

The Return on Investment of Brand USA Marketing

Fiscal Year 2016

May 2017

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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 2016 fiscal year (October 1, 2015-September 30, 2016). 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.

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

Last year marked the slowest growth for the global economy since the great recession. World GDP expanded a modest 2.3% with the slowdown evident in both developed and emerging markets.

The effects of the stagnant economy were compounded by the continued (and increasing) strength of the US dollar in 2016.

Against these headwinds, overseas air arrivals increased an estimated 1.7% in 2016 according to available I-94 data through August and APIS statistics for the remainder of the year. Canadian visits to the US fell 6.8% due to the combined effects of economic and local currency weakness.

Despite a recent slowdown, the US share of long haul travel from key overseas markets has increased steadily over the past four years, reaching 19.3% in 2016—up from 17.6% in 2012.

Section 3: Brand USA ROI

Across all markets, each dollar of Brand USA marketing generated \$30.70 of visitor spending. Including all operating overhead, Brand USA achieved an ROI of \$27.70 and generated \$4.1 billion in visitor spending.

Brand USA marketing generated tallied 1.1 million visits to the US in FY2016. This was 1.6% of all visitors to the US in FY2016.

The returns on Brand USA marketing were most pronounced in the Asia Pacific and Latin American regions with a combined ROI of 60:1. 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 returns of \$16-to-1 and \$21-to-1, respectively.

Section 4: Brand USA economic impact

Brand USA generated \$4.1 billion in incremental visitor spending to the US in FY2016. Including indirect and induced impacts, a total of \$8.9 billion in economic activity was generated by Brand USA.

Economic activity generated by Brand USA sustained 59,463 jobs earning \$2.6 billion in personal income.

At \$615 million, Brand USA generated more than four times its budget in incremental Federal taxes and another \$552 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 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 28% of industry employment) and finance & insurance (representing 26% of industry employment).

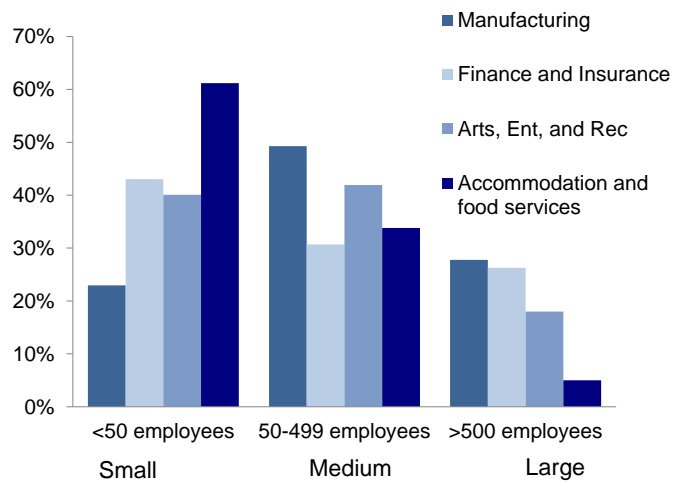
Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing its unique challenges.

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 2016



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 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.

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 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)

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.

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 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 2016.

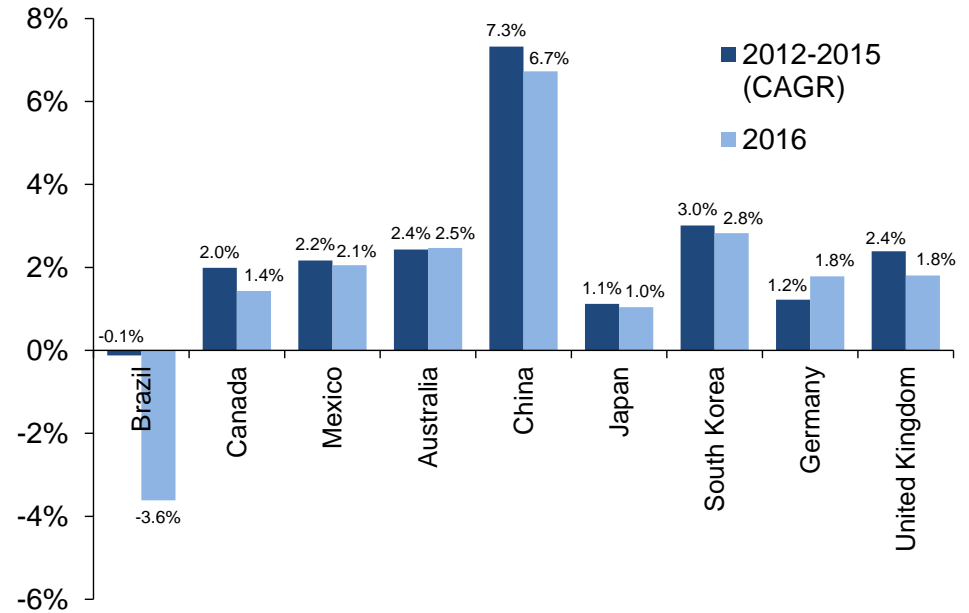
Compared with the previous three years, the economies of nearly all major travel markets slowed in 2016.

Brazil's economy continued to contract while the pace of economic growth in China also moderated.

Among Brand USA's focus markets, only Australia's and Germany's economy grew more quickly in 2016 relative to the previous three years.

GDP growth for key markets

% change



Source: Oxford Economics

The dollar strengthened further

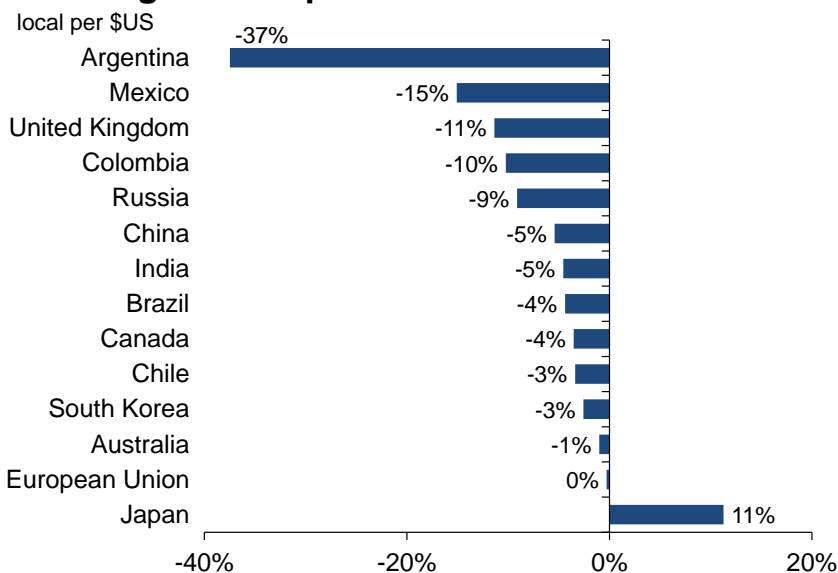
Currency shifts made the US significantly more expensive to major markets in 2015.

A strengthening dollar added to market challenges in 2016. South American markets faced still higher prices last year, adding to the effects of currency effects over the past three years. The Brazilian real in 2016 was worth 32% less in dollar terms than in 2014. Mexican travelers faced nearly the same effective price increase of 29% over the past three years with a shift of 15% in 2016 alone.

