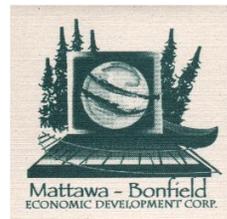


Blue Sky Region Tourism Marketing and Economic Impact

Executive Summary and Recommendations

Supported by:





impagination inc.

127 Delaware Ave.
Toronto, Ontario
Canada M6H 2S9

t. 416.538.3330
f. 416.530.4577

www.impaginationinc.com



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[presented to]
Blue Sky Economic
Growth Corporation

[presented by]
Impagination Inc.
Chris Setchell

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Executive Summary

The Blue Sky Region attracts an estimated 1.35 million person-visits from tourists who spend \$197 million in the Region. While this spending makes tourism a significant contributor to the Blue Sky Region's economy, the Region itself cannot be considered a major tourism destination as it only has a 1.2% share of the Ontario travel market and only a 4.4% share of the Central and Northern Ontario travel market.

Market Performance

Visitors perceive the Region predominantly as an overnight (as opposed to same-day) recreational travel destination.

When compared to the rest of Ontario, the Region is most effective at attracting overnight recreational visitors. It holds 2.6% share of the Ontario overnight recreational travel market.

- When compared to the rest of Ontario, Blue Sky Region is 17% more effective at attracting recreational visitors. It underperforms the rest of Ontario by more than 10% in the other types of travel – business, visiting friends and relatives and travel for personal reasons.
- Visitors to the Region, are twice as likely to be on overnight trips when compared to the travel patterns of visitors within Ontario, in general.
- In combination, visitors to the Region are more than 2.2 times as likely to be overnight recreational visitors than visitors to other parts of Ontario.

Recreational travel is the most important economically for the Region and should be the focus of Regional marketing efforts. Recreational travel accounts for 47% of all person-visits to the Region and 57% of all tourism revenues. Overnight travel accounts for 77% of all person-visits but 90% of all tourism revenues in the Region. In combination, overnight recreational travel accounts for 38% of all person-visits and 49% of all tourism revenues. In contrast, business travel accounts for 7% of person-visits and 14% of revenues.



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- The Region is most effective at attracting visitors from Ontario and from international origins other than the U.S.
- Blue Sky Region attracts visitors from other parts of Ontario 14% more frequently than the average for the rest of Ontario.
- Blue Sky Region is twice as effective at attracting visitors from international origins as the rest of Ontario, on average. While the Region's overall share of the Central and Northern Ontario tourism market is 4.4%, its share of overseas visitors to Central and Northern Ontario is 17%.
- When compared to the rest of Ontario, visitors from the U.S. and the Rest of Canada are only half as likely to visit Blue Sky Region.



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The Ontario market should be the focus of Region's marketing efforts. Ontario residents account for 85% of all person-visits and 76% of all the Region's tourism revenues. Due to low market penetration of the Canadian and U.S. markets, 0.7% and 0.6% share of the total Ontario travel market, respectively, and their low economic importance to the Region – only 2.7% and 11% of all revenues, respectively, the Rest of Canada and the U.S. markets should not be the focus of any marketing investments until the Region solidifies its position in the Ontario market.

The Region appears to have a unique strength with overseas visitors. This market should be the subject of further investigation. International visitors only account for 2.7% of all visitors to the Region, but the Region attracts international visitors twice as effectively as the rest of Ontario, on average. Based on further evaluation of overseas markets, these markets should be the focus of the Region's marketing effort once it solidifies its position in the Ontario market.

Within the Ontario market, the Blue Sky Region's effectiveness at attracting visitors varies proportionately with distance from the market. For example, of the twelve travel regions in the province, the Region is more than twice as effective at attracting visitors from Northeastern Ontario and 50% more effective at attracting visitors from Central Ontario than the rest of the province, on average. These two Regions are adjacent to Blue Sky Region. The Region is least effective at attracting visitors from the furthest parts of the province – Essex, Eastern Ontario and Northwestern Ontario. The only discrepancy from this trend is that the Region is 22% more effective at attracting visitors from the Niagara Region.

Based on their market potential and proven attraction to Blue Sky Region, Central Ontario and the Niagara Region should be the focus of the Region's marketing efforts. Due to its smaller size and higher proportion of non-recreational travel, Northeastern Ontario should only be considered a secondary market for Blue Sky Region.

