

The Return on Investment of Brand USA Marketing

Fiscal Year 2018

April 2019

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Executive summary

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 2018 fiscal year (October 1, 2017-September 30, 2018). Ad tracking surveys in 16 markets, 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 1.1 million visits to the US in FY2018. This was 1.4% of all visitors to the US in FY2018.

Across all markets, each dollar of Brand USA marketing generated \$31.80 of visitor spending. Including all operating overhead in the calculation, Brand USA achieved an ROI of \$28.50 and generated \$4.1 billion in visitor spending. Brand USA generated 4.3 times its funding in incremental federal taxes in FY2018.

Over the past six years, Brand USA has averaged an ROI multiple (visitor spending per dollar of budget) of \$24.80.

Section 3: Brand USA economic impact

Brand USA generated \$4.1 billion in incremental visitor spending to the US in FY2018. Including indirect and induced impacts, a total of \$8.9 billion in economic activity was generated by Brand USA.

This economic activity generated by Brand USA sustained 52,305 jobs earning \$2.6 billion in personal income.

At \$618 million, Brand USA generated 4.3 times its budget in incremental Federal taxes and another \$555 million in state and local taxes.

Section 4: US international inbound market performance

US international inbound travel hit a new peak in 2018 with growth of 3.7%; international visits to the US reached 79.9 million based on preliminary Tourism Economics estimates. Tourism generated US exports of \$197 billion and ran a trade surplus of \$24 billion in 2018.

The US dollar continued to be a headwind for international travelers and finished the year 10% stronger than its long term average. Meanwhile, the global economy slowed slightly as trade moderated under the weight of higher tariffs.

Within this challenging external environment, overseas air arrivals increased an estimated 2.0% in 2017 based on Tourism Economics estimates. Canadian visits to the US continued to rebound with a 4.8% increase while arrivals from Mexico also regained ground with 5.4% growth.

Despite this growth, the US share of long haul travel from key overseas markets fell in 2018 as global long haul international travel surged around the world.

1. The vital role of destination promotion

International visitor spending is the largest US export

Tourism generated US exports of \$197 billion in 2018 and ran a trade surplus of \$24 billion (excluding education and medical visitor spending)

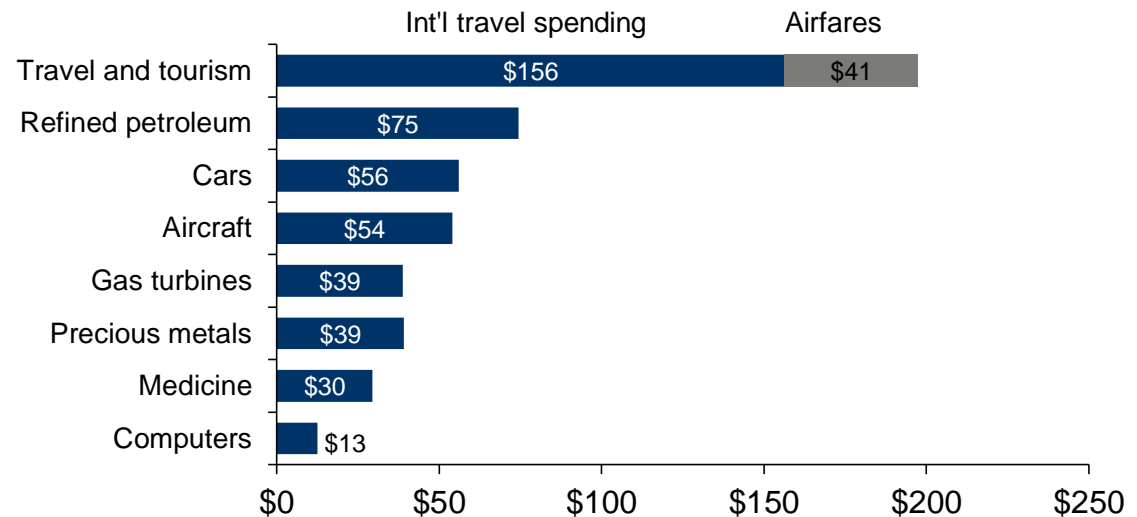
Tourism is far and away the country's largest service export and consistently runs a trade surplus. That is, visitors to the US spend more in the US economy than US residents spend abroad on travel.

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

Note 1: Airfares represent spending of international travelers on US carriers

Note 2: include international visitor spending in the education and health care categories brings travel-related exports to \$256 billion and the travel trade surplus to \$69 billion in 2018.

US international travel receipts and other exports



Source: BEA; MIT Observatory of Economic Complexity
Note: 2018 travel figures vs. 2017 export figures

Dollars, billions

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 27% of industry employment).

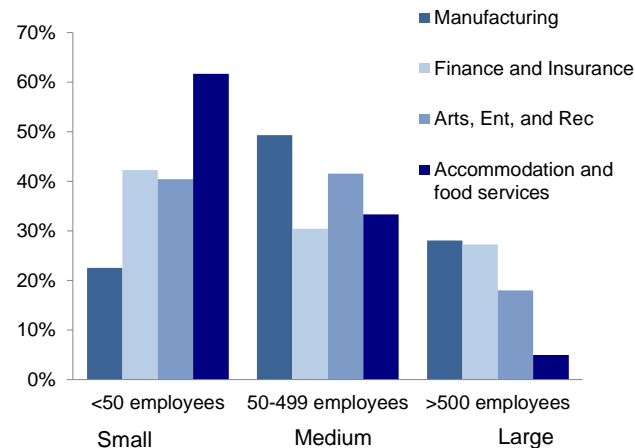
Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing its unique challenges.

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 2018



The vital role of destination promotion (continued)

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.

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

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.

Vital role of destination promotion (continued)

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 pools resources to provide the economies of scale and marketing infrastructure required to generate impact

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.

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

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”.

2. Brand USA ROI

Calculating returns across all markets

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.

Of particular note, the important indicator of website page views increased 27% to 41.5 million in the 2018 fiscal year and social media engagements more than doubled.

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

Brand USA KPIs (2017)				
	Media Impressions	Social Media Engagements	Website Page Views	Market share change (FY2017)
Brazil	872,189,370	2,830,498	3,465,447	-6.2%
Mexico	449,414,564	433,988	4,268,878	-0.6%
Australia	222,702,111	1,349,345	1,194,439	-0.8%
Germany	340,867,625	427,156	2,548,741	0.0%
Japan	267,925,264	279,293	1,760,533	-3.8%
South Korea	44,658,359	85,001	258,554	1.6%
Canada	499,496,576	304,506	1,187,926	-0.2%
UK	728,318,823	172,131	2,266,493	-1.8%
China	2,801,263,699	343,231	7,738,733	-2.7%
Other	1,562,304,651	4,790,787	7,883,124	
Total	7,789,141,042	11,015,936	32,572,868	-1.6%
% change since 2016	61%	2%	20%	

Brand USA KPIs (2018)				
	Media Impressions	Social Media Engagements	Website Page Views	Market share change (FY2018)
Australia	607,509,710	786,300	1,258,806	1.0%
Brazil	1,565,822,157	2,318,739	2,798,868	-0.6%
Canada	1,280,855,759	122,388	1,174,350	-1.1%
China	4,475,403,228	91,967	9,829,753	-4.1%
Germany	703,727,102	695,893	1,448,638	-7.0%
France	666,336,775	206,495	1,730,584	4.4%
India	2,980,751,705	17,613,171	10,991,354	-1.2%
Japan	628,305,508	287,307	1,245,158	-4.5%
South Korea	697,254,024	196,271	1,561,822	-6.5%
Mexico	1,409,264,170	1,661,325	2,464,475	1.9%
UK	1,143,410,512	133,130	1,825,291	-2.9%
Other Markets	380,258,318	7,915	5,177,726	
Total	16,538,898,968	24,120,901	41,506,825	-2.8%
% change since 2017	112%	119%	27%	

Key performance indicators

Brand USA key performance indicators (KPIs) indicate the organization's reach into consumer travel markets continues to expand.

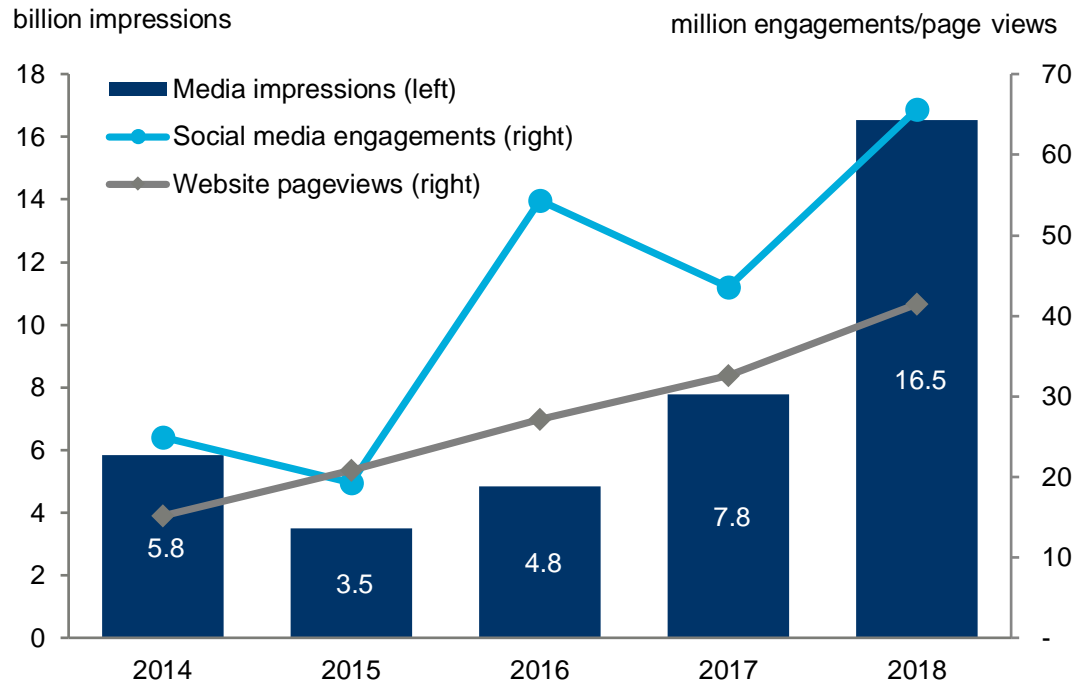
Brand USA has substantially increased its presence within travel markets over the past five years.