The Canadian dollar also depreciated 4%, bringing its total decline to 17% since 2014. This is in line with the three year trend for the pound and euro, which have fallen 18% and 17%, respectively.

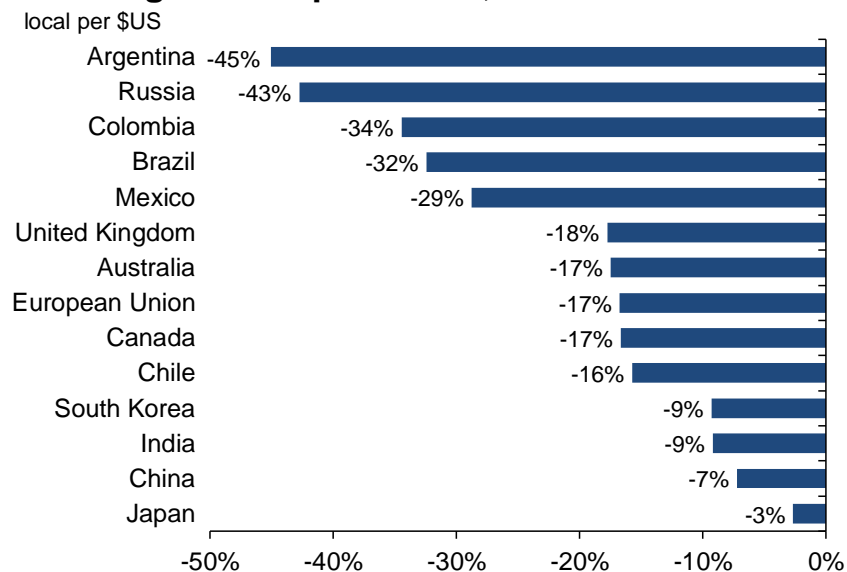
The markets most shielded from currency effects are the Asian markets of India, China, and Japan.

Exchange rate depreciation in 2016



Source: Oxford Economics

Exchange rate depreciation, 2016 / 2014



2016 US Inbound Performance

Based on available data, overseas trips to the US by non-citizens increased 1.7% in 2016, led by Asian markets.

While official statistics on arrivals to the US are not yet available for the entire year, I-94 data through August and APIS (air passenger information system) data provide a picture of mixed performance in 2016.

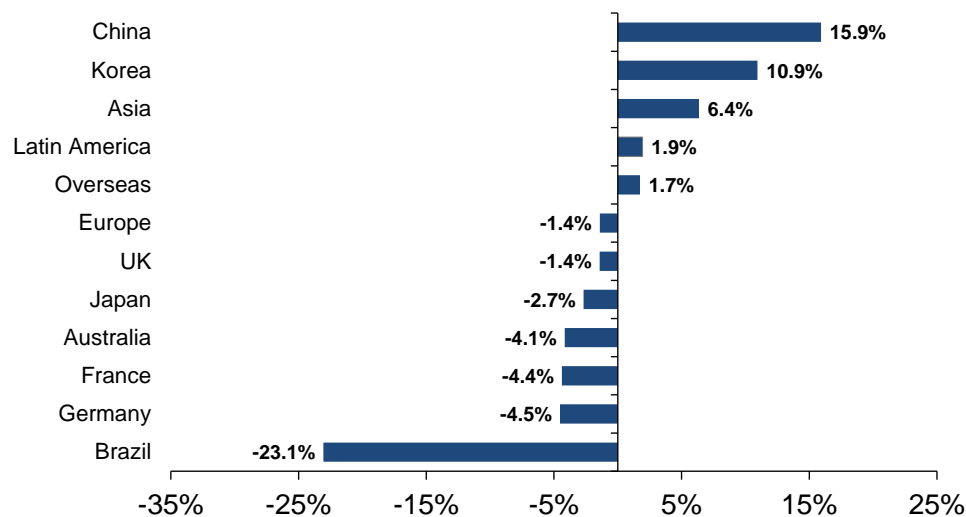
Air arrivals from China and Korea expanded at a strong pace, growing 16% and 11%, respectively. Asian markets averaged 6.4% growth as Japan pulled down the region with an 2.7% decline.

Brazil declined markedly as the combined effects of recession and a weak real weighed on outbound travel.

Europe also succumbed to the pressures of a weak economy and currency with modest declines from major markets.

International Visits to the US, 2016

Annual % change



Source: NTTO (I-94) through Aug 2016, APIS from Sept-Dec 2016

US market share

The US has gained market share of overseas traveler markets over the past four years.

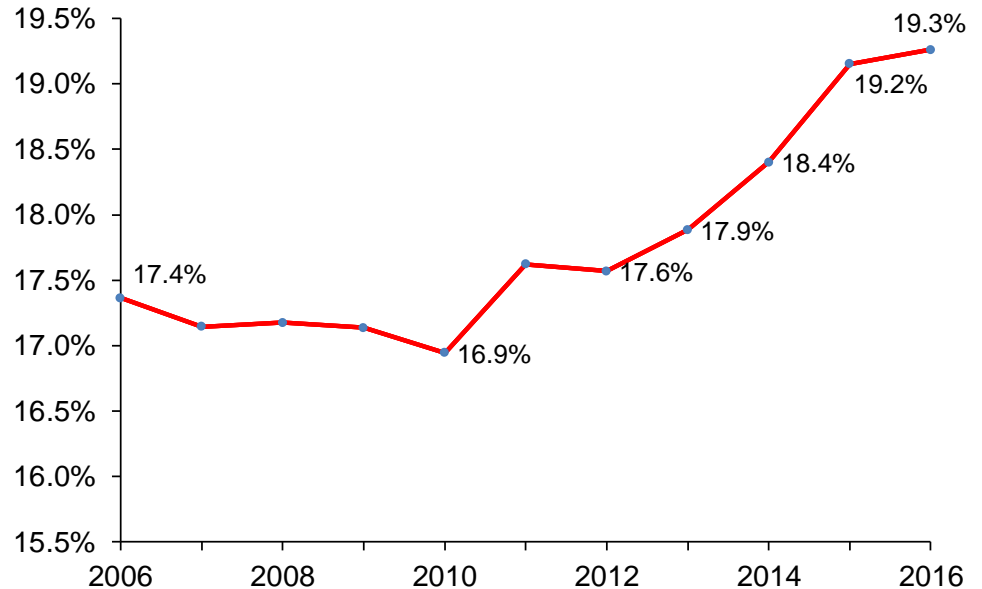
Between 2006 and 2012, the US maintained its market share between 17.4% and 17.6% of overseas long haul travel*.

US market share began to shift in 2013, rising from 17.6% to 17.9% and has increased steadily since then, reaching a recent history peak of 19.3% in 2016.

Canadian travel to the US has fallen over the past two years as the Canadian dollar has dropped, lowering the US share of the market to 58.2% in 2016 from 64.4% in 2014.

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.

