The Return on Investment of Brand USA Marketing

Fiscal Year 2015

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OXFORD ECONOMICS

Table of contents

Executive summary

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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 2015 fiscal year (October 1, 2014-September 30, 2015). Ad tracking surveys in eight 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.

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: US international inbound market performance

The global economy presented the US tourism industry with the dual headwinds of weakening output growth and a strengthening US dollar. Exchange rate shifts produced an average price increase of 16% for visitors to the US in 2015.

Despite these headwinds, overseas air arrivals increase 4.3% in 2015 according to APIS statistics. Canadian visits to the US fell 10% due to the combined effects of economic and local currency weakness.

Based on preliminary data, seven of the nine key markets where Brand USA was active expanded in FY2015; Canada and Japan were the two exceptions.

The US lost 1.2% percentage points of market share within Brand USA focus markets in FY2015.

Section 3: Brand USA ROI

Across all markets, each dollar of Brand USA marketing generated $21.20 dollars of visitor spending. Including all operating overhead, Brand USA achieved an ROI of $19.30 and generated $3.0 billion in visitor spending.

Total visits generated tallied 1,025,183. This was 1.4% of all visitors to the US in FY2015.

The returns on Brand USA marketing were most pronounced in the Asia Pacific and Latin American regions with a combined ROI of 37:1. Returns were more subdued from North America (where market penetration is high and spending per visitor is relatively low) and the mature (and slower growing) European markets. These mature markets demonstrated a return of 15:1.

Section 4: Brand USA economic impact

Brand USA generated $3.0 billion in incremental visitor spending to the US in FY2015. Including indirect and induced impacts, a total of $6.6 billion in economic activity was generated by Brand USA.

Economic activity generated by Brand USA sustained 44,533 jobs earning $1.9 billion in personal income.

At $457 million, Brand USA generated more than double its funding in incremental Federal taxes and another $410 million in state and local taxes.

1. The vital role of destination promotion

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 its unique challenges.

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 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.

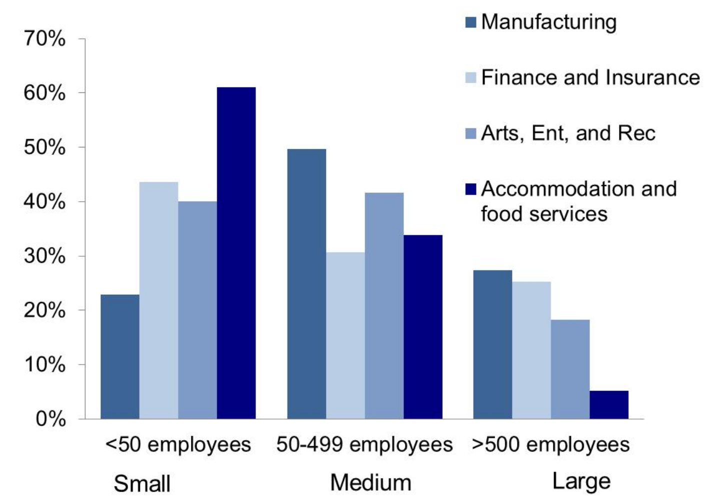
Only 5% of accommodation & food services employment and 18% of arts, entertainment, & recreation employment is within large establishments which would have the scale for international marketing. In contrast, large companies have a more significant footprint in manufacturing (representing 27% of industry employment) and finance & insurance (representing 25% 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 2015



The vital role of destination promotion (continued)

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 US 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 its 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)

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 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, DMO’s 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 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;
- Employed 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 build awareness through travel trade “familiarization trips”.

2. Market performance

Slowing global economy

Most key US visitor markets experienced an economic slowdown in 2015.

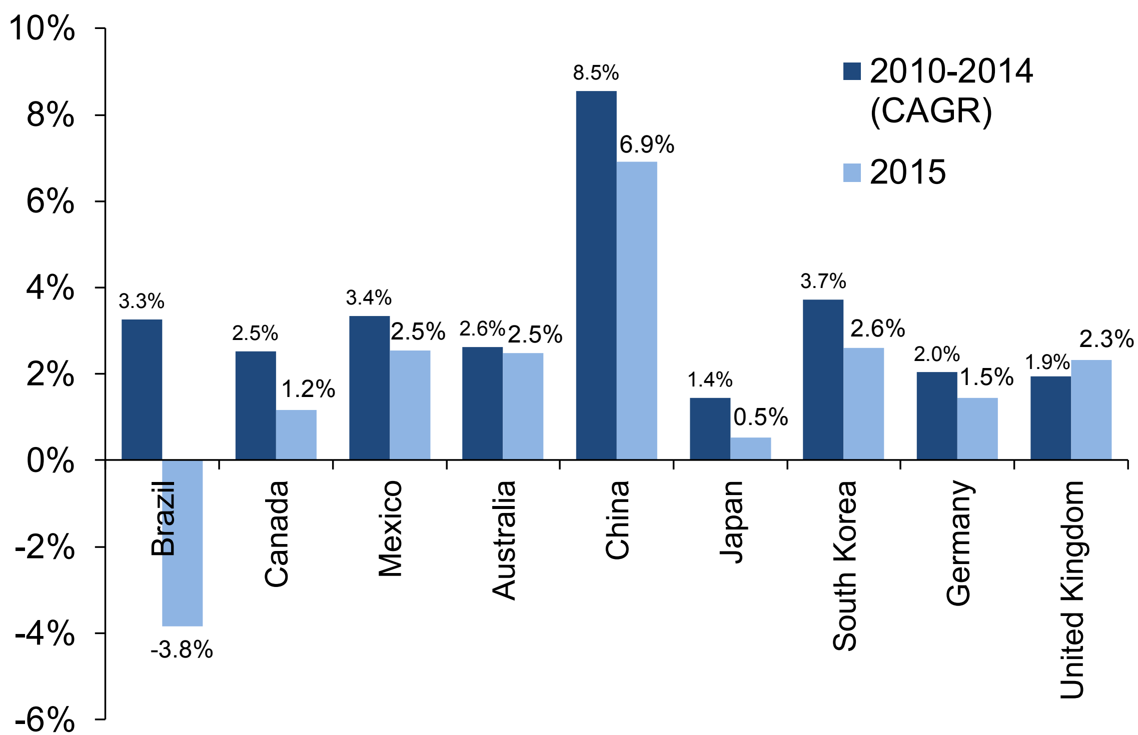
Major developed economies of Canada, Mexico, Japan, and Germany all grew at a relatively slow rate in 2015, compared with their pace over the previous five years.

Brazil's economy contracted nearly 4% in 2015 while the pace of economic growth in China slowed markedly.

Among Brand USA's focus markets, on the UK's economy grew more quickly in 2015 relative to the previous five years.

GDP growth for key markets

% change



Challenging exchange rates

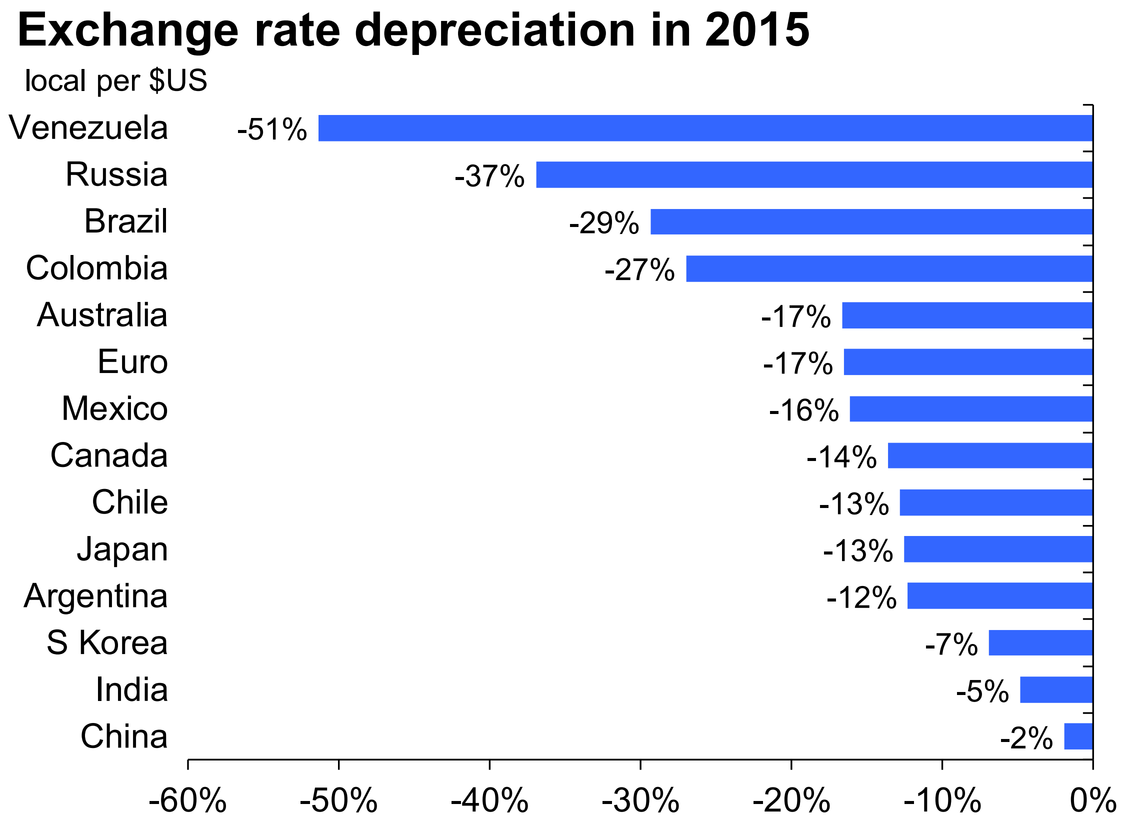
Currency shifts made the US significantly more expensive to major markets in 2015.