Brand USA campaign media impressions have increased 183% to 16.5 billion in FY2018 from 5.8 billion in FY2014.

Social media engagements have surged 163% over five years, reaching 66 million in FY2018.

And website page views have similarly expanded 174%, reaching 42 million in FY2018 from just 15 million in FY2014.

Brand USA Key Performance Indicators



Advertising effectiveness surveys

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

Advertising Effectiveness Metrics							
	Seen Ad	Identified USA	Intent to Visit US in next 12 months			Influence share	
			Recalled	Did not recall	Difference		
<i>2014 Surveys</i>							
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%	
<i>2015 Surveys</i>							
Brazil	33%	50%	79%	67%	12%	2.0%	
Mexico	20%	81%	79%	70%	9%	1.5%	
Germany	9%	63%	27%	18%	9%	0.5%	
<i>2016 surveys</i>							
Mexico	21%	91%	96%	89%	7%	1.3%	
China	53%	92%	61%	46%	15%	7.2%	

Ipsos, a global market research firm, conducts 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 calculates 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

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% x 50% x 12% = 2.0%).

ROI Projections for Surveyed Markets

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

ROI Projections (survey-based)					
	Long Haul Travelers	Marketing investment	Incremental visits	Incremental spending	ROI
<i>2014 Surveys</i>					
Brazil	7,141,440	10,460,412	71,986	\$ 415,024,858	39.7
Australia	7,237,310	7,379,119	47,766	\$ 261,306,934	35.4
Germany	10,783,700	10,765,373	37,527	\$ 130,914,154	12.2
Japan	9,415,800	7,962,828	101,691	\$ 453,183,947	56.9
Korea	4,210,800	3,516,412	46,740	\$ 159,394,622	45.3
Subtotal (2014)	38,789,050	40,084,144	305,710	1,419,824,516	35.4
<i>2015 Surveys</i>					
Brazil	7,651,990	7,520,197	151,509	854,519,546	113.6
Mexico	19,520,100	5,170,729	284,603	236,403,938	45.7
Germany	11,153,000	7,793,281	56,914	188,314,581	24.2
Subtotal (2015)	38,325,090	20,484,207	493,026	1,279,238,065	62.4
<i>2016 Surveys</i>					
Mexico	21,773,900	7,148,052	291,269	228,995,244	32.0
China	12,510,900	13,832,337	906,415	5,380,585,139	389.0
Subtotal (2016)	34,284,800	20,980,389	1,197,684	5,609,580,383	267.4

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.

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.

Model Summary

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 DiscoverAmerica/GoUSA page views.

Model Equation

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

Model fit over time

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.

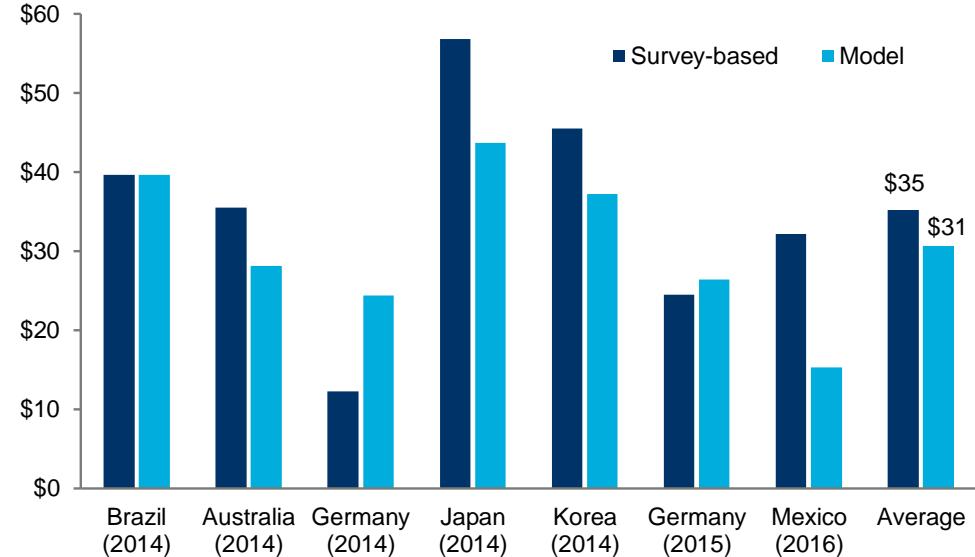
This is somewhat lower than what survey respondents indicated—an average of \$35—over three years of research.

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

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

Comparing Estimates of Brand USA ROI

Visitor spending per \$ marketing investment



Model fit (2014)

Across all five markets, the model predicts the ROI multiple with 96.3% accuracy.

Model v Actual			
	Visits	Spend	ROI
Model	300,580	1,368,394,469	34.06
Survey	304,089	1,417,990,300	35.38
% diff	-1.2%	-3.5%	-3.7%

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

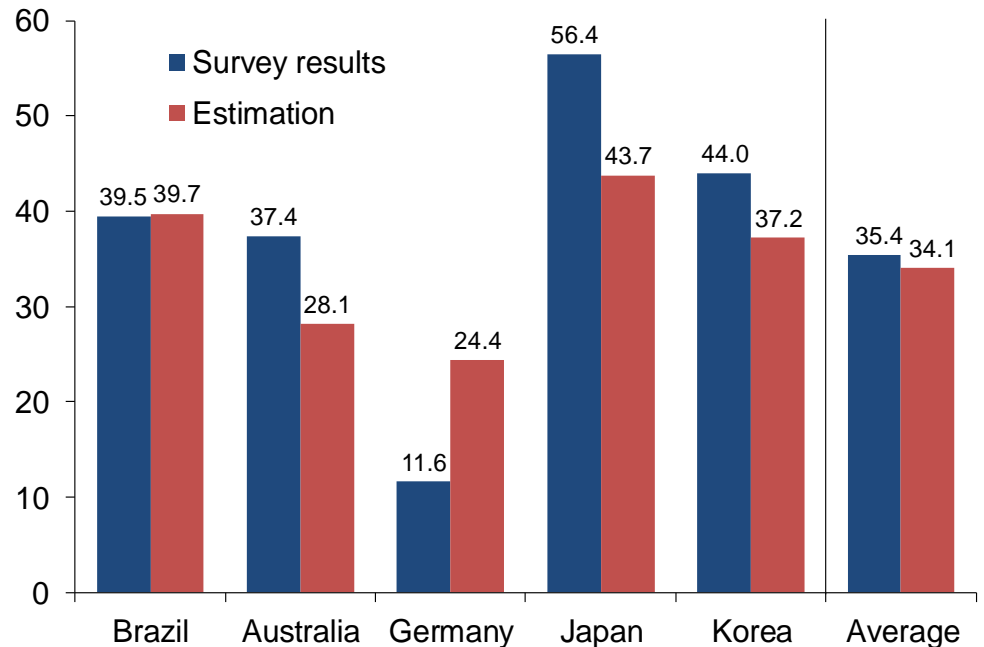
The variations reflect as much on the margin of error surrounding ad tracking survey results as they do on actual campaign effectiveness across markets, and model accuracy.

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 (2015)

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 113.8 ROI is an outlier across the research components, the KPI-informed model result of 44.4 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.

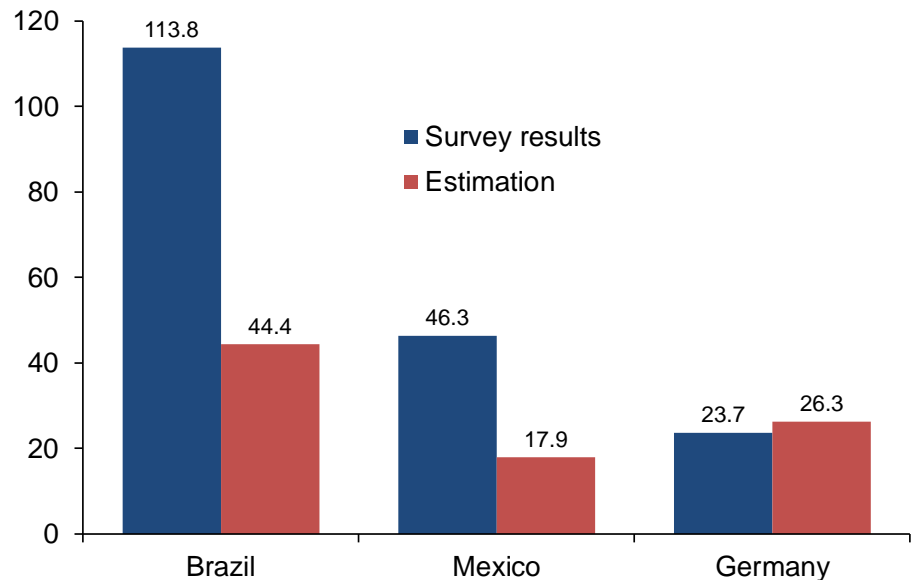
Survey and model results for Germany were nearly identical and the more conservative survey findings were incorporated into the overall Brand USA ROI analysis.

