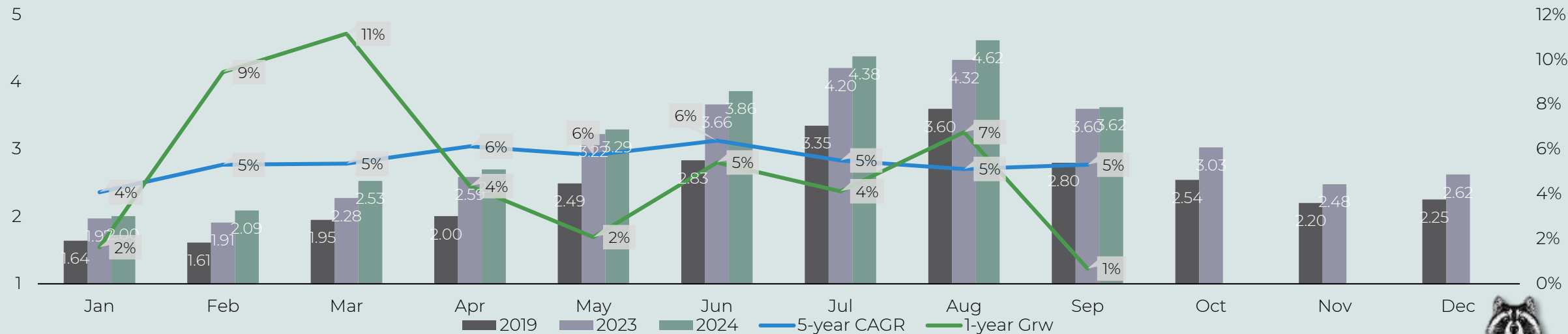
### WHAT YOU SHOULD KNOW...

- An increase in domestic spending signifies a **stable economic base and sustainable growth**, providing Ontario with a safety net in the form of local tourism during global economic uncertainties, such as recessions or pandemics.
- For strategic marketing and branding, Ontario has two options: leverage the current economic support from domestic tourism by **catering marketing to "locals"** (Ontarians) and/or **strategically increasing marketing to international visitors**.
- **Domestic spending** outperformed inflation over the same period, indicating **volume increases** over and above inflationary increases.
- **International spending** however declined, indicating overall inflation did not counteract a **drop in international volumes**.

# Tourism Spending in a Pre- and Post-Pandemic Ontario

September saw a considerable slowdown in year-on-year spend growth compared to the previous three months, despite stable long-term growth.

TOTAL YTD SPENDING COMPARISON, 2019 VS. 2023 VS. 2024 (\$ Bn)



## SKIFTY'S INSIGHTS CORNER

### WHAT YOU SHOULD KNOW...

- The **steady increase in spending compared with pre-pandemic levels indicates robust economic growth** in the tourism sector, which is essential for overall economic sustainability and continued growth.
- September saw the first month in 2024 that **underperformed inflation in terms of 1-year growth**, indicating a drop in overall volumes. This could indicate a slowdown in the Winter season.



## Let's Dig Deeper!

### Tourism Spending in a Pre- and Post-Pandemic Ontario

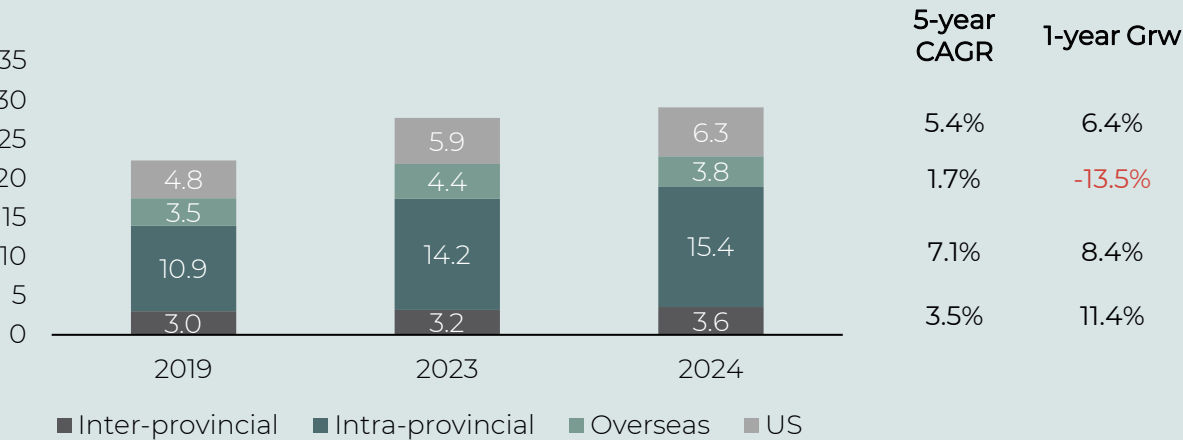
#### SKIFTY SAYS...

- Ontario's tourism sector spent \$29.1 billion during the first nine months of 2024, a **4.8% increase** compared to the same period in 2023. While the growth continues, the pace is slower than the post-pandemic surge seen last year, suggesting that the **initial rebound is stabilizing**.
- **International Spending**  
The first nine months of 2024 show a **2.2% decline in international spending** (improving from a 4.5% decline in the first 6 months) totalling \$10.1 billion. However, spending grew by an average of 3.9% per year since 2019, showing **long-term recovery**, although short-term factors like global economic uncertainty and competitive pressures dampen growth.
- **Domestic Spending**  
With a **9.0% increase** (up from 7.7% in the first 6 months) to \$19.0 billion, **domestic tourism remains a cornerstone of Ontario's tourism economy**. The growth reflects strong local engagement and a preference for regional travel.
- Ontario saw a **steady increase in spending** throughout the first nine months of 2024 compared with the same period in 2023. September growth was however the slowest it has been this year, indicating some cause for concern for the Winter season.
- **Growth in 2024 has been inconsistent**, peaking in March 2024 at 11% higher than March 2023 but flattening out in January and May 2024. This suggests strong growth momentum in the spring, likely driven by increased travel activity, improving weather, and possibly successful tourism campaigns or events.
- When comparing 2024 spending with **pre-pandemic levels in 2019**, the data shows **consistent growth across all months**. This is evident even in the September slowdown, indicating consistent long-term recovery.
- The 5-year CAGR indicates that **2024 spending is consistently higher** than in 2019, with monthly spending increasing on average between 4% and 6% per year. This steady increase in spending suggests that Ontario's tourism sector has not only recovered from the pandemic but is now **surpassing pre-pandemic performance levels**, indicating a robust and resilient market.

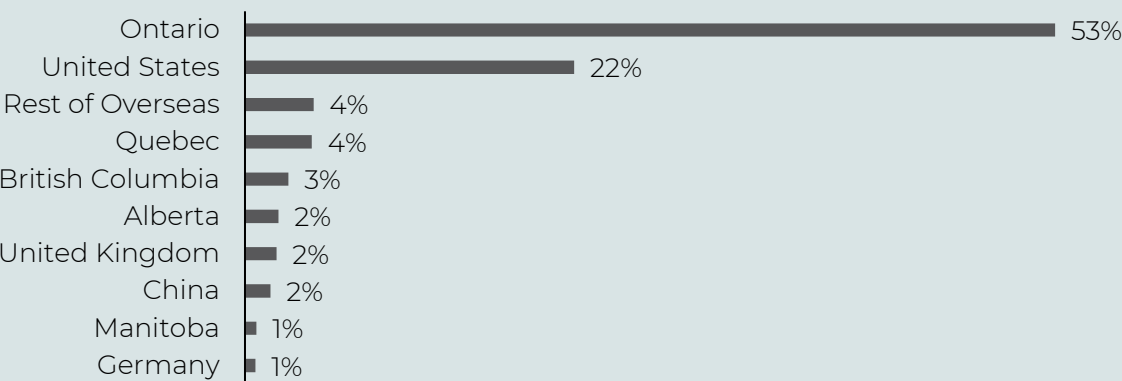
# Shifting Trends in Spending Origins

Despite positive spending patterns from domestic and U.S. markets, the significant decline in overseas spending is concerning and signifies a need for a change in strategy to foster future growth.