South American currencies fell throughout 2015 with Brazilian visitors facing an effective 29% price increase in dollar terms.

The value of the euro averaged 17% lower than in 2014.

Mexico and Canada faced similar challenges with currency depreciation of 16% and 14%, respectively, in 2015.

The Japanese yen was valued 13% lower, on average, in 2015 than in the prior year.



Understanding the impacts of exchange rate shifts

Oxford Economics ran model simulations using our 190-country global forecast model to identify the impact of a 10% US dollar appreciation across all countries.

The strengthening of the US$ in 2015 had a widespread and significant impact on global economic activity and notably tourism demand last year.

Oxford models indicate that, in general, a 10% appreciation of the US dollar increases global tourism demand by around 0.6%.

Within this, a 3% downward impact on inbound travel to the US is estimated but other areas such as Europe experience greater benefits.

The total impact from currency movement in 2015 depends on the magnitude of each destination's currency movement against all key currencies as well as the price sensitivity of demand for each market.

Exchange rate

- **2015 exchange rate movement**
- *Baseline expected exchange rate movements for 2015 are first considered, initially relative to the US$ and also as a weighted average against all other currencies*

Price sensitivity

- **Price elasticity of demand**
- *TDM model simulations have considered the incremental impact of a 10% US$ appreciation to illustrate the sensitivity of each destination to currency movement*

2015 impact

- **Total estimated impact of exchange rate movement**
- *Alternate scenarios are run to quantify the counterfactual growth in tourism demand that might have occurred, had the US$ exchange rates remained constant at the 2014 level.*

Many destinations benefited

Changes in weighted average exchange rate movements reflect the impact of currency fluctuations on tourism performance by destination.

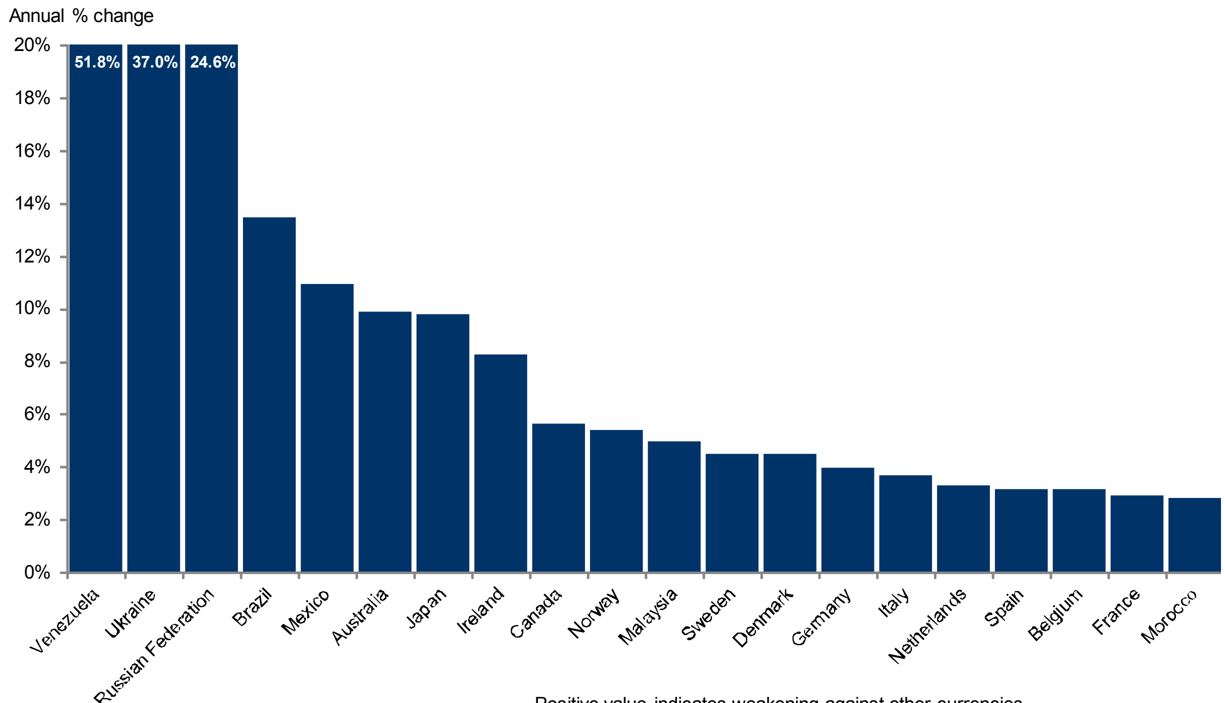
The adjacent chart shows the average exchange rate weighted by the origin distribution of visitors to each destination.

Destinations with high exposure to US visitors are likely to benefit most from the stronger dollar.

Cross exchange rate movements are an important distinction here as the weighted average of currency movements against all partners defines price competitiveness. Over half of global destinations are seeing a fall in competitiveness

For example, the UK is expected to lose some price competitiveness as sterling has depreciated against the dollar, but by less than the euro (i.e. sterling appreciated against the euro in 2015).

Rank of changes in tourism-weighted exchange rates in top markets, 2014-15



Source: Tourism Economics

Positive value indicates weakening against other currencies.
Chart shows largest changes among the top 50 tourism destinations by volume.

Top beneficiaries of strong dollar

The majority of the top 50 destinations (based on market share) are estimated to enjoy a boost to visitor arrivals as a result of 10% US dollar appreciation.

The largest gains are for countries located in Europe, North America, and Asia.

Combined Eurozone destinations top the ranking, which is not unexpected since the depreciation of the euro makes it a relatively more affordable travel destination, with increased intra-Eurozone travel as well as travel from other global origin markets.

Unsurprisingly, Mexico and Canada receive the second largest benefit as a result of the stronger dollar, and the largest in percentage terms, with the US being the largest source of tourism demand for these destinations.

Top 20 performers (top 50 destinations), base vs US$ appreciation scenario

Country	Absolute difference (000s)	Cumulative difference (%)
Eurozone	3,518	0.9%
Mexico	1,503	4.6%
Canada	760	3.8%
China	653	1.0%
Russian Federation	533	1.7%
Turkey	400	0.8%
United Kingdom	355	0.9%
Ukraine	299	1.7%
Hong Kong, SAR	240	0.7%
Korea, Republic of	209	1.3%
Egypt	172	1.5%
Japan	169	1.0%
Taiwan	158	1.4%
Thailand	158	0.5%
Poland	153	0.9%
Macao, SAR	125	0.7%
Kazakhstan	114	1.8%
Brazil	105	1.5%
Hungary	102	0.8%
Philippines	91	1.7%

Biggest losers from strong dollar

Model simulations indicate that visits to the US would be lower by around 3.1%, equating to a loss of 2.6mn visitors compared to a scenario of no exchange rate shifts.

Here, we only look at the top 50 global destinations, based on global market share, of which only 5 destinations are expected to see a negative impact.

The United States is the most significant loser in terms of actual visitors lost. The model simulations indicate that visitors travelling to the US would be lower by around 3.1%, equating to a loss of 2.6mn visitors compared to the baseline.

Other large losers include Saudi Arabia and United Arab Emirates as the stronger dollar makes these destinations less affordable due to their currency peg to the US$. Travel would be diverted to the more affordable destinations.