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

Model v Actual			
	Visits	Spend	ROI
Brazil (survey)	151,705	\$ 855,522,391	113.8
Brazil (model)	59,165	\$ 333,653,856	44.4
Mexico (survey)	288,328	\$ 239,498,246	46.3
Mexico (model)	111,657	\$ 92,747,550	17.9
Germany (survey)	53,349	\$ 184,435,416	23.7
Germany (model)	59,215	\$ 204,714,415	26.3

Estimated ROI by source market

ROI multiple



Model fit (2016)

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.

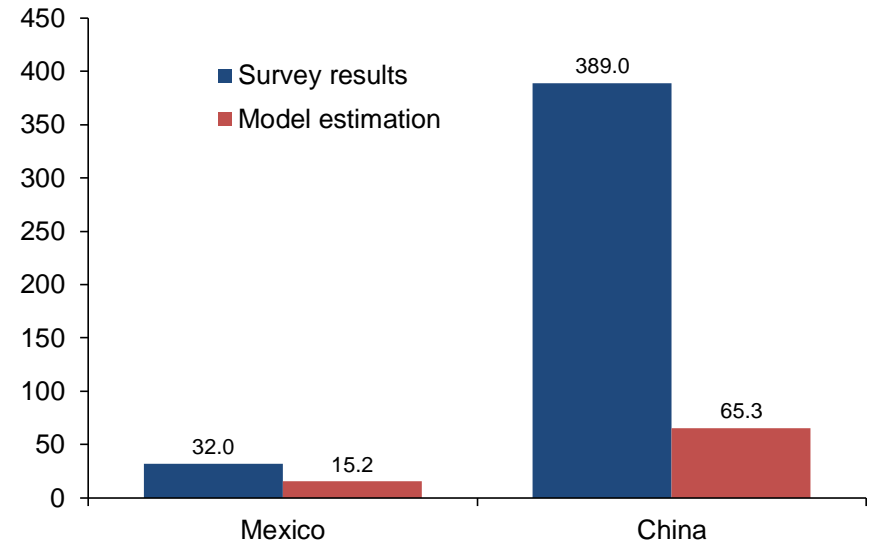
Given that both surveys produced results that are stronger than the KPI-informed model, the more conservative model results were used.

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

Model v Actual			
	Visits	Spend	ROI
Mexico (survey)	291,269	\$ 228,995,244	32.0
Mexico (model)	138,105	\$ 108,577,608	15.2
China (survey)	906,415	\$ 5,380,585,139	389.0
China (model)	152,062	\$ 902,657,725	65.3

Estimated ROI by source market

ROI multiple



Validation of 2018 model using mobile device tracking

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.

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

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.

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

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.

Key Arrivalist findings

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.

Arrivalist Tracking of Mobile Devices

	Target Arrivals	Control Arrivals	Target Arrivals Rate	Control Arrivals Rate	Lift
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%
Grand Total	195,206	132,205	0.190	0.128	48%

- 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.

Mobile device analysis of incremental visits

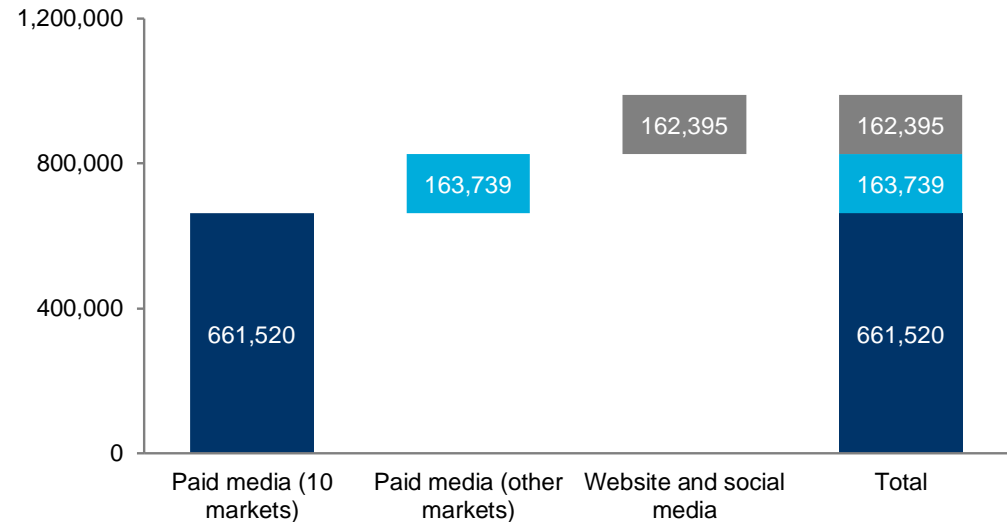
Tourism Economics analysis of Arrivalist data indicates that 987,654 incremental visits to the US were influenced by Brand USA marketing

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 Marketing-Influenced Visits
Incremental visits to the US



- These results further confirm the survey- and KPI-based econometric model with findings within a similar range.
- The mobile device model yields an ROI of \$27.80 per marketing dollar. This compares to \$29.75 from the econometric model (excluding film impacts).
- 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 ROI, marketing (FY2018)

Marketing investments, including the residual visitation generated by the National Parks Adventure film, generated an ROI of \$31.80 per dollar invested in FY2018.

Summary Results: Brand USA ROI (FY2018)				
Market	Investment	Incremental visitors	Incremental Spend	ROI
Australia	\$ 4,060,325	47,607	288,059,531	70.9
Brazil	\$ 3,968,114	60,314	346,028,295	87.2
Canada	\$ 8,582,253	158,190	189,342,014	22.1
China	\$ 15,523,694	137,484	894,751,801	57.6
Germany	\$ 5,692,218	61,884	218,720,637	38.4
France	\$ 1,810,924	77,420	252,025,926	139.2
India	\$ 4,892,463	88,517	434,386,037	88.8
Japan	\$ 3,030,549	44,112	177,098,023	58.4
South Korea	\$ 2,066,989	38,266	127,479,668	61.7
Mexico	\$ 5,544,504	115,542	110,174,054	19.9
UK	\$ 17,283,114	144,982	450,240,239	26.1
Other / Global	\$ 56,650,382	83,592	352,674,867	6.2
National Parks Adventure FY2018		70,066	\$ 259,475,822	
Total marketing budget	\$ 129,105,529	1,127,976	\$ 4,100,456,912	31.8
Overhead	\$ 14,908,272			
Total operating	\$ 144,013,801			28.5

Total Brand USA ROI, marketing (FY2018)

Regional results highlight especially strong returns in emerging markets.

Summary Results: Brand USA ROI (FY2018)					
Region	Investment	Incremental visitors	Incremental Spend	ROI	
N America	\$ 14,126,757	\$ 273,732	\$ 299,516,067	21.2	
Europe	\$ 24,786,256	\$ 284,286	\$ 920,986,802	37.2	
APAC	\$ 29,574,020	\$ 355,986	\$ 1,921,775,060	65.0	
LATAM	\$ 3,968,114	\$ 60,314	\$ 346,028,295	87.2	
Other / Global Infrastructure	\$ 56,650,382	\$ 83,592	\$ 352,674,867	6.2	
National Parks Adventure FY2018		70,066	\$ 259,475,822		
Total marketing budget	\$ 129,105,529	1,127,976	\$ 4,100,456,912	31.8	
Overhead	\$ 14,908,272				
Total operating	\$ 144,013,801			28.5	
APAC + LATAM	\$ 33,542,133	416,300	\$ 2,267,803,355	67.6	

- In 2018, each dollar of Brand USA marketing activity generated \$31.80 of visitor spending. Including all operating overhead, Brand USA achieved an ROI of \$28.50 and generated \$4.1 billion in visitor spending.
- Strong market presence and higher spending per visitor drove strong returns in Asia and Latin America with an average ROI of 67.6 to 1.
- The average ROI remained solid, while more modest, in the mature markets of North America and Europe.
- Total visits generated tallied 1.1 million. This was 1.4% of all visitors to the US in 2018 (based on Tourism Economics estimates).
- Incremental spending figures include spending while in the US plus transportation spending on US-flagged carriers based on BEA balance of payments data.

3. Brand USA Marketing Economic Impact

Summary of impacts (FY2018)

Including secondary impacts, Brand USA generated \$8.9 billion in US economic output in FY2018.

Travelers create direct economic value within a discreet group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.

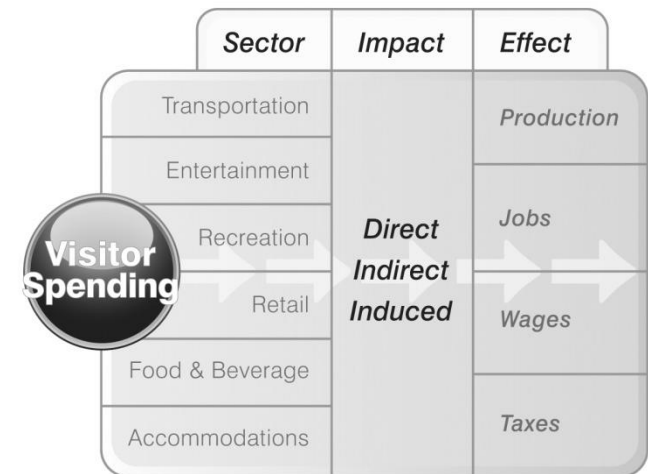
Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.

Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the US economy.

Economic activity generated by Brand USA sustained 52,305 jobs earning \$2.6 billion in personal income.

Brand USA generated value added (GDP) in the US economy of \$4.6 billion and a total economic impact (sales or output) of \$8.9 billion.

