

THE RETURN ON INVESTMENT OF BRAND USA MARKETING

Fiscal Year 2020



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EXECUTIVE SUMMARY

Overview

Oxford Economics, in coordination with its Tourism Economics subsidiary company, conducted a detailed analysis of the return on investment of Brand USA's marketing in its 2020 fiscal year. Due to Covid-19, the benefits of marketing activities were limited to the first five months (October 2019-February 2020). Ad tracking surveys, a market share analysis, and Brand USA key performance indicators of market activity informed the analysis to quantify the incremental visits and spending generated by Brand USA. Results were further validated based on mobile device tracking of visitors who were exposed to Brand USA marketing.

Section 1: The vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy, and acts as a catalyst for economic development. Brand USA serves a valuable function by promoting the US collectively with the scale necessary to gain share of voice in an increasingly competitive global marketplace.

Section 2: Brand USA ROI

Brand USA marketing generated 215,840 visits to the US in FY2020, limited to the first five months (October 2019-February 2020). This was 0.6% of all visitors to the US in FY2020 (Oct 2019-Sept 2020).

Across all markets, each dollar of Brand USA marketing generated \$7.7 of visitor spending. Including all operating overhead, Brand USA achieved an ROI of \$6.4 per dollar invested and generated \$560 million in visitor spending.

Over the past eight years, Brand USA has averaged an ROI multiple (visitor spending per dollar of budget) of \$22.9.

FY2020 ROI is lower than historic returns for two reasons. The first is that the year only included five "normal" travel months. The second is that the pandemic essentially cancelled the peak summer travel season, so the benefits of Brand USA creative content development and marketing went largely unrealized.

Section 3: Brand USA economic impact

Brand USA generated \$560 million in incremental visitor spending to the US in FY2020. Including indirect and induced impacts, a total of \$1.2 billion in economic activity was generated by Brand USA. This economic activity generated by Brand USA sustained 7,514 jobs earning \$348 million in personal income. Brand USA generated incremental federal taxes in FY2020 of \$86.8, nearly matching its total funding (\$87.2 million, including private sector contributions).

Section 4: US international inbound market performance

The coronavirus pandemic, which halted most travel and tourism in the first half of 2020, significantly impacted economic conditions across the globe. US international inbound travel contracted 76% in 2020. Despite these effects, visitors still generated US exports of \$179 billion in 2020 and ran a trade surplus of \$10.6 billion (excluding education and medical visitor spending).

Within this challenging external environment, overseas air arrivals decreased an estimated 81% in 2020. Canadian visits to the US fell 77% while arrivals from Mexico also contracted, falling 62%. Although all regions decreased in 2020, the greatest drops in visits to the US came from Oceania (-86.6%), Western Europe (-84.8%), Asia (-82.3%), and Africa (-81.1%).

KEY FINDINGS

BRAND USA RETURNS BY MARKET

FY2020

Marketing investments generated an ROI of \$7.7 per dollar invested in FY2020.

Summary of Brand USA Marketing Returns on Investment

FY2020

Market	Investment	Incremental Visitors	Incremental Spend	ROI Multiple
Australia	\$ 1,784,423	8,330	\$ 46,918,395	26.3
Brazil	\$ 1,018,945	8,384	\$ 38,295,978	37.6
Canada	\$ 4,663,592	50,285	\$ 57,067,737	12.2
China	\$ 4,066,780	20,744	\$ 106,127,578	26.1
Germany	\$ 2,152,839	16,317	\$ 53,104,156	24.7
France	\$ 1,294,704	10,304	\$ 29,346,808	22.7
India	\$ 1,518,401	10,468	\$ 38,432,921	25.3
Japan	\$ 757,483	6,791	\$ 20,055,988	26.5
South Korea	\$ 515,203	4,471	\$ 9,986,162	19.4
Mexico	\$ 2,980,106	36,984	\$ 30,804,781	10.3
UK	\$ 11,498,277	32,311	\$ 93,060,948	8.1
Other / Global	\$ 40,305,599	10,450	\$ 37,189,463	0.9
Total marketing budget	\$ 72,556,351	215,840	\$ 560,390,915	7.7
Overhead	\$ 14,689,037			
Total operating	\$ 87,245,388			6.4

Source: Oxford Economics

BRAND USA RETURNS BY MARKET

FY2020

Brand USA promotional investments generated 215,840 visits to the US in FY2020, with 40% from the North American market.

Summary of Brand USA Marketing Returns on Investment

FY2020

Market	Investment	Incremental Visitors	Incremental Spend	ROI Multiple
N America	\$ 7,643,698	87,269	\$ 87,872,518	11.5
Europe	\$ 14,945,819	58,932	\$ 175,511,912	11.7
APAC	\$ 8,642,290	50,805	\$ 221,521,044	25.6
LATAM	\$ 1,018,945	8,384	\$ 38,295,978	37.6
Other / Global Infrastructure	\$ 40,305,599	10,450	\$ 37,189,463	0.9
Total marketing budget	\$ 72,556,351	215,840	\$ 560,390,915	7.7
Overhead	\$ 14,689,037			
Total operating	\$ 87,245,388			6.4

Source: Oxford Economics

These visitors spent \$560 billion in the US, including spending on transportation, hotel, restaurant, recreation, retail, and other services.

Including all overhead, Brand USA yielded a return of \$6.4 in visitor spending for every dollar invested.

ECONOMIC IMPACT SUMMARY

Key concepts

Including secondary impacts, Brand USA generated \$1.2 billion in US economic output in FY2020.

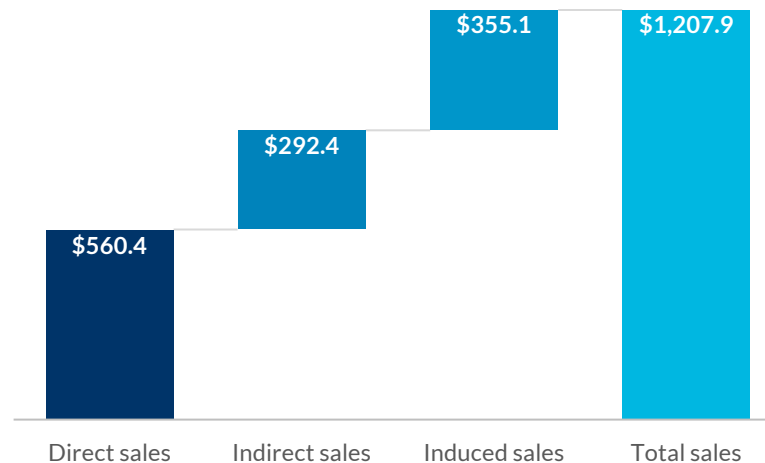
Economic activity generated by Brand USA sustained 7,514 jobs earning \$348 million in personal income.

Brand USA generated value added (GDP) in the US economy of \$619 million.

Brand USA Economic Impacts

Fiscal Year 2020	Direct	Indirect	Induced	Total
Total sales (\$ million)	\$ 560	\$ 292	\$ 355	\$ 1,208
Value added (\$ million)	\$ 264	\$ 157	\$ 199	\$ 619
Income (\$ million)	\$ 144	\$ 92	\$ 112	\$ 348
Jobs	3,903	1,458	2,153	7,514

Total Sales Impacts (\$ millions)



Source: Oxford Economics

CUMULATIVE IMPACTS

Total Brand USA ROI (FY 2013-2020)

Brand USA has attracted 7.7 million visitors to the US over eight years.

Fiscal year	2013	2014	2015	2016	2017	2018	2019	2020	Average	Total
Spending ROI	\$ 34.4	\$ 17.7	\$ 19.3	\$ 27.7	\$ 26.1	\$ 28.5	\$ 20.9	\$ 6.4	\$ 22.9	
Federal Tax ROI	\$ 5.2	\$ 2.7	\$ 2.9	\$ 4.2	\$ 3.9	\$ 4.3	\$ 3.2	\$ 1.0	\$ 3.5	
Brand USA budget (mn)	\$ 99	\$ 173	\$ 158	\$ 147	\$ 156	\$ 144	\$ 151	\$ 87	\$ 139	\$ 1,115
Spending impact (mn)	\$ 3,402	\$ 3,070	\$ 3,036	\$ 4,084	\$ 4,064	\$ 4,100	\$ 3,171	\$ 560	\$ 3,186	\$ 25,488
Federal tax impact (mn)	\$ 512	\$ 462	\$ 457	\$ 615	\$ 612	\$ 618	\$ 491	\$ 87	\$ 482	\$ 3,855
Visits impact	1,143,186	903,440	1,025,183	1,193,893	1,158,645	1,127,976	900,784	215,840	958,618	7,668,948

Across eight years, Brand USA has generated \$25.5 billion in incremental international visitor spending with an implicit ROI of \$22.9 in visitor spending per budget dollar invested.

THE VITAL ROLE OF DESTINATION PROMOTION

THE SIZE OF TRAVEL EXPORTS PRE-COVID

Ranking the importance of international travel

International visitor spending was the largest US export in 2019

Tourism generated US exports of \$179 billion in 2020 and ran a trade surplus of \$10.6 billion (excluding education and medical visitor spending).