Visitor Spending

Visitor spending is spread across several sectors of the economy with the Retail sector receiving the majority of the revenue. Visitors spend \$196.9 million in the Region. The Retail sector receives 48% of these revenues. Accommodation providers and restaurant and bar operators receive 19% and 17% respectively. The entertainment and recreation sector receives 6% of all tourism spending.

These four sectors are the "front line" stakeholders – retailers, restaurant and bar operators, accommodation providers and recreation and entertainment businesses - receive 90% of all tourism revenues. **Clearly, these "front line" stakeholders all have a significant vested interest in the strength of the tourism sector and must be equal participants in developing Regional tourism marketing programs.**



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Economic Impact

As a result of tourism spending, the Region benefits from 2,232 additional jobs accounting for \$66 million in total labour income. The Region receives \$125 million in value-added and the three levels of government benefit from \$66 million in tax revenue as direct and indirect result of the tourism business.

More than 80% of the jobs created by the tourism industry are within the "front line" stakeholder sectors. The three largest beneficiaries of job creation are the accommodation sector, 651 jobs; the retail sector, 525 jobs; and the restaurant and bar sector, 466 jobs.

When measured by both direct and indirect value-added, the largest beneficiaries of the tourism industry are the accommodation sector, 17% of all value-added; retail trade, 13% and the financial services industry, 9%. **The financial benefits of the tourism industry are not concentrated among the "front line" stakeholders, but are spread across many sectors of the economy** – most notably the financial services sector (banking, finance, leasing, insurance, real estate). Other sectors that benefit include transportation and warehousing, manufacturing and the wholesale sectors.



The other sectors of the economy that receive substantial benefit from the tourism industry should be considered strategic partners in the development of the tourism industry and should be willing to invest in its development.

When examined from an economic impact point of view, recreational tourism is the most important form of tourism within the Region. Recreational tourism accounts for \$73 million of the \$125 million in value-added created by tourism. It generates 58% of all the jobs and about the same proportion of all tax revenue. In contrast, business tourism accounts for only 14% of all value-added.

Business Case for Investment in Tourism

Due to its low penetration of its existing markets – 2.6% of the Ontario overnight recreational travel market and 4.4% of travel to Central and Northern Ontario, we believe that the Blue Sky Region’s tourism has significant growth potential if it is supported by aggressive, focused and well-executed marketing programs. **If a marketing program could generate a 5% increase in overnight recreational person-visits to the Region – roughly 27,000 new person-visits or 10,800 new group-visits – this would result in \$4.8 million in additional tourism spending, 55 new jobs, \$3 million in value-added to the Region and \$1.6 million in additional taxes. We consider a net gain of 5% per year to be a realistic and conservative goal for a properly financed and structured marketing program.**

Blue Sky Region’s tourism stakeholders should judge their investment in marketing programs on the basis of the “5% per year goal.” However, the stakeholders must recognize that investments must be made in a multiyear commitment with the greatest benefits being received by stakeholders in the 2nd, 3rd and subsequent years of the program.

Tourism-Related Business Inventory

There are a total 1,284 businesses in the Region within the “front line” stakeholder sectors including:

- 252 accommodation operators,
- 604 retail locations,
- 331 restaurants and bars, and
- 97 recreation and entertainment businesses.

As described, these four sectors share almost 90% of all tourism revenues and 80% of all jobs created by the tourism industry. The organization that plans tourism strategy and markets the Region must be able to bring together and represent the majority of the businesses in all four “front line” sectors. To date, it appears that the accommodation sector has been the driver of Regional tourism marketing programs. With 77% of tourism spending occurring in retail locations, restaurants, bars and recreation and entertainment businesses, it is clear that the quality of visitor “experience” can be dramatically affected by the performance and availability of services from these sectors.

Occupancy Rates

The availability of accommodation does not appear to be a limiting factor in the bringing more overnight tourists to the Region. A sample of accommodation providers report that their occupancy rates vary by season. In general, all accommodation providers report highest occupancy in the summer and lowest occupancy in the winter.

Hotels and motels report an average occupancy rate of 68% in the summer and 40% during the other seasons of the year. Resorts, lodges and commercial cottages report an occupancy rate of 80% in the summer and an average of 40% in the other three seasons.