Worst 20 performers (top 50 destinations), base vs US$ appreciation scenario

Country	Absolute difference (000s)	Cumulative difference (%)
United States	-2,615	-3.1%
Saudi Arabia	-594	-3.7%
United Arab Emirates	-271	-1.5%
Jordan	-67	-1.4%
Bahrain	-38	-0.5%
Croatia	0	0.0%
Romania	0	0.0%
Puerto Rico	0	0.0%
Sweden	26	0.5%
Norway	30	0.5%
Bulgaria	35	0.4%
Indonesia	45	0.4%
Denmark	48	0.5%
Australia	49	0.6%
Switzerland	49	0.5%
Dominican Republic	53	1.0%
Chile	56	1.4%
Malaysia	56	0.2%
Iran, Islamic Republic	59	1.2%
Tunisia	72	1.0%

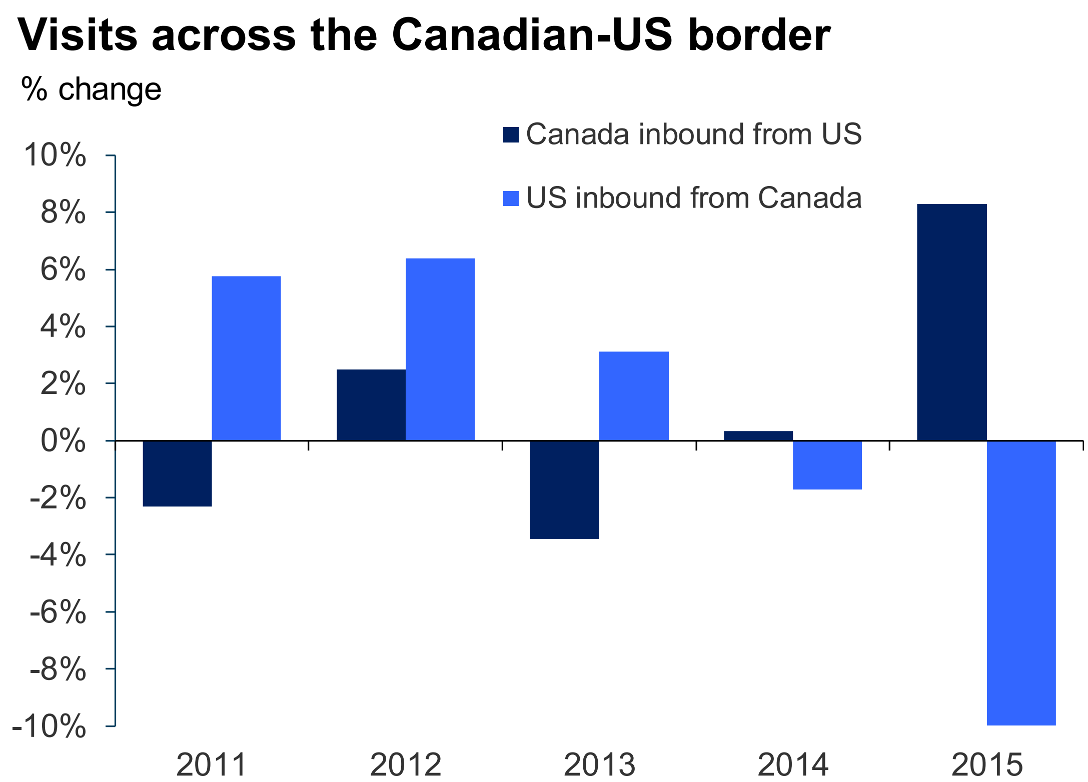
Strongest impacts from Canadian market

The Canadian market is even more reactive to large shifts in the exchange rate

Canadian visits to the US declined 10% in response to the dual headwinds of a weak currency and economy.

This follows a modest decline of just 2% in 2014.

In contrast, US travel to Canada surged 8% as US travelers' purchasing power increased substantially with the strong US dollar.

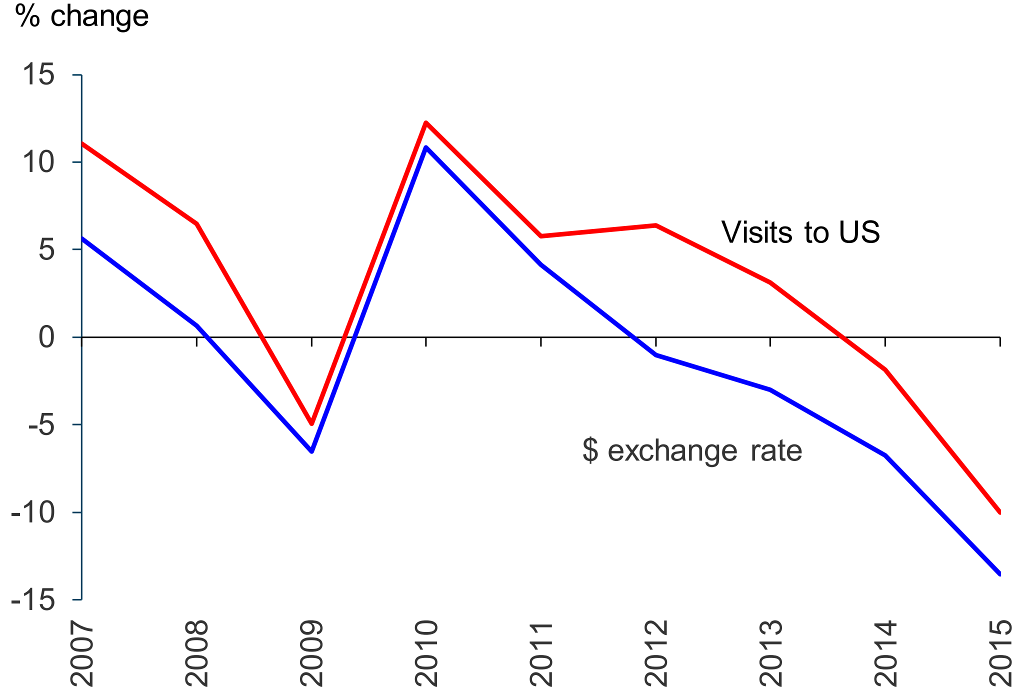


Canadian performance defined by exchange rates

The decline in visits from Canada was predictably steep in 2015.

Just as visits to the US surged in 2010 as the Canadian dollar strengthened, market performance has weakened as visitors' purchasing power had eroded over the past three years.

Canada visits to the US and exchange rates



Source: Statistics Canada, Oxford Economics

2015 US Inbound Performance

Based on aviation data analysis, overseas trips to the US by non-citizens increased 4.3% in 2015.

While official statistics on arrivals to the US are note yet available, data from the APIS (air passenger information system) program provide a picture of continued growth in 2015.

Air arrivals from China and Korea expanded at a torrid pace, each growing more than 20%. Australia also performed well with 6.4% growth.

Asia averaged 6% growth as Japan pulled down the region with an 8.9% decline. Route shifts among travelers may exaggerate the trends for specific countries (e.g. increases in direct flights from Beijing may result in fewer passengers arriving from Tokyo). However, regional trends from the APIS dataset have historically reflected the overall market.

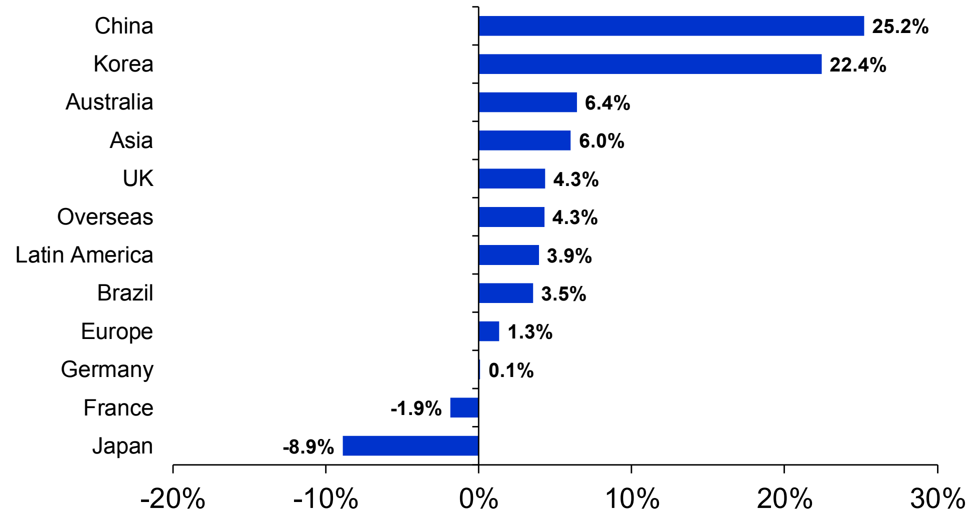
Latin America and Brazil slowed in 2015 but continued to rise, notwithstanding significantly weaker exchange rates.

Europe presents a mixed picture with strength from the UK driving an overall increase of 1.3% from Europe. Germany and France struggled as the weaker euro and modest economic growth weighed on performance.