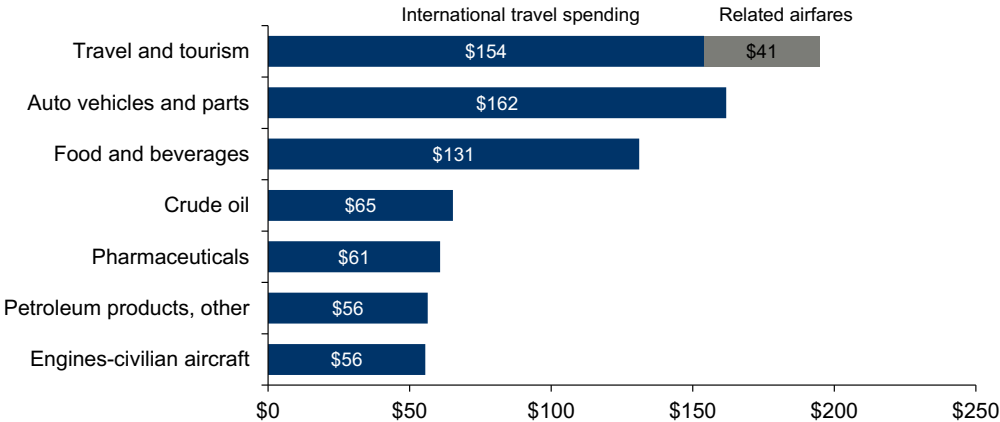
Tourism is far and away the country’s largest service export and consistently runs a trade surplus. That is, visitors to the US spend more in the US economy than US residents spend abroad on travel.

Tourism was also the largest export overall, including goods, when disaggregating transportation products as shown on the adjacent chart.

In 2020, travel service exports plummeted 76% (including travel spending and passenger fares) and registered just \$42.3 billion.

US international travel receipts and other exports, 2019

Amounts in billions of nominal dollars



Source: BEA; US Census Bureau

Dollars, billions

Note 1: Airfares represent spending of international travelers on US carriers
 Note 2: including international visitor spending in the education and health care categories brings travel-related exports to \$254 billion and the travel trade surplus to \$59 billion in 2019.

THE VITAL ROLE OF DESTINATION PROMOTION

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing three challenges.

Challenge #1: The visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather than to just an individual business.

The adjacent chart shows the relative concentration of small and medium size company employment within the arts, entertainment, & recreation and the accommodation & food services sectors. A massive 95% of all accommodation and food service employment is found within small and medium-size businesses. The share is 82% for the arts, entertainment, & recreation sector. This implies that very few, if any, of these organizations would have the resources needed for concerted investments in global marketing.

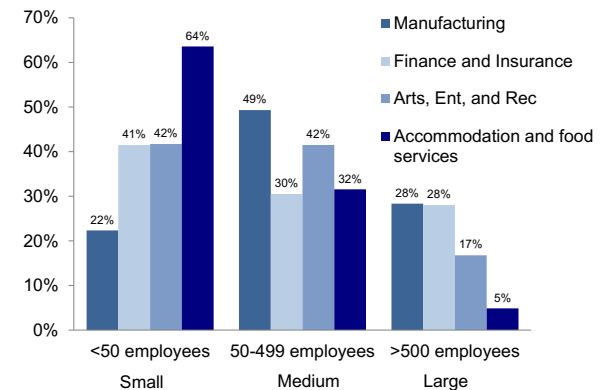
Only 5% of accommodation & food services employment and 18% of arts, entertainment, & recreation employment is within large establishments which would have the scale for international marketing. In contrast, large companies have a more significant footprint in manufacturing (representing 28% of industry employment) and finance & insurance (representing 28% of industry employment).

Solution: Brand USA provides the scope and strategic vision supporting a wide array of individual businesses.

The U.S. tourism industry faces a massive challenge given the scale that international marketing requires. Collaborative destination marketing effectively deals with this challenge by representing a fragmented tourism industry as a single product to a common customer.

Tourism-related businesses tend to be smaller

% of total employment by establishment size, January 2020



THE VITAL ROLE OF DESTINATION PROMOTION

The fundamental motivation driving a visit is not usually the offerings of a single business; instead, it is the destination.

Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor’s interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Simply put, the decision of an international tourist to visit the United States is not typically driven by a hotel, restaurant, a single attraction, or even a single destination within the United States—the average overseas tourist to the United States visits two destinations.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors. Through coordinated destination promotion, local businesses are able to represent the destination collectively, and in doing so drive demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

Solution: Brand USA articulates the brand message that is consistent with consumer motivations

Destination marketing is effective because it is consistent with the customer mindset. Marketing efforts that focus on only one segment of the tourism market, a specific hotel or attraction, will not address the core motivation for potential visitors. Destination marketing recognizes this fact. Collective marketing represents the United States as a set of diverse offerings to a single customer and, in doing so, is uniquely able to create demand for all segments of the tourism industry.

This relates to the significant importance of a destination’s brand. The most successful destinations are those that develop a strong and distinct brand identity, maintain awareness among key target markets, and provide a compelling call to action. This is only an achievable task if approached at the destination level since company-level efforts will inevitably fail to create consistent and representative brand awareness among global travelers.

THE VITAL ROLE OF DESTINATION PROMOTION

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of advertising, public relation efforts, or group sales, scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

Solution: Brand USA articulates the brand message that is consistent with consumer motivations

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, Brand USA:

- Conducts marketing that leverages a base level of awareness of the destination that has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Uses existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employs a staff with established relationships with local tourism-sector businesses and marketing service providers;
- Supports market research that helps individual businesses better target market opportunities, but which would likely not be economical for individual businesses to support independently; and
- Represents a broad and diverse industry at trade shows and builds awareness through travel trade “familiarization trips”.

BRAND USA ROI

BRAND USA KEY PERFORMANCE INDICATORS

Calculating returns across markets

An econometric model was developed to calculate the returns across all markets based on survey findings and other performance indicators.

Key performance indicators (KPIs) of Brand USA marketing provide inputs into a pooled cross-sectional econometric model.

The econometric model was designed to identify the average relationships between media impressions, online engagement, and market share with the ROI achieved in the market. The estimation was based on the existing results for the five markets where ad tracking surveys had been conducted. The results of the model could then be applied to these same indicators for all other markets to estimate their respective ROI.

Key performance indicators fell in FY2020 as indicators across all markets experienced negative growth from the previous year.

Brand USA key performance indicators (KPIs)

2019 KPIs	Media impressions	Social media engagements	Web page views	Market share change (FY2019)
Total	12,858,399,450	16,558,221	26,308,841	-4.2%
By market				
Australia	436,535,724	1,073,258	788,337	-1.0%
Brazil	1,343,417,999	2,952,784	2,595,788	1.7%
Canada	920,565,738	555,727	1,214,963	1.0%
China	1,802,433,092	205,442	3,342,196	3.9%
Germany	541,860,598	1,493,194	1,621,310	6.6%
France	450,871,142	1,768,530	1,386,013	-8.0%
India	3,131,153,314	4,840,357	6,327,736	0.5%
Japan	516,712,472	107,307	1,310,115	4.2%
South Korea	487,348,852	115,779	1,532,294	6.1%
Mexico	1,259,097,931	321,294	2,291,746	-1.4%
UK	1,158,251,251	1,502,766	1,481,200	2.7%
Other Markets	810,151,337	1,621,783	2,417,143	
% change since 2018	-22%	-31%	-37%	
2020 KPIs	Media impressions	Social media engagements	Web page views	Market share change (FY2020)
Total	5,995,516,171	6,921,723	8,135,174	37.8%
By market				
Australia	199,138,390	460,146	258,864	-0.8%
Brazil	271,574,668	672,163	1,065,908	-6.5%
Canada	724,016,390	180,965	400,457	1.7%
China	1,593,365,633	53,499	751,029	-4.3%
Germany	278,062,238	86,719	77,969	3.6%
France	128,237,042	181,505	688,671	2.8%
India	565,722,502	2,662,341	610,826	2.0%
Japan	70,606,752	208,826	841,203	-4.0%
South Korea	94,055,954	82,460	378,540	-0.2%
Mexico	622,330,486	165,739	724,702	-1.3%
UK	1,126,960,277	1,986,094	542,691	0.0%
Other Markets	321,445,839	181,266	1,794,314	
% change since 2019	-53%	-58%	-69%	

BRAND USA ROI

Key performance indicators

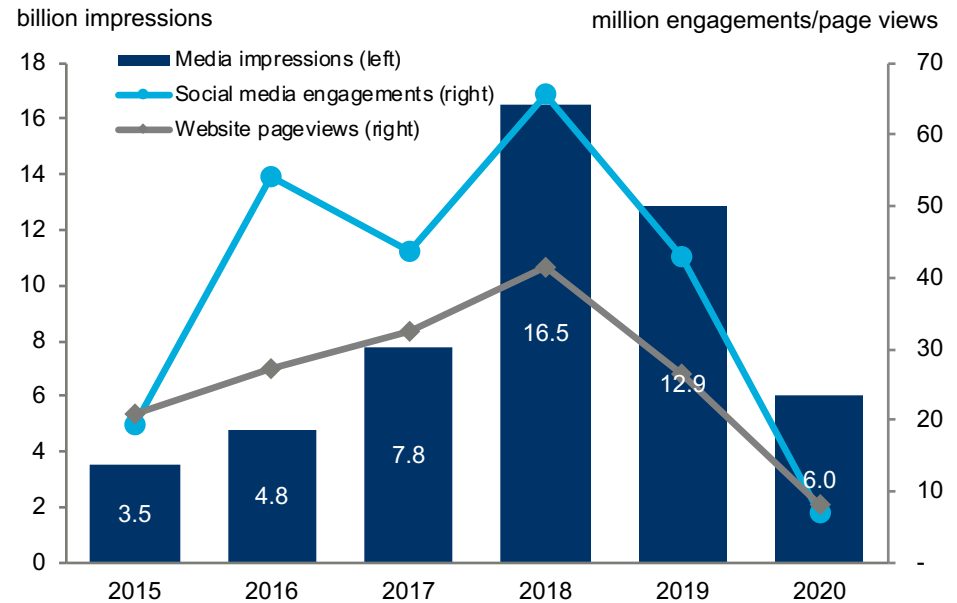
Brand USA key performance indicators (KPIs) decreased significantly in FY2020 as travel demand fell.