ONTARIO TOURISM SPEND ORIGINS, JAN-SEP



TOP TEN ORIGIN MARKETS, YTD



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- With the exception of overseas markets, **all source markets grew faster than inflation year-to-date**, indicating volume increases across these markets.
- A significant decline in overseas spending year to date coupled with sluggish long-term growth indicates **slow recovery of the international market**, with growth lower than inflation indicative of declining overseas volumes.



## Let's Dig Deeper!

### Shifting Trends in Spending Origins

#### SKIFTY SAYS...

- **Ontario Residents Lead in Spending**

With 53% of the total tourism spending originating from within Ontario, **local tourism is the** backbone of the province's economy. This dominance highlights the success of domestic travel initiatives and the appeal of local destinations for residents.

- **Significant Contribution from the U.S.**

The United States accounts for 22% of the spending, reinforcing its position as Ontario's most critical international market. The healthy growth in U.S. spending (+6.4% YoY) reflects the enduring appeal of Ontario as a travel destination for Americans, driven by **favourable exchange rates, ease of access, and targeted marketing efforts**.

- **Significant Drop in Overseas Spending**

The most concerning trend is the **13.5% decline in spending from overseas markets**, which now stands at \$3.8 billion. It should be noted that this drop measured at 15.4% for the first 6 months of 2024, indicating a potential turnaround, albeit slow.

- **Comparison to Pre-Pandemic Levels**

Despite the decline, overseas spending is has grown by 1.7% per year on average since 2019, suggesting that while the pandemic's impact has been somewhat mitigated, **current conditions are not yet conducive to further growth**. This growth is just below current inflation, indicating stagnant or slightly lower volumes.

- **Quebec, British Columbia, and Alberta**

The contributions from these provinces (Quebec at 4%, British Columbia at 3%, and Alberta at 2%) show the **importance of inter-provincial travel** to Ontario's economy. While these markets are smaller than Ontario and the U.S., they are stable and reliable sources.

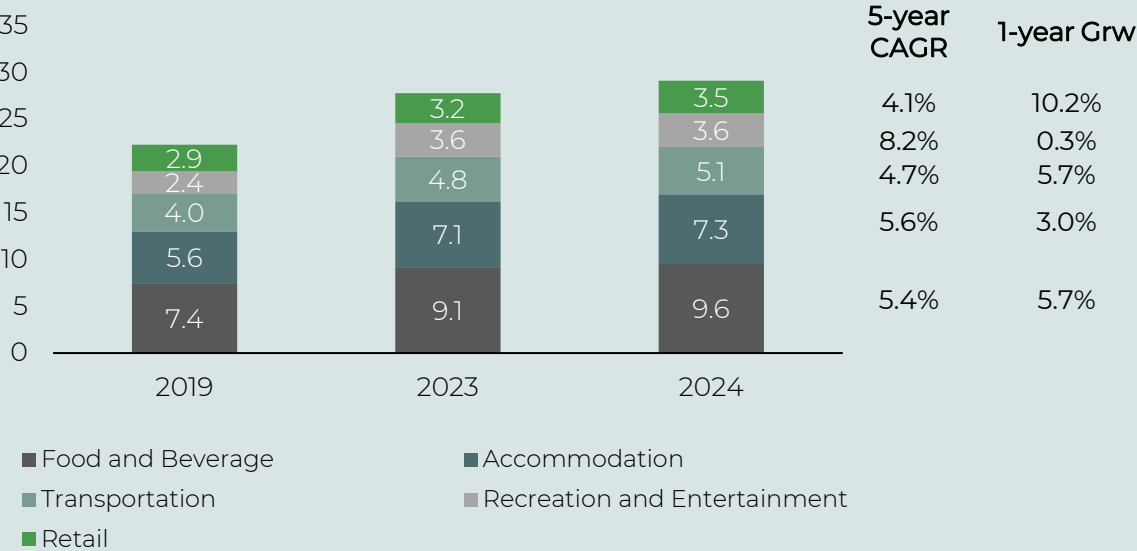
- **Niche Markets**

China remained in the top 10 markets and Germany has crept in surpassing Nova Scotia compared to the first 6 months of 2024. This could be a further indicator of slow recovery of overseas markets, and should be further explored to determine potential for faster growth.

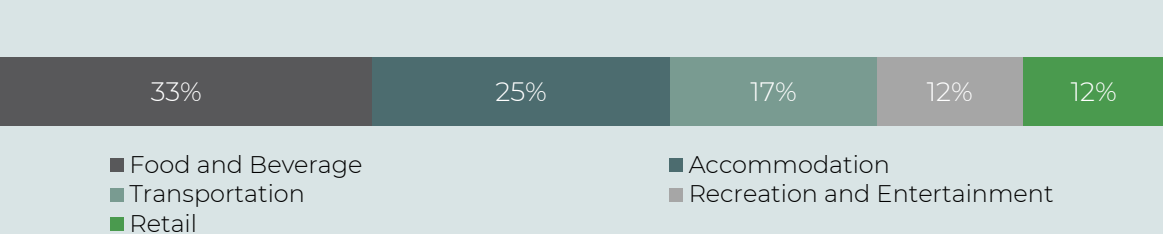
# Tourism Spending Patterns Across Key Categories

Food & Beverage leads Ontario tourism spending, and while Accommodation, Transportation, and Retail continue to grow, Recreation & Entertainment is showing a troubling slowdown in spending patterns suggesting a growing need to innovate.

