The Comparative Economic Impact of Travel & Tourism
American Express is a leading global payments network company founded in 1850. The company is unique in the payments industry as an issuer of cards as well as a worldwide network that processes millions of merchant transactions daily.

TUI Group is Europe's leading integrated travel group, offering the complete range of services associated with holiday and travel.
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1. Introduction

The World Travel & Tourism Council (WTTC) has spearheaded global analysis of the economic importance of the sector for over 20 years. This research has established the contribution of Travel & Tourism on an ongoing basis to over 180 countries in absolute size, share of the economy, and growth. Around the world, WTTC research is referenced as the authoritative source of the role of Tourism in generating GDP, income, and employment.

This new analysis builds on the WTTC research foundation to assess the role that Travel & Tourism plays in the global economy in comparison to other key sectors. The results of this research provide new perspectives on the relative significance of Travel & Tourism as well as some of its unique advantages in driving global economic growth.

Key findings of the report include:

- Travel & Tourism ranks high among sectors analysed in this report, in terms of its contribution to GDP, employment, and exports
- Travel & Tourism growth trends and prospects exceed that of other key sectors
- Travel & Tourism generates substantial indirect benefits through its linkages to other sectors
- Travel & Tourism is highly dispersed within national economies and its benefits are widely distributed
- Travel & Tourism drives infrastructure investment that benefits other industries
- Investments in well-designed destination marketing consistently produce strong economic returns
2. Benchmarking of Travel & Tourism to Other Sectors

2.1 Introduction

To gain perspective on the comparative advantages of Travel & Tourism, it is important to first understand its size and growth relative to other sectors. This analysis benchmarks Travel & Tourism against an assortment of other sectors for each world region. Analysis for twenty individual countries is provided separately. These benchmarks highlight Travel & Tourism’s importance and contribution to economic growth relative to other industries. The regions and metrics examined in the analysis are as follows:

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (size and share of economy)</td>
<td>World</td>
</tr>
<tr>
<td>Employment contribution</td>
<td>Americas</td>
</tr>
<tr>
<td>(size and share of economy)</td>
<td>Europe</td>
</tr>
<tr>
<td>Historic growth</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>Expected growth</td>
<td>Middle East</td>
</tr>
<tr>
<td>Export contribution</td>
<td>Africa</td>
</tr>
<tr>
<td>Strength of linkages to the rest</td>
<td></td>
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<tr>
<td>of the economy</td>
<td></td>
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<tr>
<td>Job creation potential</td>
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</table>

The following industries were analysed and compared to Travel & Tourism. They were selected as having a similar breadth and global presence as Travel & Tourism.

- Mining: includes the extraction of oil, natural gas, coal, and metals
- Education: includes all levels of educational services
- Chemicals manufacturing: includes drugs & medicines, plastics, rubber, paint, polishes, ink, perfumes, cosmetics, soap, cleaning materials, fertilizer, pesticides, other chemicals
- Automotive manufacturing: includes motor vehicles, parts & accessories
- Communications: includes postal services (national and private) and telecommunications
- Financial services: includes banking, investment services, insurance
The analysis examines the economic value of industries on three levels:

- **Direct**: this includes only those employees and the related value added for the relevant sector. In the case of Travel & Tourism, we only count the value added of the accommodation, recreation, transportation, and other related sectors.

- **Indirect**: this measures the supply chain impact (also called inter-industry linkages) for each sector.

- **Induced**: this measures the impacts of incomes earned directly and indirectly as they are spent in the local economy.

The sum of direct, indirect, and induced impacts equals the total economic impact of a sector.

### 2.2 Absolute size and growth

In 2011, Travel & Tourism generated $2 trillion in direct GDP. This contribution to global GDP is more than double that of the automotive industry and one-third larger than the global chemicals industry. The Travel & Tourism sector is three-quarters the size of the global education, communications, and mining sectors.

With the addition of indirect and induced economic impacts, the total GDP impact of Travel & Tourism was $6.3 trillion in 2011. This impact is larger than that of some of the most important manufacturing sectors—namely automotive and chemicals manufacturing. Travel & Tourism’s total economic impact exceeds that of the mining sector and nearly equals the global education sector.

At 9.1% of global GDP, Travel & Tourism generates more economic output than automotive manufacturing (7.9%), mining (8.0%) and chemicals manufacturing (9.0%).