Brand USA campaign media impressions decreased 53% to 6.0 billion in FY2020 from 12.9 billion in FY2019.

Social media engagements dropped 84% in one year, tallying 6.9 million in FY2020.

Website page views fell 69%, registering 8.1 million page views in FY2020 from 26.3 million in FY2019.

Brand USA Key Performance Indicators



BRAND USA ROI

Advertising effectiveness surveys
as a basis for modeling

In-market surveys provide key metrics on the exposure and effect of Brand USA marketing activities.

Ipsos, a global market research firm, has conducted ad tracking surveys in key markets to determine the awareness of Brand USA advertising and its influence on traveler behavior.

The respondents must be a head of household and must have taken at least one overnight international leisure trip in the past 2 years. Sample sizes range from 1,000-1,500 in each market.

Oxford Economics calculated an “influence share” based on the results of these surveys. This is calculated as the share of respondents who:

- Had seen the ad AND were able to identify the USA as the destination (without the aid of branding)
- Altered their intention to visit the USA in the next 12 months

Advertising effectiveness metrics

Market surveys 2014-2016

	Seen ad	Identified USA	Intent to visit US in next 12 months			Influence share
			Recalled	Did not recall	Difference	
2014 Surveys						
Brazil	28%	40%	71%	62%	9%	1.0%
Australia	11%	40%	43%	28%	15%	0.7%
Germany	6%	20%	46%	17%	29%	0.3%
Japan	24%	30%	44%	29%	15%	1.1%
Korea	37%	30%	32%	22%	10%	1.1%
2015 Surveys						
Brazil	33%	33%	79%	67%	12%	2.0%
Mexico	33%	33%	79%	70%	9%	1.5%
Germany	33%	33%	27%	18%	9%	0.5%
2016 Surveys						
Mexico	21%	21%	96%	89%	7%	1.3%
China	21%	21%	61%	46%	15%	7.2%

For example, the 2015 Brazil survey indicates 33% of respondents had seen the ad, 50% of these could correctly identify the USA as the destination, and respondents who recalled the ad experienced a 12 percentage point increase in their intention to travel to the USA in the following 12 months. The “influence share” is calculated as $(33\% \times 50\% \times 12\% = 2.0\%)$.

BRAND USA ROI

Historic ROI projections for surveyed markets

Surveys indicate a strong response to campaigns in terms of incremental visits and associated spending.

Oxford Economics projected the results of the “influence share” analysis to the total long-haul market (outbound travel to destinations outside the market’s region) to calculate the incremental visits to the US generated by the campaigns. The incremental spending is then calculated as the product of average spending per visitor (per the Bureau of Economic Analysis) and incremental visits.

The ROI for each market is measured as the incremental spending generated by the campaigns divided by the investment in that market.

ROI projections (survey-based)

Market surveys 2014-2016

	Long-haul travelers	Marketing investment	Incremental visits	Incremental spending	ROI
2014 Subtotal	38,896,400	40,084,144	306,267	\$1,422,038,701	35
Brazil	7,141,750	10,460,412	71,989	\$415,042,874	40
Australia	7,262,450	7,379,119	47,932	\$262,214,627	36
Germany	10,852,200	10,765,373	37,766	\$131,745,744	12
Japan	9,410,900	7,962,828	101,638	\$452,948,109	57
Korea	4,229,100	3,516,412	46,943	\$160,087,345	46
2015 Subtotal	38,545,960	20,484,207	495,071	\$1,282,829,139	63
Brazil	7,655,160	7,520,197	151,572	\$854,873,548	114
Mexico	19,612,000	5,170,729	285,943	\$237,516,920	46
Germany	11,278,800	7,793,281	57,556	\$190,438,671	24
2016 Subtotal	34,516,400	20,980,389	1,211,126	\$5,685,973,722	271
Mexico	21,830,400	7,148,052	292,025	\$230,083,013	32
China	12,686,000	13,832,337	919,101	\$5,455,890,709	394

Results for the two markets (Mexico and China) where surveys were conducted in 2016 indicate a very strong response to the campaign. Given the above average impacts indicated by the survey respondents, the ROI impact model (described later) is used as a more conservative basis for estimating returns.

BRAND USA ROI

Model overview and equation

The model accurately predicts the incremental visits generated by Brand USA marketing based on media impressions, online engagement, and market share changes for each travel market.

The estimated model equation is

$$\text{LN}(\text{IVIS}(i)/\text{LH}(i)) = K + b1*\text{LN}(\text{MED}(i)/\text{LH}(i)) + b2*\text{LN}(\text{ONL}(i)/\text{LH}(i)) + b3*\text{MSH}(i)$$

Where:

IVIS(i) = Incremental visits from market i

LH(i) = Long-haul travel from market i

MED(i) = Media impressions in market i

ONL(i) = Online engagement in market i

MSH(i) = Log difference in US share of travel from market i

Where survey-based ROI calculations are available, a pooled cross-sectional model estimates coefficients for each right-hand side variable.

Dependent (left-hand side) variable is:

- Incremental visits / long-haul travel demand

Explanatory (right-hand side) variables are:

- Media impressions / long-haul travel demand
- Online engagement* / long-haul travel demand
- Market share % change in the fiscal year

* Online engagement is the sum of social media engagements and VisitTheUSA/GoUSA page views.

BRAND USA ROI

Model fit over time

Across all research studies, the econometric approach produces ROI measurements that are generally consistent with survey-based analysis.

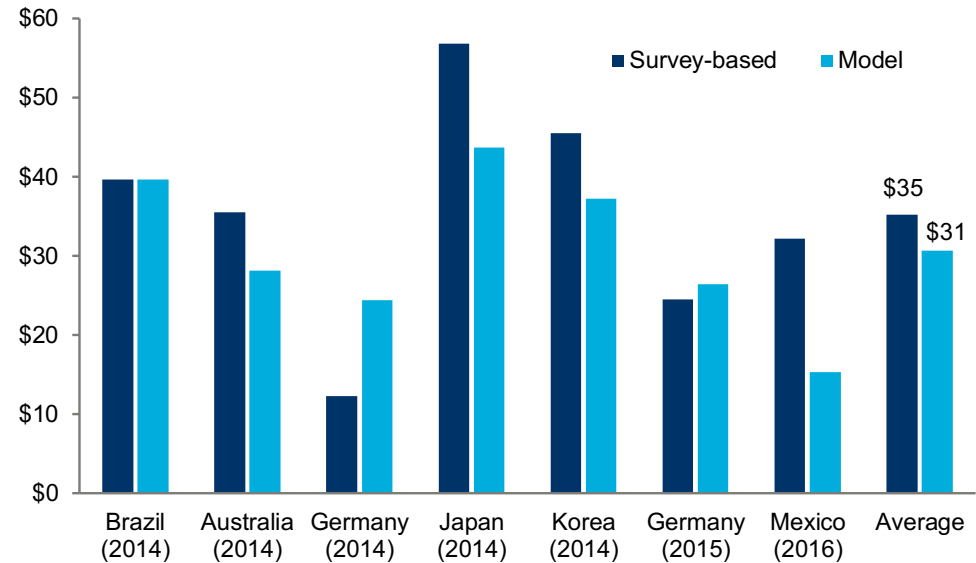
A cross-sectional analysis across 8 campaigns and survey waves shows the econometric model to yield an average ROI of \$31 per dollar of marketing spend.

This is somewhat lower than what survey respondents indicated—an average of \$35—over three years of research.

These averages remove three outlier surveys for Brazil, Mexico, and China, which produced very large ROIs and are noted in the following sections.

Comparing Estimates of Brand USA ROI

Visitor spending per \$ marketing investment



BRAND USA ROI

Model fit (2014)

Across all five markets, the model predicts the ROI multiple for 2014 with 97% accuracy.

Accuracy by market varies from a very close fit for Brazil, moderate underestimation for Australia, Korea, and Japan, and overestimation for Germany.

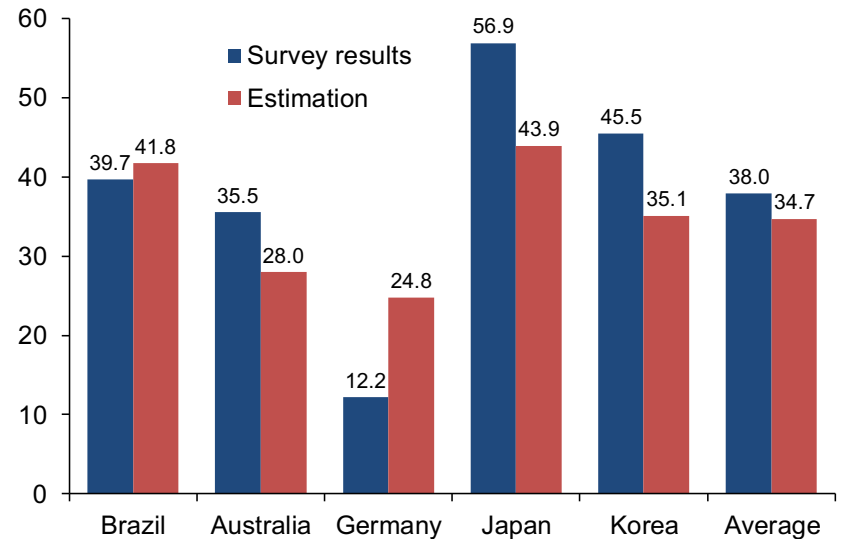
The variations reflect as much on the margin of error surrounding ad tracking survey results as they do on actual campaign effectiveness across markets, and model accuracy.