ONTARIO TOURISM SPEND CATEGORIES



SPENDING BY CATEGORY, CURRENT YEAR



## SKIFTY'S INSIGHTS CORNER



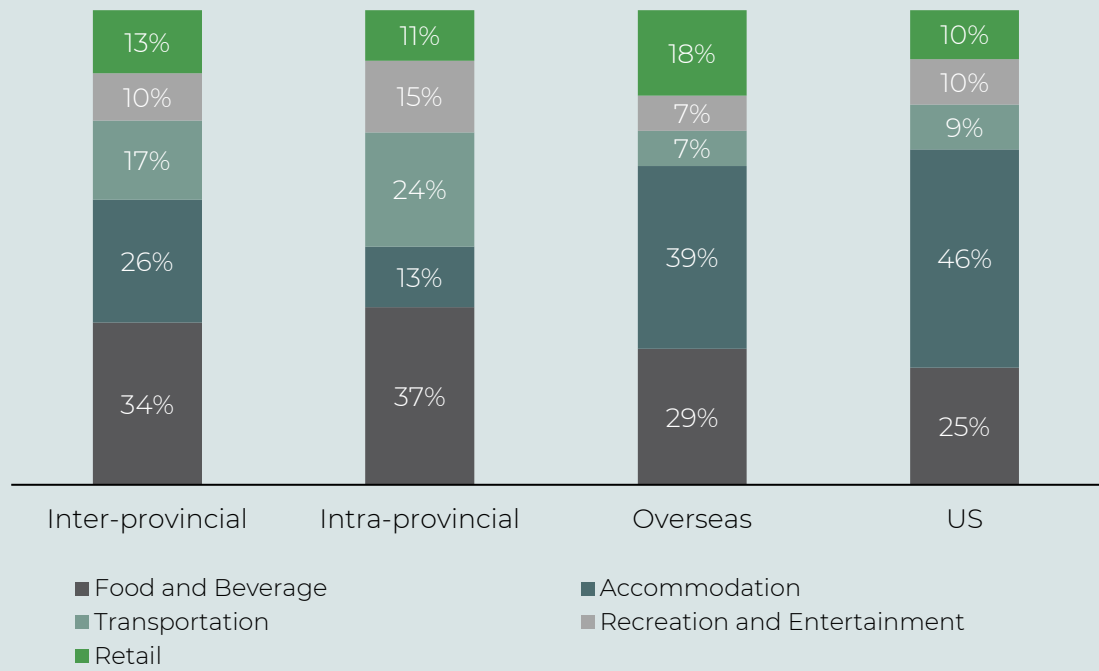
### WHAT YOU SHOULD KNOW...

- All spend categories with the exception of Recreation & Entertainment **grew faster than inflation year to date** (even taking into account higher inflation in Food and Services).
- The plateau in Recreation & Entertainment spending suggests a **growing need to innovate and develop new products** in this category to better align with evolving visitor preferences. Enhancing entertainment options could significantly elevate the visitor experience, leading to higher satisfaction and repeat visits.
- The significant contribution of Food & Beverage to overall tourism spending reveals a **strong foundation for expanding culinary tourism**. By building on this momentum, Ontario can leverage its unique cuisines and local food producers to create distinctive culinary experiences that attract domestic and international visitors.
- By prioritizing innovation in recreational offerings and strategic investment in culinary tourism, Ontario can create a more dynamic and sustainable tourism ecosystem.

# Tourism Spending Patterns Across Key Categories (Cont'd)

While intra-provincial spending drives key categories, the Food & Beverage and Transportation spending categories are most strongly supported by intra-provincial travellers, while Accommodation and Retail are most strongly supported by International travellers.

SHARE OF TOTAL SPENDING BY MARKET AND CATEGORY, CURRENT YEAR



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- Intra-provincial spending drives key categories, emphasizing the importance of nurturing local tourism to sustain and grow the regional economy. More importantly, it warrants investigation into how the Food & Beverage and Transportation offerings can be expanded and improved, **capitalizing on intra-provincial visitors' willingness to spend on these categories.**
- Transportation spend is relatively low across other markets, suggesting a potential lack of ease of use, especially taking into account low inflation in this category.
- There is plenty of room for development in the Recreation & Entertainment and Retail categories, meaning these product offerings could be further developed. This could include community involvement and engagement to include **more Ontario-centric products, events, and experiences.**



## Let's Dig Deeper!

### Tourism Spending Patterns Across Key Categories

#### SKIFTY SAYS...

- **Food & Beverage Leads Spending**

Accounting for 33% of the total tourism expenditure, Food and Beverage remains the **most significant spending category in Ontario**. This trend reflects the **essential role of dining experiences** in the visitor experience. The category saw a 5.7% increase compared to 2023 (up from 2.6% in the first 6 months of 2024) and has grown on average by 5.4% per year over the past five years.

- **Accommodation as a Key Contributor**

Accommodation spending represents 25% of total tourism expenditure, making it the **second-largest category**. With a 3% year-over-year growth and a 5.6% average annual increase from 2019, the accommodation sector has demonstrated **steady growth**. The stable performance in this category suggests that while visitors are returning, there might be **saturation or limited capacity that is curbing faster growth**.

- The category is however exhibiting slower growth than what inflationary trends would suggest is possible, with year-to-date rental inflation sitting at 7.3%.

- **Transportation Spending**

With 17% of total spending, Transportation is a critical category, reflecting the **importance of mobility** in the tourism experience. The 5.7% increase over 2023 and a 4.7% 5-year CAGR indicate strong recovery and possibly improvements in transportation infrastructure or increased mobility. The growth in this category suggests that **tourists are travelling more within Ontario, benefiting from better connectivity and more accessible travel options**.



## Let's Dig Deeper!

### Tourism Spending Patterns Across Key Categories (cont'd)

#### SKIFTY SAYS... (CONT'D)

- **Retail Sector**

Retail, which represents 12% of total spending, saw a 10.2% increase compared to 2023 and a 4.1% average annual increase since 2019. The 1-year growth number is significantly higher than for the first 6 months of 2024, indicating **an uptick in this category over the past 3 months**.

- **Intra-Provincial Spending**

Most spending within the **Food & Beverage and Transportation** categories comes from **intra-provincial travellers**, indicating that Ontario residents are the primary drivers of these categories. This is consistent with the broader trend of strong domestic tourism.

- **International Spending**

The share of spending from international markets, particularly in Accommodation and Retail, suggests that these visitors are more likely to engage in **higher-value transactions**. While **international visitors might be fewer, their spending is more significant**, especially in these sectors.



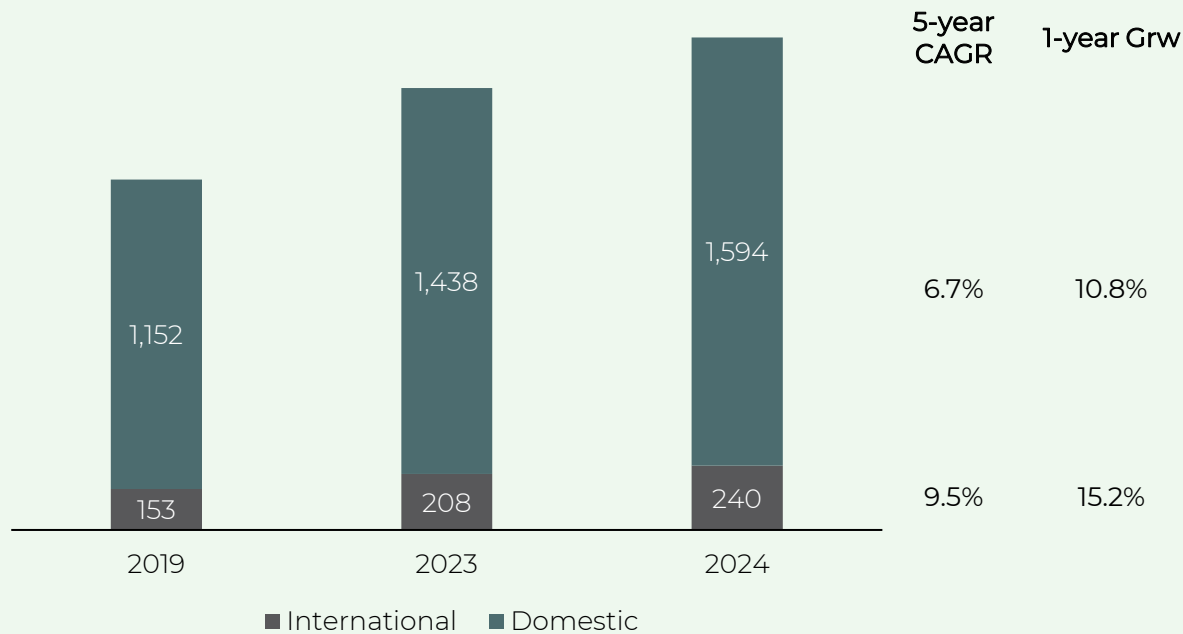
# REGIONAL INSIGHTS: RTO 9

- Overall tourism spending in the region is growing and driven by domestic and international visitors.
- Intra-provincial travel is the region's most important source of tourism income and shows consistent long-term and short-term growth.
- Inter-provincial travel, especially from Quebec, is an important secondary market while spending from U.S. travellers is growing substantially.
- Food and Beverage and Transportation are the highest contributing spending categories. Accommodation and Retail are growing at comparatively slower rates.
- Occupancy rates in both short-term and hotel accommodation are stable, with ADR in both categories growing.