Total Brand USA Economic Impact, FY 2018				
	Total sales (\$mils)	Value added (\$mils)	Income (\$mils)	Jobs
Direct	4,100	1,835	1,068	27,436
Indirect	2,048	1,124	655	9,498
Induced	2,765	1,617	904	15,371
Total	8,914	4,576	2,627	52,305



Sales impacts

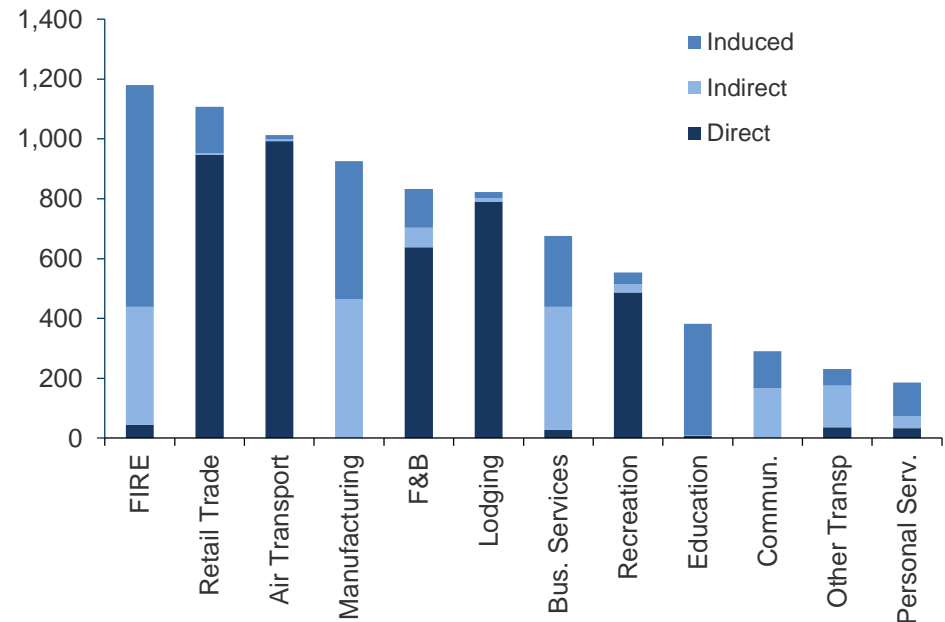
Including secondary impacts, Brand USA generated \$8.9 billion in US economic output in FY2018.

A total impact of \$8.9 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 \$1.2 billion.

Similarly, the manufacturing sector realized a benefit of \$925 million in economic output as a result of Brand USA marketing.

Sales Impacts

By Industry, \$ million



Sales impacts

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

Brand USA-Generated Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	96.8	73.7	170.5
Construction and Utilities	-	102.8	72.4	175.2
Manufacturing	-	465.3	460.2	925.4
Wholesale Trade	-	45.4	95.3	140.7
Air Transport	992.0	6.2	15.1	1,013.3
Other Transport	35.5	140.0	55.3	230.8
Retail Trade	947.1	5.1	155.3	1,107.5
Gasoline Stations	97.5	0.4	10.2	108.1
Communications	-	166.6	123.6	290.2
Finance, Insurance and Real Estate	44.3	394.3	741.7	1,180.4
Business Services	27.4	411.0	236.9	675.3
Education and Health Care	7.8	2.2	371.9	381.9
Recreation and Entertainment	487.4	26.8	38.8	553.0
Lodging	791.2	10.3	20.8	822.3
Food & Beverage	637.3	66.5	129.1	832.9
Personal Services	32.9	40.9	111.6	185.3
Government	-	67.5	53.4	120.9
TOTAL	4,100.5	2,048.2	2,765.2	8,913.8

* Direct sales include cost of goods sold for retail sectors

Employment impacts

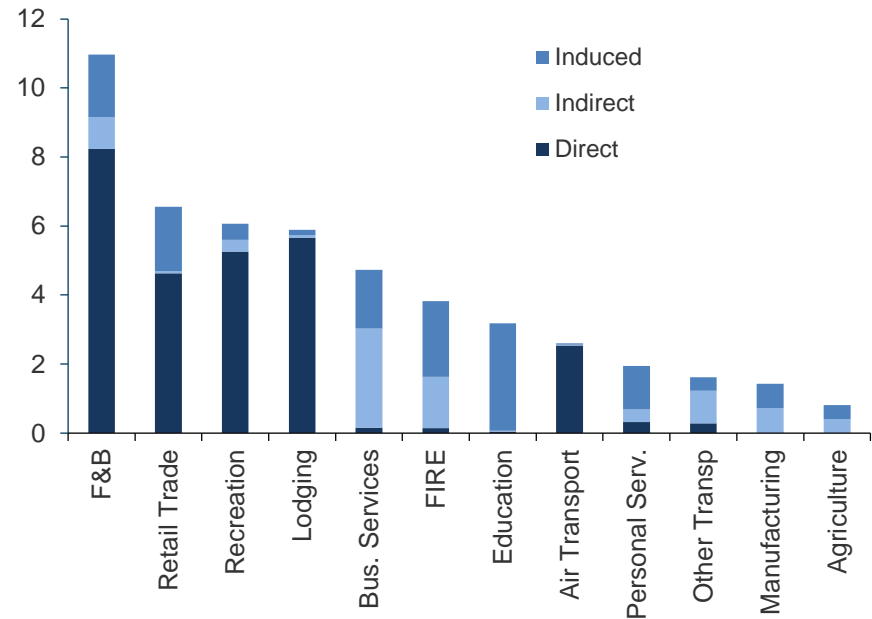
Direct employment impacts in industries directly serving international visitors tally 27,436. Including secondary impacts, Brand USA marketing in FY2018 sustained 52,305 jobs.

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 52,305 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

Thousands



Employment impacts

Brand USA activities support jobs across every major US industry, either directly or through indirect or induced impacts.

Brand USA-Supported Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	406	400	806
Construction and Utilities	-	293	193	486
Manufacturing	-	724	709	1,433
Wholesale Trade	-	226	474	699
Air Transport	2,543	16	39	2,597
Other Transport	279	949	389	1,617
Retail Trade	4,633	60	1,868	6,560
Gasoline Stations	159	4	111	274
Communications	-	420	285	705
Finance, Insurance and Real Estate	150	1,479	2,196	3,825
Business Services	152	2,880	1,699	4,731
Education and Health Care	45	23	3,110	3,178
Recreation and Entertainment	5,264	331	477	6,072
Lodging	5,663	74	153	5,889
Food & Beverage	8,232	925	1,804	10,961
Personal Services	317	366	1,261	1,944
Government	-	323	205	528
TOTAL	27,436	9,498	15,371	52,305

Tax impacts

Brand USA-generated international visitor spending is estimated to have produced Federal taxes of \$618 million, including direct impacts of \$259 million and indirect/induced impacts of \$359 million.

Another \$555 million in state and local taxes were generated by Brand USA marketing in the 2018 fiscal year including direct, indirect, and induced impacts.

Brand USA generated 4.3 times its funding in incremental federal taxes in FY2018.

Brand USA Tax Impacts			
(US\$ Million)			
Tax Type	Direct	Indirect/ Induced	Total
Federal Taxes Subtotal	<u>258.5</u>	<u>359.1</u>	<u>617.7</u>
Corporate	32.2	67.9	100.1
Indirect Business	40.6	28.5	69.1
Personal Income	67.1	98.6	165.7
Social Security	118.7	164.0	282.7
State and Local Taxes Subtotal	<u>307.3</u>	<u>247.4</u>	<u>554.7</u>
Corporate	5.9	12.5	18.4
Personal Income	20.0	29.4	49.3
Sales	118.4	83.3	201.7
Property	116.9	82.7	199.6
Excise and Fees	43.4	36.1	79.6
State Unemployment	2.6	3.5	6.1
TOTAL	<u>565.8</u>	<u>606.5</u>	<u>1,172.3</u>

Total Brand USA ROI (FY2013- FY2018), including film

Across six years, Brand USA has generated \$21.8 billion in incremental international visitor spending with an implicit ROI of \$24.80 in visitor spending per budget dollar invested.

- Brand USA has attracted 6.55 million visitors to the US over six years.

Historic Results: Brand USA ROI								
Fiscal Year	2013	2014	2015	2016	2017	2018	Average	Total
Brand USA budget (mn)	\$ 99	\$ 173	\$ 158	\$ 147	\$ 156	\$ 144	\$ 146	\$ 877
Spending impact (mn)	\$ 3,402	\$ 3,070	\$ 3,036	\$ 4,084	\$ 4,064	\$ 4,100	\$ 3,626	\$ 21,757
Federal tax impact (mn)	\$ 512	\$ 462	\$ 457	\$ 615	\$ 612	\$ 618	\$ 546	\$ 3,277
Visits impact	1,143,186	903,440	1,025,183	1,193,893	1,158,645	1,127,976	1,092,054	6,552,323
Spending ROI	\$ 34.4	\$ 17.7	\$ 19.3	\$ 27.7	\$ 26.1	\$ 28.5	\$ 24.8	
Tax ROI	\$ 5.2	\$ 2.7	\$ 2.9	\$ 4.2	\$ 3.9	\$ 4.3	\$ 3.7	

4. Market performance

US international inbound travel hit a new peak in 2018

Overseas, Canadian, and Mexican markets all grew in 2018, with international visits to the US reaching 79.9 million

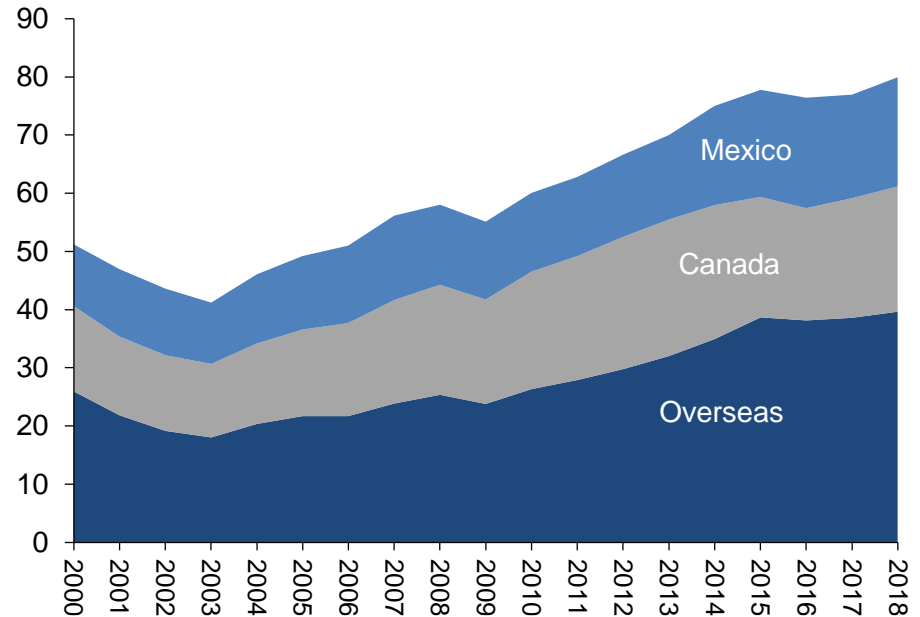
Tourism Economics' early estimates of international travel show solid recovery continuing in from the Americas (Canada, Mexico, and Brazil).