Nevertheless, the model accurately identifies the market where the greatest ROI was achieved (Japan) as well as the weakest (Germany).

The close fit of the model results with the calculation for all five markets provides confidence in extending the model results to other markets.

Estimated ROI by source market

ROI multiple



Model fit (2014)	Visits	Spend	ROI
Model	304,726	\$1,383,483,943	34.46
Survey	306,267	\$1,422,038,701	35.48
% diff	-0.5%	-2.7%	-2.9%

BRAND USA ROI

Model fit (2015)

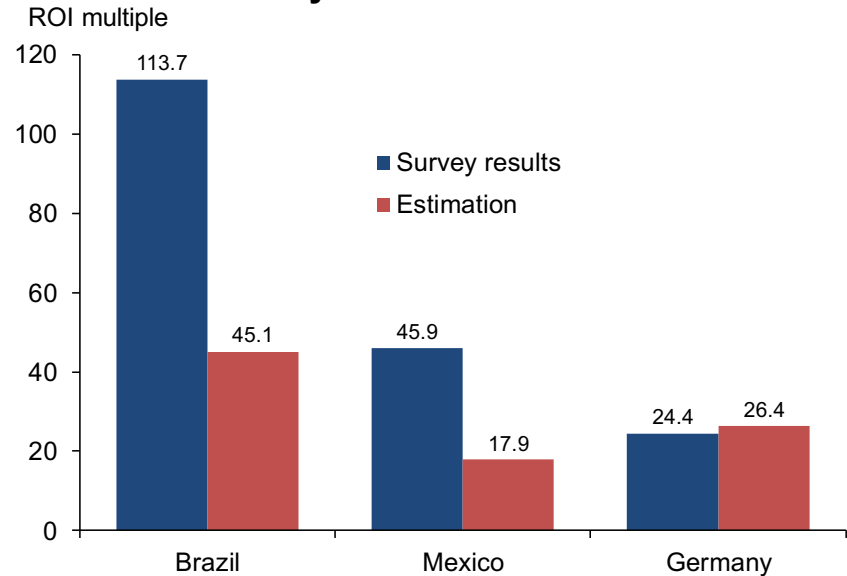
An additional three surveys were conducted in 2015 with wide-ranging results.

The survey indicated very strong results for Brazil with a 2.0% lift in travel intentions among respondents who had seen the ad and correctly identified the US. Given that the implied 113.7 ROI is an outlier across the research components, the KPI-informed model result of 45.1 was used for Brazil.

The survey-based ROI for Mexico, while higher than the econometric model results, was still within reasonable range of other findings and reflects the strength of Mexican travel to the US despite the strong dollar.

Survey and model results for Germany were nearly identical and the more conservative survey findings were incorporated into the overall Brand USA ROI analysis.

Estimated ROI by source market



Model fit (2015)	Visits	Spend	ROI
Brazil (survey)	151,572	\$854,873,548	113.7
Brazil (model)	60,139	\$339,184,871	45.1
Mexico (survey)	285,943	\$237,516,920	45.9
Mexico (model)	111,263	\$92,420,069	17.9
Germany (survey)	57,556	\$190,438,671	24.4
Germany (model)	62,268	\$206,029,324	26.4

BRAND USA ROI

Model fit (2016)

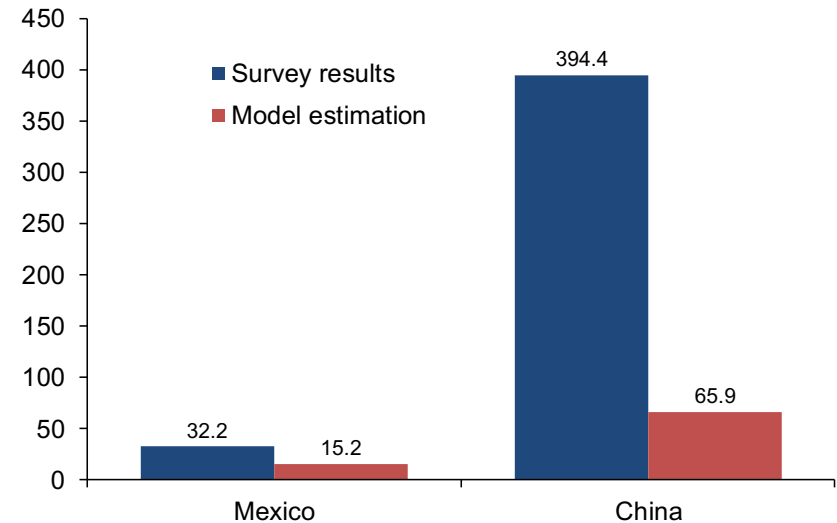
Two additional surveys were analyzed for 2016 with both showing strong results.

The survey indicated very strong results in 2016 with a “lift” in travel intentions of 1.3% for Mexico and 7.2% for China. This implies that, for China, intentions to travel to the US were 7.2 percentage points higher among those who had seen Brand USA ads and correctly identified the destination.

Given that both surveys produced results that are stronger than the KPI-informed model, the more conservative model results were used.

Estimated ROI by source market

ROI multiple



Model fit (2016)	Visits	Spend	ROI
Mexico (survey)	292,025	\$230,083,013	32.2
Mexico (model)	138,352	\$109,005,991	15.2
China (survey)	919,101	\$5,455,890,709	394.4
China (model)	153,505	\$911,222,639	65.9

ALTERNATIVE MODELING

Validation of 2018 model using mobile device tracking

Data from Arrivalist, a location services company tracking mobile devices, was analyzed to confirm FY2018 modeling.

Overview of Arrivalist research

Arrivalist compiled mobile device data to observe a control group that are exposed to non-Brand USA ads and compare the efficiency of users who are arriving from the control group to an exposed user base & compute the incremental lift in advertising. In order to maintain the targeting/optimization techniques employed during the course of a program, Arrivalist set up two sets of control groups.

The first control group was based on the requirement to provide lift by display advertising publishers separately for all the 10 markets. In order to do this, Arrivalist purchased 5% of overall impressions that Brand USA served and asked the partners to deliver public service announcement (PSA) ads (which were served by Arrivalist) to a similar group of users that "matched" the exact targeting that Brand USA laid out throughout the program. The partners were requested to "optimize" the control group buy with the same changes that were made to the original buy throughout the lifetime of the program.

A second control group was set up in order to measure a combined lift from "rest of partners" across 10 markets. In order to do this, Arrivalist leveraged their programmatic platform to deliver PSA ads to a group of users that closely matched to the targeting parameters laid out, while excluding users who have already been exposed to the Brand USA ads.

The "Rest of Partners" lift for each country includes a combined performance from native advertising publishers, where applicable.

Key outputs

- Given that Arrivals per 1,000 Impressions (APM) are often skewed by frequency employed, Arrivalist employed a different metric for comparing arrival efficiency.
- In order to have an apples-to-apples comparison, Arrivals per 1,000 Unique Users was considered a primary efficiency metric for comparison between control group and exposed group.
- A unique user is a unique device targeted with an advertisement.

$$\text{Arrivals per 1,000 Unique Users (APMU)} = \frac{(\text{No. of Verified Arrivals})}{(\text{No. of Unique Users Targeted})} \times 1,000$$

ALTERNATIVE MODELING

Validation of 2018 model using mobile device tracking

Comparisons of Target Arrivals (exposed to Brand USA advertising) and Control Arrivals (unexposed) show the Target rate of arrivals to be higher across all markets.

Additional Modeling

Tourism Economics scaled results to the size of the visitor market in each country and then projected the results based on unique impressions by market.

This analysis produced estimates of “incremental devices” that visited the US as a result of Brand USA paid marketing. This estimate of device counts was then scaled to visitor counts based on average leisure travel party size.

Markets not covered in the Arrivalist research were then estimated based on the average lift across markets tracked on a per unique Brand USA impressions basis.

Visits-per-impression from this analysis, which focuses on paid media, were then applied to social media impressions to estimate the impacts of these additional channels. Finally, Arrivalist measures of Brand USA website lift were added to the paid and social media results.

Arrivalist tracking of mobile devices

	Target arrivals	Control arrivals	Target arrivals rate	Control arrivals rate	Lift
Total	195,206	132,205	0.190	0.128	48%
Australia	8,564	7,226	0.273	0.230	19%
Brazil	12,819	8,114	0.070	0.044	58%
Canada	31,455	20,124	1.035	0.662	56%
France	11,185	7,248	0.118	0.077	54%
Germany	5,252	3,643	0.120	0.083	44%
India	43,279	30,601	0.138	0.097	41%
Japan	14,200	6,471	0.174	0.079	119%
Mexico	47,666	31,018	0.296	0.192	54%
South Korea	10,469	8,941	0.196	0.167	17%
United Kingdom	10,317	9,426	0.298	0.273	9%

The “lift” measures the rate of arrivals difference between those who had seen a Brand USA advertisement and those who were exposed to the public service announcement advertisement.

This measure of effectiveness ranges from 9% for the United Kingdom to 119% for Japan.

Actual levels for target arrivals and control arrivals are not indicative as these are primarily functions of sample sizes.

ALTERNATIVE MODELING

Mobile device analysis of incremental visits

Tourism Economics analysis of Arrivalist data indicates that 987,654 incremental visits to the US were influenced by Brand USA marketing in FY2018.