# Emerging Spending Patterns of RTO 9 Visitors

Both International and Domestic tourism spending is increasing in the short and long term, with the International market growing faster than the Domestic. This highlights the success of RTO 9's collaborative regional marketing efforts.

TOURISM SPENDING JAN-SEP 2024 (\$M)



## SKIFTY'S INSIGHTS CORNER



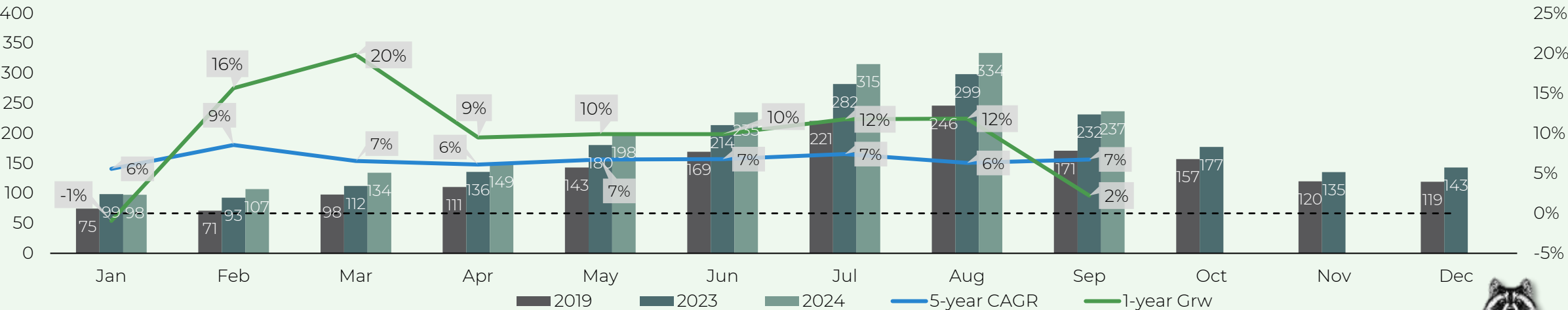
### WHAT YOU SHOULD KNOW...

- RTO 9 has achieved steady growth in both domestic and international spending, reflecting the success of RTO 9's strategic direction of promoting **multi-destination travel** through strong regional partnerships and targeted marketing.
- By **encouraging collaboration across Southeastern Ontario**, RTO 9 continues to **bolster tourism revenues** through consistent marketing efforts that attract both domestic and international visitors. The strong performance in intra-provincial travel reinforces the importance of **collaborative regional efforts** in marketing, where promoting each destination's unique offerings drives increased visitation and longer stays.
- Given strong long-term growth, it is evident the current tourism strategy is delivering sustainable value.
- Growth across all markets is **outpacing inflation** by a considerable margin, indicating significant volume growth.

# Emerging Spending Patterns of RTO 9 Visitors

RTO 9 is showing consistent short-term and long-term tourism spending growth, indicating sustainable performance and successful strategic execution.

TOTAL YTD SPENDING COMPARISON, 2019 VS. 2023 VS. 2024 (\$M)



## SKIFTY'S INSIGHTS CORNER

### WHAT YOU SHOULD KNOW...

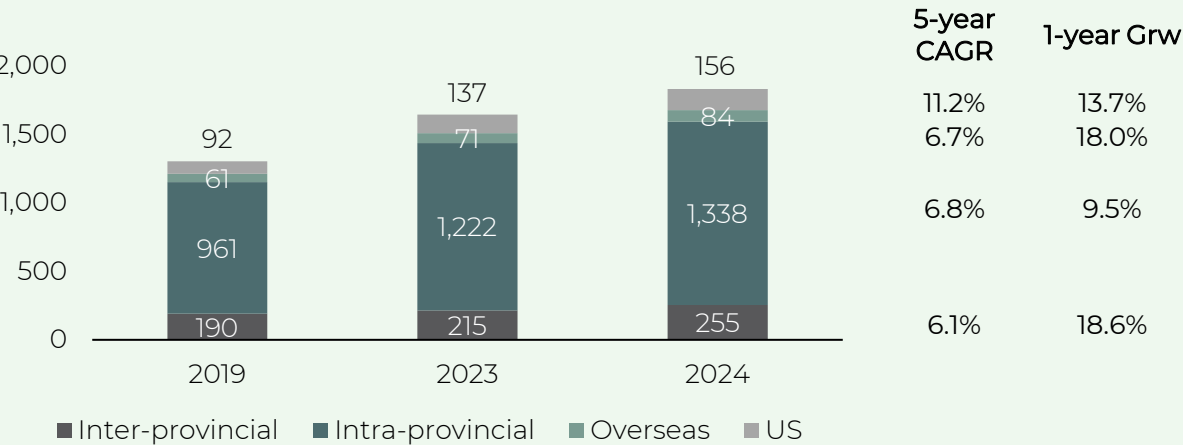
- While 1-year growth peaked in February and March, short-term growth was sustained during the Spring and Summer months, highlighting the effectiveness of RTO 9's **seasonal consumer marketing campaigns**, which have successfully reached key target markets and driven tourism recovery beyond pre-pandemic levels.
- September has however seen a downturn in spending, potentially indicating a slower upcoming Winter season.
- Long-term (5-year) growth rates are stable at between 6% and 7%, indicating a **sustainable long-term strategy**.

# Emerging Spending Patterns of RTO 9 Visitors

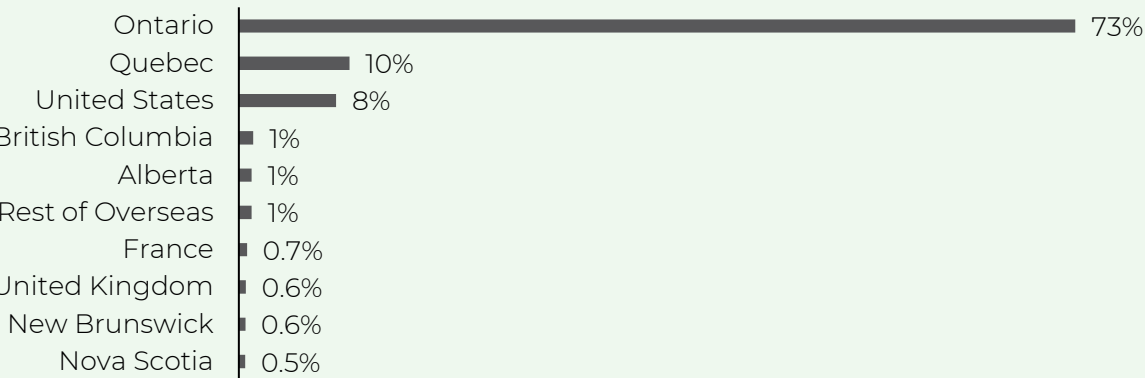


Intra-provincial spending dominates tourism in RTO 9; however, spending from other source markets is showing significant short-term and long-term growth, highlighting untapped development opportunities.