<u>This performance is remarkable given the slowing global economy and strength of the dollar in 2015.</u>

Air Arrivals to the United States, 2015

By port of departure, annual % change



Source: Tourism Economics, APIS

FY2015 US Inbound Performance: focus markets

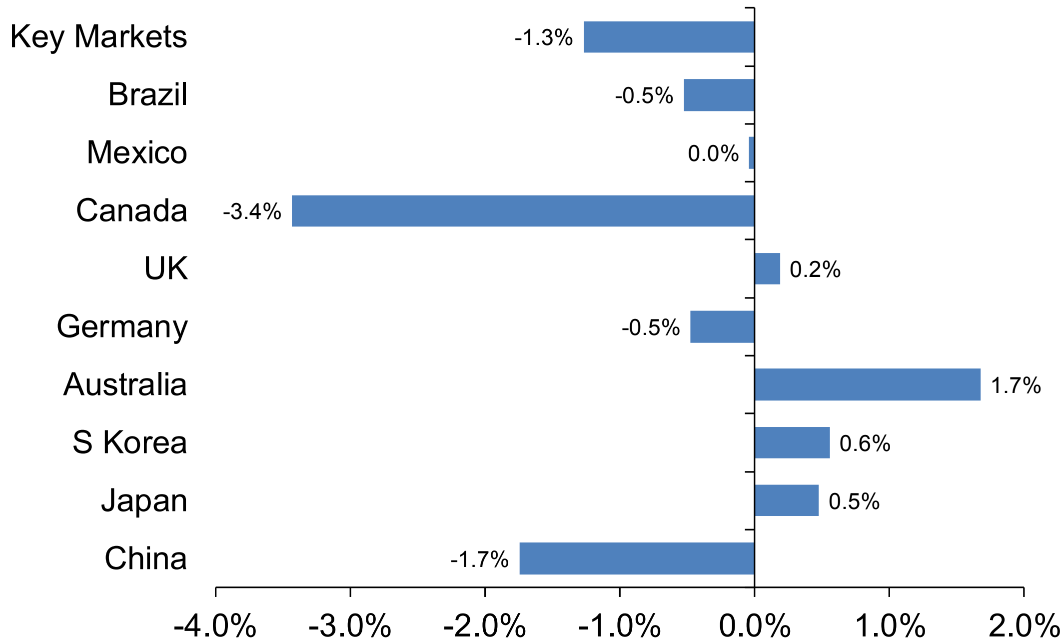
The US lost 1.2% percentage points of market share within Brand USA focus markets in FY2015.

Market share is intrinsically volatile year to year. The effects of the strong dollar defined the FY2015 outcome, especially from Canada.

The US gained market share in four markets (UK, Australia, Japan, and South Korea) and held its share from Mexico.

Change in US Market Share

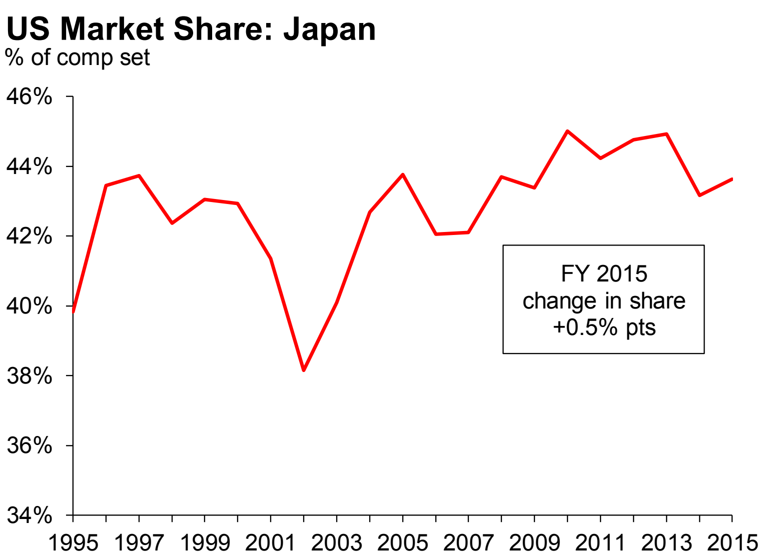
Percentage Point Difference (FY2015 minus FY2014)



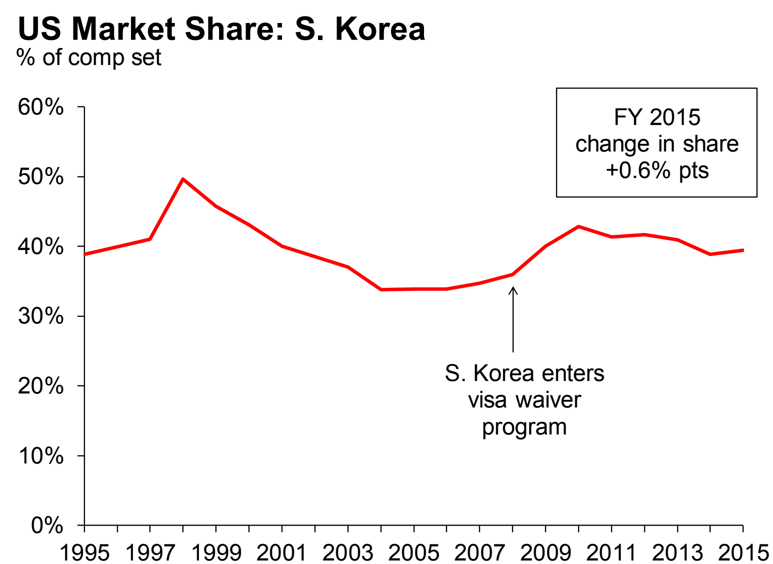
Market share trends – Asia

The US gained market share from both Japan and South Korea in FY2015

The US has been steadily regaining Japanese market share since its low point in 2002. The US gained 0.5% share among select competing destinations in FY2015.



The US reversed the trend of market share losses beginning in 2009. After several years of modest decline, the US gained 0.6% points among select competing destinations in FY2015.

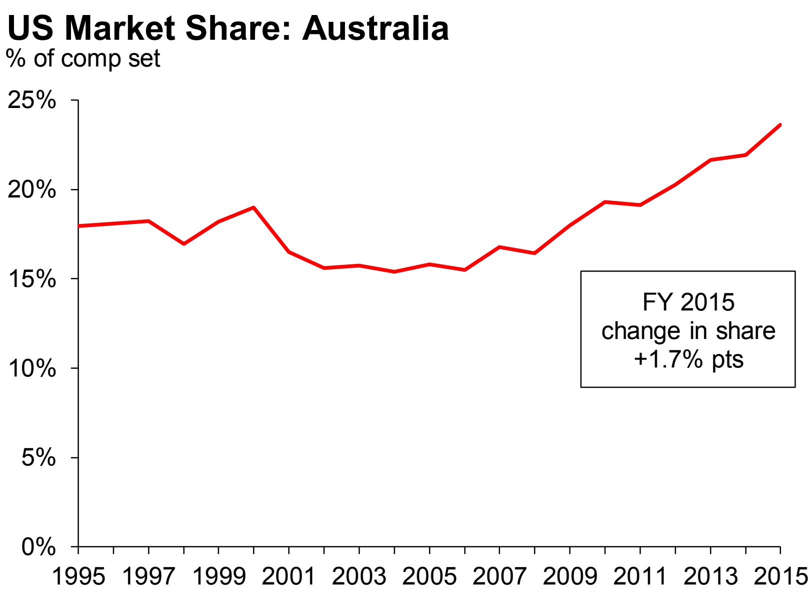


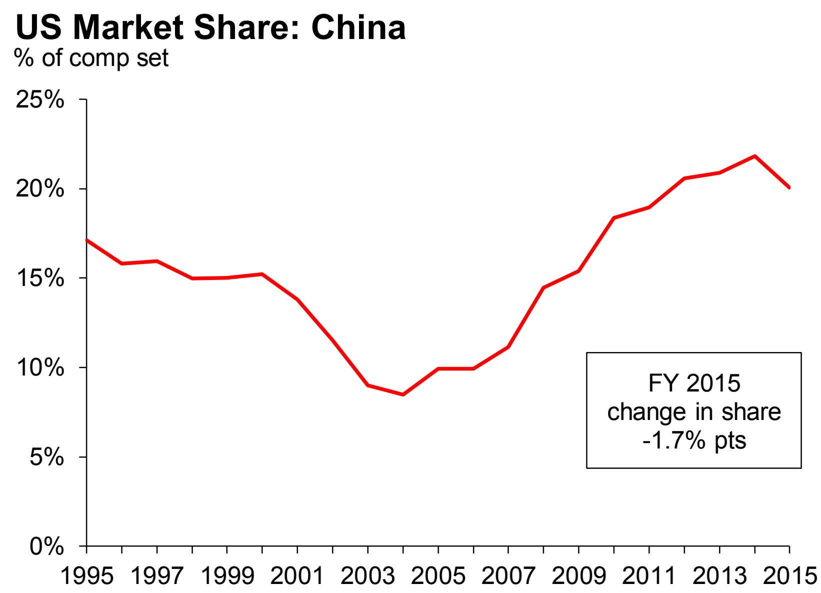
Market share trends – Asia

The US continues to perform well in key Asia markets

The US gained 1.7 points of Australia of market share in FY2015, continuing a strong overall trend.

After ten consecutive years of US market share gains from China, the US lost 1.7% points of share in FY2015. Still the US held 20% of travel to the US competitive set from China in FY2015 compared with just 10% in 2005.