Travel & Tourism contributes roughly the same share of global GDP as the global education sector.
and communications industries.

In every region of the world, the Travel & Tourism industry directly contributes more to GDP than automotive manufacturing. In the Americas, Travel & Tourism GDP is three times larger than auto manufacturing. In Europe, Travel & Tourism GDP is twice the size of auto manufacturing. Travel & Tourism GDP is larger than the chemicals industry in every world region except Asia, where it is only 9% lower.

In terms of employment, the importance of Travel & Tourism is even more pronounced. With 98 million people directly employed in 2011, Travel & Tourism directly employs:

- 6 times more than automotive manufacturing
- 5 times more than the global chemicals industry
- 4 times more than the global mining industry
- 2 times more than the global communications industry
- A third more than the global financial services industry

With a total impact of 8.7% of world employment, Travel & Tourism is one of the leading job creators in the world. The industry sustained 255 million jobs in 2011. This exceeds the jobs impact of auto manufacturing, chemicals manufacturing, and mining, and is nearly on par with education.

The Oxford Economics global industry model projects Travel & Tourism direct industry GDP to grow at an average of 4.2% per year over the next decade, greater than the 3.6% average annual growth expected for the total global economy. Expectations are for employment to grow 1.9% per annum over the next decade. This is greater growth than forecast for the mining sector as well as the total global economy, which Oxford Economics expects to grow 1.2% per annum through 2022.
2.3 Share of exports

Travel & Tourism is an export industry when it provides services to international visitors and draws in spending from abroad. The industry represents a substantial share of total exports for many countries around the world, forming an essential component of global trade.

Tourism generated 10% of all UAE exports (including oil) and 15% of Turkey’s exports in 2011. In industrialised economies such as the UK, Australia, Italy, US, and France, Tourism still generated more than 5% of total exports in 2011.

Visitor receipts represent a substantial share of national service exports around the world, generating foreign exchange and financial stability – especially for emerging economies.

For example, more than half of all service exports are generated by Travel & Tourism in the UAE, Jamaica, Turkey, South Africa, Mexico, and France.

Between 25% and 50% of service exports are generated by Travel & Tourism in the US, China, Russia, Australia, Italy, Argentina, and Indonesia.

2.4 Linkages to other sectors

In addition to an international aspect of Travel & Tourism, the industry has domestic economic linkages as well. By analysing input-output data across all 20 countries, these indirect linkages between Travel & Tourism and the rest of the economy were identified.

This captures the ways in which the rest of the economy benefits from the injection of tourism dollars. The adjacent chart compares the GDP multiplier for Tourism and the average of the entire economy. A multiplier of 2 implies that for every new dollar a total of 2 dollars is generated including indirect and induced impacts.

In 18 out of the 20 economies analysed, a new dollar in Travel & Tourism generates more total economic output than the average new dollar in the economy.
Travel & Tourism also outperforms the majority of the key sectors we analysed in terms of generating GDP across the entire economy.

The industry multiplier measures the impact across the entire economy as a share of the direct industry impact alone. At 3.2, Travel & Tourism’s broader impact per unit of direct GDP exceeds that of communications, financial services, education, agriculture, and mining. Only chemicals and auto manufacturing have higher multipliers across the 20 countries analysed.

Industries can also be evaluated on the basis of how spending flows to households and to other parts of the economy. The sectors most supportive of economic development tend to be those that generate the most household income and retain a higher share of expenditure within the local economy after accounting for imports. For every $1 million in Travel & Tourism spending, $701,000 in income is generated. This exceeds the income proportions for auto, communications, chemicals, and mining. In terms of money retained in the local economy, on average, 91% of each dollar spent remains, while just 9% is leaked out as imports. The share of spending that remains in the country varies by country, from 70% in Jamaica to 98% in Mexico; most countries fall within the range of high 80s to mid-90s in terms of this share. When all countries are aggregated, the share of retained Tourism spending is greater than the mining, chemicals, and auto manufacturing sectors.