Europe also performed well in 2018, with strong growth from Spain, Italy, Netherlands, France, and the UK.

Declines from Germany, Japan, and South Korea, as well as slowing from China, tempered performance in 2018.

US Inbound Travel

million visitors by origin



Note: Estimates for 2018 US inbound performance are based on Tourism Economics analysis of APIS non-citizen arrivals, OAG origin-destination arrivals to the US, Statistics Canada, and Banco de Mexico. At the time of publishing, full-year data on 2018 US inbound performance from the National Travel & Tourism Office was not available.

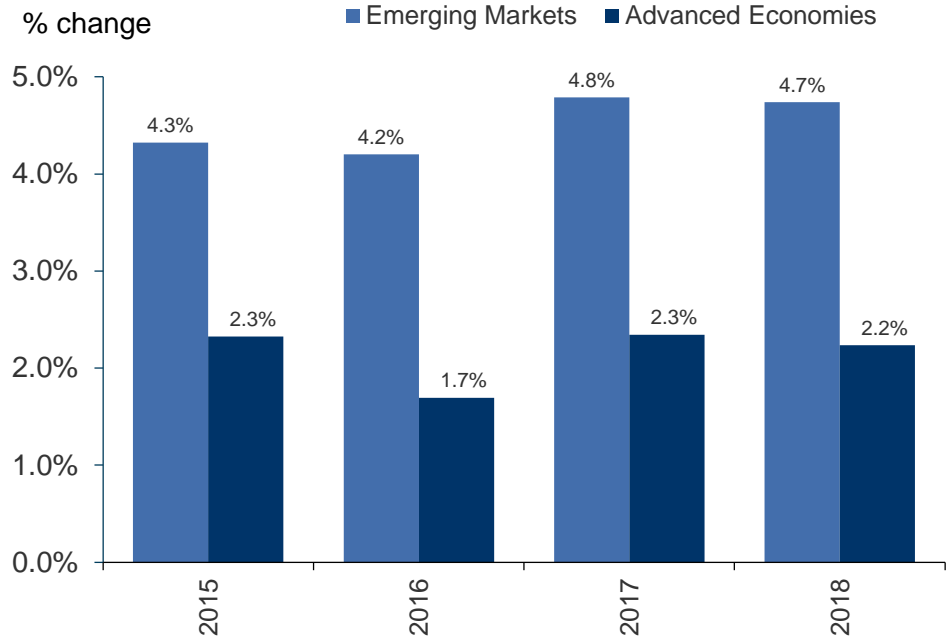
Continued growth for the global economy

The global economy moderated slightly in 2018 with ongoing resilience in both emerging and developed markets.

Slowing world trade contributed to a lackluster second half of the year.

Among developed economies, US GDP grew the fastest at 2.9% in 2018. By comparison, the Eurozone economy expanded just 1.8%.

World GDP



Broad-based growth

Key US visitor markets experienced across the board economic growth in 2018.

China and India continue to lead global economic growth.

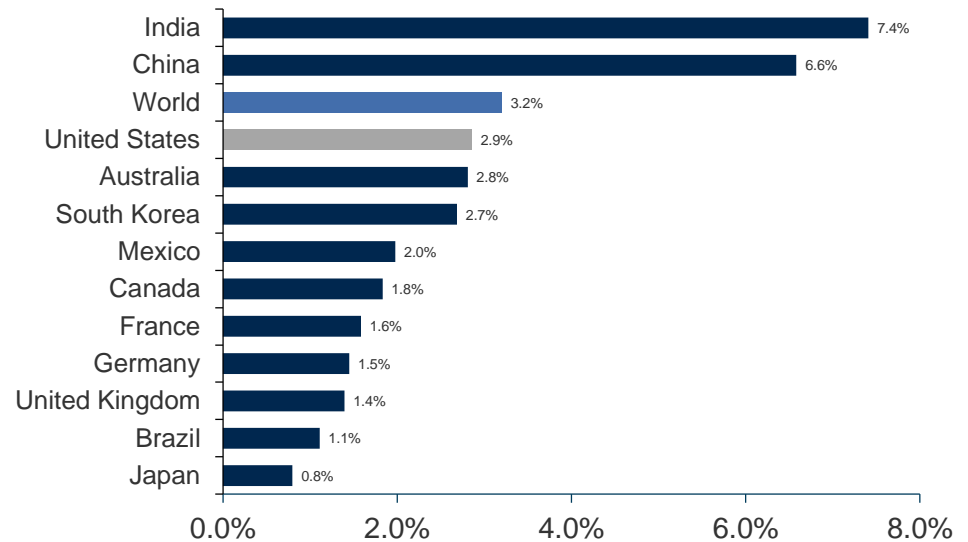
Expansions in the developed economies of Australia, Canada, Mexico, and France also helped to drive international travel gains.

Brazil continued to recover from recession which boosted travel to the US. While UK GDP growth was modest, the US experienced continued growth in UK inbound travel.

Japan experienced tepid economic growth, which is reflected in outbound travel performance.

World GDP by major market in 2018

% change



Most market economies decelerated in 2018

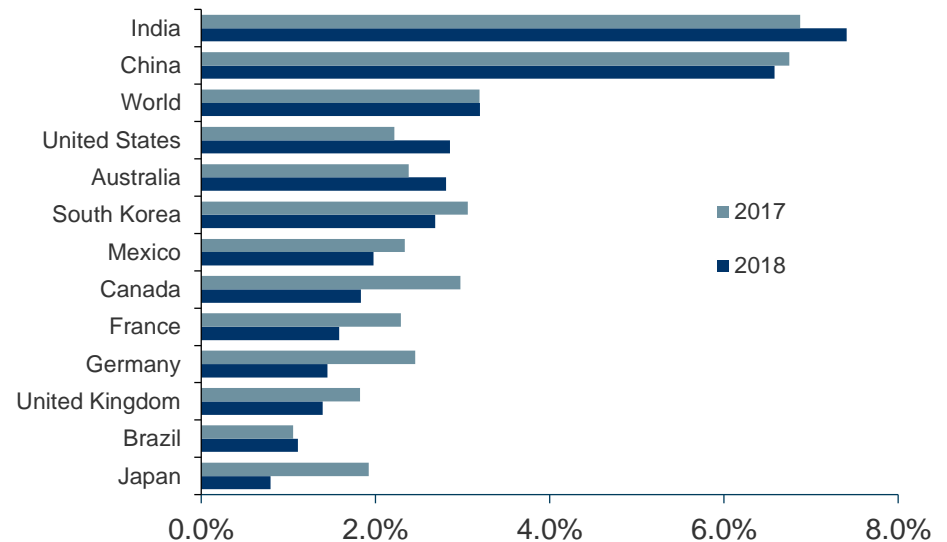
Eight out of 11 key US travel source markets grew at a slower rate in 2018 than in 2017.

Only India, Australia, and Brazil grew faster in 2018 than in 2017. The remaining eight key economies within Brand USA's focus market group decelerated in 2018.

This was especially notable across Europe and for Japan, Mexico, and Canada.

World GDP by major market

% change



Source: Oxford Economics

Shifts in the dollar

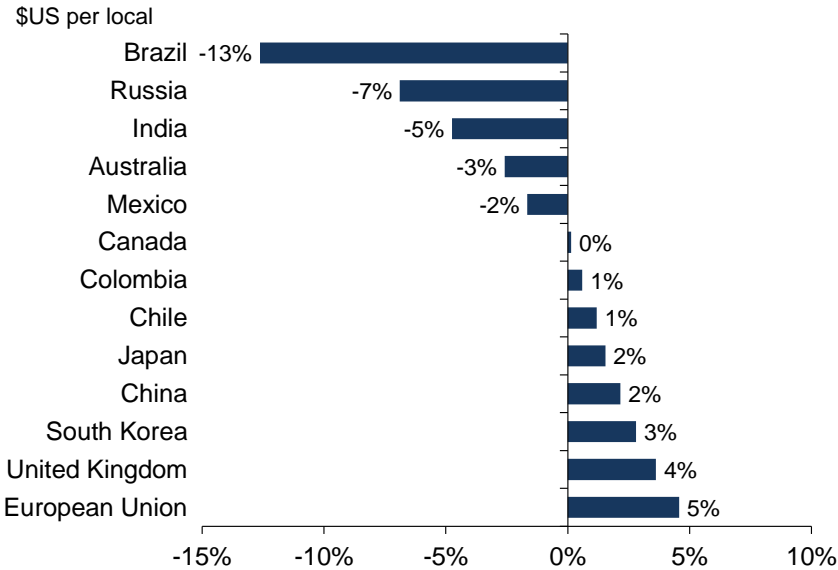
Currency shifts made the US somewhat more affordable in 2018 for key European, Asian, and North American markets.