US market share

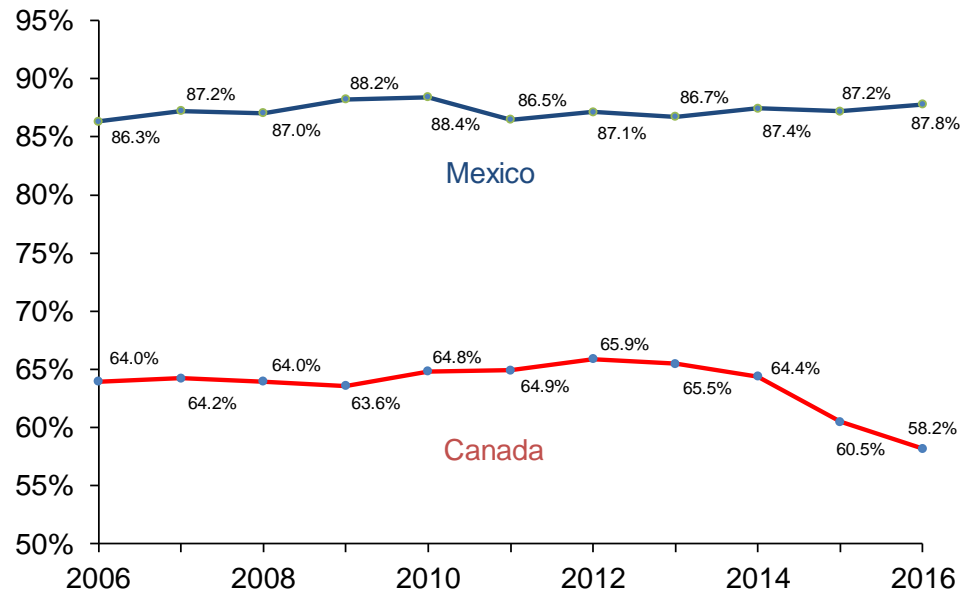
US market position in North America has been mixed, holding steady in Mexico and falling in Canada.

Canadian travel to the US has fallen over the past two years as the Canadian dollar has dropped, lowering the US share of the market to 58.2% in 2016 from 64.4% in 2014.

The US holds a particularly strong market position in Mexico, with nearly 90% of all outbound travel going to US destinations. In Mexico, the US has held its market position and made slight gains over the past four years.

US Market Share: North American Markets

% of total outbound travel



2016 US Inbound Performance: focus markets

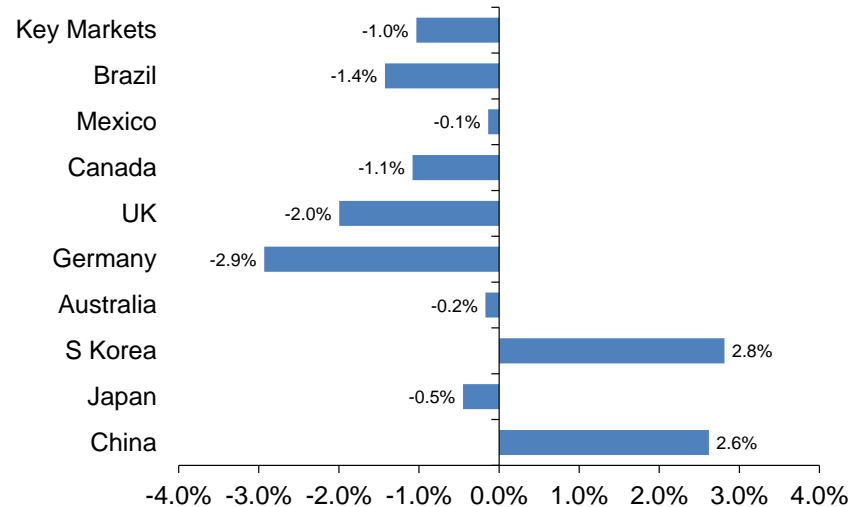
Across a limited set of competitors—shown in the following table—the US experienced decreasing market share in seven of Brand USA’s key markets.

The US gained market share in two key Asian markets: South Korea and China.

Focusing on a narrow set of competing destinations for Brand USA focus markets, the US lost 1% of market share in 2016.

Change in US Market Share

Percentage Point Difference (2016 minus 2015)



Source: Tourism Economics

Competitive Set of Destinations

| Origin Market | Canada | Mexico | Brazil | UK | Germany | Japan | S Korea | Australia | China |
|---------------|-----------|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Destination | US | US | US | US | US | US | US | US | US |
| | | Canada | Canada | Canada | Canada | Canada | Canada | Canada | Canada |
| | Mexico | | Mexico | Mexico | Mexico | Mexico | Mexico | Mexico | Mexico |
| | Australia | | Australia | Australia | Australia | Australia | Australia | | Australia |
| | W Europe | | W Europe | | | W Europe | W Europe | W Europe | W Europe |
| Caribbean | | | | Caribbean | Caribbean | | | Caribbean | |

Market share trends – Asia

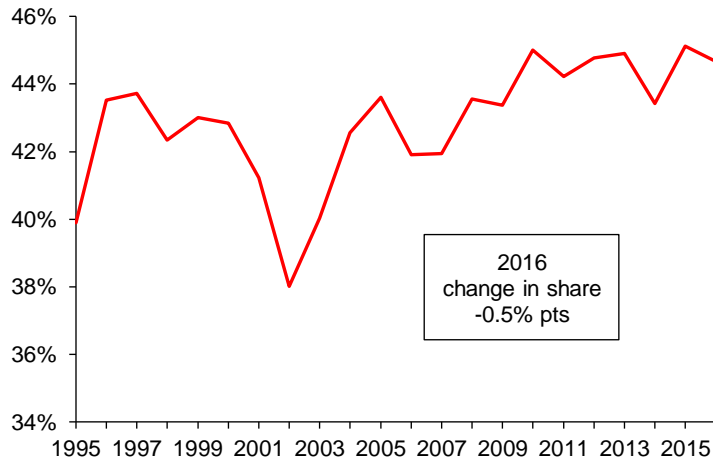
The US gained market share in South Korea last year and experienced a downward tick in Japan.

The US share of the Japanese travel has rebounded from 2002 and remains within the range of 42% to 45% of the competitive set with 2016 seeing a 0.5% point decrease.

The US has continued to regain market share for South Korean travelers; the 2.8% point gain was the strongest among the focus markets.