Preferred Visitor Activities

We compared the activities that visitors engaged in while on a trip that included Blue Sky Region with the activities of the average recreational visitor in Ontario. Based on this analysis and the top ten activity preferences of Blue Sky Region’s visitors, **it is clear that Blue Sky Region is perceived as an outdoor activity vacation destination. More specifically, Blue Sky Region is a water-based and trail-based outdoor activity destination.**

Visitors to Blue Sky Region show a strong preference for:

- Water-based outdoor activities - Fishing, boating including canoeing, kayaking & sailing, taking a boat cruise, swimming and other water-based sports activities.
- Trail-based outdoor activities – Cross-country skiing, bird/wildlife viewing, snowmobiling, walking/hiking and cycling.



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Blue Sky Region is clearly an outdoor activity recreational tourism destination. This is the brand of Blue Sky Region as perceived and established by current visitors to the Region. This is the brand that should be promoted in all future marketing efforts.

Demographics and Lifestyle

Using both Canadian Travel Survey data and a lifestyle segmentation model we were able to identify the demographics of the typical recreational visitor to the Region and the demographics and lifestyle profile of the “best potential” visitors to the Region.

The typical recreational visitor has the following profile:

- equally as likely to be male or female which is unusual for recreational tourists within Ontario who tend to have a 55/45 male skew,
- 46 years of age on average compared to 42 years of age for the average recreational visitor – the Region underperforms in the 16 to 24 market and is strongest in the 45 to 64 market.
- married, 2/3 of Blue Sky visitors are married or live common law compared to less than 50% for the average recreational visitor,
- slightly below average education level when compared to the average Ontario recreational visitor, typically high school, some post-secondary or college,
- lives in the GTA, Central Ontario or South Central Ontario,
- slightly below average income, and
- more likely to work in the resource industries, manufacturing, trade, financial services or other service sectors.



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The typical Blue Sky customer displays the following travel patterns:

- travels in an average group size of 2.5 persons versus the provincial average of 1.9 persons— only 25% of recreational visitors to Blue Sky Region travel as a single compared to 50% of recreational visitors in the rest of the province.
- while 70% of Blue Sky Region’s visitors travel as adult-only groups, 30% travel as groups of adults with children (this occurrence of adult-child “family” groups is more than twice as frequent as the average recreational visitor in other parts of Ontario.
- take trips of longer duration – an average of 3.6 days compared to 2.7 days for the average Ontario recreational visitor.
- 66% of recreational visitors travel between the months of May and September - Blue Sky Region is 50% more effective at attracting visitors in the shoulder months of May and September than the rest of the province, on average.
- stays in a private cottage, a commercial cottage or cabin or a campground or trailer park

Based on this information, **Blue Sky Region is best at attracting recreational visitors between 45 to 64 years old, who are married and travel in groups of 3 or more adults or family groups of 3 or more persons. Blue Sky Region is an extended stay destination rather than a 1 or 2-day destination. Current visitors tend to express a greater interest in Blue Sky Region as a summer travel destination. Based on the information about education and income, we will surmise that recreational visitors tend to “value-oriented.”**

We applied a lifestyle cluster model to a sample of Blue Sky’s overnight recreational visitors from Southern Ontario. Of the 62 lifestyle clusters in the model, 9 clusters accounted for almost 50% of all visitors to the Region. In contrast, these lifestyle clusters represent less than one quarter of the households in Southern Ontario. These nine clusters represent the “best potential” recreational visitor for the Blue Sky Region. We have identified, at the FSA level (Forward Sortation Area), the geographic locations of “best potential” customers for Blue Sky Region. **When we cross-reference this information with the demonstrated strength of Blue Sky Region to draw visitors from Central Ontario and Niagara Region, we can specifically identify 785,000 high potential households representing 2.2 million persons. The most unique feature of the “best potential” customers is that they reside in rural, town or “far”**

suburban environments.¹ Blue Sky Region’s “best potential” visitors do not live in urban or “near urban” environments.

Based on the lifestyle cluster profiles, we know that Blue Sky Region’s “best potential” recreational visitors share the following profile in addition to a distinctly non-urban residence:

- predominantly family or large family units,
- the clusters are not mobile – people in these clusters move much less frequently than typical Canadians,
- people in the clusters tend to have attained a high school or college education rather than university,
- the clusters (even the suburban clusters) tend to be situated away from city centres,
- people in the clusters tend to work in either blue collar or non-managerial white collar jobs,
- females in the clusters are more likely than average to be in the work force,
- people in these clusters own and live in single-detached houses,
- people in these clusters tend to be middle income earners, however, their lower cost of living (due to non urban residences) means that they have above average disposable income, and
- english is the predominant first-language.