Most major markets have lost visitor purchasing power over the past five years.

However, shifts in 2018 were mixed. Visitors from the EU, UK, Canada, South Korea, China, and Japan all found the US to be slightly more affordable in 2018 than in 2017. Meanwhile, the real, ruble, rupee, peso, and Australian dollar all continued to decline in value.

Overall, shifts in the dollar brought the average exchange rate to 10% above its long run average by the end of 2018, representing a headwind for international inbound travel.

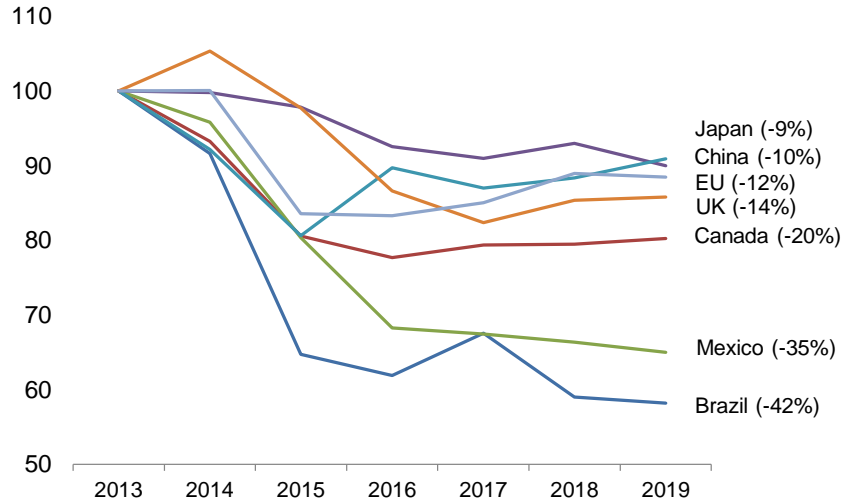
Exchange rate shifts in 2018



Source: Oxford Economics

\$US Exchange rates, \$/LC

2013=100, annual average

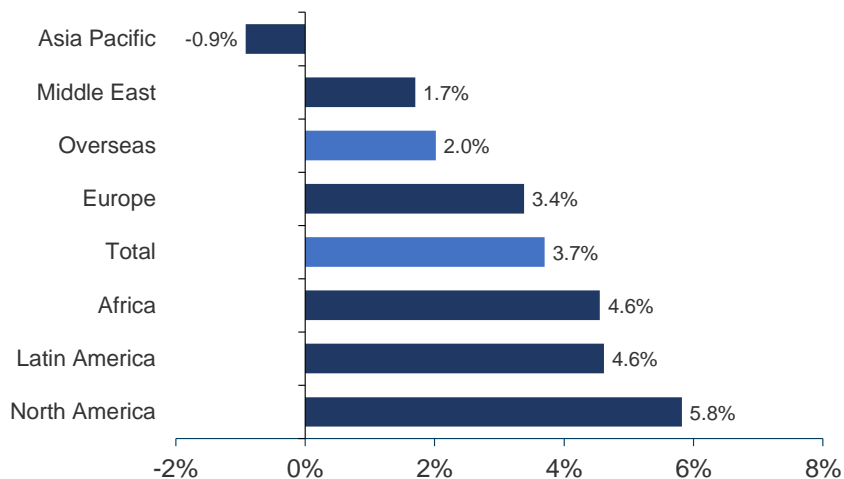


Source: Oxford Economics

Performance in 2018 (preliminary estimates)

International travel to the US increased 3.7% in 2018 while overseas visits (excluding Canada and Mexico) increased just 2.0% in 2018.

International visits to the US in 2018 % change



Source: Tourism Economics

US continued to lose market share in 2018 as international travel expanded 6% globally.

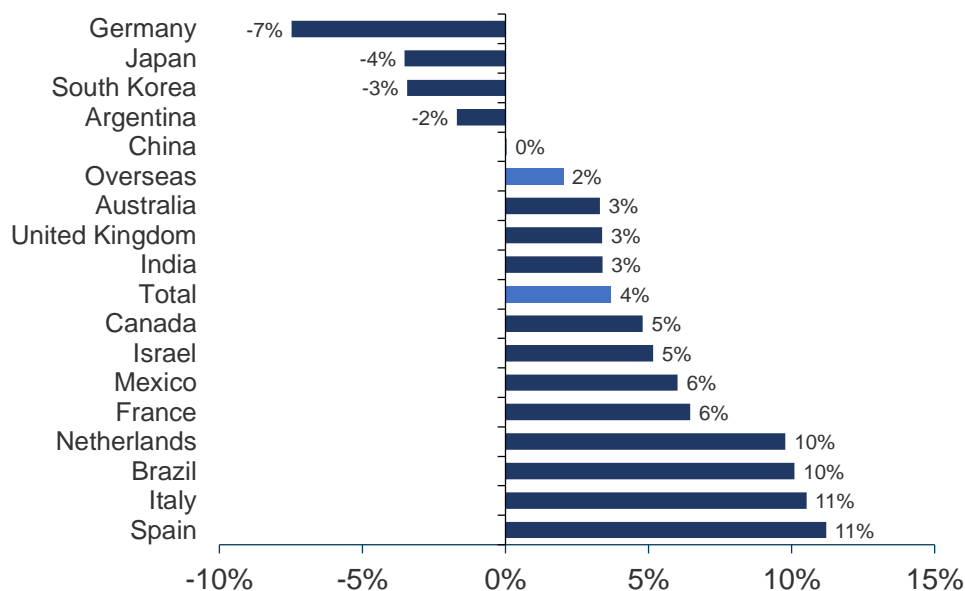
While Latin America (led by Brazil) and Europe posted solid growth in travel to the US, Asian markets declined with falls from Japan and subpar performance from South Korea and China.

Note: Estimates for 2018 US inbound performance are based on Tourism Economics analysis of APIS non-citizen arrivals, OAG origin-destination arrivals to the US, Statistics Canada, and Banco de Mexico. At the time of publishing, full-year data on 2018 US inbound performance from the National Travel & Tourism Office was not available.

Mixed performance but continued growth in 2018

International visits to the US in 2018

% change YTD



Source: Tourism Economics

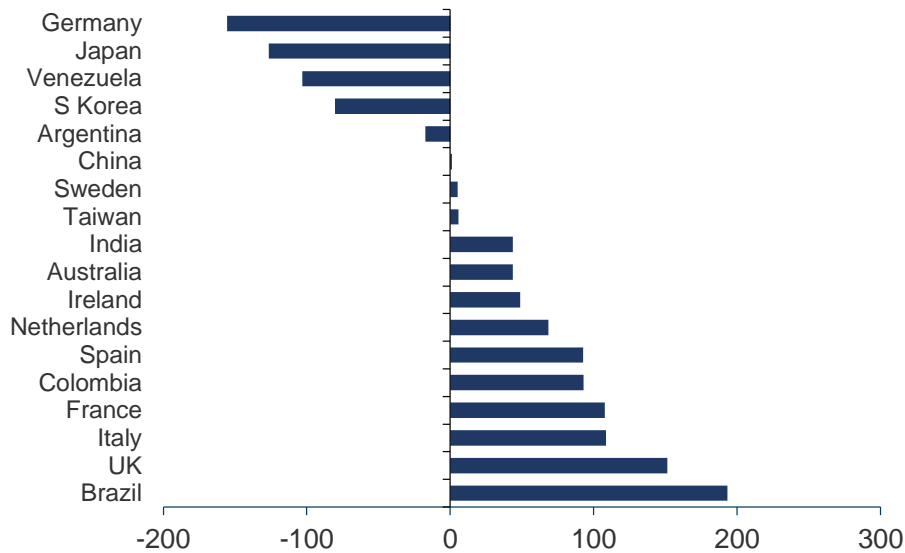
- Europe was remarkably resilient last year ...except for Germany, which declined 7%.
- However, key emerging markets in Asia underperformed with a 3% decline from South Korea and no growth from China.
- Brazil, Canada, and Mexico continued to recover.

Note: Estimates for 2018 US inbound performance are based on Tourism Economics analysis of APIS non-citizen arrivals, OAG origin-destination arrivals to the US, Statistics Canada, and Banco de Mexico. At the time of publishing, full-year data on 2018 US inbound performance from the National Travel & Tourism Office was not available.

Net overseas gains led by Brazil

2018 gains/losses in visits to the US

Difference from prior year, '000s



Source: Tourism Economics

Brazil nearly fully recovered to its peak from 2014.

The UK performed well but remains 6% below its 2015 peak.

Canada remains 9% below its peak in 2013 and Mexico remains 1% below its peak in 2016.

US market share

After peaking in 2015, the US lost 2.6 percentage points of overseas traveler market share over the following three years.

Between 2006 and 2012, the US maintained its market share between 17.2% and 17.3% of overseas long haul travel*.

US market share began to shift in 2013, rising to 17.7% and increasing steadily over the next few years, reaching a recent history peak of 19.2% in 2015.

