



ENVIRONICS
ANALYTICS

INSIGHTS ON THE AMERICAN TRAVELLER IN CANADA

THE TRAVEL AND TOURISM INDUSTRIES' LINK TO VITAL INFORMATION — POWERED BY VISITORVIEW

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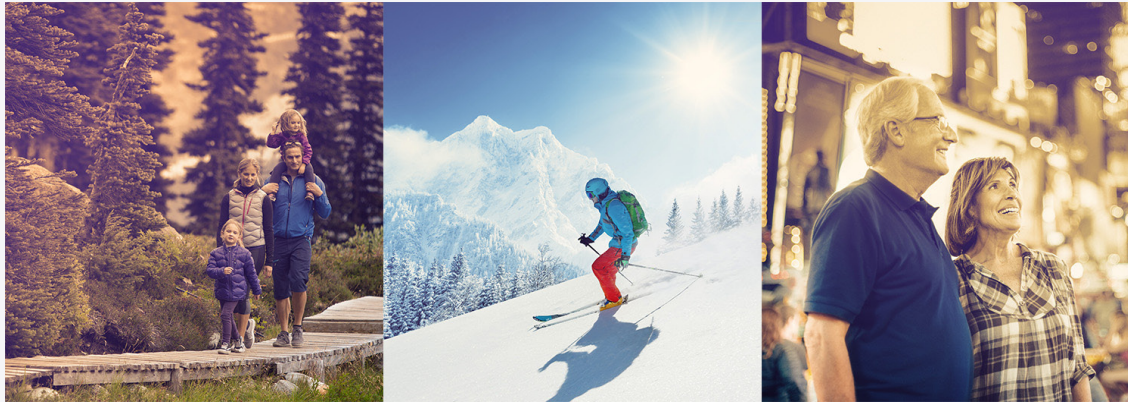
THE TRAVEL AND TOURISM INDUSTRIES' LINK TO VITAL INFORMATION – POWERED BY VISITORVIEW

The importance of the tourism sector to the Canadian economy cannot be overstated. The industry generates an estimated \$100 billion a year in revenue and directly employs one in 10 Canadians. As impressive as those numbers are, the sector has plenty of room to grow. The challenge, however, will be to determine where that growth is going to come from and what type of investment will be needed to attract those visitors.

Here at Environics Analytics, we built VisitorView to help the Canadian tourism industry realize its full potential by targeting the country's biggest tourist market: The United States. According to a joint study by McKinsey and Co. and Destination Canada, almost 70 percent of the 20 million foreign visitors to Canada each year come from our neighbours to the south. While the global tourism market is projected to grow by 2.9 percent per year from 2020 to 2030, the Canadian tourism market is expected to grow by up to 6.4 percent per year over the same period. For this projection to pan out, the industry needs to tap into innovative solutions that will help them identify which investments offer the most significant returns.

By modelling the American visitors to Canada at the neighbourhood-level, VisitorView can help nurture this growth by identifying which neighbourhoods in America have residents with a high propensity to visit Canada and which tourist regions they are most likely to visit.





By profiling these visitors, the tourism industry can identify their preferences, behaviours and spending capacity. This allows marketers to tailor their strategies to individual markets like states, media regions, cities and counties.

These insights allow companies to target American households most likely to visit specific Canadian destinations and enable tourism operators to reach potential visitors based on their preferred activities, such as camping, shopping or going to the theatre.

For instance, with these insights, mountain resorts will be able to identify which American skiers are most likely to visit Canada. Not only will this allow those resorts to sharpen their messaging, but it will also enable them to target the best prospects across the U.S. at the neighbourhood-level. Through more effective target marketing, these resorts will save costs

because they won't have to connect with as many people to achieve the desired response. To ensure those messages reach their target audience, we can combine data from VisitorView with other demographic and behavioural datasets to describe the media preferences of the major consumer segments in order to optimize media buying strategies.