In order to maximize the effectiveness of future recreational tourism marketing campaigns, the Blue Sky Region should focus entirely on the specific geographic markets and lifestyle clusters identified in this report.

¹ By “far” suburban environments, we mean suburban developments such as bedroom communities that are distant from rather than adjacent

Recommendations

1. **In order to create an increased and sustainable visitor demand for travel to the Blue Sky Region, the Region must invest in brand building – both from a marketing and infrastructure perspective.** The Region has an extremely low share of the Ontario travel market and the Central and Northern Ontario travel market - roughly 1% and 4% respectively. Even within the lifestyle clusters where the Region demonstrates its best success, it has a low market penetration; roughly 50,000 group-visits from 1.3 million “high potential” households or 154,000 person-visits out of an estimated population of 3.7 million persons. Even on the basis of one person/one visit, this represents – at best – only a 4% penetration of the target market. We can assume from this data that the Region’s mind share and share of wallet among its best potential markets is very low.
2. **The focus of the Blue Sky Region’s brand should be on a recreational vacation outdoor adventure activity destination – and more specifically, as a destination for water-based and trail-based activities.** Blue Sky Region succeeds at attracting visitors as an outdoor adventure activity travel destination. Specifically, it attracts people who are interested in water-based activities – fishing, boating, canoeing, boat cruises, swimming and other water sports; and trail-based activities – snowmobiling, hiking/walking, cycling, cross country skiing and bird and wildlife viewing. These outdoor activities represent the brand of the Blue Sky Region.
3. **Blue Sky Region should focus its tourism infrastructure investments on products and services that support the Region’s tourism brand – water-based and trail-based outdoor adventure activity destinations.** The research clearly identifies the preferred activity choices of visitors. The Region has the opportunity to leverage visitor expectations by focusing its infrastructure investments in “brand appropriate” areas. The corollary to this recommendation is that the Region should not invest in tourism infrastructure investments in products or services that are not consistent with the visitors’ brand image of the Region.
4. **The Blue Sky Region must view itself as being in competition for visitors with other parts of the Province and or other destinations that attract the same lifestyle clusters or offer similar outdoor adventure activities.** With a low penetration of its target markets, the Region must understand that the lifestyle clusters that it has the best opportunity to attract are choosing other destinations to satisfy their travel needs. Travel decisions are not “Blue Sky or nothing” – it is Blue Sky versus some other, perhaps better-known, destination. With less



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to urban centres.

than 4% market penetration even in its “best potential” markets, we assume the Region is not the dominant player in the market. In other words, it loses more travel decisions made by its target audience than it wins due to higher awareness or better audience perceptions of other travel destinations. If the Region wants to change its relative market share in any substantial way, it will have to invest in brand-building programs – both marketing and infrastructure.

5. **Blue Sky Region should target its marketing activities on the markets that it has a proven ability to attract more effectively than the rest of the Province.** Any marketing investment that falls outside these markets should be considered as being below optimum effectiveness. There may be a tendency of the Region’s tourism stakeholders to want to “cover all the bases” because of wanting to be fair to all areas and all types of operators. Some offerings within the Region will be “on target” from a brand and market perspective; some will not. The results of this study are extremely clear about the “highest potential” markets and brand position. In the context of the highly competitive Southern Ontario market (not to mention the U.S. border states), the Region’s marketing budget will be very limited and cannot be wasted on “being fair.” Spending must be tightly focused on brand-building activities within the highest potential market. Stakeholders whose offerings fall outside the direct investment should understand that a strong Regional brand will have long-term positive impact on their businesses by creating higher demand for travel to the Region, and by increasing perceived value lead by greater demand, lower vacancy rates and higher revenues for most operators.