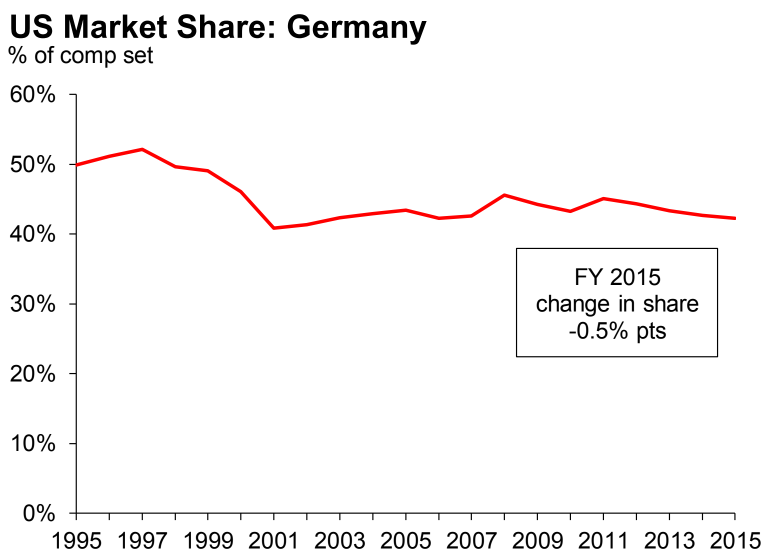


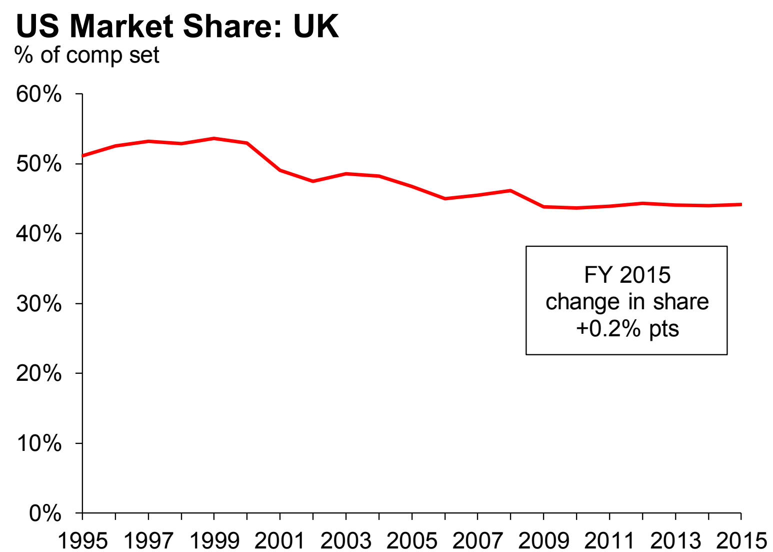
Market share trends – Europe

The US posted mixed performance in European markets but still carries impressive shares

The US lost .5 points of German long haul market share in FY2015 in the face of a strong dollar and relatively weak German economy. Still, the US hosted 42% of competitive set travel from Germany last year.

The US gained .2 percentage points of market share from the UK in FY2015 and holds a 44% market share of UK travel outside of Europe.

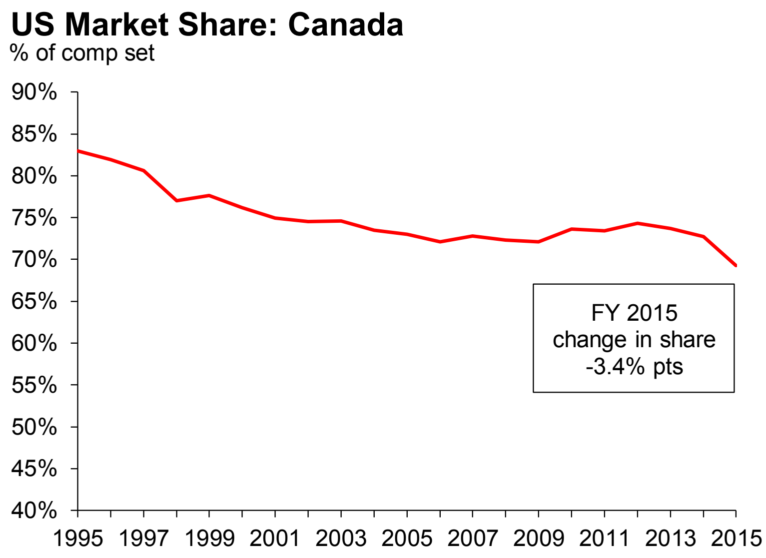




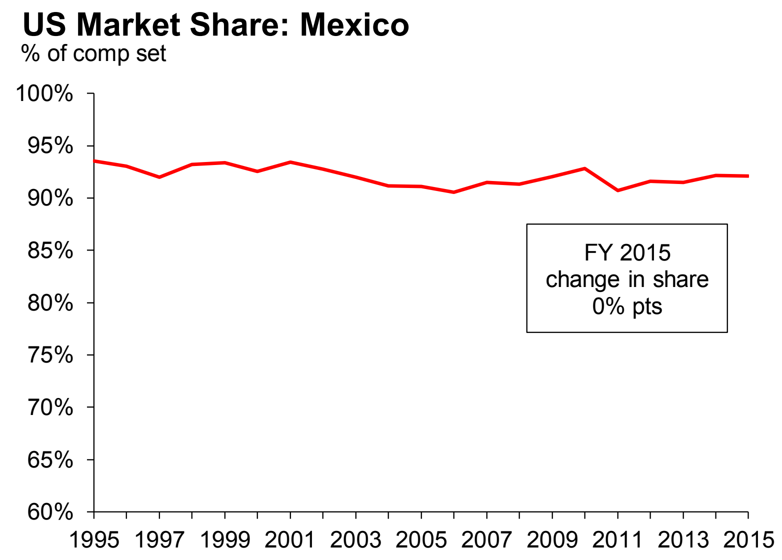
Market share trends – Americas

The US registered mixed results from North American markets but continues to hold significant share

Against the headwinds of a strong US dollar, the US lost 3.4% of Canadian travel market share in FY2015.



The US still hosts the vast majority of Mexico international travel so its share remains relatively stable. No change in market share was experienced in F2015.

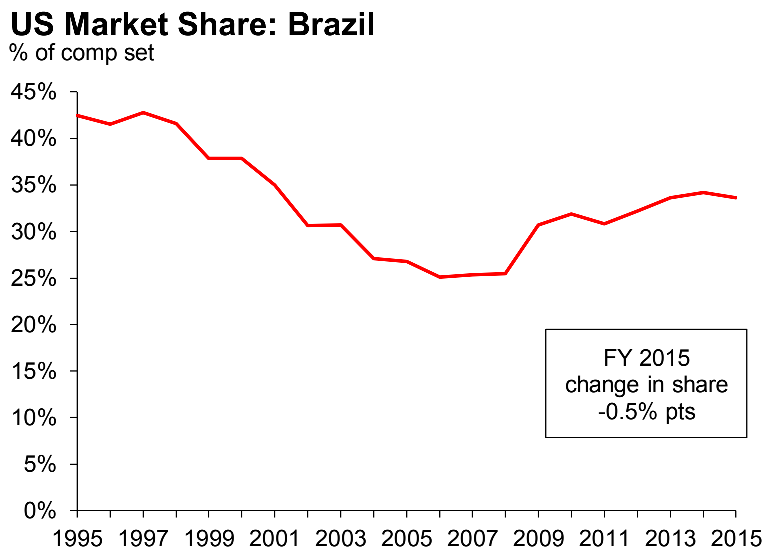


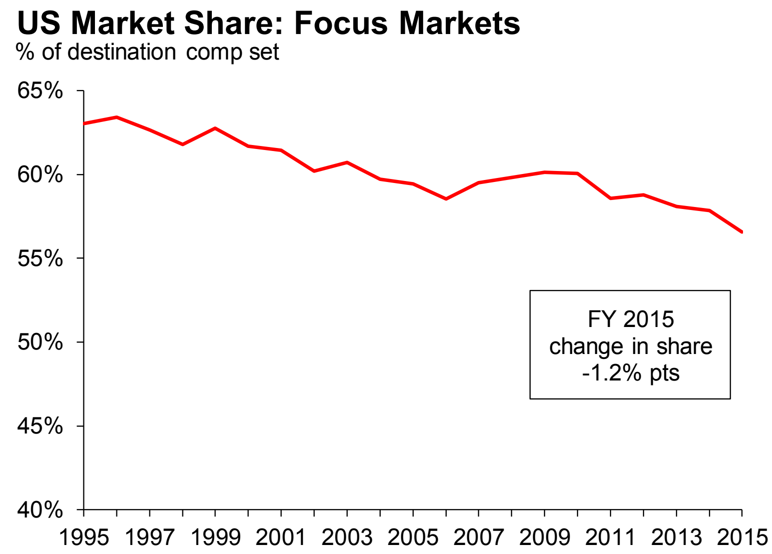
Market share trends – focus markets

The US lost share of Brazilian travelers after years of strong performance. Against the headwinds of a strong US dollar, the US lost 1.2 points of market share in FY2015.

After steady increases in share over the past seven years, the US lost 0.5 points of Brazil outbound market share to the US comp set in FY2015. Significant current depreciation relative to the US dollar played a large role.