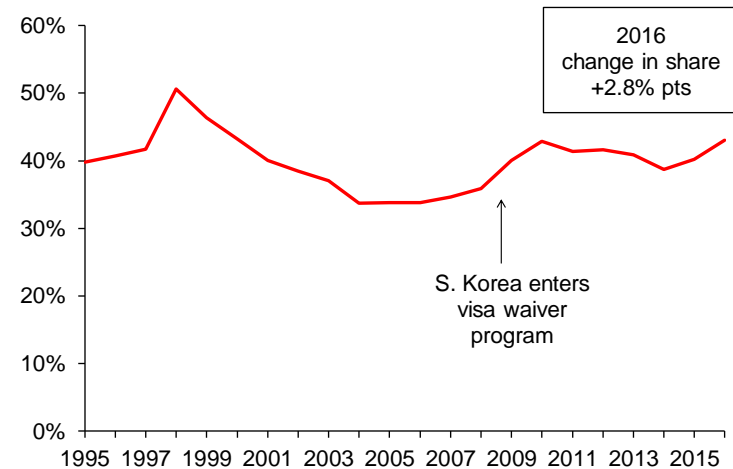
US Market Share: Japan

% of comp set



US Market Share: S. Korea

% of comp set



Market share trends – Asia

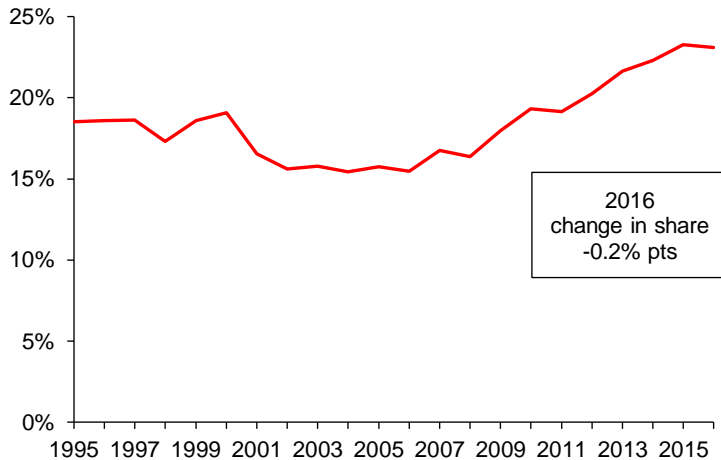
The US continues to perform well in key Asian markets.

The US virtually held steady, losing 0.2% points of Australian market share in FY2016. Still, the US hosted 23.1% of competitive set travel from Australia last year compared with 15.5% in 2006.

The US gained 2.6% points of market share among select competing destinations in FY2016, strongly rebounding from FY 2015. US travel share of 22.7% of the competitive set from China is a new high.

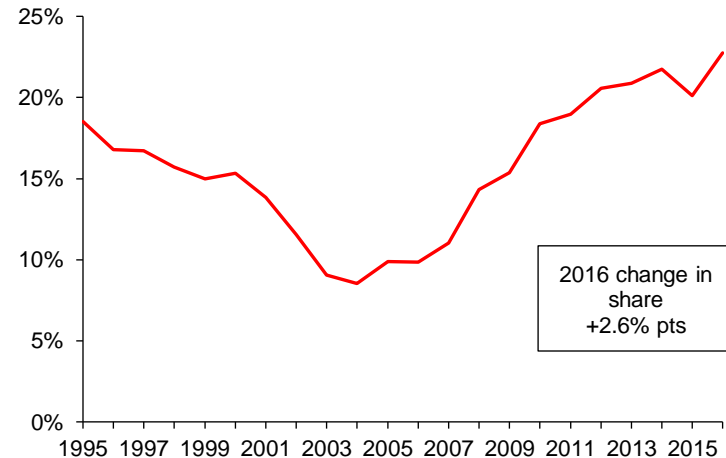
US Market Share: Australia

% of comp set



US Market Share: China

% of comp set



Market share trends – Europe

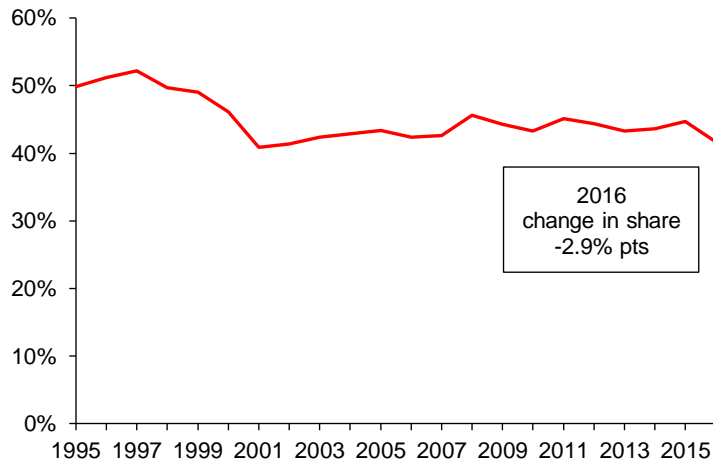
While the US holds substantial market position in key European markets, share slipped last year.

The US lost 2.9% points of German long haul competitive set market share in 2016 as a weak euro weighed on travel patterns.

The US lost 2% points of market share from the UK in FY2016 as a falling pound influenced travel toward mainland Europe and other competing destinations.

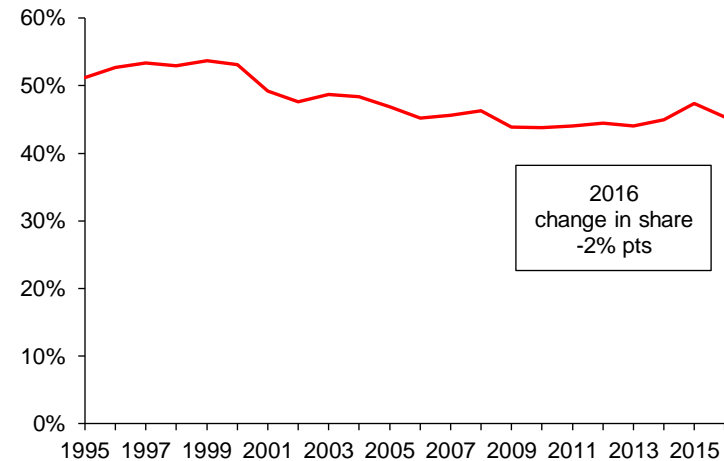
US Market Share: Germany

% of comp set



US Market Share: UK

% of comp set



Market share trends – Americas

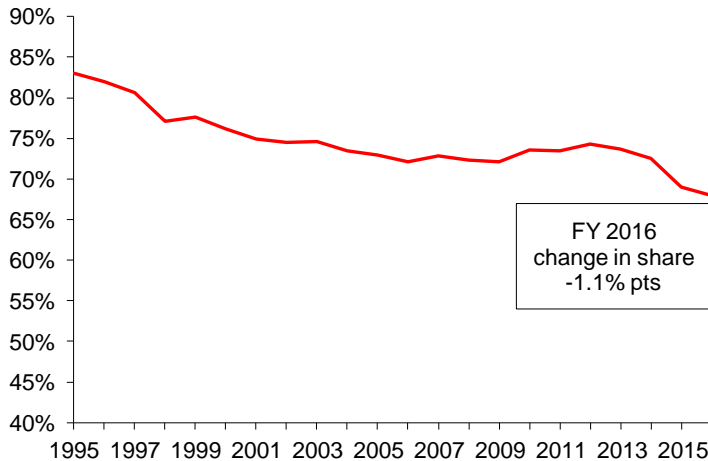
The US registered mixed results from North American markets but continues to hold significant share.

The US share of the Canadian competitive set continues to erode with the US losing 1.1% points of Canadian travel market share in FY2016 after a 3.4% point decline in FY2015.

The US still hosts the vast majority of Mexico international travel so its share remains relatively stable. Only a slight decrease in market share occurred in FY2016.