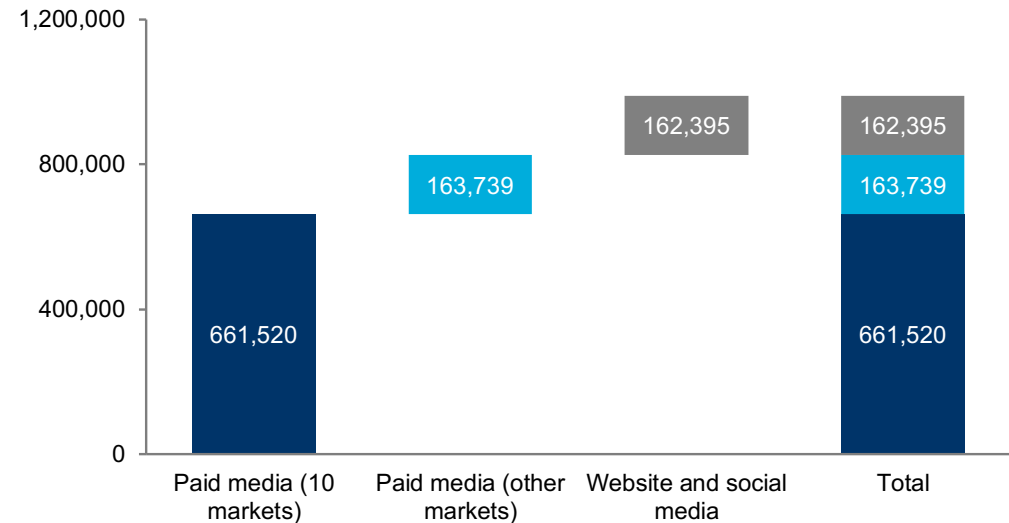
These results further confirm the survey- and KPI-based econometric model with findings within a similar range.

The mobile device model yields and ROI of \$27.80 per marketing dollar. This compares to \$29.75 from the econometric model (excluding film impacts) in FY2018.

The econometric model indicates 1,057,911 incremental visits influenced by Brand USA marketing (excluding residual film impacts), which is 7.1% higher than the mobile device-based model.

Given the need for estimating markets and channels not tracked by Arrivalist, the econometric model was used to confirm FY2018 ROI.

Brand USA Marketing-Influenced Visits
Incremental visits to the US



Arrivalist-based ROI Estimates

Paid media - 10 Arrivalist markets	661,520
Paid media - other markets	163,739
Social Media	150,179
Website	12,216
Total	987,654
Econometric model results	1,057,911
Difference	7.1%

BRAND USA RETURNS BY MARKET

FY2020

Marketing investments generated an ROI of \$7.7 per dollar invested in FY2020. These results factor in the econometric model across all media activities.

Summary of Brand USA Marketing Returns on Investment

FY2020

Market	Investment	Incremental Visitors	Incremental Spend	ROI Multiple
Australia	\$ 1,784,423	8,330	\$ 46,918,395	26.3
Brazil	\$ 1,018,945	8,384	\$ 38,295,978	37.6
Canada	\$ 4,663,592	50,285	\$ 57,067,737	12.2
China	\$ 4,066,780	20,744	\$ 106,127,578	26.1
Germany	\$ 2,152,839	16,317	\$ 53,104,156	24.7
France	\$ 1,294,704	10,304	\$ 29,346,808	22.7
India	\$ 1,518,401	10,468	\$ 38,432,921	25.3
Japan	\$ 757,483	6,791	\$ 20,055,988	26.5
South Korea	\$ 515,203	4,471	\$ 9,986,162	19.4
Mexico	\$ 2,980,106	36,984	\$ 30,804,781	10.3
UK	\$ 11,498,277	32,311	\$ 93,060,948	8.1
Other / Global	\$ 40,305,599	10,450	\$ 37,189,463	0.9
Total marketing budget	\$ 72,556,351	215,840	\$ 560,390,915	7.7
Overhead	\$ 14,689,037			
Total operating	\$ 87,245,388			6.4

Source: Oxford Economics

BRAND USA RETURNS BY MARKET

FY2020

Brand USA promotional investments generated 215,840 visits to the US in FY2020 with especially strong returns in Asia Pacific and Latin American emerging markets.

Summary of Brand USA Marketing Returns on Investment

FY2020

Market	Investment	Incremental Visitors	Incremental Spend	ROI Multiple
N America	\$ 7,643,698	87,269	\$ 87,872,518	11.5
Europe	\$ 14,945,819	58,932	\$ 175,511,912	11.7
APAC	\$ 8,642,290	50,805	\$ 221,521,044	25.6
LATAM	\$ 1,018,945	8,384	\$ 38,295,978	37.6
Other / Global Infrastructure	\$ 40,305,599	10,450	\$ 37,189,463	0.9
Total marketing budget	\$ 72,556,351	215,840	\$ 560,390,915	7.7
Overhead	\$ 14,689,037			
Total operating	\$ 87,245,388			6.4

Source: Oxford Economics

These visitors spent \$560 million in the US, including spending on transportation, hotel, restaurant, recreation, retail, and other services.

Including all overhead, Brand USA yielded a return of \$6.4 in visitor spending for every dollar invested.

FY2020 ECONOMIC IMPACTS



ECONOMIC IMPACTS

How visitor spending generates employment and income

To determine the total economic impact of Brand USA activities, visitor spending is analyzed using an IMPLAN model of the US economy based on Bureau of Economic Analysis input-output tables. This process calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales (economic output), GDP, jobs, personal income, and taxes are calculated for all three levels of impact.

1. **Direct Impacts:** Visitors create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. **Indirect Impacts:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. **Induced Impacts:** Lastly, the induced impact is generated when employees whose wages are generated wither directly or indirectly by visitors, spend those wages in the local economy.

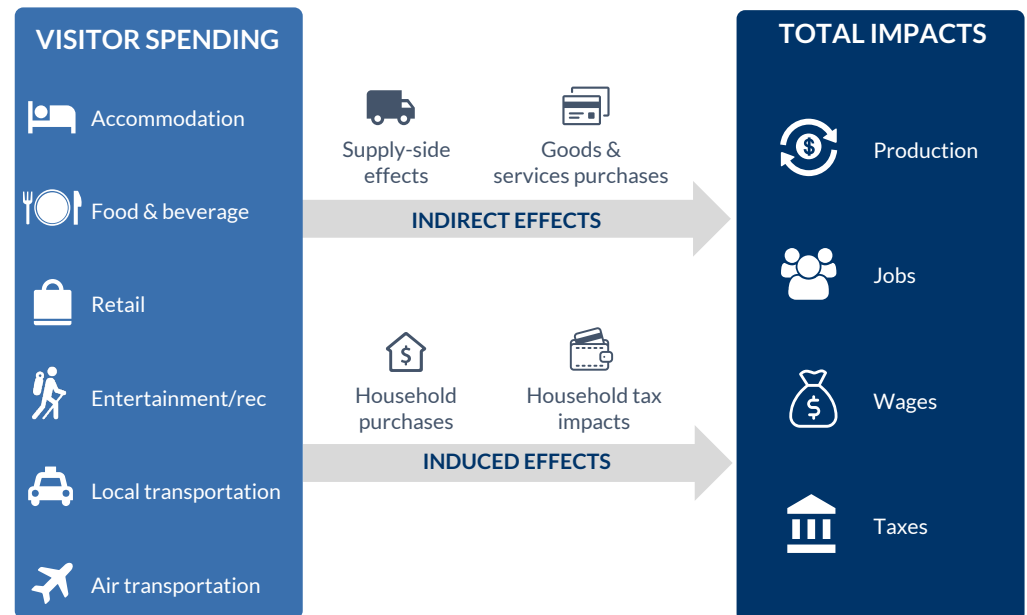
ECONOMIC IMPACTS

How visitor spending generates employment and income

Illustration of economic impact flows

The modelling process calculates three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Business Sales (economic output)
- Gross Domestic Product
- Personal Income
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



ECONOMIC IMPACT SUMMARY

Key concepts

Including secondary impacts, Brand USA generated \$1.2 billion in US economic output in FY2020.

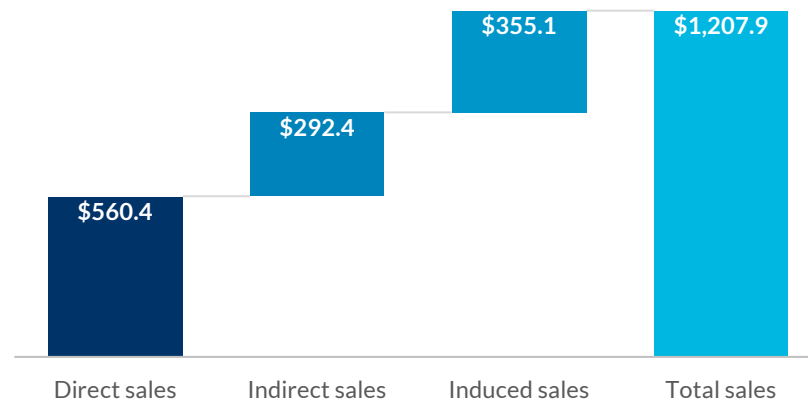
Economic activity generated by Brand USA sustained 7,514 jobs earning \$348 million in personal income.

Brand USA generated value added (GDP) in the US economy of \$619 million.