The US lost 1.2 points of share across all nine Brand USA focus markets in FY2015.





4. Brand USA ROI

Advertising effectiveness survey

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
2014 Surveys			Recalled	Did not recall	Difference	
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%	50%	79%	67%	12%	2.0%
Mexico	20%	81%	79%	70%	9%	1.5%
Germany	9%	63%	27%	18%	9%	0.5%

Survey of population who had traveled internationally in past 24 months

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 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
- 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 add 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 40% x 12% = 2.0%).

ROI Projections for Surveyed Markets

Brazil, Mexico, and Germany surveys in 2015 show strong marketing ROI, averaging $62.50 of visitor spending per dollar invested across these three markets

ROI Projections (survey-based)					
	Long Haul Travelers	Marketing investment	Incremental visits	Incremental spending	ROI
2014 Surveys					
Brazil	7,132,070	10,460,412	71,891	$ 414,480,321	39.6
Australia	7,167,910	7,379,119	47,308	$ 258,801,210	35.1
Germany	10,274,400	10,765,373	35,755	$ 124,731,250	11.6
Japan	9,398,600	7,962,828	101,505	$ 452,356,108	56.8
Korea	4,196,600	3,516,412	46,582	$ 158,857,098	45.2
Subtotal (2014)	38,169,580	40,084,144	303,042	1,409,225,988	35.2
2015 Surveys					
Brazil	7,661,850	7,520,197	151,705	855,522,391	113.8
Mexico	19,775,600	5,170,729	288,328	239,498,246	46.3
Germany	10,454,400	7,793,281	53,349	184,435,416	23.7
Subtotal (2015)	37,891,850	20,484,207	493,382	1,279,456,053	62.5

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 a 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.

Surveys in 2015 indicate a generally stronger market performance than in 2014.

Calculating returns across all markets

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

Of particular note, the important indicator of website page views increased 40% to 20.8 million in the 2015 fiscal year.

Brand USA KPIs (2014)

	Media Impressions	Social Media Engagements	Website Page Views	Market share change (FY2014)
Brazil	1,242,774,598	5,044,359	1,979,498	1.1%
Mexico	840,635,283	5,764,553	777,427	0.2%
Australia	90,138,587	664,118	815,546	2.6%
Germany	549,949,918	1,168,955	1,564,033	-1.0%
Japan	861,199,973	1,155,085	809,766	0.2%
Korea	555,685,290	1,714,478	324,739	-4.9%
Canada	420,681,807	997,306	967,263	-1.1%
UK	513,005,671	843,542	1,442,876	-0.8%
China	479,187,714	2,817,563	6,108,184	4.4%
Other	288,100,445	1,070,334	112,090	
Total	5,841,359,286	21,240,293	14,901,422	

Brand USA KPIs (2015)

	Media Impressions	Social Media Engagements	Website Page Views	Market share change (FY2015)
Brazil	553,449,106	3,864,344	1,770,196	-2.2%
Mexico	396,996,343	4,631,293	695,822	0.0%
Australia	68,554,162	302,872	584,974	7.6%
Germany	233,921,544	593,047	1,543,269	-1.1%
Japan	28,910,408	1,110,303	808,169	1.1%
South Korea	36,713,078	730,412	223,676	1.4%
Canada	44,474,281	513,908	939,528	-4.7%
UK	59,745,909	364,887	376,825	0.4%
China	1,902,041,905	93,285	11,316,330	-8.0%
Other	300,696,974	6,375,490	1,992,111	
Total	3,625,503,710	18,579,841	20,250,900	

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 market on the basis of media impressions, online engagement, and market share changes for each market.

The estimated model equation is

LN(IVIS(i)/LH(i)) = K + b1*LN(MED(i)/LH(i)) + b2*LN(ONL(i)/LH(i)) + b3*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 (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.

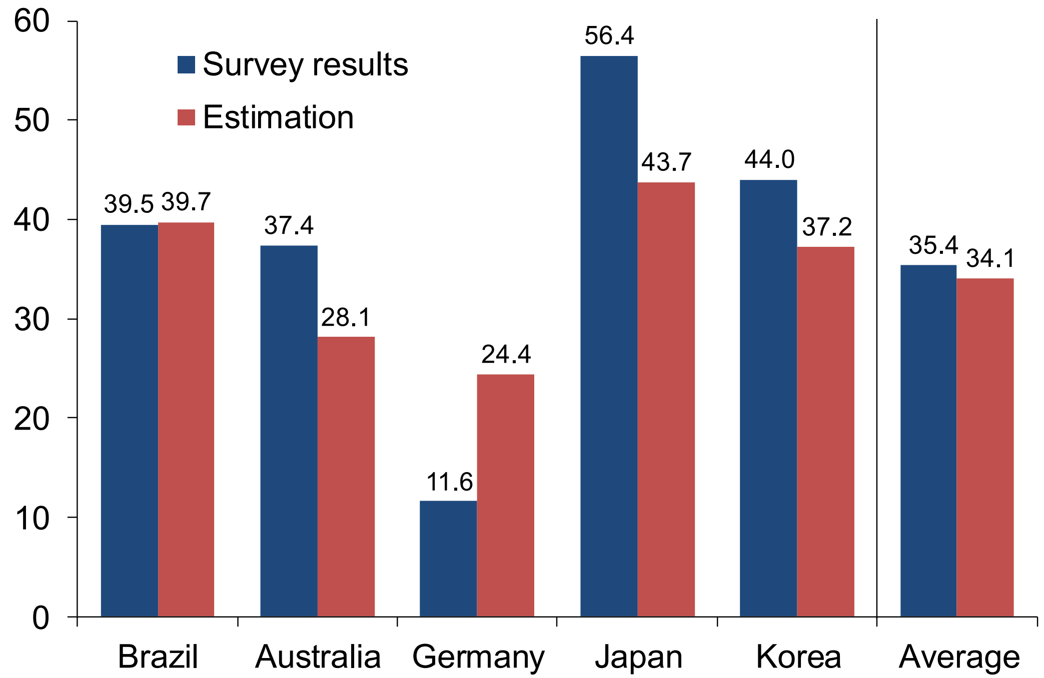
The variations reflect as much on the margin of error surrounding ad tracking survey results as it does on actual campaign effectiveness across markets, and model accuracy.

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)

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 113.8 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.

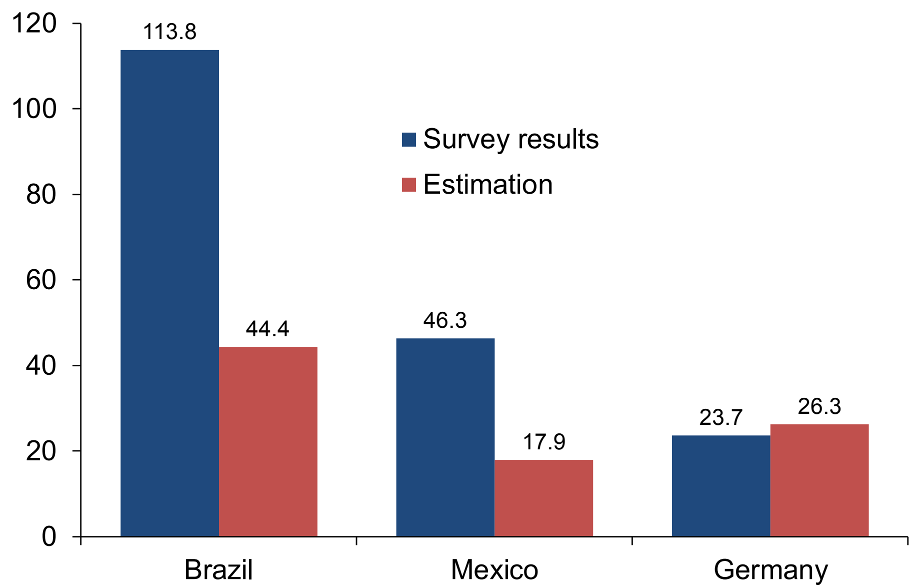
Survey and model results for Germany were nearly identical and the more conservative survey findings were incorporated into the overall Brand USA ROI analysis.

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



Total Brand USA ROI (FY2015)

The total ROI of Brand USA marketing is based on a combination of available survey and model results.

Summary Results: Brand USA ROI (FY2015)				
Region	**Investment**	**Incremental visitors**	**Incremental Spend**	**ROI**
N America	$ 19,392,467	374,195	$ 357,230,802	18.4
Europe	$ 31,578,844	116,923	$ 387,499,367	12.3
APAC	$ 29,727,058	198,358	$ 1,036,777,492	34.9
LATAM	$ 7,520,197	59,165	$ 333,653,856	44.4
Other / Global Infrastructure	$ 54,974,236	276,542	$ 920,917,657	16.8
Total marketing	**$ 143,192,802**	**1,025,183**	**$ 3,036,079,174**	**21.2**
Overhead	$ 14,483,128			
Total operating	**$ 157,675,930**			**19.3**
APAC + LATAM	$ 37,247,255	257,523	$ 1,370,431,348	36.8

- In 2015, each dollar of Brand USA marketing generated $21.20 of visitor spending. Including all operating overhead, Brand USA achieved an ROI of $19.30 and generated $3.0 billion in visitor spending.
- Relatively high market growth and spending per visitor drove strong returns in Asia and Latin America with an average ROI of 34.9.
- The average ROI was strong, but more subdued, in the mature markets of Canada and Europe.
- Total visits generated tallied 1,025,183. This was 1.4% of all visitors to the US.
- Spending while in the US as well as on US-based aviation is included in the figures.