This innovative solution combines aggregated and anonymous mobile location data, which is collected from devices held by Americans, with advanced geodemographic projection techniques and segmentation systems. Estimates are calibrated using Statistics Canada's International Travel Survey and Frontier Counts of U.S. overnight person trips to Canada. The result is a dataset of American neighbourhood-level estimates of overnight American visitors to Canada, the provinces and territories or one of Canada's 85 tourism regions as defined by

Destination Canada. In addition to the number of overnight visitors, the dataset contains estimates of overnight trips and the number of nights spent, which helps organizations measure the economic impact of these visitors. VisitorView is updated quarterly to track seasonal effects to help the industry develop strategies to attract more visitors during off-peak periods.

Most companies have a limited view of the people who don't already use their services. Information on travellers destinations and the types of activities they enjoy is extremely valuable.

While airlines, hotels, and car rental companies have rich information about their customers, they have a limited view of potential customers or travelers that don't use their services. Datasets like Statistics Canada's Frontier Counts or the Visitor Travel Survey provide the industry with some perspective on American visitors. However, these resources lack the required granularity to describe where those travellers live, where they're going and the types of activities they might enjoy when they are in Canada.

WHERE DO AMERICAN VISITORS TO CANADA COME FROM AND WHERE DO THEY GO

Most of the U.S. visitors to Canada come from border states like Washington, Michigan, Maine and New York. Americans living close to the 49th parallel or along the Yukon-British Columbia border are more than twice as likely to visit Canada than those Americans residing further from the border.

While visitor penetration rates are essential, marketers should not lose sight of where the

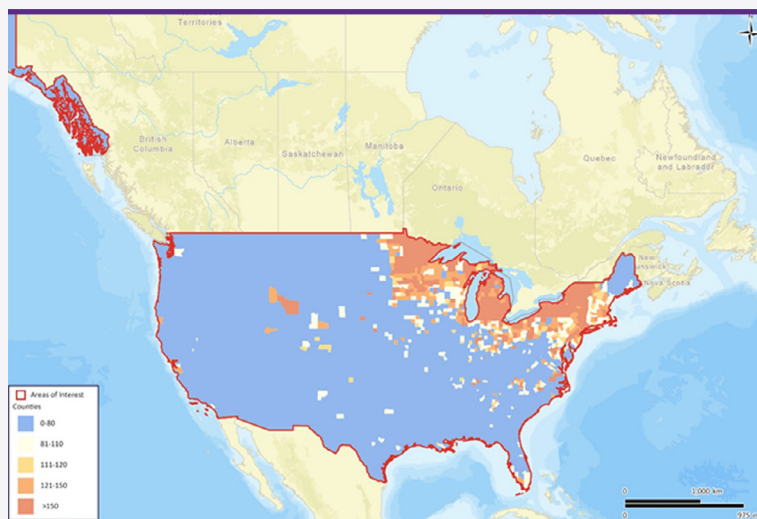
largest groups of visitors come from. One-third of all visitors to Canada come from America's four largest states: California, Texas, Florida and New York. Tourism industry experts must balance these factors to optimize marketing and promotion activities.

The maps below show counties in the U.S. with the highest visitation rates to Ontario and British Columbia. Notice how the shading of these maps'

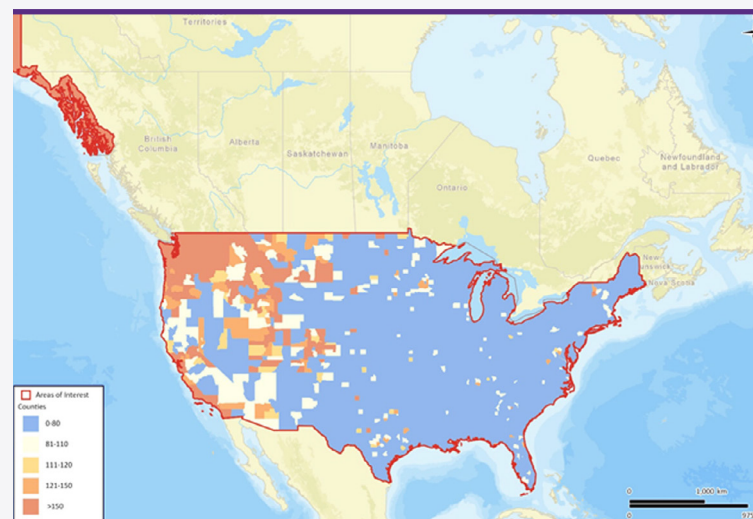
changes from East to West when we look at those visiting Ontario versus British Columbia. Tourism marketers must be aware of these differences to spend accordingly.