Brand USA Economic Impacts

Fiscal Year 2020	Direct	Indirect	Induced	Total
Total sales (\$ million)	\$ 560	\$ 292	\$ 355	\$ 1,208
Value added (\$ million)	\$ 264	\$ 157	\$ 199	\$ 619
Income (\$ million)	\$ 144	\$ 92	\$ 112	\$ 348
Jobs	3,903	1,458	2,153	7,514

Total Sales Impacts (\$ millions)



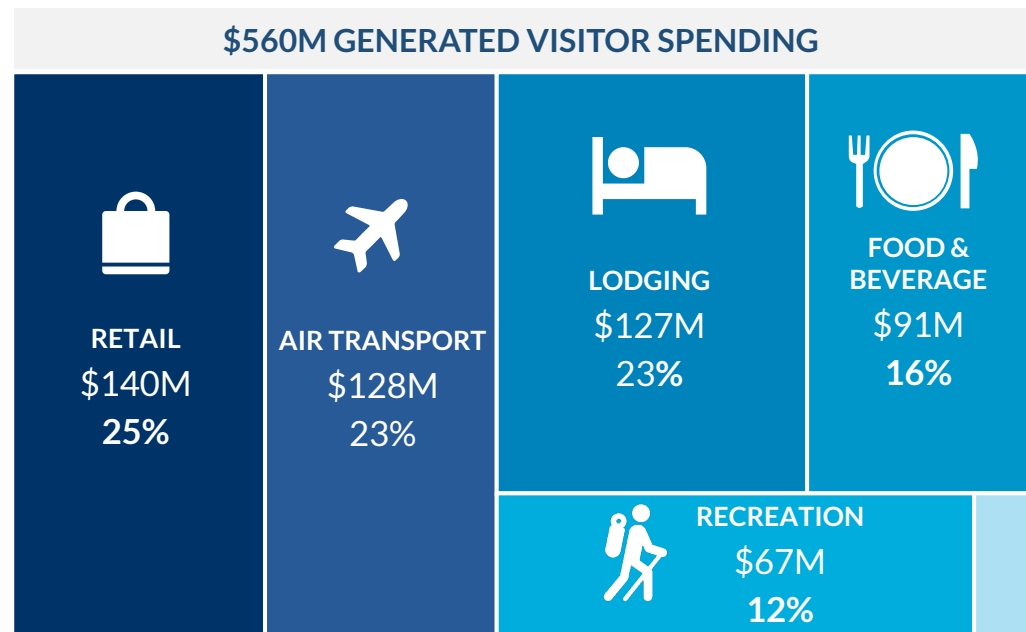
Source: Oxford Economics

ECONOMIC IMPACT SUMMARY

Key concepts

Brand USA generated \$560 million in US visitor spending in FY2020.

Of the \$560 million generated visitor spending in FY2020, \$140 million was spent in retail, \$128 million in air transport, \$127 million in lodging, \$91 million in food & beverage, \$67 million in recreation, and \$8 million in ground transport.



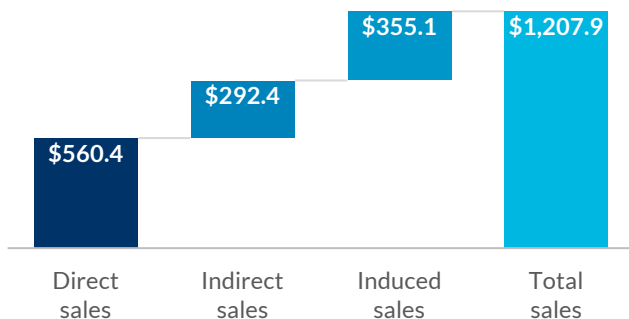
Source: Oxford Economics

ECONOMIC IMPACTS

Business sales impacts by industry

Including indirect and induced impacts, Brand USA generated \$1.2 billion in economic impact in FY2020.

Summary economic impacts (\$ millions)



Business sales impacts by industry

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$560	\$292	\$355	\$1,208
By industry				
Retail trade	\$140	\$3	\$20	\$163
Finance, insurance and real estate	\$1	\$57	\$91	\$149
Air transport	\$128	\$1	\$2	\$132
Lodging	\$127	\$1	\$3	\$131
Manufacturing		\$60	\$55	\$115
Food & beverage	\$91	\$5	\$18	\$114
Business services	\$2	\$58	\$32	\$92
Recreation and entertainment	\$65	\$4	\$6	\$75
Education and health care		\$0	\$43	\$44
Other transport	\$5	\$26	\$9	\$40
Communications		\$20	\$20	\$40
Construction and utilities		\$17	\$12	\$30
Wholesale trade		\$12	\$15	\$27
Agriculture, fishing, mining		\$14	\$8	\$21
Personal services		\$5	\$12	\$17
Government		\$8	\$6	\$14
Gasoline stations	\$2	\$0	\$1	\$3

Source: Oxford Economics

ECONOMIC IMPACTS

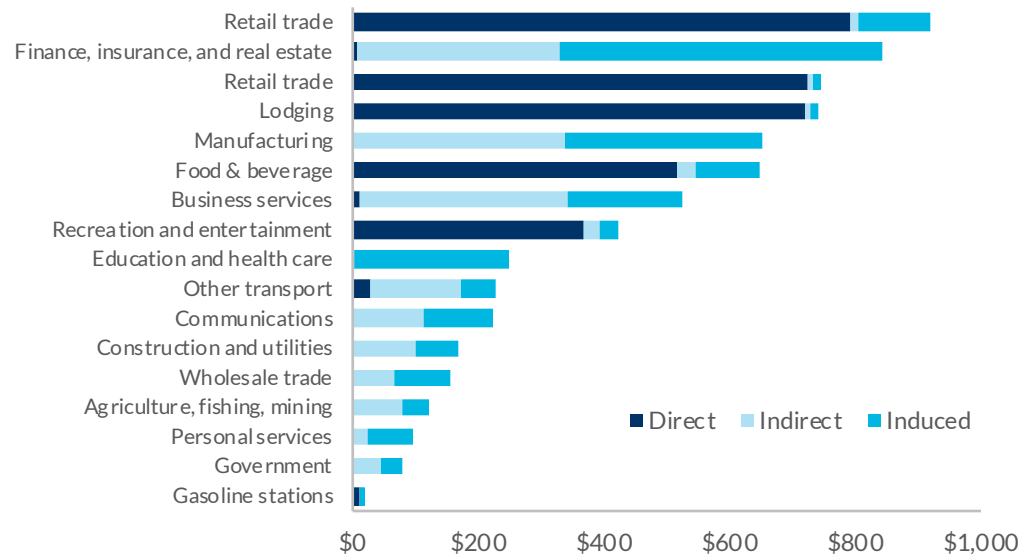
Business sales impacts by industry

A total impact of \$1.2 billion in business sales spans all sectors of the US economy, as reflected in the chart to the right.

The finance, insurance, and real estate sector (FIRE) is a beneficiary of international visitor spending as a supplier to tourism industries and as a provider of services to employees who earn income through visitor spending with an economic impact of almost \$149 million.

Similarly, the manufacturing sector realized a benefit of \$115 million in economic output as a result of Brand USA marketing.

Business sales impacts by industry



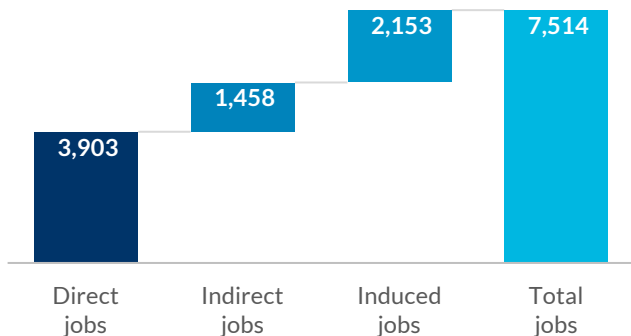
Source: Oxford Economics

ECONOMIC IMPACTS

Employment impacts by industry

The entire US economy benefits from Brand USA activities, either directly or through indirect or induced impacts.

Summary employment impacts (number of jobs)



Employment impacts by industry

Amounts in number of jobs	Direct jobs	Indirect jobs	Induced jobs	Total jobs
Total, all industries	3,903	1,458	2,153	7,514
By industry				
Food & beverage	1,165	106	277	1,548
Lodging	1,079	8	26	1,113
Retail trade	753	32	224	1,009
Business services	10	452	272	733
Recreation and entertainment	560	61	65	686
Finance, insurance and real estate	3	233	252	487
Education and health care		6	443	449
Air transport	298	3	6	307
Other transport	31	167	67	265
Personal services		43	199	242
Manufacturing		101	103	204
Agriculture, fishing, mining		68	50	118
Wholesale trade		49	62	111
Communications		44	36	80
Construction and utilities		42	32	74
Government		41	25	67
Gasoline stations	4	3	15	22

Source: Oxford Economics

ECONOMIC IMPACTS

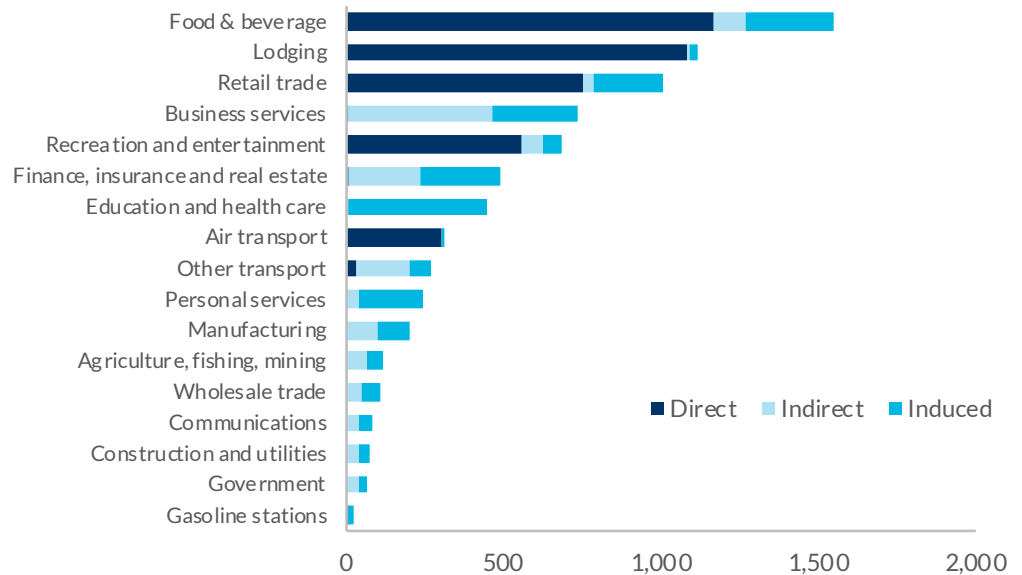
Employment impacts by industry

Direct employment impacts in industries directly serving international visitors tally 3,903. Including secondary impacts, Brand USA marketing in FY2020 sustained 7,514 jobs.