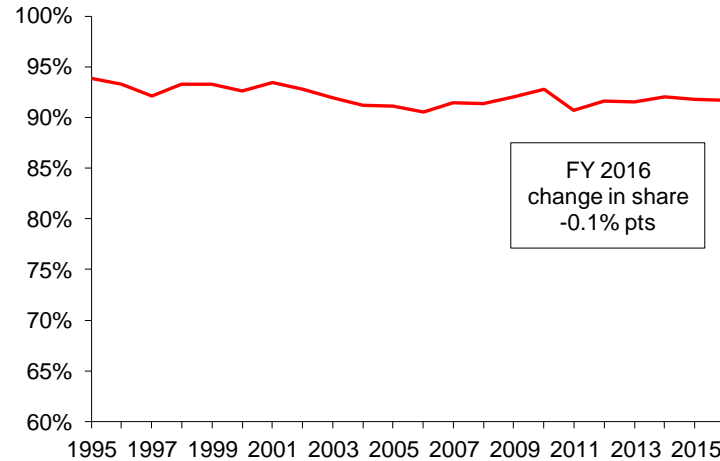
US Market Share: Canada

% of comp set



US Market Share: Mexico

% of comp set



Market share trends – focus markets

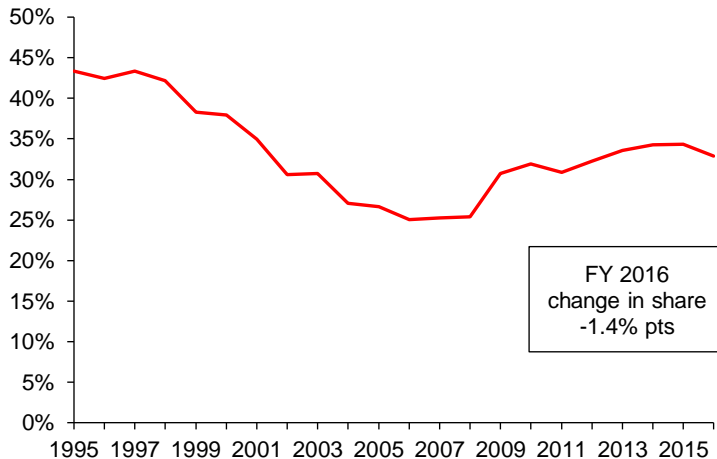
The US lost share of Brazilian travelers after years of strong performance. Against the continued headwinds of a strong US dollar, the US lost 1 percentage point of market share in FY2016.

The US lost 1.4% points of Brazil outbound market share to the US comp set in FY2016 with continued depreciation of the real and economic recession in Brazil.

The US lost 1 percentage point of share across all nine Brand USA focus markets in FY2016.

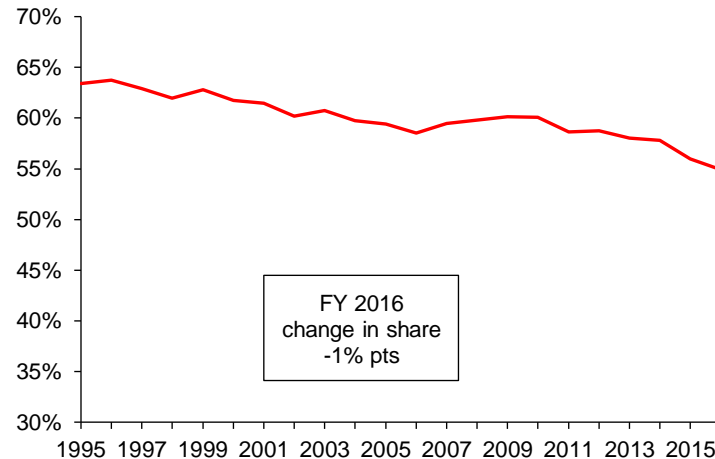
US Market Share: Brazil

% of comp set



US Market Share: Focus Markets

% of destination comp set



4. Brand USA ROI

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 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 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

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.

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 34% to 27 million in the 2016 fiscal year.

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

| 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 | |

| Brand USA KPIs (2016) | | | | |
|----------------------------|----------------------|--------------------------|--------------------|------------------------------|
| | Media Impressions | Social Media Engagements | Website Page Views | Market share change (FY2016) |
| Brazil | 584,910,447 | 5,105,678 | 2,798,877 | -1.4% |
| Mexico | 730,953,208 | 3,651,112 | 2,462,360 | -0.1% |
| Australia | 101,925,607 | 901,566 | 719,692 | -0.2% |
| Germany | 251,237,897 | 2,090,178 | 1,806,593 | -2.9% |
| Japan | 152,735,858 | 1,152,691 | 821,934 | -0.5% |
| South Korea | 77,673,260 | 779,143 | 645,558 | 2.8% |
| Canada | 204,328,990 | 1,226,101 | 1,017,612 | -1.1% |
| UK | 320,578,651 | 2,215,016 | 1,875,563 | -2.0% |
| China | 1,643,431,241 | 11,513,110 | 11,258,944 | 2.6% |
| Other | 766,663,828 | 9,244,428 | 3,688,811 | |
| Total | 4,834,438,987 | 37,879,023 | 27,095,944 | |
| % change since 2015 | 33% | 104% | 34% | |

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

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

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 (2014)

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).

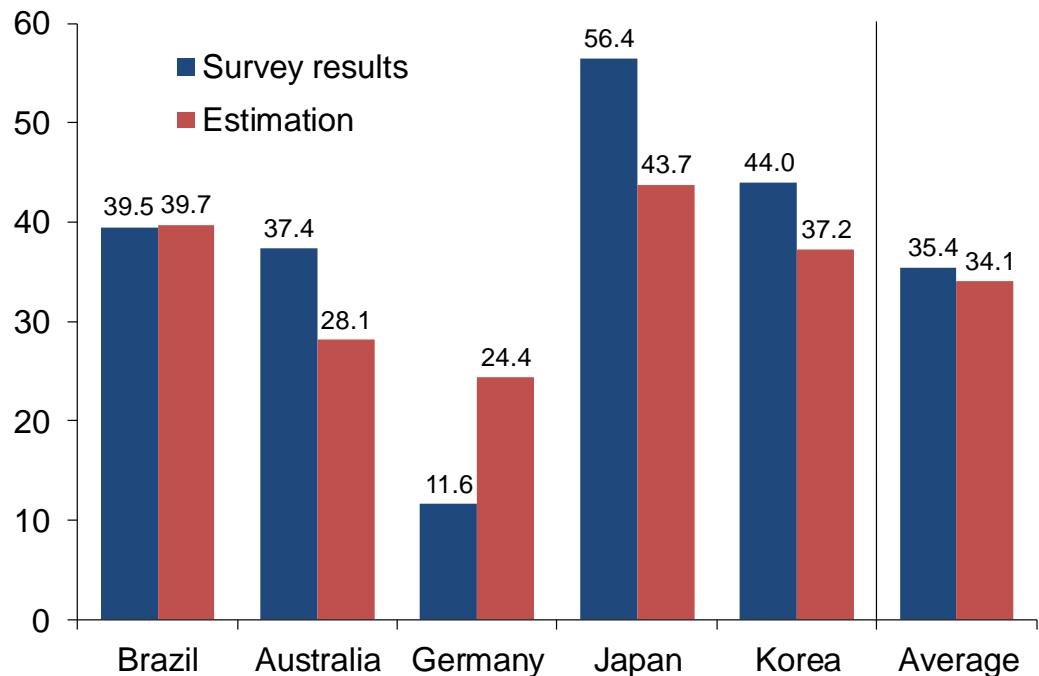
The close fit of the model results with the calculation for all five markets provides confidence in extending the model results to other markets.

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% |

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.