Indirect job creation from Travel & Tourism spending is also significant. In 17 out of 20 countries examined, the indirect job creation from Travel & Tourism spending is greater than that of spending in other industries on average. The only countries where this is not the case are ones in which agriculture remains a significant employer (China, India, Indonesia).
3. Travel & Tourism as a Force for Economic Development

3.1 Introduction

Over the last two decades, Travel & Tourism has played an increasingly important role in the economic growth of many countries. Various factors drive increased travel across the globe: higher real incomes, more leisure time, improved and highly accessible transportation systems, highly effective communication systems that facilitate marketing, and significant numbers of tourism services and options have been coming online in many countries.

Travel & Tourism is a particularly attractive option to stimulate development in rural and low income countries and regions that previously relied heavily on agriculture and natural resource extraction. Tourism development often provides the dual advantages of generating employment and income while promoting cultural heritage and traditions.¹

Promoting Travel & Tourism can support economic development, in part, because the industry cuts across and is linked to many other industries in the economy, generating additional demand in a wide range of services and professions.² In addition to the direct and indirect effects, Travel & Tourism also generates valuable spinoff benefits by developing infrastructure that other industries can use, and by boosting trade, skills, and investments in other industries that are not directly related. This section builds on the previous one and analyzes the wider economic impacts that are attributable to the Travel & Tourism sector. These include:

- Improved access to international markets and increased trade opportunities;
- Increased foreign investments;
- Investments in public and private infrastructure; and
- Local economic development.

3.2 Travel & Tourism drives foreign trade

Given the cultural, language, and time differences that exist between countries, face-to-face meetings are integral to developing international business relationships and a key driver of world trade. While videoconferencing and other

¹ Source: Matias (2009)
² Source: Akinbaode and Braimoh (2009)
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remote communication technologies have become much more popular in recent years, they tend to complement business travel rather than replace it. 3

A recent global survey of over 2,300 business people found that 89% of respondents rated face-to-face meetings as essential for “sealing the deal”, while 95% agreed that in-person meetings are key to both building and maintaining long-term relationships. 4 When it comes to developing trade links with business leaders in the fast growing emerging markets, 97% said that face-to-face meetings are important for developing ties with new markets.

As a result, countries with a larger outbound business travel market tend to enjoy higher exports, while faster growth in business travel is also linked to more rapid trade growth. Econometric modeling done by Oxford Economics shows that higher business travel intensity (business travel spending relative to GDP) is associated with strong trade intensity (exports relative to GDP). This correlation is made clear when the level of trade is compared to the level of business travel spending across countries; the largest exporters tend to be those with a high degree of outbound business travel (see chart). 5, 6

Business travel is vital contributor to the economy of most countries, both developed and developing. Trade generates a number of wider economic benefits which accrue beyond the direct participants. Trade advances economic development by lowering prices, creating economies of scale, allowing countries to focus on areas of competitive advantage, spurring innovation and creating competition. Business travel also allows entrepreneurs to develop relationships with potential customers and suppliers in overseas locations.

The economic prospects of many developed countries in the aftermath of the global financial crisis depend, in part, on exploiting opportunities in the emerging markets of Asia and Latin America. With half of global economic growth over the next 10 years predicted to occur in emerging markets, the connections provided by Travel & Tourism will be increasingly important to foster trade and investment links.

5 It is important to note that a strong correlation does not imply a causal relationship.
3.3 Travel & Tourism encourages investment

Trade and investment follow each other. The benefits that business travel brings to international trade also foster investment by domestic firms and by foreign direct investors. Foreign direct investments (FDI) that result from business travel introduces capital, technology, skills, people, know-how, demand for local supplies to the domestic economy, and brings improvements in trade balances. It can also create new products and provide opportunities for local businesses further down the supply chain.

The competition for foreign direct investment is intense, not only between countries but also between regions within countries. Without the connectivity provided by the Travel & Tourism sector in general, and the aviation sub-sector in particular, regions would find it more difficult to attract foreign direct investment.

A survey of over 600 companies in five countries by the International Air Transport Association (IATA) found that 63% of firms stated that travel networks are ‘vital’ or ‘very important’ to investment decisions and that 30% of firms would be highly likely to invest less in a region if travel networks were constrained.

A survey of senior executives in the travel industry conducted by Oxford Economics on behalf of the WTTC provides additional insight. Nearly 86% of the respondents found that development of their local tourism industry had led to an increase in local job creation through increased foreign direct investments.