It is important to note that jobs impacts in economic impact modeling represent the number of jobs sustained by a given level of economic output. Therefore, the 7,514 jobs are a combination of new jobs and existing jobs which were sustained by the Brand USA-generated international visitor spending. This is because, unlike taxes or GDP, employment does not respond to increases in business activity on a linear basis.

In addition to travel-related sectors, significant employment impacts accrue in the business services and FIRE (finance, insurance, and real estate) sectors as dollars flow through the US economy.

Employment impacts by industry



Source: Oxford Economics

ECONOMIC IMPACTS

Fiscal (tax) impacts

Incremental visitor spending generated by Brand USA activities yielded \$161.4 million in government revenues. Brand USA generated incremental federal taxes in FY2020 of \$86.8, nearly matching its total funding (\$87.2 million, including private sector contributions).

Including \$74.6 million in state and local taxes, Brand USA-generated taxes tallied \$161.4 million, nearly triple its total operating budget.

Brand USA Tax Impacts

Amounts in millions of nominal dollars	Direct	Indirect/ Induced	Total
Total	\$81.4	\$80.0	\$161.4
Federal	\$37.5	\$49.3	\$86.8
Personal income	\$11.7	\$16.6	\$28.3
Corporate	\$5.0	\$8.3	\$13.2
Indirect business	\$4.8	\$2.9	\$7.7
Social insurance	\$16.1	\$21.5	\$37.6
State and local	\$43.8	\$30.8	\$74.6
Sales	\$18.9	\$11.5	\$30.3
Bed tax	\$0.0	\$0.0	\$0.0
Personal income	\$2.9	\$4.1	\$7.0
Corporate	\$0.8	\$1.3	\$2.1
Social insurance	\$0.3	\$0.4	\$0.6
Excise and fees	\$4.1	\$3.2	\$7.3
Property	\$16.9	\$10.3	\$27.2

Source: Oxford Economics

MARKET PERFORMANCE

MARKET PERFORMANCE

US inbound travel

Overseas markets plummeted in 2020, leading international visits to the US to fall 76% to 19.4 million.

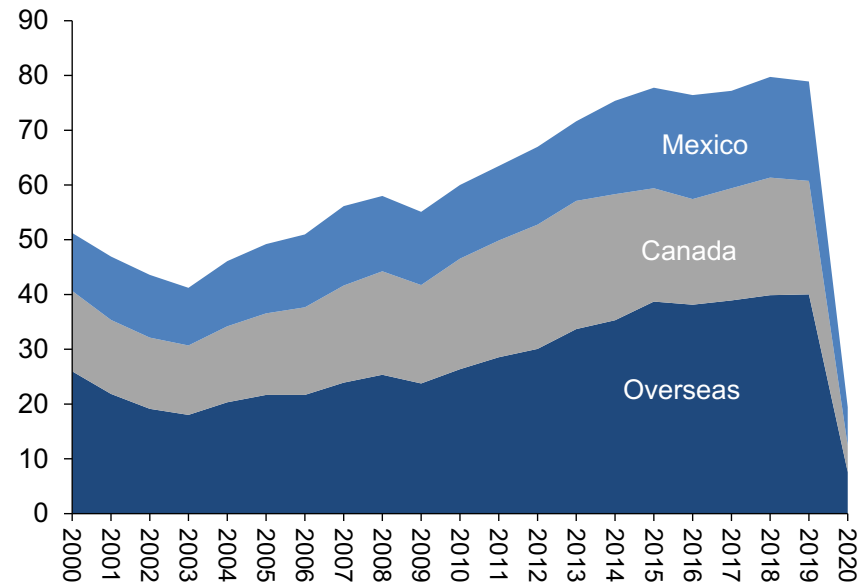
European markets experienced significant losses in 2020, lead by declines in Germany (-86.3%), the United Kingdom (-84.0%), and France (-83.7%).

Visits from neighboring countries such as Canada and Mexico fell 77% and 61%, respectively.

Declines in inbound travel from the Asia Pacific market appear least affected in 2020 among the countries of India (-36.0%), Japan (-53.3%), South Korea (-53.6%), and China (-56.2%). Australia holds exception to this as inbound Australian visitors were down 83.8% in 2020.

US Inbound Travel

million visitors by origin



Source: NTTO

MARKET PERFORMANCE

Global economic growth

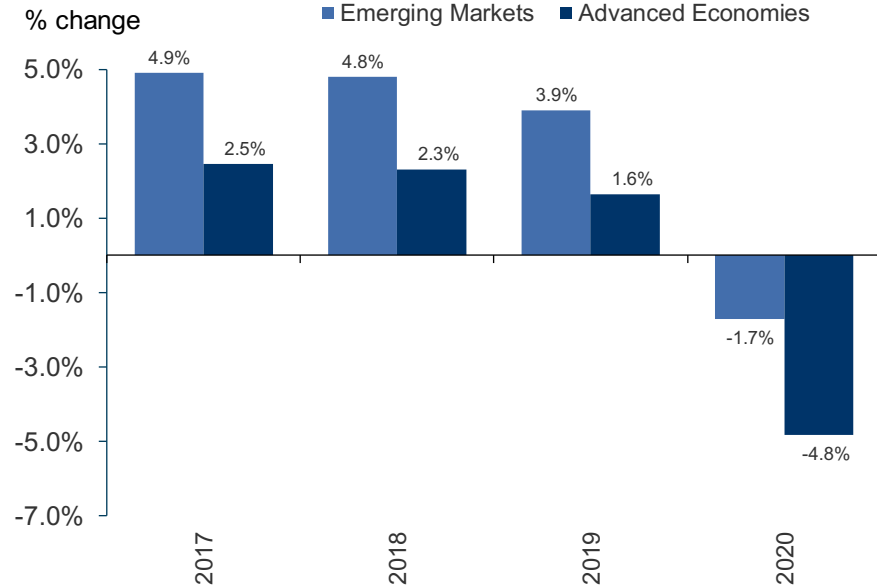
The global economy lost momentum in 2020 with a sharp initial decline in both emerging and developed markets, leading to a GDP contraction for the year.

Anti-coronavirus measures in most countries saw major declines in GDP in Q2, with recovery initially bolstered by the easing of travel lockdowns. Several countries saw the reintroduction of travel restrictions, contributing to a slower recovery.

Emerging markets, led by China and India, were down 1.7% from the previous year. China was the only major country to report GDP growth from in 2020, softening the negative GDP growth across emerging markets.

Among developed economies, UK GDP declined the most at -10.0% in 2020. This was followed by Mexico (-8.7%), France (-8.3%), Canada (-5.4%), Germany (-5.3%), and Japan (-5.0%). US GDP fell 3.5% in 2020, slightly better than the global average of -3.7%.

World GDP



MARKET PERFORMANCE

Global economic growth

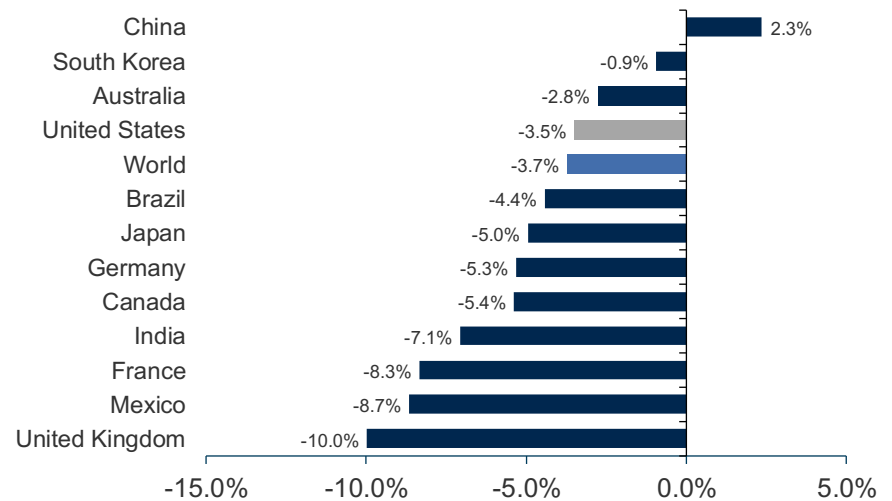
Nearly all key US visitor markets experienced negative economic growth across the board in 2020.

UK GDP declined the most at -10.0% in 2020. This was followed by Mexico (-8.7%), France (-8.3%), Canada (-5.4%), Germany (-5.3%), and Japan (-5.0%). US GDP fell 3.5% in 2020, slightly better than the global average of -3.7%.