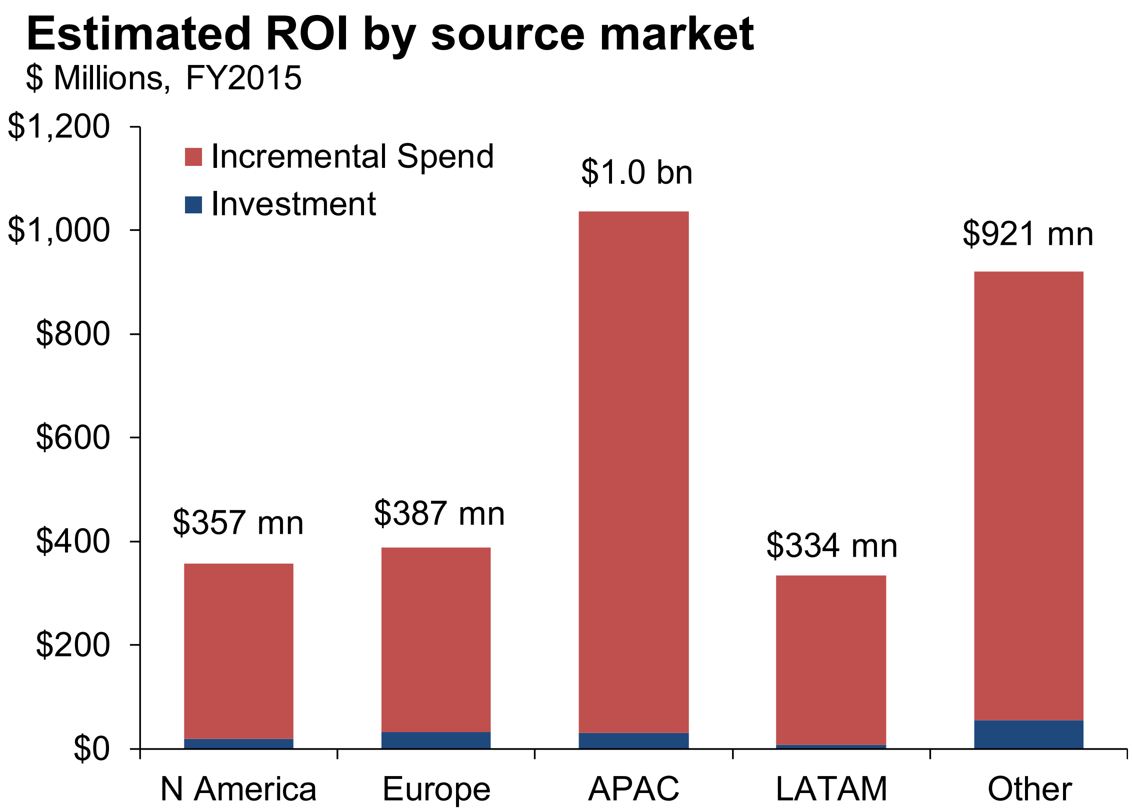
Total Brand USA ROI (FY2014)

Summary Results: Brand USA ROI (FY2014)						
Region		**Investment**	**Incremental visitors**		**Incremental Spend**	**ROI**
N America	$	24,430,162	291,777	$	361,753,963	14.8
Europe	$	32,482,941	144,135	$	476,551,593	14.7
APAC	$	27,020,795	281,911	$	1,444,423,739	53.5
LATAM	$	10,460,412	71,683	$	413,277,921	39.5
Other markets	$	9,317,453	113,934	$	374,385,838	40.2
Global/Infrastructure	$	56,993,103				
Total marketing	**$**	**160,704,867**	**903,440**	**$**	**3,070,393,054**	**19.1**
Overhead	$	12,322,995				
Total operating	**$**	**173,027,862**				**17.7**
APAC + LATAM	$	37,481,207	353,594	$	1,857,701,660	49.6

- In 2014, each dollar of Brand USA marketing generated $19.10 dollars of visitor spending. Including all operating overhead, Brand USA achieved an ROI of $17.1 and generated $3.1 billion in visitor spending.
- Relatively high spending per visitor drove strong returns in Asia and Latin America with an average ROI of 50:1.
- The average ROI was strong, but more subdued, in the mature markets of Canada and Mexico (where market share is highest with relatively lower average spending) as well as Europe which also trails the average spending per visitor of Asian and Latin American visitors.
- Total visits generated tallied 903,440. This was 1.2% of all visitors to the US and represented 20% of the growth in visitor volumes in FY2014.
- Spending while in the US as well as on US-based aviation is included in the figures.

Total Brand USA ROI (FY2015)

Considerable returns were generated across all world regions where Brand USA was active.



Total Brand USA ROI (FY2013-FY2015)

Across three years, Brand USA has generated $9.5 billion in incremental international visitor spending with an implicit ROI of $25 per marketing dollar invested.

Summary Results: Brand USA ROI (FY2013-FY2015)				
	Investment	Incremental visitors	Incremental Spend	ROI
Total marketing	**$ 376,637,976**	**3,071,809**	**9,508,423,428**	**25.2**
Overhead	$ 53,088,616			
Total operating	**$ 429,726,592**			**22.1**

- Brand USA has attracted 3 million visitors to the US over its three years of significant marketing activity

4. Brand USA Economic Impact

Spending impacts

Incremental spending of $3 billion generated economic impacts through the supply chain and earned income that is spent in the US economy

Brand USA generated $3 billion in incremental visitor spending to the US in FY2015.

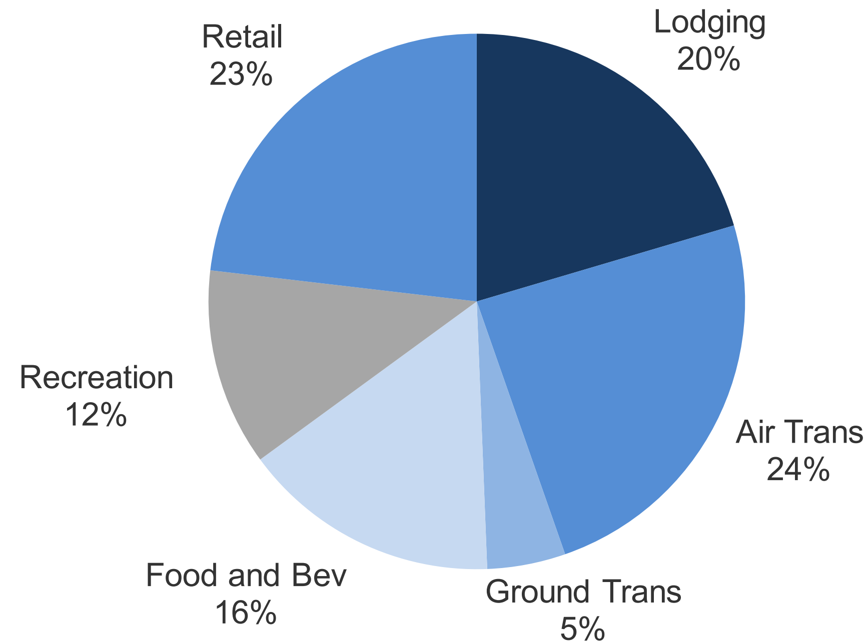
This represents 1.4% of all international travel spending (including passenger fares) in FY2015.

The benefits were broadly distributed across the US economy, with spending in the transportation, retail, lodging, restaurant, and recreation sectors.

The distribution of direct visitor spending is based on the BEA Travel & Tourism Satellite Account.

Brand USA-Generated Visitor Spending by Industry

Total = $3 billion



Summary of impacts (FY2015)

Including secondary impacts, Brand USA generated $6.6 billion in US economic output in FY2015

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.

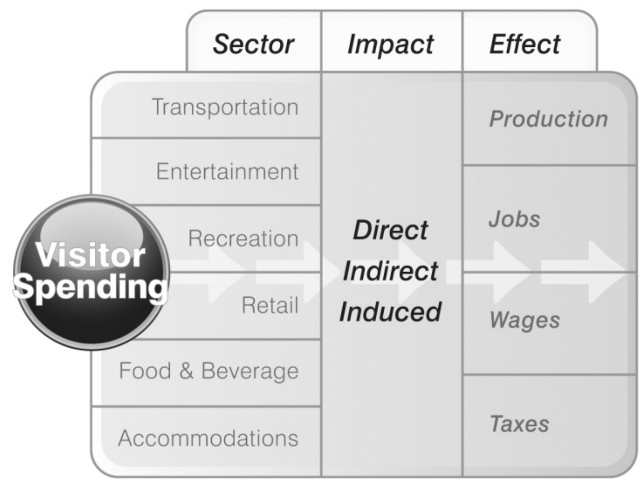
Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the US economy.