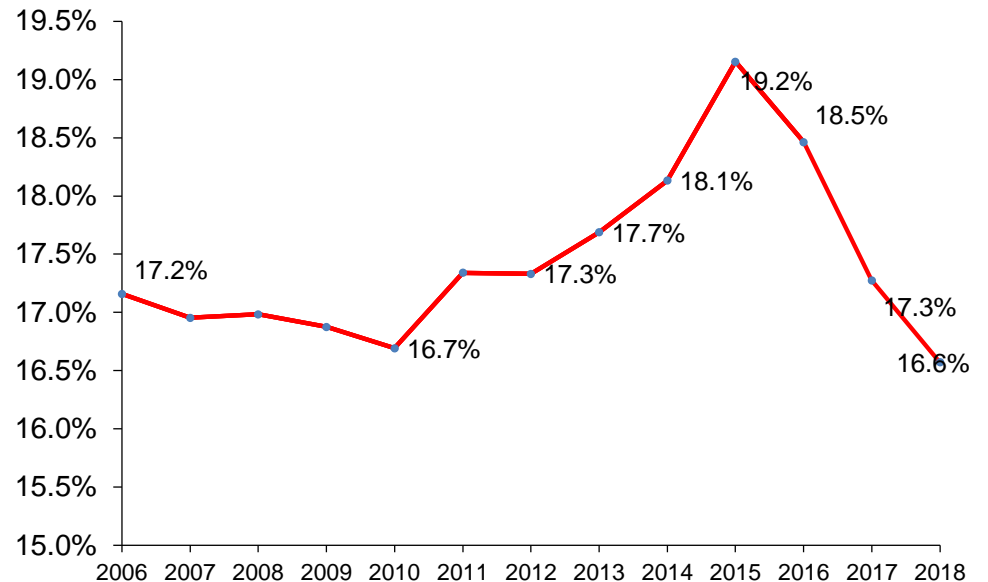
Overseas travel to the US fell 1.5% in 2016 while global long haul travel increased 2.2%, resulting in a decline in market share to 18.5%.

While overseas travel to the US increased 2.0% in 2017, the US lost market share as global long haul travel surged 9%. This roughly mirrors the experience of 2018 when overseas visits to the US increased 2.0% based on Tourism Economics calculations and global long haul surged 6.5%.

This brought the US share of global long haul travel in 2018 to 16.6%.

US Market Share: Overseas Markets

% of global long haul



* A long haul traveler is defined as leaving his/her region of residence based on the following regions: Asia Pacific, Europe, South America, Central America, Caribbean, Middle East, and Africa.

2018 US Inbound Performance: focus markets

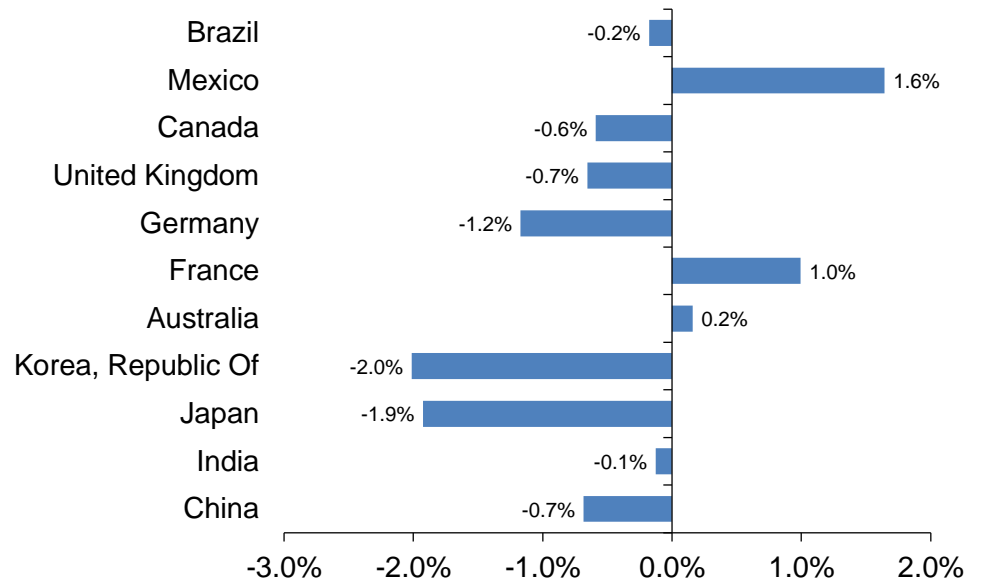
US experienced decreasing market share in eight of 11 Brand USA's key markets as a strong dollar continued to produce headwinds.

The US gained market share in Mexico, France, and Australia in 2018.

Focusing on total long haul travel from 11 key markets, the US lost 1.0 percentage points of market share in 2018.

Change in US Market Share

Percentage Point Difference (2018 minus 2017)



Source: Tourism Economics

US market share trends

US Market Share of Outbound Travel

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
China	6.9%	8.1%	9.9%	10.6%	13.4%	14.4%	15.8%	16.6%	17.3%	16.5%	17.5%	16.7%	16.0%
India	9.5%	11.2%	10.8%	10.4%	10.0%	9.8%	9.5%	10.6%	10.7%	11.3%	10.9%	10.3%	10.2%
Japan	39.2%	38.5%	38.8%	37.8%	39.7%	39.2%	39.7%	39.6%	38.4%	40.6%	42.0%	42.9%	41.0%
S Korea	27.2%	25.9%	25.7%	27.9%	31.3%	30.2%	31.1%	32.0%	29.4%	30.7%	31.5%	31.0%	29.0%
Australia	11.9%	12.7%	12.3%	13.5%	14.8%	15.1%	15.8%	16.6%	17.0%	18.4%	17.3%	16.6%	16.8%
France	7.5%	8.4%	9.7%	9.6%	9.9%	11.7%	11.1%	11.4%	12.3%	13.3%	11.9%	11.4%	12.4%
Germany	15.8%	16.1%	17.8%	17.3%	16.6%	18.2%	17.5%	17.7%	18.2%	19.6%	17.6%	16.8%	15.6%
UK	23.7%	23.6%	23.7%	21.8%	21.0%	21.7%	21.2%	20.9%	21.5%	23.9%	22.5%	22.2%	21.6%
Canada	63.8%	64.1%	63.9%	63.5%	64.7%	63.3%	64.3%	64.1%	62.9%	59.1%	56.5%	55.7%	55.1%
Mexico	85.9%	86.8%	86.6%	87.8%	87.9%	86.0%	86.7%	86.3%	87.0%	86.6%	86.0%	85.0%	86.7%
Brazil	21.7%	21.7%	21.7%	25.9%	26.8%	26.5%	27.8%	28.7%	29.5%	29.7%	26.8%	27.1%	26.9%
All key markets	40.6%	40.9%	40.5%	40.3%	40.4%	40.5%	40.6%	40.6%	40.7%	40.0%	38.7%	36.7%	35.6%
Overseas key markets	20.2%	20.1%	20.2%	19.6%	20.3%	20.9%	21.1%	21.4%	21.7%	22.8%	21.8%	20.6%	19.5%

US market share

US market position in North America has been mixed, holding steady in Mexico and falling in Canada.

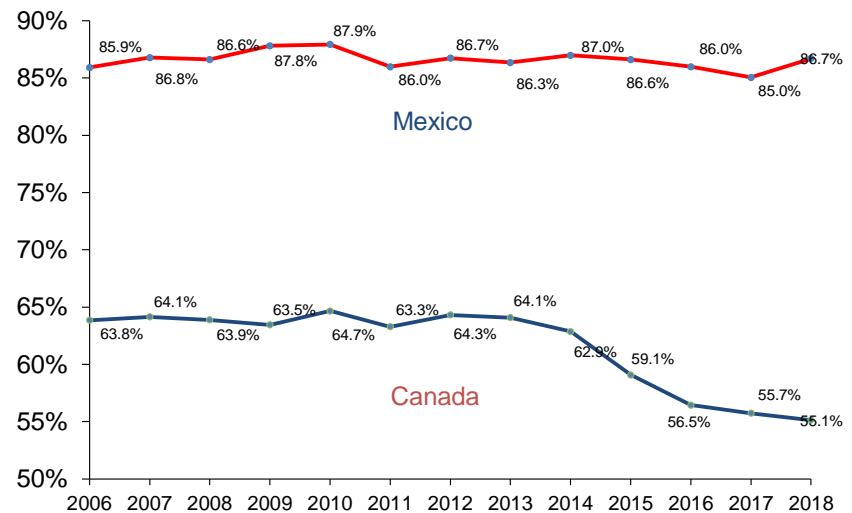
Canadian travel to the US fell for three consecutive years (2014, 2015, 2016) as the Canadian dollar weakened, lowering the US share of the market to 56.6% in 2016 from 64.1% in 2013. Over these three years, Canadian travel to the US fell 17%.

In 2017 and 2018, Canadian travel to the US rebounded somewhat with 4.8% growth in each year. However, Canadian outbound grew faster and US market share fell to 55.1 in 2018%.

The US holds a particularly strong market position in Mexico, with nearly 90% of all outbound travel going to US destinations. In 2018, the US regained market position to 86.7% of all Mexican outbound.