6. **The organization that markets tourism in Blue Sky Region must be able to involve all of the “front line” stakeholders in both planning and a coherent infrastructure and marketing investment strategy.** While accommodation providers are clearly one of the front line providers that determine a visitor’s “brand appropriate” experience, the marketing of Blue Sky Region must garner participation from retailers, restaurant & bar operators and recreation & entertainment operators. Visitors spend almost half their money in the Region’s retail locations. If these businesses are not committed to the Region’s brand building campaign then the campaign will be less successful – or possibly totally ineffective. This study has identified 1,284 stakeholder businesses. The organization that markets tourism to the Blue Sky Region must be able to demonstrate that it has the support of the majority of these businesses.



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7. **The organization that markets Blue Sky tourism must be able to involve and obtain input and investment from strategic partners such as the financial services, transportation and manufacturing sectors.** While these sectors have little impact on the visitor's "experience" in Blue Sky Region, they do benefit significantly from the tourism industry. It is in their best interests to be involved and invest in the development of tourism.
8. **The organization that markets tourism in the Region should involve the owners of private cottages or vacation homes in the development of tourism programs.** One-half of recreational visitors to the Region stay at private cottages or vacation homes – either as renters or guests. Clearly, this group of property owners can be a significant determinate of a positive or negative brand experience for visitors to the Region. The reach of this group of property owners into potential visitor markets is extensive. However, to our knowledge, this group of tourism stakeholders is not included in the planning or execution of the Region's tourism strategy.
9. **The investment in a brand-building program must be multi-year with consistent levels of investment over the period of the program.** The program must not be contingent on, or driven by, the seasonal sales objectives of specific operator or stakeholder groups. It is the responsibility of the Region to market and strengthen the brand of the Region. It is the responsibility of individual operators or groups of operators to market their own businesses. Marketing of specific activities or types of travel that are outside of the scope of the Region's brand should not be the responsibility of the Region's marketing program, they should be the responsibility of the individual stakeholders or groups of operators. To achieve the greatest impact for their marketing investment, we recommend that individual operators or groups of operators develop their marketing programs within the context of overall Blue Sky Region brand.
10. **The Region should adopt a metric-driven approach to its marketing and infrastructure investments. This study is an example of the type of ongoing research and benchmarking that should drive Regional marketing activities.** The organization that markets the Region should make its selection of outside suppliers to assist with marketing programs based on their ability to support an analytic approach to marketing programs. In particular, attention must be paid to a rigorous analytic approach to media planning and buying in the competitive Southern Ontario media market. Investments should be measured against the achievement of specific goals – such as the "5% per year" goal mentioned in this report.
11. **The brand-building marketing program must not rely on cooperative programs and opportunities such as those provided by the Ontario Tourism Marketing Partnership.** Relying on these programs as the primary marketing vehicle is contrary to developing a Regional brand identity as they are aimed at promoting travel to

Ontario or travel to Northern Ontario, in general. The OTMP marketing opportunities are activity or season-based, in general. Participation in these OTMP programs communicates the message that Blue Sky Region is just one of many areas to go for this type of activity – rather than communicating that Blue Sky Region is THE place to go for these activities. While these programs may provide excellent opportunities for individual operators or groups of operators to promote themselves, they do not, in general, offer a medium or opportunity for the Region to distinguish itself from the competition. By relying on OTMP programs and services, Blue Sky Region will “lock in” its market share and clouded brand image. In addition, these cooperative programs will not be targeted at Blue Sky Region’s “best potential” markets.

- I2. **Once the Blue Sky Region brand is well established in the core market then the Region should investigate marketing activities that extend its reach into other geographic markets.** The next geographic markets that appear to offer the next best potential are other parts of Ontario and the overseas market.
- I3. **This study should be repeated twice more on every second calendar year.** As mentioned in this report, this study offers a snapshot based on 2003 data – a year that experienced SARS and a rising Canadian dollar. This study should be repeated for 2005 and 2007 in order to provide trend information as well as to measure performance against the marketing objectives. There are unanswered questions raised by this study. For example, is the low performance of the Region in attracting visitors during the month of June an issue or is it just a perturbation in the 2003 data.
- I4. **The organization responsible for marketing the Region should implement a coherent system of postal code collection from individual tourism operators and arrange for the analysis of this data from time to time as required to evaluate and target marketing programs.** This study demonstrates the power of lifestyle cluster information in driving marketing programs. A more rigorous collection methodology would enable analysis of visitor lifestyle clusters by segments such as season of travel, type of accommodation and sub-regions within Blue Sky Region. We believe that this type of information will dramatically enhance the effectiveness of the Region’s marketing efforts.



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