Airport hubs are critical for increasing foreign direct investment by providing connections to a parent company, specialist supplies, and facilitating exports. As an illustration, foreign investments in the UK generally cluster around points of high international connectivity. The figure below shows hot spots of foreign investment in the UK, indicated by orange and red colors. These areas are clustered to the west of Heathrow, around the Manchester airport, central Scotland (due to its easy access from local airports) and Aberdeen.

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8 IATA. 2006 “IATA Economics Briefing No 3” International Air Transport Association. The five countries include Chile, China, the Czech Republic, France, and the U.S.

9 Northern Ireland PowerPoint.
3.4 Travel & Tourism develops infrastructure and services

Demand for Travel & Tourism – both international and domestic – stimulates investment. In 2011, US$650 billion in capital investment, or 4.5 percent of total, was driven by Travel & Tourism. While a portion of this is related to individual investments in facilities that directly benefit tourists, such as the construction of hotels and resorts, Travel & Tourism also drives infrastructure improvements that collectively benefit tourists, local residents, and the wider economy.
Growth in the Travel & Tourism sector typically leads to development of restaurants, bars, cafes, retail establishments, and other tourism related businesses. Not only are these businesses part of the direct impacts generated by Travel & Tourism, but also they help to improve the quality of life for local residents by expanding the choices available to them in their local community. For example, the increase in international business and leisure travel in Abu Dhabi has led to private investments in Saadiyat Island, a mix of residential and leisure projects off the coast of Abu Dhabi. Once completed, the island will act as a hub of international commerce and upscale cultural district providing a host of world class amenities for tourist and residents of Abu Dhabi, including access to a world class championship golf course as well as branches of the Louvre and Guggenheim museums.

Travel & Tourism drives the development of collective investments in public utilities and transportation infrastructure including roads, airports, harbours, electricity, sewage, potable water, and communication infrastructure. These investments are a necessary component for Travel & Tourism but provide broad benefits to other industries and to residents.

Strengthening the urban-rural network through improvements in transportation infrastructure (air, water, rail, and road) increases the mobility of individuals (both tourists and residents), ensures the continued flow of goods (both into and out of the area), raises the competitiveness of the local area, and increases public safety.

Through investments in transportation infrastructure, sparsely populated Patagonia in southern Argentina is beginning to attract new tourists and residents. Prior to 2001, travellers and local residents in the remote city of El Calafate faced a 200-mile bus trip on unpaved roads to reach the nearest airport in Rio Gallegos before a three hour flight to Buenos Aires. That year, an airport was opened in El Calafate reducing the trip to Buenos Aires to a total of three hours. These travel improvements led to a more than six fold increase in visitors to El Calafate and the surrounding region in less than a decade. In 1999 the area had 60,000 visitors; less than five years after the completion of the airport, more than 400,000 tourists visited the region. Also, the local population increased from 5,000 in 1996 to over 20,000 in 2006. This has led to additional investments in hotels, restaurants, shops, and other local infrastructure improvements. The increased connectivity made available to El Calafate’s population led to diversification of the small regional economy and helped to reduce regional economic imbalances.10

Modern, efficient, reliable telecommunications including broadband access is crucial to the economic well-being of many business owners, including tourism operators. The communications infrastructure that is developed as an essential part of Travel & Tourism development not only improves the experience for visitors, but also creates new economic development opportunities for the local

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economy potentially leading to additional employment and income impacts beyond those generated by Travel & Tourism.

3.5 Travel & Tourism spurs broader economic development

Travel & Tourism has strong linkages with many other industries within national economies. The industry is also highly geographically dispersed (discussed more in Section 4). These aspects of Travel & Tourism can make expansion of the industry an effective tool for broader economic development, particularly for rural and low income regional economies.

Travel & Tourism-based businesses create jobs, bring new money into the region and also help diversify the local economic base. Economic diversity is critical to the success of most rural areas in both the developed and developing world. More than 80% of senior executives in the industry surveyed for WTTC by Oxford Economics responded that local businesses outside of tourism have benefited indirectly from tourism development. According to the survey, industries that benefit indirectly include agriculture, businesses services, construction, and real estate.

Travel & Tourism provides opportunities for residents to benefit from the cultural heritage of their local communities and develop goods and services, crafts, local foods, music dance, storytelling and guiding services which are sought by tourists. These activities provide additional livelihoods for households thereby helping to alleviate poverty.