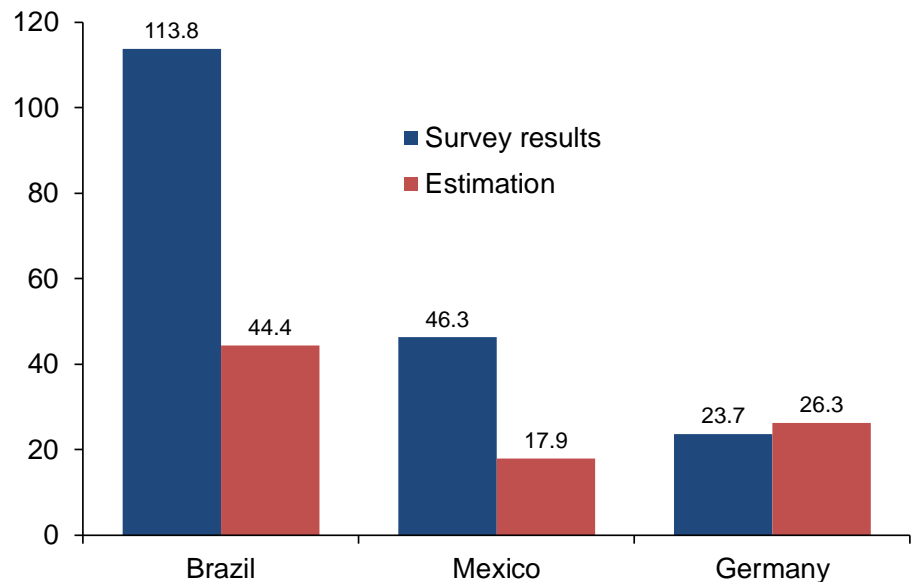
The survey-based ROI for Mexico, while higher than the econometric model results, was still within reasonable range of other findings and reflects the strength of Mexican travel to the US despite the strong dollar.

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



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.

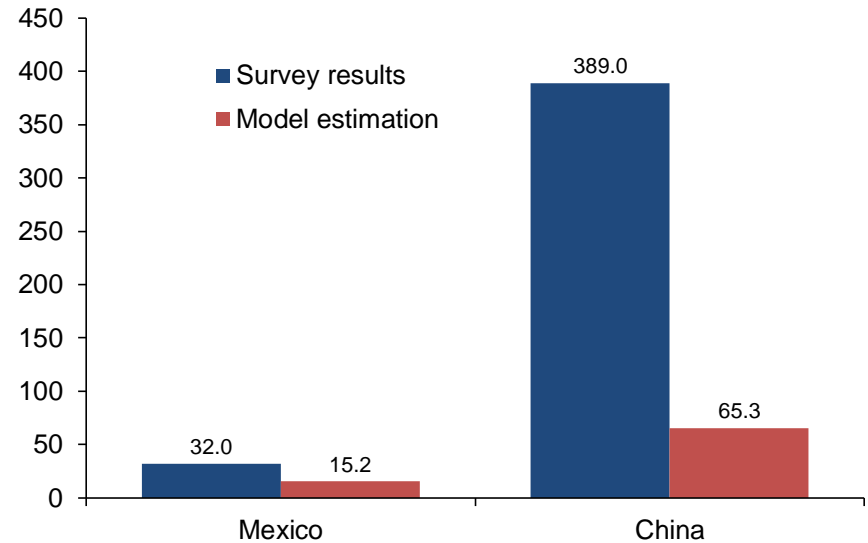
Given that both surveys produced results that are stronger than the KPI-informed model, the more conservative model results were used.

Just two 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



Total Brand USA ROI (FY2016)

Market-by-market results are calculated based on KPIs for each individual market.

| Summary Results: Brand USA ROI (FY2016) | | | | | |
|---|-----------------------|----------------------|-------------------------|-------------|--|
| Market | Investment | Incremental visitors | Incremental Spend | ROI | |
| Brazil | \$ 5,094,022 | 48,266 | 293,572,074 | 57.6 | |
| Mexico | \$ 7,148,052 | 138,105 | 108,577,608 | 15.2 | |
| Australia | \$ 5,387,371 | 39,458 | 245,357,434 | 45.5 | |
| Germany | \$ 7,065,398 | 58,108 | 215,340,206 | 30.5 | |
| Japan | \$ 3,626,557 | 47,743 | 209,999,136 | 57.9 | |
| Korea | \$ 1,458,336 | 34,339 | 112,150,055 | 76.9 | |
| Canada | \$ 10,489,232 | 131,734 | 180,620,926 | 17.2 | |
| UK | \$ 17,102,273 | 92,273 | 282,249,314 | 16.5 | |
| China | \$ 13,832,337 | 152,062 | 902,657,725 | 65.3 | |
| Other / Global Infrastructure | \$ 61,802,153 | 451,804 | 1,533,417,691 | 24.8 | |
| Total marketing | \$ 133,005,731 | 1,193,893 | \$ 4,083,942,167 | 30.7 | |
| Overhead | \$ 14,404,817 | | | | |
| Total operating | \$ 147,410,548 | | | 27.7 | |

Total Brand USA ROI (FY2016)

Regional results highlight especially strong returns in emerging markets.

| Summary Results: Brand USA ROI (FY2016) | | | | | |
|---|-----------------------|----------------------|-------------------------|-------------|--|
| Region | Investment | Incremental visitors | Incremental Spend | ROI | |
| N America | \$ 17,637,284 | 269,839 | \$ 289,198,534 | 16.4 | |
| Europe | \$ 24,167,671 | 150,382 | \$ 497,589,520 | 20.6 | |
| APAC | \$ 24,304,601 | 273,602 | \$ 1,470,164,349 | 60.5 | |
| LATAM | \$ 5,094,022 | 48,266 | \$ 293,572,074 | 57.6 | |
| Other / Global Infrastructure | \$ 61,802,153 | 451,804 | \$ 1,533,417,691 | 24.8 | |
| Total marketing | \$ 133,005,731 | 1,193,893 | \$ 4,083,942,167 | 30.7 | |
| Overhead | \$ 14,404,817 | | | | |
| Total operating | \$ 147,410,548 | | | 27.7 | |
| APAC + LATAM | \$ 29,398,623 | 321,869 | \$ 1,763,736,423 | 60.0 | |