RTO 9 TOURISM SPENDING ORIGINS, JAN-SEP



TOP TEN ORIGIN MARKETS, YTD



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- Intra-provincial travel remains the dominant revenue source, accounting for 73% of total tourism spending, with inter-provincial (14%) and U.S. markets (8%) also contributing.
- This distribution emphasizes the importance of **continuing collaborative marketing efforts** to promote domestic travel while simultaneously expanding targeted campaigns to attract more visitors from Quebec and the U.S., where growth opportunities remain untapped.
- Strengthening RTO 9's **regional marketing collaborations** will ensure that each destination in Southeastern Ontario is effectively promoted to both domestic and international travellers, aligning with RTO 9's strategic focus on **multi-destination travel**.



## Let's Dig Deeper!

### Emerging Spending Patterns of RTO 9 Visitors

#### SKIFTY SAYS...

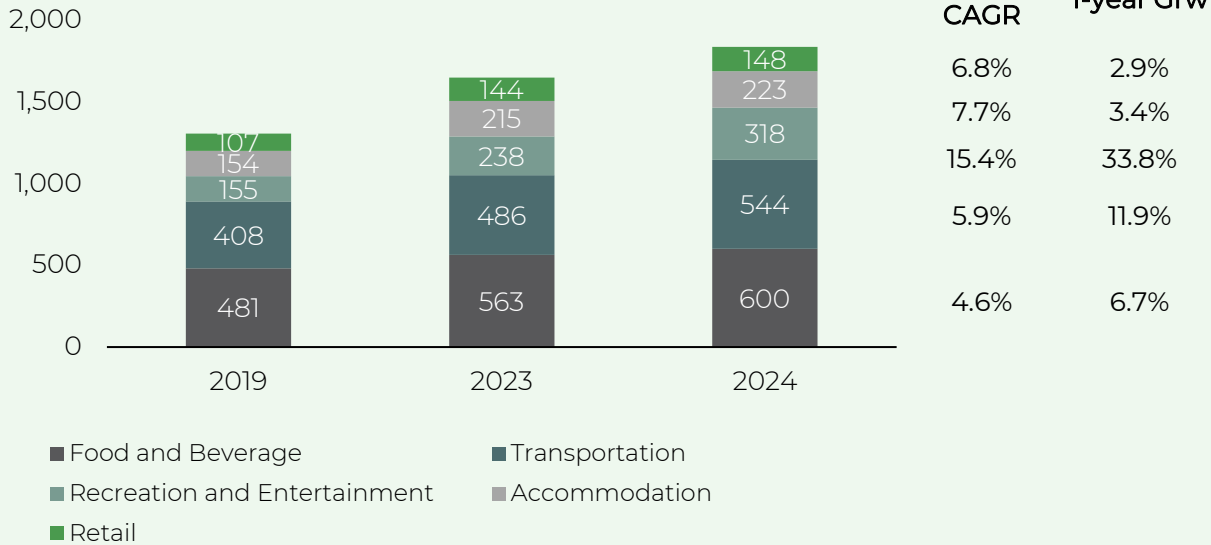
- Tourism spending in RTO 9 amounted to \$1.8 billion between January and September 2024, an 11% increase year over year.
- International spending slightly outperformed Domestic spending, with the two markets growing by 15% and 11%, respectively. Total spending for the period equalled \$240 million for International and \$1.6 billion for Domestic.
- The industry has **grown consistently over the past five years**, with a total average growth of 7.0% annually since 2019. Domestic and International spending grew at 6.7% and 9.5% per year, respectively, over the past five years.
- While the industry's short-term monthly growth shows some volatility, its long-term growth is stable and shows sustainable growth potential. A slowdown in year-on-year growth in September might however be indicative of a slower upcoming Winter season.
- **Intra-provincial Tourism Is Key**  
Spending from travellers within Ontario makes up **73% of the total tourism revenue** generated in RTO 9, making it the most important source of income for the region. The market **grew at a rate of 9.5% year-on-year** in the first nine months of 2024 and showed **steady long-term growth of 6.8%** per year over the past five years.
- **Quebec As A Key Secondary Market**  
Inter-provincial travel, particularly from Quebec, contributes 10% of total tourism spending in RTO 9. Inter-provincial travel grew by a substantial 18.6% in 2024 to date, also showing steady long-term growth of 6.1% per year over the past five years.
- **The U.S. Is a Growing Market**  
Contributing **8% of total spending** in RTO 9, the U.S. market **grew by 13.7%** in the first nine months of 2024 compared to the previous year. This market is also showing **significant long-term growth of 11.2%** per year over the past five years.
- **Overseas Is A Small But Growing Market**  
The remaining international market contributes 5% of total spending in RTO 9 and shows **significant short-term growth of 18%**.

# Tourism Spending Led by Food and Beverage in RTO 9

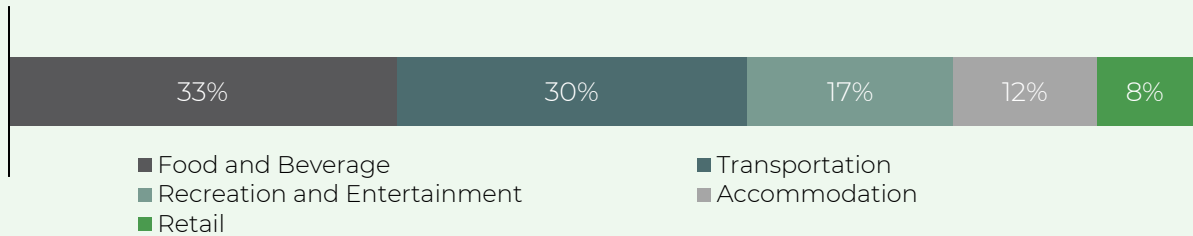


Consistent growth in spending across all tourism categories is encouraging, with Food and Beverage and Transportation serving as anchor categories, showing steady growth.