According to the Oxford Economics survey of industry senior executives, 22 out of 28 respondents felt that Travel & Tourism helps to promote the cultural heritage of local communities. For many countries, cultural tourism has become a core component of their tourism platform which has led many countries to actively invest in preservation activities. The promotion of their unique cultural heritage has also become a way for countries to differentiate themselves to compete for tourism spending.

Travel & Tourism also benefits local economies by enhancing labour mobility. The Travel and Tourism sector makes it easier for migrants to stay in touch with family and friends and to also return home to visit. Both the host country and the country of origin benefit from the increased labour mobility. The remittances a migrant sends home to family members have become an increasingly important source of revenue for developing countries. According to the World Bank, official remittances were twice the level of official development flows to developing economies by helping to enhance labour mobility by making it easier for migrants to return home and students to study abroad.


countries in 2007. There is also evidence that remittances rise during crises, natural disasters and conflicts contributing to the stabilisation the local economy and the reduction in the level and depth of poverty. Research suggests that each dollar of remittance generates $2 or more of additional economic activity as the money is spent in the local economy. Additional benefits could be generated when the migrant returns home in the form of new skills, capital, and possibly a network of business contacts.  

The host economy benefits from the addition and availability of skills and labour – such as foreign language, technology, and cultural knowledge. Increased labour mobility allows companies access to a larger pool of skilled workers.

Travel & Tourism also makes it easier for students to travel abroad to study. In particular there has been a large increase in the number of students from emerging economies that have been able to study at developed world universities. Their home countries benefit when the students take their education back home and add to the pool of highly educated talent that is crucial for increases in productivity and economic development. In addition, students are likely to make many contacts that will contribute to both global social cohesion and the development of trade.

3.6 Section conclusions

Travel & Tourism is a force for economic development through diverse and powerful channels:

1. A well-developed Travel & Tourism industry can improve access to international markets, enhance business relationships, and increase trade opportunities.

2. Increased connectivity that comes with Travel & Tourism can drive domestic and foreign direct investment, and enhance a region’s attractiveness as a place to locate a headquarters, distribution or manufacturing centre.

3. Investments in public and private infrastructure, such as construction of accommodations, retail and food services facilities, and hard infrastructure such as roads, bridges and air transportation capacity, provide benefits to all economic sectors as well as households.

4. Travel & Tourism supports economic development via intense inter-industry linkages, remittances, and cultural heritage preservation.

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These features of the industry indicate that the benefits of expanding Travel & Tourism extend well beyond the direct and indirect economic impacts. Travel & Tourism can play a key role in a broader, long-term economic development strategy.
4. The Widespread Impacts of Travel & Tourism

4.1 Introduction

Travel & Tourism is an important driver of economic, social, and cultural development in both developed and developing countries. Unlike traditional industries (e.g. manufacturing, communications, financial services, etc.), Travel & Tourism can be a significant economic driver in remote areas of countries far from economic centres, as well as in the major business and administrative centres.

This analysis finds that the benefits of Travel & Tourism, measured in terms of employment and GDP, are more evenly distributed across regions within the economies analysed here, compared to other industries. The only exception is education which, as would be expected for a sector linked closely to demographics, is the most evenly distributed industry among those benchmarked.

The wide distribution of Travel & Tourism within countries is an important dimension to its economic value. The industry generally does not exhibit the clustering pattern that is found in the mining, automotive manufacturing and chemical manufacturing industries, where activity is concentrated in few regions.

Increasing regional diversification can help to strengthen regional and national economies. A diversified economy is less sensitive to the fluctuations of any particular industry because risks are spread evenly across a number of industries. When one industry is struggling, other stronger industries can help to support the economy.

The more diversified an economy, the more resilient it is to external events and developments. Travel & Tourism provides this diversification across a wider geographic area than most other sectors.

This section analyzes the sub-national geographic distribution of the Travel & Tourism sector in terms of GDP and employment, compared to five other sectors across 11 of the 20 economies previously described in Section 2. Sectors compared in the analysis include education, mining, communications, financial services and manufacturing industries.