China was the only key US visitor market to report positive GDP growth in 2020, registering a 2.3% increase from 2019.

World GDP by major market in 2020

% change



MARKET PERFORMANCE

Global economic growth

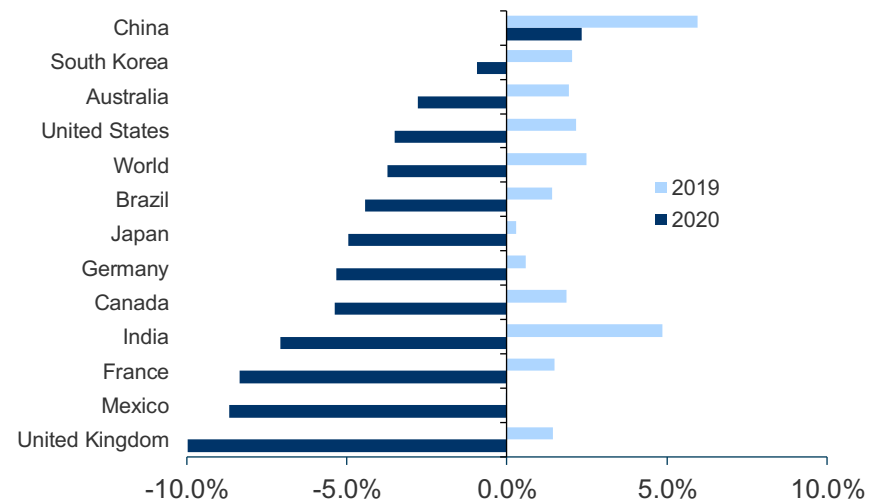
Almost all key US travel source markets experienced declining GDP in 2020.

GDP growth in China remains the only key market to report positive growth in 2020, with all other source markets reflecting falling GDP levels.

Countries that saw slower re-opening within the services sector, as well as renewed travel restrictions, generally experienced greater impacts from more tepid economy activity.

World GDP by major market

% change



MARKET PERFORMANCE

Shifts in the dollar

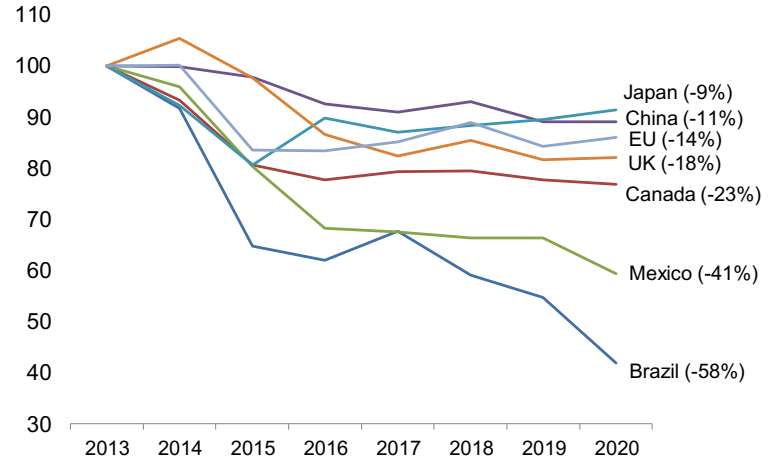
Currency shifts made the US more expensive in 2020 for key European, Asian, and North American markets.

Most major markets have lost visitor purchasing power over the past eight years. Visitor from Mexico and Brazil now experience costs that are 41% and 58% more expensive, respectively, due to weakening local currencies.

The dollar continued to strengthen across nearly all major currencies in 2020, making the US more expensive for visitors from most markets. The Japanese yen, Euro, and British Pound sterling were the only major currencies to gain value against the dollar last year.

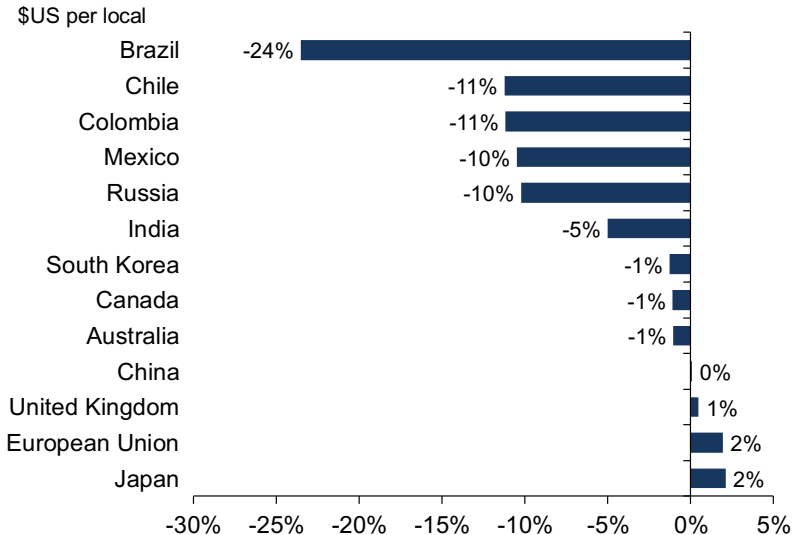
\$US Exchange rates, \$/local currency

2013=100, annual average



Source: Oxford Economics

Exchange rate shifts in 2020



MARKET PERFORMANCE

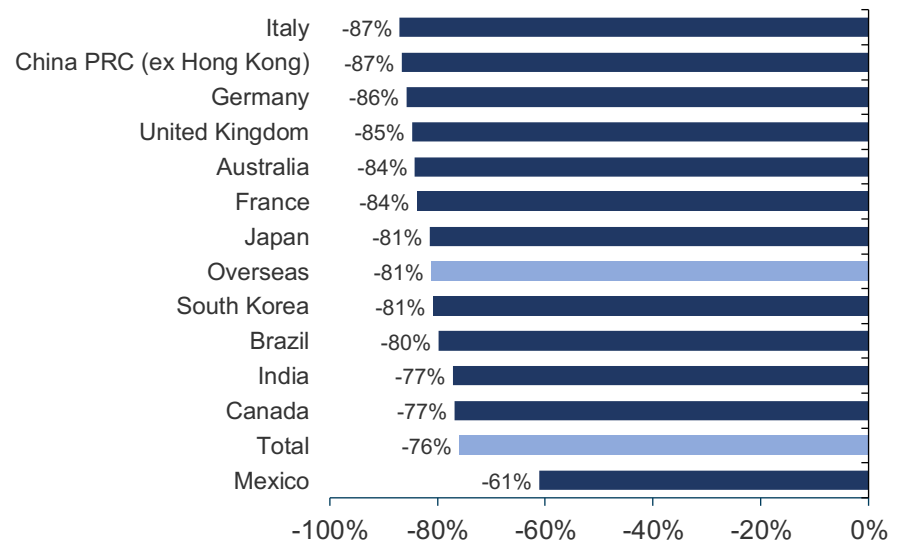
International visits to the US

International visits experienced resounding decline across origin markets in 2020 as the coronavirus pandemic affected global travel patterns, with total arrivals down 76%.

The disruption of travel in 2020 led to severe declines in international visits across the board. Origin markets with the largest losses in visits were Italy (-87%), China PRC (-87%), Germany (-86%), the United Kingdom (-85%), Australia (-84%), and France (-84%).

Visits from Mexico were the least affected of major markets, down only 61%.

International visits to the US in 2020 % change



Source: NTTO

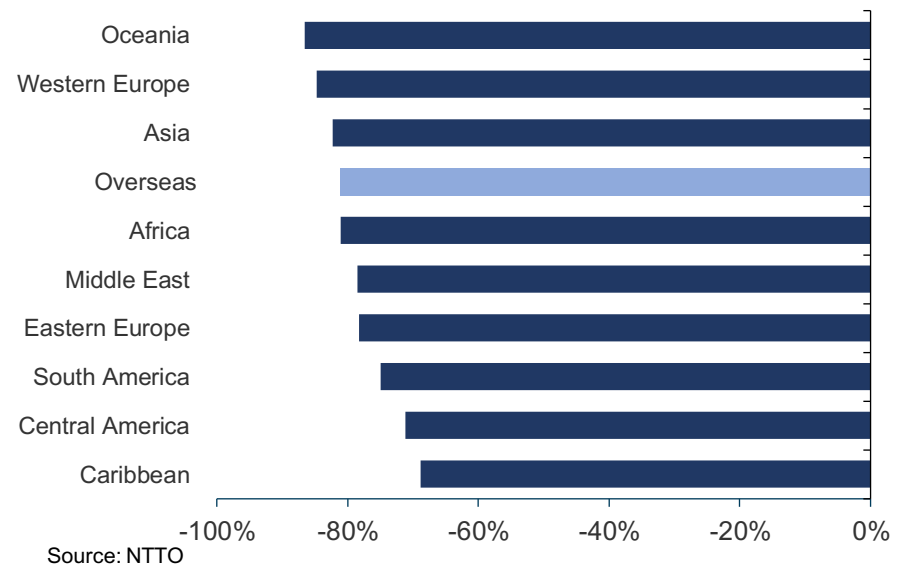
MARKET PERFORMANCE

Performance in 2020

International travel to the US decreased significantly as overseas visits (excluding Canada and Mexico) decreased 81.2% in 2020.

Although all regions decreased in 2020, the greatest drops in visits to the US came from Oceania (-86.6%), Western Europe (-84.8%), Asia (-82.3%), and Africa (-81.1%).

International visits to the US in 2020 % change



ABOUT TOURISM ECONOMICS

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

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