RTO 9 TOURISM SPENDING CATEGORIES



RTO 9 SPENDING BY CATEGORY, CURRENT YEAR



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

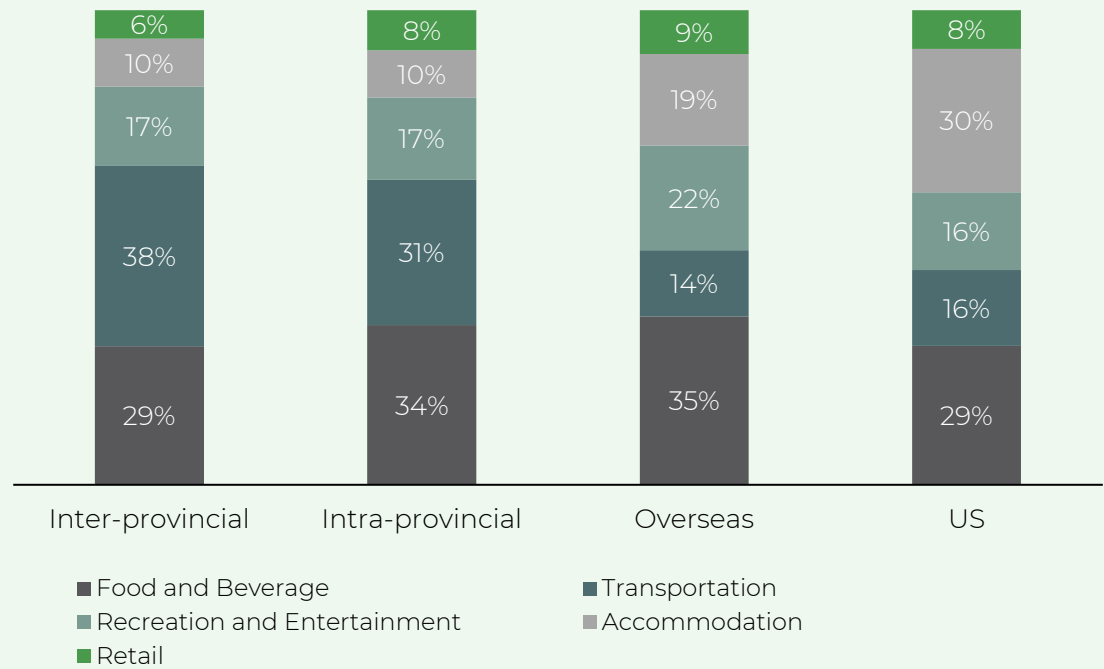
- Food and Beverage and Transportation are the dominant categories in RTO 9, contributing 33% and 30% to total spending, respectively.
- Recreation and Entertainment show significant growth potential, with 34% short-term growth and 15% long-term growth.
- It should be noted that the 12% growth in Transportation **significantly outperforms inflation** within this category (0.2%), indicating substantial volumetric growth.
- Comparatively slower growth in Retail and Accommodation requires investigation, with especially Accommodation showing signs of volume declines, with the category inflation currently at 7.3%

# Tourism Spending Led by Food and Beverage in RTO 9



Transportation carries a higher weight for Domestic visitors, while Accommodation is naturally more important to International visitors.

RTO 9 SHARE OF TOTAL SPENDING BY MARKET AND CATEGORY, CURRENT YEAR



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- Food and Beverage and Transportation constitute the majority of Domestic visitors' spending. While this shows success in RTO 9's strategic approach to **targeting domestic markets**, it is important to maintain the growth trajectories in these categories by continuously understanding changing traveller needs from these source markets.
- With the growth in Accommodation spending underperforming category inflation year-to-date, it is especially important to **understand the needs of U.S. visitors in this category**, as it is their dominant spending category.
- By emphasizing luxury accommodation, unique retail experiences, and **regional collaboration**, RTO 9 can attract high-spending U.S. visitors and encourage more extended stays.



## Let's Dig Deeper!



### Tourism Spending Led by Food and Beverage and Transportation in RTO 9

#### SKIFTY SAYS...

- **Food and Beverage and Transportation Lead Spending**  
Accounting for **33% and 30% of total tourism** spending respectively in RTO 9, food and beverage grew by 6.7% and Transportation by 11.9% in the first nine months of 2024. Both categories show steady long-term growth of 4.6% and 5.9%, respectively.
- Food and Beverage and Transportation contributions are driven more by **domestic travellers**, making up **between 65% and 67%** of total spending. Transportation is slightly more important to inter-provincial travellers (38%) and Food and Beverage to intra-provincial travellers (34%).
- **Recreation and Entertainment is a Growing Category**  
Contributing **17% of total spending**, Recreation and Entertainment shows both significant **short-term growth of 34%** and **long-term growth of 15%**.
- This category is slightly more important to **Overseas travellers (22%)** and could be used to stimulate a small but growing market.
- **Accommodation And Retail May Require Some Attention**  
Both these categories have **slowed down in short-term growth**, growing at 3.4% and 2.9% respectively. While Accommodation in particular is underperforming category inflation, it should be noted that growth has started to speed up compared to the first half of the year (1.6% and 0.3%, respectively).
- Accommodation is more important to international travellers, and the underperforming growth needs to be better understood to ensure that U.S. travel, in particular, continues to grow.

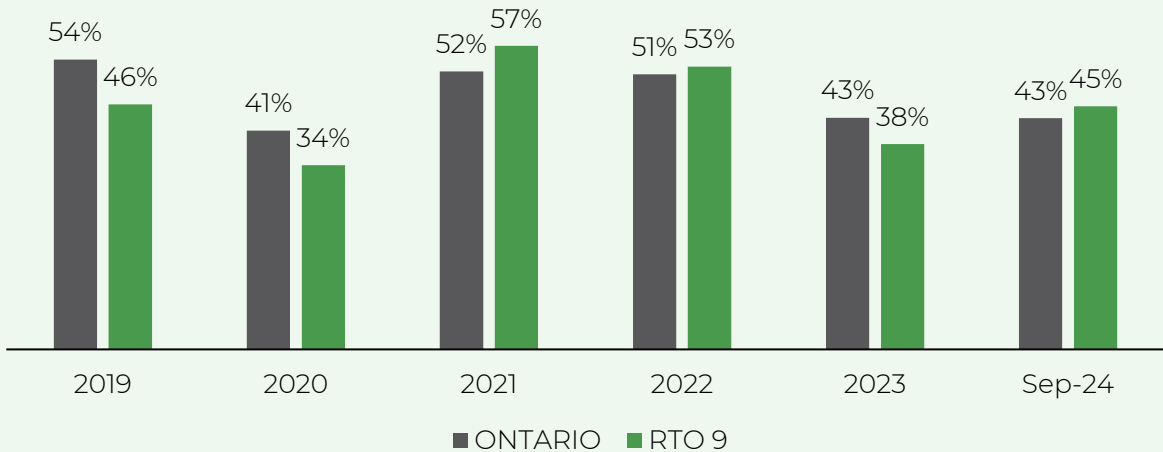
# RTO 9 Short-Term Rental Occupancy In-line with Ontario



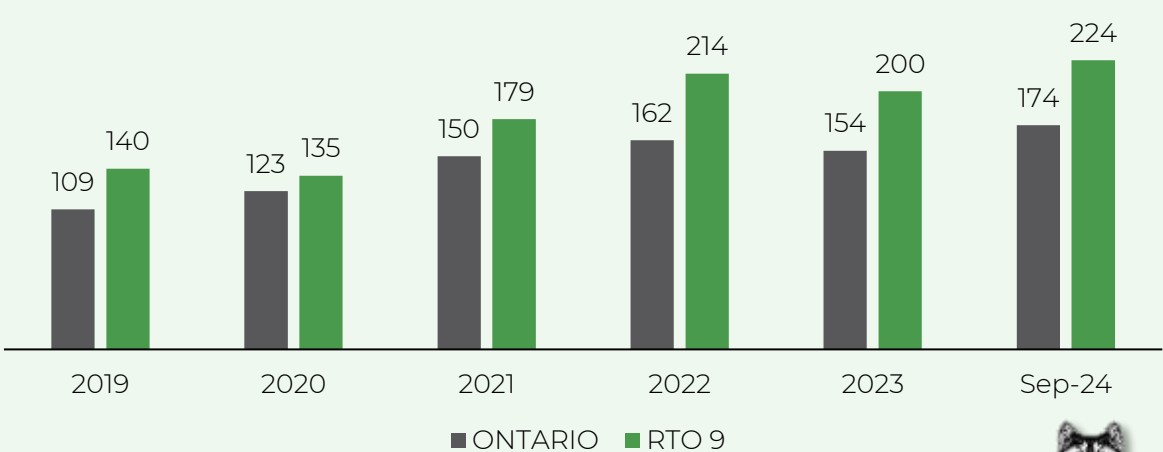
Occupancy rates increased over the past year but are lower than 2021 and 2022 levels. ADR has been steadily increasing for the past five years.