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Visitors to Ontario in 2018
United States (Index)



Visitors to British Columbia in 2018
United States (Index)



VisitorView provides a breakdown of which provinces and territories U.S. travellers have visited on their trips to Canada in 2018.

Destination	Number of visits	% of visits
British Columbia	2,631,536	23.08%
Saskatchewan	184,630	1.62%
Alberta	919,937	8.07%
Manitoba	238,367	2.09%
Ontario	4,864,090	42.65%
Quebec	1,808,295	15.86%
New Brunswick	191,062	1.68%
Newfoundland and Labrador	81,220	0.71%
Nova Scotia	265,479	2.33%
Prince Edward Island	85,190	0.75%
Yukon	99,194	0.87%
Northwest Territories	12,413	0.11%
Nunavut	22,218	0.19%

TRENDS

In addition to identifying American travellers to Canada, VisitorView can help the tourism industry adapt to emerging trends. While overnight American visitors to Canada climbed by 1.4 percent in 2018, a state-level picture is more volatile. Visitors from Alaska declined by 19 percent in 2018, while travellers from New Hampshire and Ohio jumped by 17 percent and 14 percent, respectively. Of course, some states are a more vital source of tourists to Canada than others. While the 19 percent drop in visitors from Alaska represents approximately 15,000 people, a modest four percent dip in tourists from New York last year represented more than 45,000 visitors.

Still, focusing on aggregate visitor counts alone can be misleading. The quality of visitors, as well as their spend potential, is another critical consideration. Turning our attention back to New York, we discover that drop off in traffic from the Empire State was mainly from lower-income segments. Over the same period, higher-income segments from the state showed a slight increase in travel to Canada.

Using this empirical evidence, industry marketers can aggressively target those higher-income segments travelling to Canada to attract more of them. Alternatively, marketers could devise strategies to try and engage the segments in decline, perhaps by reminding them of the amazing value of visiting Canada with the weaker Canadian dollar.



VISITOR PROFILES

While the regional breakdown is revealing, the real power of VisitorView comes from its ability to profile those visitors. When combining VisitorView with Claritas' PRIZM® Premier segmentation system in the U.S., we find a core group of 23 of a possible 68 segments accounts for 57 percent of all visitors to Canada. Put another way, one-third of the U.S. population accounts for almost 60 percent of the visitors to Canada. While these 23 segments share a fondness for Canada, these segments are quite distinct.

More than half of American visitors can be linked to mature or older segments with average to above-average income levels and live in urban, suburban and small towns. These are consumers who load up at Costco and wear clothes from Chico's and Kohl's. In their spare time, they enjoy attending live events, like the theatre and cheering on their favourite MLB team. More importantly, these mature and older families have an average household income of US\$93,976 a year, which allows them to travel. The Muskoka and Parry Sound regions in Ontario are popular destinations for these visitors, particularly for those living in the northeastern United States. Typically, American visitors' trips to the province's cottage country usually lasts between six and nine days.

Over 50% of American visitors are from mature or older segments. These consumers shop at Costco, Chico's and Kohl's, and enjoy the theatre and cheering on their favourite MLB team.



About 30 percent of visitors come from more affluent family segments who reside in suburbia. With average household incomes of \$101,671, these families gravitate to the large CMAs like Vancouver, Toronto and Montreal at almost twice the rate of the average American visitor. The remaining 20 percent of this core group of visitors to Canada come from young, urban and upwardly mobile segments.