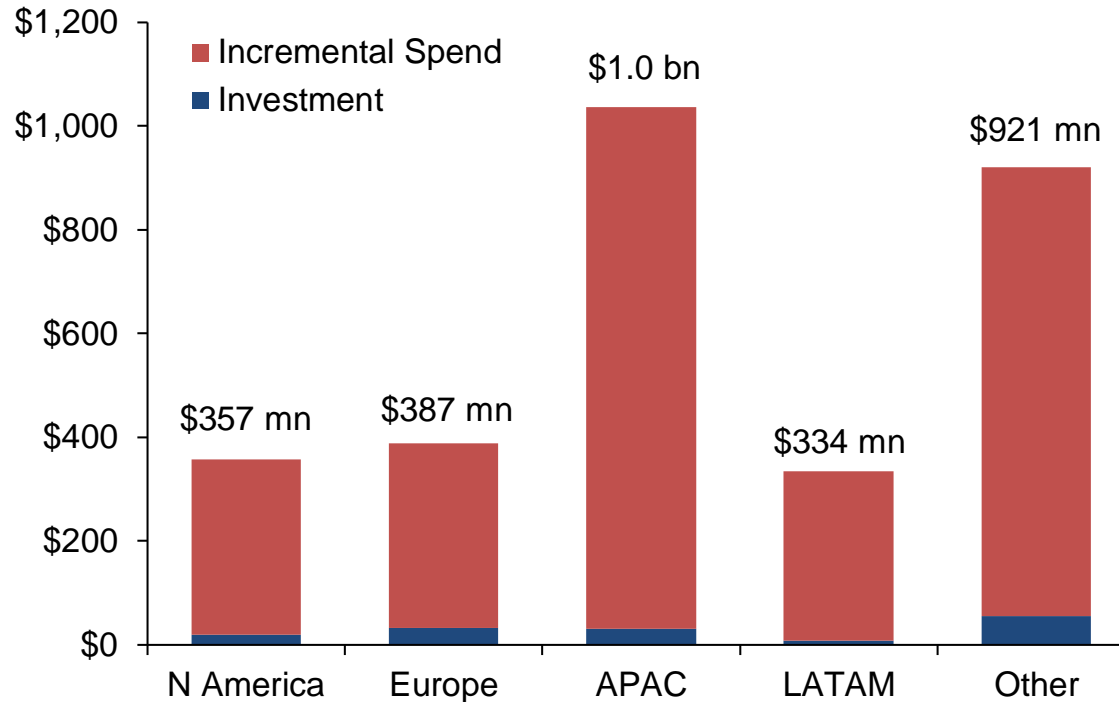
- In 2016, each dollar of Brand USA marketing generated \$30.70 of visitor spending. Including all operating overhead, Brand USA achieved an ROI of \$27.70 and generated \$4.1 billion in visitor spending.
- Relatively high market growth and spending per visitor drove strong returns in Asia and Latin America with an average ROI of 60.0.
- The average ROI remained solid, while more modest, in the mature markets of Canada and Europe.
- Total visits generated tallied 1.2 million. This was 1.6% of all visitors to the US in 2016.
- Incremental spending figures include spending while in the US plus transportation spending on US-flagged carriers based on BEA balance of payments data.

Total Brand USA ROI (FY2016)

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

Estimated ROI by source market

\$ Millions, FY2015



Total Brand USA ROI (FY2013-FY2016)

Across four years, Brand USA has generated \$13.6 billion in incremental international visitor spending with an implicit ROI of \$26.70 per marketing dollar invested.

| Summary Results: Brand USA ROI (FY2013-FY2016) | | | | |
|---|-----------------------|-----------------------------|--------------------------|-------------|
| | Investment | Incremental visitors | Incremental Spend | ROI |
| Total marketing | \$ 509,643,707 | 4,265,702 | 13,592,365,595 | 26.7 |
| Overhead | \$ 67,493,433 | | | |
| Total operating | \$ 577,137,140 | | | 23.6 |

- Brand USA has attracted 4.3 million visitors to the US over its four years of significant marketing activity

4. Brand USA Economic Impact

Spending impacts

Incremental spending of \$4.1 billion generated economic impacts across the entire spectrum of tourism-related industries.

Brand USA generated \$4.1 billion in incremental visitor spending to the US in FY2016.

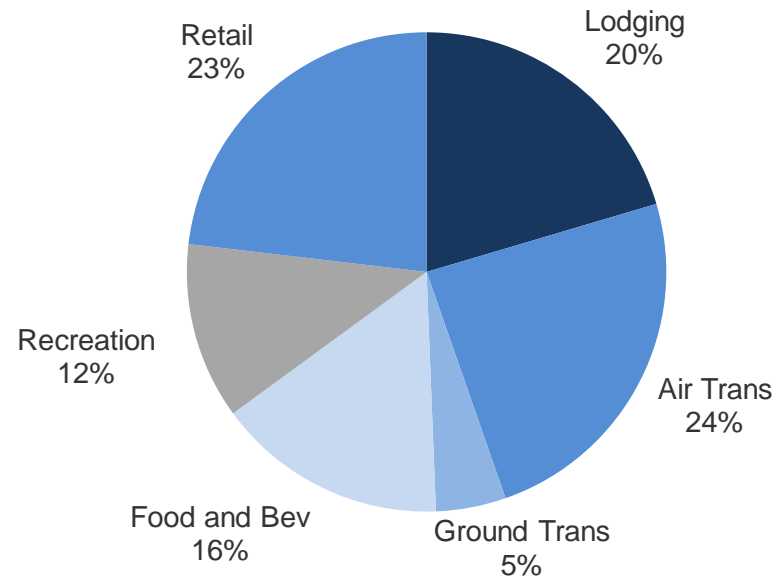
This represents 2.1% of all international travel spending (including passenger fares) in 2016.

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 = \$4.1 billion



Summary of impacts (FY2016)

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

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

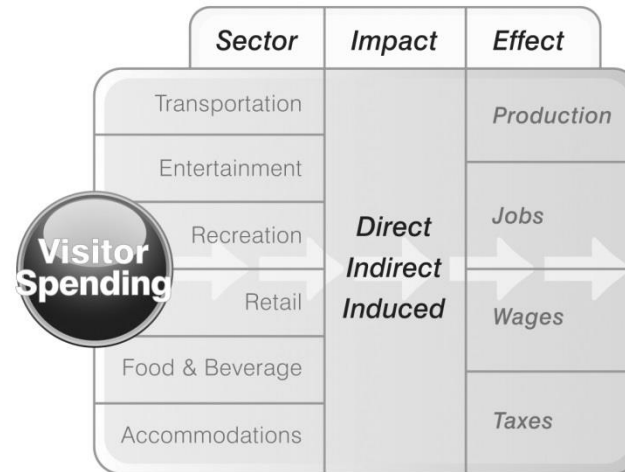
Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the US economy.

Economic activity generated by Brand USA sustained 59,463 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.

Including secondary impacts, Brand USA generated \$8.9 billion in US economic output in FY2016.

| Total Brand USA Economic Impact, FY 2016 | | | | |
|---|-----------------------------|-----------------------------|------------------------|---------------|
| | Total sales (\$mils) | Value added (\$mils) | Income (\$mils) | Jobs |
| Direct | 4,084 | 1,828 | 1,063 | 31,191 |
| Indirect | 2,040 | 1,119 | 652 | 10,798 |
| Induced | 2,754 | 1,611 | 900 | 17,474 |
| Total | 8,878 | 4,558 | 2,616 | 59,463 |



Summary of impacts (FY2013-FY16)

Economic activity generated by Brand USA sustained an average of 50,922 jobs earning \$8.7 billion in personal income over four years.

Brand USA generated value added (GDP) in the US economy of \$15.2 billion and a total economic impact (sales or output) of \$29.5 billion over this four-year period.