## SHORT-TERM OCCUPANCY AND RENTAL RATES

Occupancy Percentage



Average Daily Rate (\$USD)



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- Short-term occupancy rates in RTO 9 are **on par with pre-pandemic levels** and increased after a significant drop in 2023.
- Short-term ADR has steadily increased over the past five years (now at \$224) and has consistently been higher than the provincial average. Occupancy rates do not seem to be correlated to ADR.
- ADR inflation is outperforming the category average (12.1% vs. 7.3%), indicating a need to continue to show value for money in short-term accommodation to justify higher than average ADR and inflation.



## Let's Dig Deeper!

### RTO 9 Short-Term Rental Occupancy In-line with Ontario

#### SKIFTY SAYS...

- **Occupancy Rates Decline while Average Daily Rate Increases**

The occupancy rate for short-term rentals in RTO 9 in June 2024 was 45%, up seven percentage points from 2023 and down one percentage point compared to June 2019. However, current occupancy is down significantly from 2021 and 2022 levels, indicating that **more recent factors have negatively impacted short-term occupancy**.

- **Strong Performance in Average Daily Rate (ADR) for STRs**

The ADR for short-term rentals in RTO 9 reached \$224 in September 2024, a 12% increase from 2023 and a 10% average yearly increase from June 2019. This rise in ADR could indicate a **willingness among travellers to pay more for premium or well-located accommodations** for those who visit.

- To continue to justify **higher than average ADR and inflation**, it is important that short-term rental options continue to show better value for money.

- **Need for Strategic Focus on Improving Occupancy**

The contrasting trends of **declining occupancy rates and rising ADR present** an interesting dynamic. It indicates that while the region attracts a wealthier clientele willing to spending more, there might be **untapped potential in filling more units**, especially during peak seasons.

- **Competitive Positioning within Ontario**

RTO 9's short-term occupancy rates are **comparable to the provincial average** despite having a higher ADR than the rest of the province. This could be an indication that there is a **perception of better value for money** in RTO 9's short-term accommodation options.

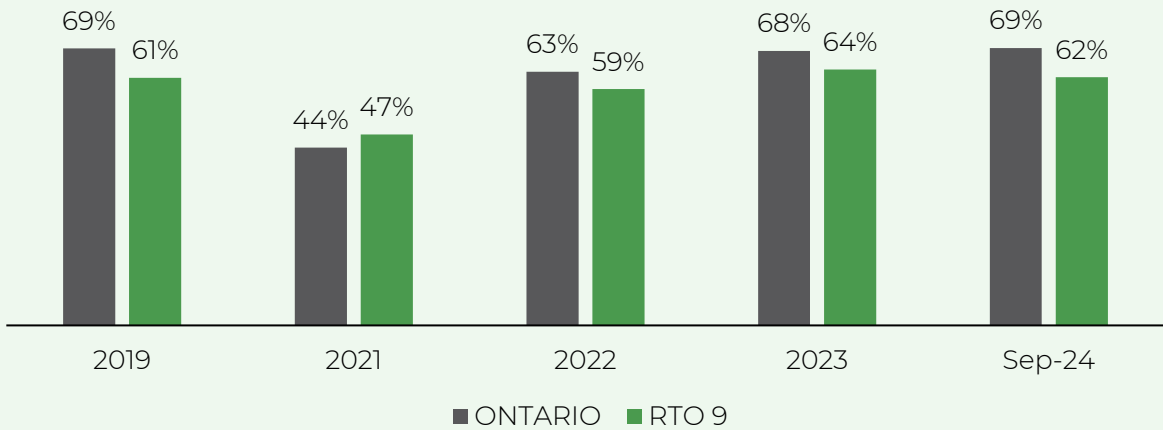
# Hotel Occupancy in RTO 9 Lagging Ontario



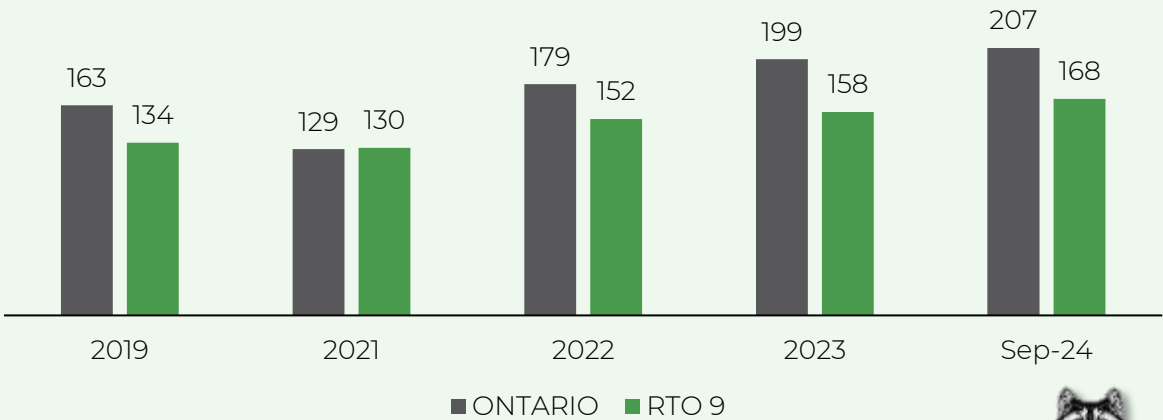
Hotel occupancy rates have stabilized over the past year and returned to pre-pandemic levels; however, they still lag considerably behind the provincial average.

## HOTEL OCCUPANCY REGIONAL AND SUB-REGIONAL BREAKDOWN

Occupancy Percentage



Average Daily Rate (\$CAD)



## SKIFTY'S INSIGHTS CORNER



### WHAT YOU SHOULD KNOW...

- While occupancy rates have marginally decreased year over year and recovered from pre-pandemic levels to 62%, they **lag the provincial average by a considerable margin.**
- ADR has been increasing steadily and does not seem to have affected occupancy rates. ADR inflation over the past year has also tracked slightly behind the category average (6.3% vs. 7.3%), likely contributing to value for money perceptions.
- RTO 9's focus on **collaborative seasonal marketing** can help maintain high occupancy rates year-round, ensuring that hotels benefit from consistent demand during peak and off-peak seasons.



## Let's Dig Deeper!

### Hotel Occupancy in RTO 9 Lagging Ontario

#### SKIFTY SAYS...

- **Rising Occupancy Rates**

The hotel occupancy rates in RTO 9 for June 2024 stood at 62%, decreasing marginally but largely indicating stabilization in hotel occupancy in the region. This suggests a **full recovery to pre-pandemic** occupancy rates.