For improved targeting, VisitorView can further profile these segments based on media consumption habits, as well as the types of activities they like to participate in while visiting Canada. For instance, traditional media continues to be the best way to reach mature or older segments. These families listen to CBS News radio and recap the week by reading the Sunday New York Times on the weekend. Canadian tourism destinations looking to raise their profile may want to pay attention to awards season since this audience over indexes for the red-carpet spectacles on TV. It's worth noting that these families don't commute as much, which makes out-of-home ads less effective for this audience.

Younger travellers can be reached with outdoor transit ads and on the big screen when they are just starting on their popcorn.

Similar insights are available for the other target segments as well. The on-the-go lifestyles of younger consumers, for instance, makes them receptive to outdoor transit ads. As a sign of their love for travel members of this younger segment flip through Hemispheres, United's in-flight magazine at unusually high rates. Meanwhile, the more affluent of the three target segments read the Wall Street Journal and consume everything sports. They also go to the movies, meaning that tourism companies have the chance to wow them on the big screen when they are just starting on their popcorn.



VISITORVIEW IN ACTION

Being able to locate these segments and travellers on the ground is imperative to learning how to market to them effectively.

The city of Houston provides a good case study. While Houston may be a long way from Canada, VisitorView reveals that the distance from the border hasn't discouraged residents from making the trip north. Nearly 50% of all Houstonians travelling to Canada, come from segments representing 22% of the population. By profiling these segments, we can gain a deeper understanding of their leisure, lifestyle and media preferences.

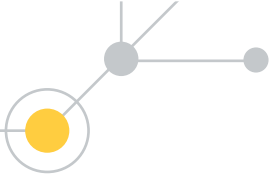
Using VisitorView, we discover that these segments enjoy symphonies and live theatre at above-average rates when compared to the rest of the city. These people also appreciate outdoor activities like hiking and backpacking. Tourism operators that want to connect with these households may wish to adopt a digital-first strategy; all of these segments spend a great deal of time online, searching for information, banking and keeping up with friends and family on social media.

Boosting Off-peak Travel

The Canadian tourism industry grapples with some significant geographic and seasonal effects. Geographically, more than 80 percent of all visitors go to Ontario, British Columbia and Quebec, with most flocking to cities like Toronto, Vancouver and Montreal respectively. Seasonally, more than 40 percent of all visits come in the summer months of July, August and September.

2017 Season	Nights	% of nights per quarter	2018 Season	Nights	% of nights per quarter
Winter	6,756,925	10.1%	Winter	6,789,167	9.5%
Spring	18,393,510	27.6%	Spring	19,763,678	27.6%
Summer	31,116,939	46.6%	Summer	33,157,759	46.3%
Fall	10,490,139	15.7%	Fall	11,931,269	16.7%
Total	66,757,513		Total	71,641,873	

For the Canadian tourism industry to grow, it must find a way to fill in the seasonal gaps in demand. Using the quarterly travel data within VisitorView, travellers with a high "off-season" propensity can be identified. Profiling these visitors will allow marketers to identify look-a-like audiences and create marketing campaigns to improve tourism during these slower seasons and make the best of spare seasonal capacity. While a travel survey can help tourism companies assess their peak and off-season travel periods, VisitorView reveals which destinations appeal the most to Americans as the seasons change.



MEASURING ROI

Another challenge that VisitorView begins to address is measuring the impact of marketing investment in the tourism industry. Millions of dollars are spent trying to promote tourism to Canada each year. Generally, it is very challenging to determine whether this spend drove incremental visits to Canada. Leveraging VisitorView, marketers can improve post-campaign analysis efforts. While direct attribution is difficult, VisitorView identifies changes in travel patterns and can determine the impact marketing spend had on targeted segments or geographies. Whether there was an increase in travellers and did these increases occur from targeted segments or the U.S. in general. Based on the cost of the marketing activity and the incremental visitor activity, marketers should be able to determine the ROI of these activities.

The Canadian tourism industry is alive and well, and the use of data and analytics helps to make it stronger.

Determining ROI of promotional spend is a challenge. By focusing on the segments being marketed to, we can see changes in their travel patterns post campaign.



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