Brand USA generated \$29.5 billion in US economic output from FY2013-FY2016 combined and supported an average of 50,922 jobs.

| Total Brand USA Economic Impact, FY2013-FY2016 | | | | |
|---|-----------------------------|-----------------------------|------------------------|-----------------------|
| | Total sales (\$mils) | Value added (\$mils) | Income (\$mils) | Jobs (average) |
| Direct | 13,592 | 6,084 | 3,539 | 26,710 |
| Indirect | 6,955 | 3,725 | 2,171 | 9,247 |
| Induced | 9,001 | 5,360 | 2,997 | 14,964 |
| Total | 29,548 | 15,169 | 8,707 | 50,922 |

Sales impacts

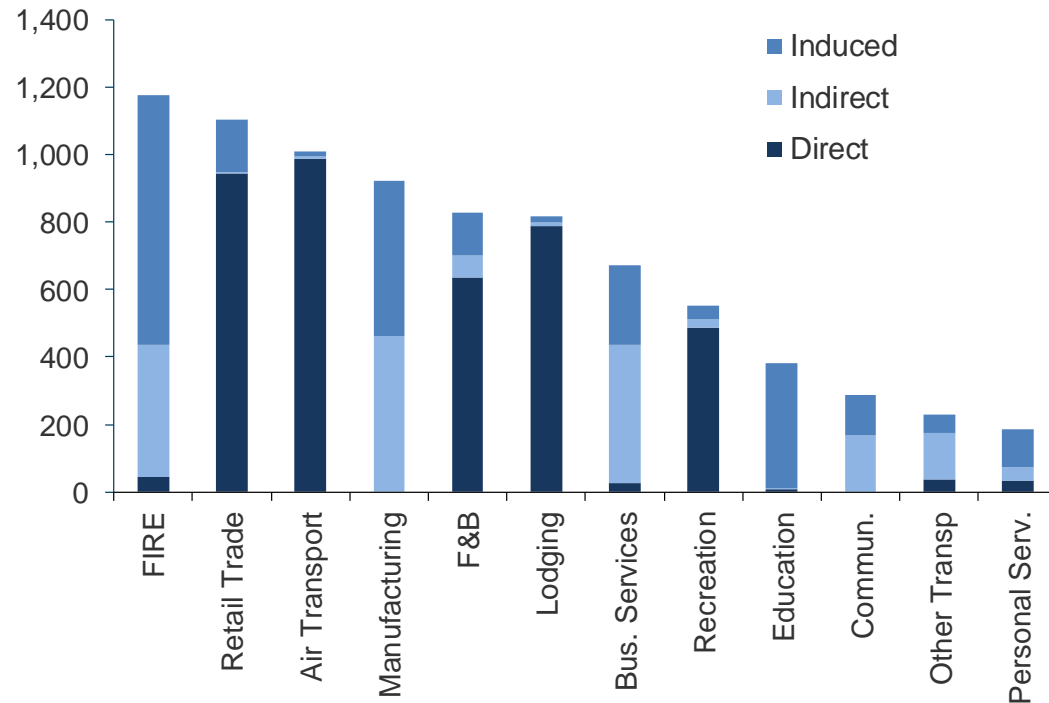
Including secondary impacts, Brand USA generated \$8.9 billion in US economic output in FY2016.

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 \$922 million in economic output as a result of Brand USA marketing.

Sales Impacts

By Industry, \$ million



Employment impacts

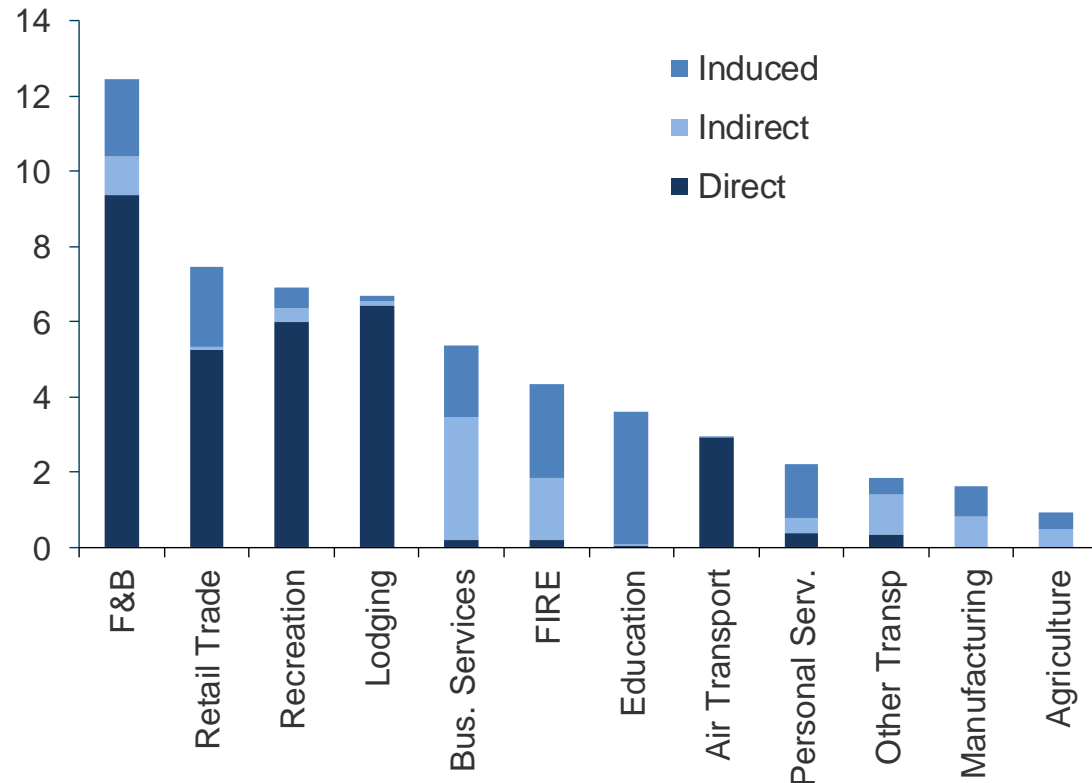
Direct employment impacts in industries directly serving international visitors tally 31,191. Including secondary impacts, Brand USA marketing in FY2016 sustained 59,463 jobs.

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 59,463 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



Tax impacts

Brand USA generated more than four times its funding in incremental Federal taxes in FY2016.

Brand USA-generated international visitor spending is estimated to have produced Federal taxes of \$615 million, including direct impacts of \$258 million and indirect/induced impacts of \$358 million.

Another \$552 million in state and local taxes were generated by Brand USA marketing in the 2016 fiscal year including direct, indirect, and induced impacts.

| Brand USA Tax Impacts | | | |
|---------------------------------------|---------------------|------------------------------|---------------------|
| (US\$ Million) | | | |
| Tax Type | Direct | Indirect/ Induced | Total |
| Federal Taxes Subtotal | <u>257.5</u> | <u>357.7</u> | <u>615.2</u> |
| Corporate | 32.1 | 67.7 | 99.7 |
| Indirect Business | 40.4 | 28.4 | 68.8 |
| Personal Income | 66.8 | 98.2 | 165.0 |
| Social Security | 118.2 | 163.4 | 281.6 |
| State and Local Taxes Subtotal | <u>306.1</u> | <u>246.4</u> | <u>552.4</u> |
| Corporate | 5.9 | 12.4 | 18.3 |
| Personal Income | 19.9 | 29.3 | 49.1 |
| Sales | 118.0 | 83.0 | 200.9 |
| Property | 116.4 | 82.3 | 198.8 |
| Excise and Fees | 43.3 | 36.0 | 79.2 |
| State Unemployment | 2.6 | 3.5 | 6.1 |
| TOTAL | 563.5 | 604.1 | 1,167.6 |

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