US Market Share: North American Markets

% of total outbound travel

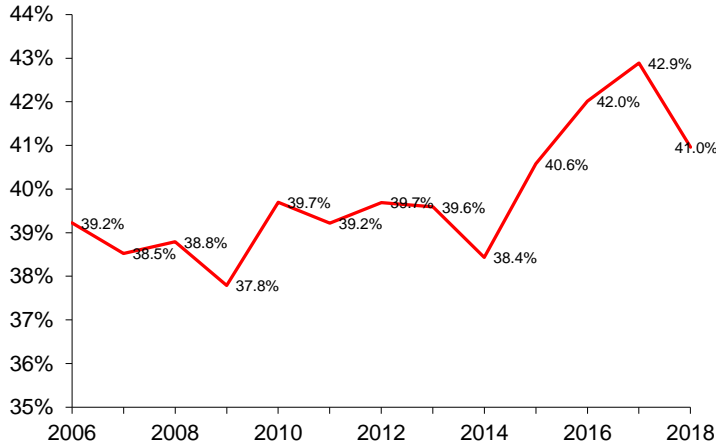


Source: Tourism Economics

Market share trends – Asia

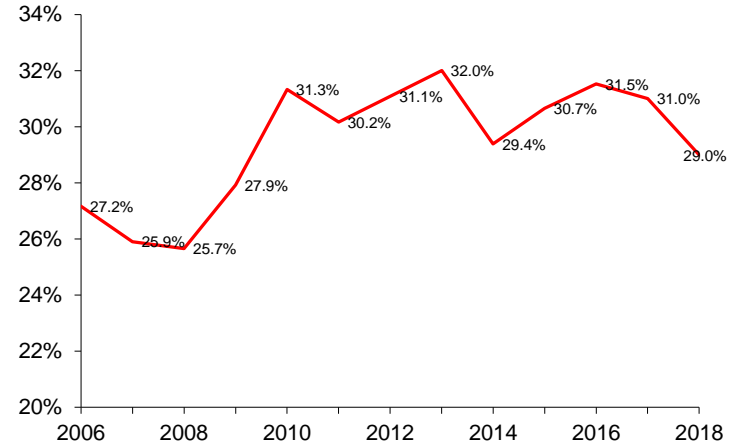
US Market Share: Japan

% of long haul outbound



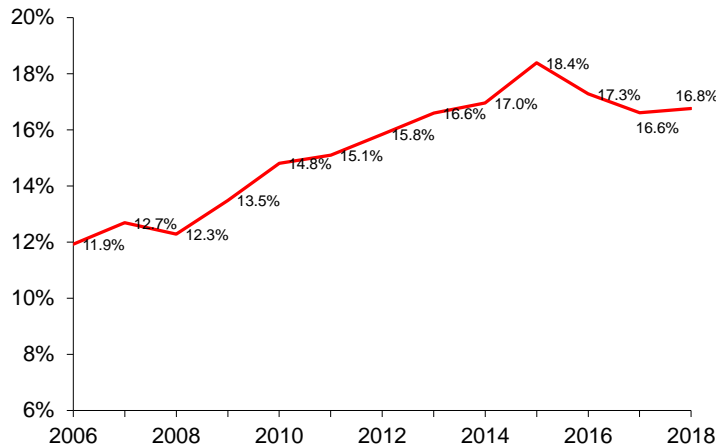
US Market Share: South Korea

% of long haul outbound



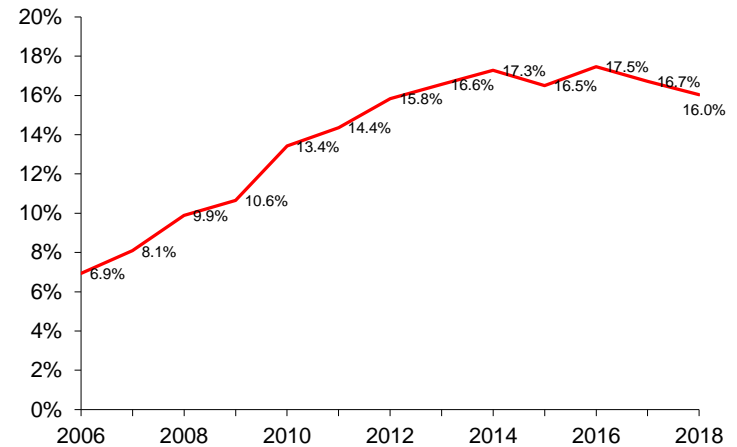
US Market Share: Australia

% of long haul outbound



US Market Share: China

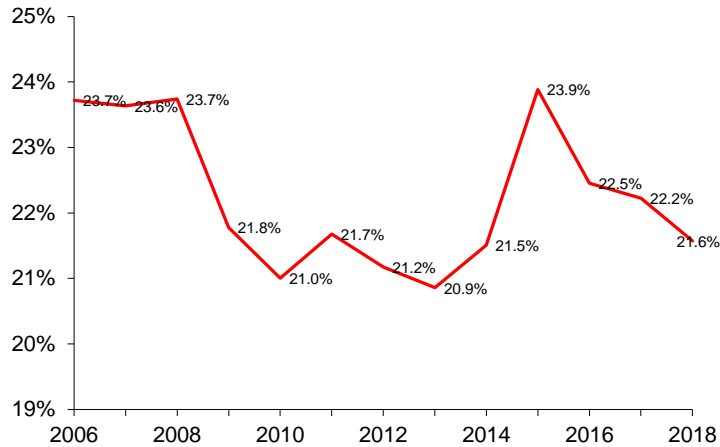
% of long haul outbound



Market share trends – Europe

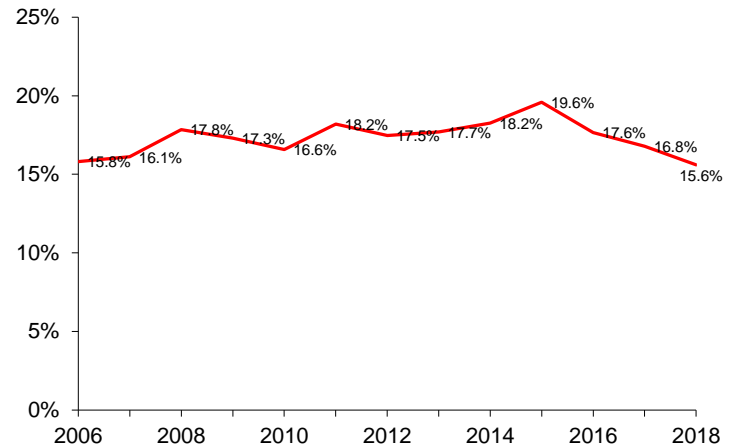
US Market Share: UK

% of long haul outbound



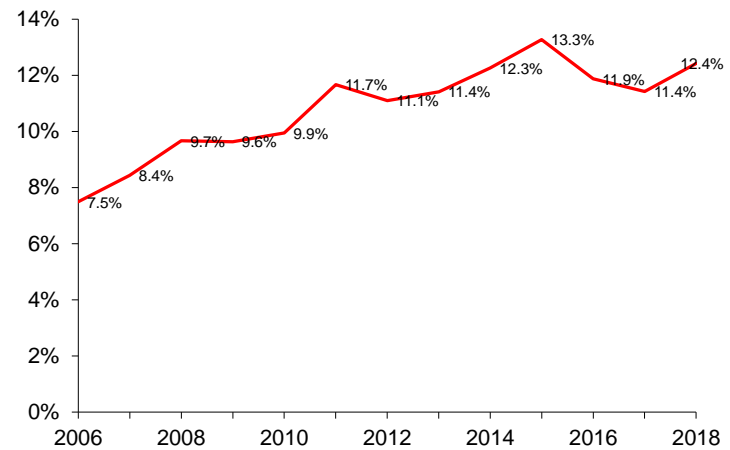
US Market Share: Germany

% of long haul outbound



US Market Share: France

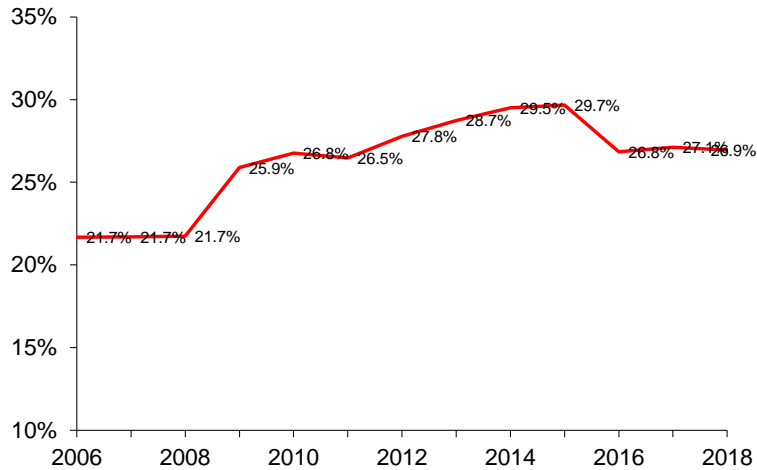
% of long haul outbound



Market share trends – Brazil and Key Market Summary

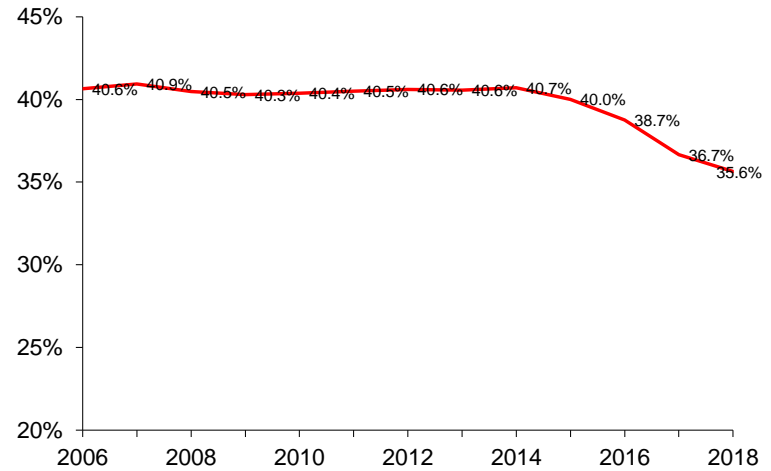
US Market Share: Brazil

% of long haul outbound



US Market Share: Focus markets (11)

% of long haul outbound



About Oxford Economics

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 300 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in New York, Philadelphia, London, Oxford, Dubai, and Singapore.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,000 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

Tourism Economics is an Oxford Economics subsidiary with vast experience in providing actionable and credible analysis of tourism. Tourism Economics works with national and local tourism offices throughout North America, Europe, Asia, the Middle East and Africa as well as some of the largest tourism service companies in the world. Hundreds of destinations and companies have trusted our staff to help them make better marketing, investment, and policy decisions based on credible fact-based, quantitative analysis.