Economic activity generated by Brand USA sustained 44,533 jobs earning nearly $2 billion in personal income.

Brand USA generated value added (GDP) in the US economy of $3.4 billion and a total economic impact (sales or output) of $6.6 billion.

Total Brand USA Economic Impact, FY 2015

	Total sales ($mils)	Value added ($mils)	Income ($mils)	Jobs
Direct	3,036	1,359	790	23,360
Indirect	1,517	832	485	8,087
Induced	2,047	1,197	669	13,087
Total	**6,600**	**3,388**	**1,945**	**44,533**



Summary of impacts (FY2013-FY15)

Economic activity generated by Brand USA sustained an average of 48,075 jobs earning $6 billion in personal income over three years.

Brand USA generated value added (GDP) in the US economy of $10.6 billion and a total economic impact (sales or output) of $21.5 billion over this three-year period.

Brand USA generated $21.5 billion in US economic output from FY2013-FY2015 combined and supported an average of 48,000 jobs

Total Brand USA Economic Impact, FY2013-FY2015

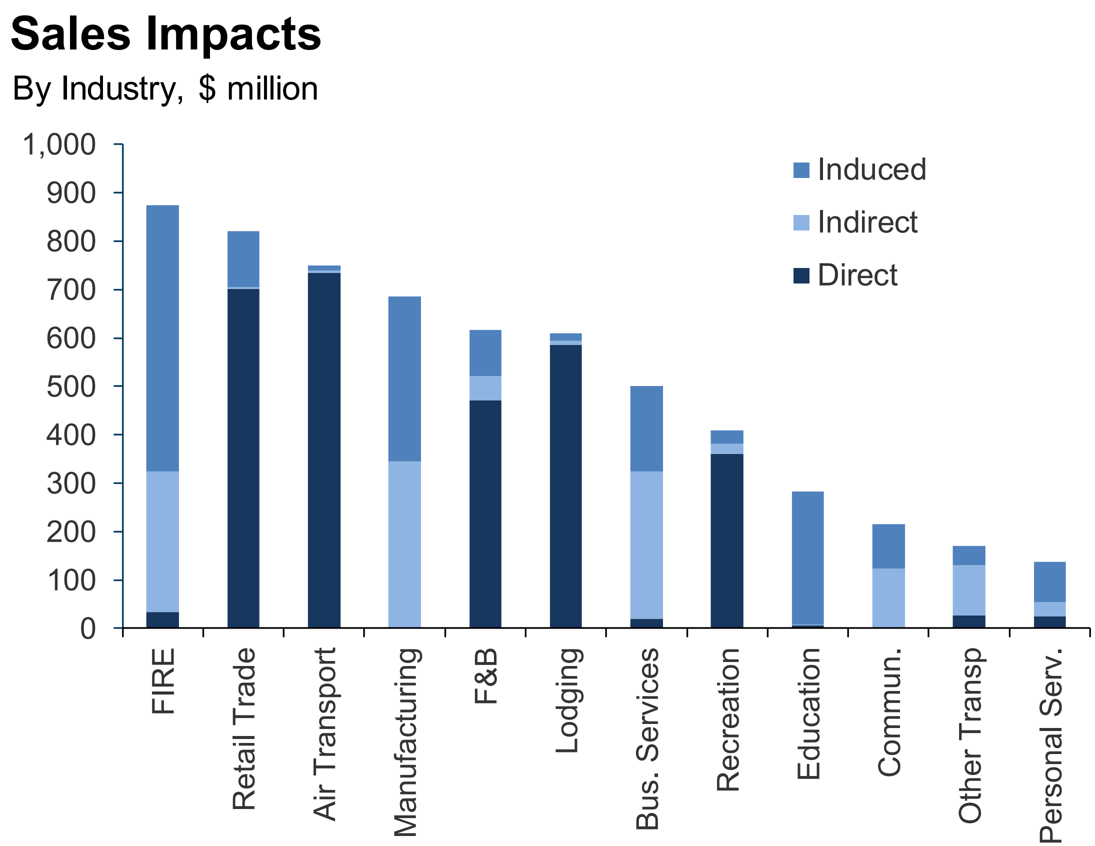
	Total sales ($mils)	Value added ($mils)	Income ($mils)	Jobs (average)
Direct	9,508	4,256	2,476	25,217
Indirect	4,915	2,606	1,519	8,730
Induced	6,636	3,750	2,097	14,128
Total	**21,059**	**10,612**	**6,091**	**48,075**

Sales impacts

Including secondary impacts, Brand USA generated $7.06 billion in US economic output in FY2014

A total impact of $6.6 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 $900 million.

Similarly, the manufacturing sector realized a benefit of $700 million in economic output as a result of Brand USA marketing.

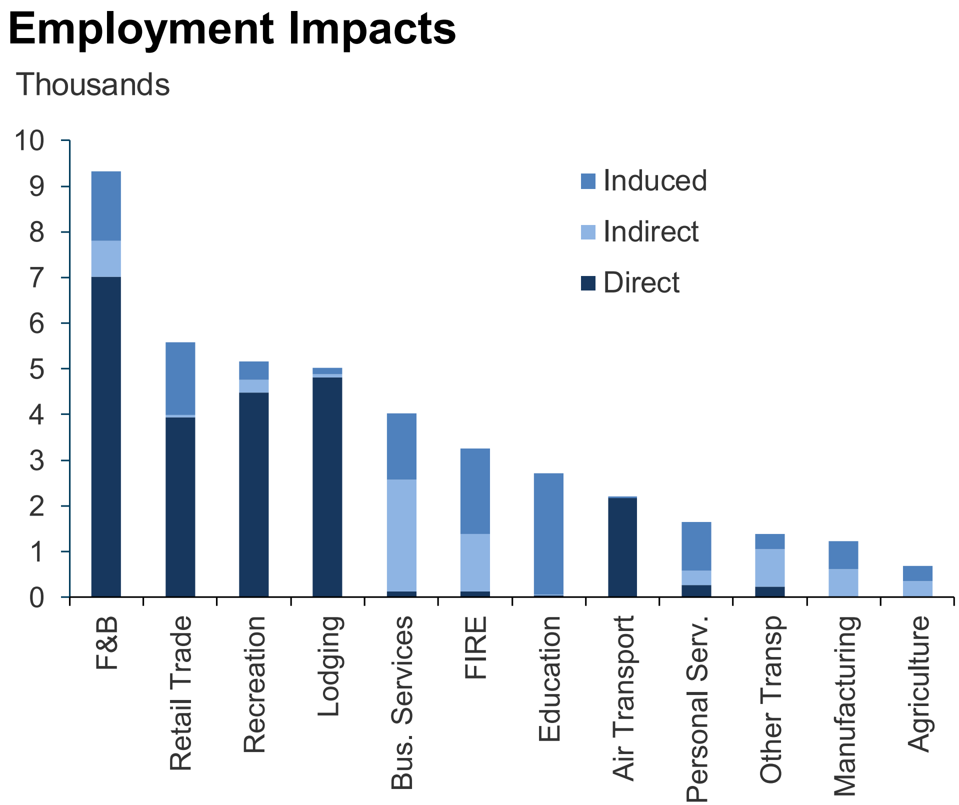


Employment impacts

Direct employment impacts in industries directly serving international visitors tally 23,360. Including secondary impacts, Brand USA marketing in FY2015 sustained 44,533 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 44,533 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.

It is noteworthy, however, that significant employment impacts are evident in the business surveys and FIRE (finance, insurance, and real estate) sectors as dollars flow through the US economy.



Tax impacts

Brand USA generated more than double its funding in incremental Federal taxes

Brand USA-generated international visitor spending is estimated to have produced Federal taxes of $457 million, including direct impacts of $191 million and indirect/induced impacts of $266 million.

Another $411 million in state and local taxes were generated by Brand USA marketing in the 2015 fiscal year including direct, indirect, and induced impacts.

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Brand USA Tax Impacts
(US$ Million)

Tax Type	Direct	Indirect/ Induced	Total
Federal Taxes Subtotal	**191.4**	**265.9**	**457.3**
Corporate	23.8	50.3	74.1
Indirect Business	30.0	21.1	51.2
Personal Income	49.7	73.0	122.7
Social Security	87.9	121.4	209.3
State and Local Taxes Subtotal	**227.5**	**183.2**	**410.7**
Corporate	4.4	9.2	13.6
Personal Income	14.8	21.7	36.5
Sales	87.7	61.7	149.4
Property	86.6	61.2	147.8
Excise and Fees	32.2	26.7	58.9
State Unemployment	1.9	2.6	4.5
TOTAL	**418.9**	**449.1**	**868.0**

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