- **Steady Growth in Average Daily Rate (ADR) for Hotels**

The ADR in RTO 9 for September 2024 was \$168, marking **an increase of 6% from June 2023**, slightly behind category inflation of 7.3%. This moderate increase in ADR likely contributed to stabilizing occupancy rates as inflation has not outstripped perceived value.

- **Lack of Value-for-money Offerings**

RTO 9's occupancy rates are consistently lower than the provincial average despite having a lower ADR than the province. This potentially suggests a **lack of value-for-money offerings** compared to the rest of the province.



## So what does this all mean?

### Implications for Tourism in RTO 9

RTO 9 has the potential to further increase high-value travellers and long-stay visits by expanding efforts to attract more international visitors, especially from the U.S., and promoting multi-destination travel across the region.

#### ACCOMMODATION

- **Short-term Rentals (STRs):** The rising ADR for short-term rentals indicates strong demand for premium accommodations. To address declining occupancy rates, strategies such as promoting offseason discounts or creating bundled offers with regional attractions could help improve utilization. Continuing to showcase unique, value-for-money experiences will be key to sustaining growth.
- **Hotels:** Stabilizing hotel occupancy rates and steady ADR growth reflect resilience in this segment. Highlighting value-driven packages that combine lodging with local attractions or dining experiences could attract both domestic and international visitors. Addressing the slight lag in value-for-money perception relative to other regions may further enhance appeal.

#### ATTRACTIONS

- **Food and Beverage Leadership:** As a leading contributor to tourism spending, food and beverage offerings can be expanded through themed culinary events and local dining tours. These efforts could deepen engagement with intra-provincial and inter-provincial markets, which heavily drive this category.
- **Recreation and Entertainment Growth:** With recreation and entertainment showing significant short- and long-term growth, investments in unique experiences, such as cultural festivals or adventure activities, could attract both domestic and international travellers.
- **Retail as an Emerging Category:** Retail's rapid growth offers an opportunity to create shopping-centric itineraries or collaborations with local artisans. Promoting these experiences to inter-provincial and U.S. travellers could drive further spending.

#### AGENTS & OPERATORS

- **Tailored Itineraries for Domestic travellers:** With domestic spending forming the bulk of RTO 9's tourism revenue, continuing to work with agents to develop itineraries that highlight local attractions and ease of access is essential.
- **Strengthening Cross-Market Campaigns:** Expanding collaborations with agents and operators to promote cultural and natural assets in U.S. and international markets could enhance visibility and drive growth.
- **Upskilling Opportunities:** Existing training programs for agents can include advanced strategies for upselling high-value experiences, such as recreation and entertainment packages or premium accommodations.



## So what does this all mean?

### Implications for Tourism in RTO 9

RTO 9 has the potential to further increase high-value travellers and long-stay visits by expanding efforts to attract more international visitors, especially from the U.S., and promoting multi-destination travel across the region.

#### TRANSPORTATION

- **Enhancing Connectivity:** The strong role of transportation in tourism spending highlights the importance of promoting ease of access. Initiatives to enhance transportation links to key attractions and events could encourage longer stays and repeat visits.
- **Sustainable Travel Options:** Expanding current efforts to promote sustainable travel aligns with global tourism trends and could resonate with environmentally conscious visitors, particularly from overseas markets.
- **Integrated Transit Solutions:** Developing seamless transit options bundled with event or attraction tickets could enhance convenience for travellers and drive higher engagement.

#### FOOD & BEVERAGE

- **Showcasing Local Cuisine:** Building on the prominence of food and beverage in domestic spending, initiatives like farm-to-table experiences and partnerships with local producers could appeal to all visitor segments.
- **Appealing to International Palates:** Marketing local cuisine through international campaigns can attract U.S. and overseas visitors, creating a deeper connection to the region's cultural identity.
- **Innovative Pairings:** Expanding existing dining packages to include interactive experiences, such as culinary classes or food and beverage pairing events, could enhance the value proposition for visitors.

#### MARKETING

- **Targeted Promotions for Key Markets:** Tailoring marketing campaigns to the specific preferences of domestic, U.S., and international visitors can amplify their impact. Highlighting recreational and entertainment options may particularly appeal to international travellers.
- **Value-Focused Messaging:** Emphasizing RTO 9's competitive ADR and value-for-money offerings in marketing materials could address perceptions of lagging value compared to other regions.
- **Seasonal Campaigns:** Expanding promotional efforts during slower seasons, such as winter, through limited-time discounts or unique seasonal events could sustain visitor numbers year-round.
- **Digital Outreach Enhancements:** Leveraging digital marketing to showcase emerging categories like retail and recreation ensures continued visibility and engagement with potential visitors.



# APPENDIX



## Noteworthy Vocabulary

**Average Daily Rate (ADR):** A metric used in the hospitality industry to measure the average rental income per paid occupied room in a given period, providing insights into pricing trends and operational efficiency.

**Border Crossings:** Refers to the number of entries across a border into a region or country, used as an indicator of international tourism flow and economic health.

**CAGR (Compound Annual Growth Rate):** CAGR represents the mean annual growth rate of an investment over a specified time period longer than one year. In tourism, it's used to evaluate long-term growth trends in visitor numbers, revenue, or other key metrics, smoothing out fluctuations to provide a clear picture of performance and strategic direction.

**Data-Driven Decision Making:** The practice of making decisions based on data analysis rather than intuition. For tourism, this can involve strategies based on visitor data to optimize marketing, pricing, and customer service.

**Economic Sustainability:** Practices aimed at ensuring the longevity and financial health of tourism operations and destinations, often by balancing visitor needs with resource management.

**Hotel Occupancy Rates:** A measure of the utilization of available accommodation; a key performance indicator for the hotel industry reflecting demand and operational success.

**Inflationary Pressures:** Refers to the impact of rising prices on tourism services, which can affect traveller behaviour and spending habits.

**Macroeconomic Factors:** Economic elements that impact the tourism industry on a large scale, such as economic growth, exchange rates, and inflation.

**Occupancy Rates:** Indicators of the percentage of available rooms or properties that are rented over a specific period, essential for gauging the health of the accommodation sector.

**Seasonality:** The variation in tourist activity throughout the year, often influenced by weather, vacation, or local events.

**Strategic Marketing:** The planning and execution of marketing initiatives that aim to reach specific tourism goals, such as increasing visitor numbers or promoting off-season travel.

**Tourism Spending:** The amount of money visitors spend in a destination, covering all sectors from accommodation and food to transport and entertainment, is crucial for economic assessments.

**Unique Selling Point (USP):** The distinctive features, experiences, or attractions that set a location apart from others and make it particularly appealing to visitors.

**Visitor Satisfaction:** A measure of how well a destination or service meets or exceeds visitors' expectations, often used to gauge the success of tourism offerings.

**Workforce Development:** Efforts to train and develop skilled workers in the tourism industry, ensuring quality service and operational efficiency.

**Year-over-Year (YoY):** Year-over-Year (YoY) compares data from one period to the same period in the previous year. It is often used in the tourism industry to assess the growth or decline in metrics such as arrivals, occupancy rates, or revenue, highlighting the impact of external factors or internal strategies on annual performance.

## REACH OUT TO US FOR MORE INFORMATION:



EMILIE EHRMAN  
Senior Associate  
ee@skift.com



OLIVER MARTIN  
Senior Director  
om@skift.com



MICHELLE GOUNDEN  
Director  
mg@skift.com



PIERRE COETZEE  
Chief Methodologist  
pc@skift.com

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