4.2 Measuring the regional distribution of Travel & Tourism

To compare the distribution of employment and GDP across the various regions of each country, Oxford Economics developed an index comprised of three different measures of dispersion. The dispersion scores were calculated for

16 Please see Section 4.4 for the list of 11 countries included in this part of the analysis.

17 The measures of dispersion used in the analysis include: Herfindahl score, Ogive score, and Entropy. Additional information on the index is available in Section 4.4.
each industry within a country and each industry was ranked on a scale of one to six, with one indicating the industry that was more evenly dispersed in terms of the distribution of employment or GDP and six representing the industry that was more clustered/least evenly distributed. The index was calculated by taking the average of the three rankings for each industry.

The analysis also looked at the number of regions that could be considered a “functioning market” for each industry, where “functioning market” was defined as having a greater than 5% share of total regional employment. For example, if Travel & Tourism comprised 6% of the total employment of a given region, that region was classified as having a functioning Travel & Tourism market. Due to the broad nature of many of the industry definitions (e.g. manufacturing), only the results of the second analysis, for which more detailed employment data was available, are presented.

4.3 Travel & Tourism at the regional level

Travel & Tourism ranks as the second most evenly distributed industry, in terms of employment and GDP, across the countries analysed (See Table 1). As expected, education which, is closely linked to demographics, is the most evenly distributed industry among those benchmarked.

Table 1. Average (Across Countries) Benchmark Industry Regional Employment and GDP Dispersion Rankings (1 = more evenly dispersed and 6 = more clustered / less evenly dispersed)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel &amp; Tourism</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Mining</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Education</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Communications</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Financial Services</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
The first graph to the right plots the average standardized GDP and employment dispersion scores for each benchmarked industry across all countries analysed. The economic contribution of Travel & Tourism, measured in both employment and GDP terms, is more evenly distributed across regions within the world’s major economies compared to the benchmark industries; education is the only industry that is more dispersed. The graph also shows each industry’s relative contribution indicated by the size of the circle. The Travel & Tourism sector, in addition to being one of the more evenly distributed industries, contributes a significant portion to respective national output and employment; only education and manufacturing are larger.

The second chart to the right presents the standardized dispersion scores for each benchmarked industry and all countries included in the analysis. The takeaway of the chart is similar to that of the first chart above, with additional country detail. Again, the Travel & Tourism industry is one of the most evenly dispersed industries in each country.

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18 The standardized dispersion scores range from 0 to 1, with 0 representing an industry that is evenly dispersed across the country and with increasing scores representing a greater degree of clustering.

19 Detailed manufacturing sector data for most countries at the sub-national regional level was unavailable as such the analysis presented here used data for the much larger general manufacturing sector, as opposed to the automotive and chemicals sub-sectors. Due to these data limitations, the analysis likely over-estimates the regional dispersion of manufacturing. Data for automotive and chemicals sub-sectors for US and UK shows that those sub-sectors are much more concentrated than the manufacturing sector as a whole.
The two most clustered industries in terms of employment and GDP are mining and financial services. As illustrated in the two charts to the right, the Travel & Tourism sector is much more dispersed and also contributes a larger percentage of national employment (larger circles). These results are not surprising given the fact that in most countries mining tends to be focused in a few regions where natural resources are available and extracted, and the majority of financial services employment tends to be clustered in a few large cities which serve as domestic and international financial centres, such as London in the UK and New York in the U.S.

Due to data limitations at the sub-national regional level, data for accommodation and food services were used as a proxy for the Travel & Tourism industry. More detailed data for UK and U.S. regions were available and allowed accounting for the other industries and sub-sectors that comprise the wider Travel & Tourism sector, as well as the examination of the automotive and chemical manufacturing sub-sectors.

Including the detailed manufacturing sub-sector data and expanded definition of the Travel & Tourism sector does not impact the relative ranking of the Travel & Tourism sector in the U.S., but does improve the ranking in the UK.

The even distribution of Travel & Tourism employment in the UK is illustrated by the fact that the top 10% of local authorities in terms of Travel & Tourism employment represent 33% of the total Travel & Tourism employment (See Figure 2). This compares to the following industries, which tend to be clustered in a small number of local authorities:

- **Mining** – the top 10% of local authorities in terms of employment, represent 80% of the total mining industries’ employment;
- **Automotive manufacturing** – the top 10% of local authorities represent 76% of the total industry employment (See Figure 6);
- **Financial services** – the top 10% of local authorities represent 63% of total industry employment.
- **Chemical manufacturing** – the top 10% of local authorities represent nearly 50% of the total industry employment.

20 Additional information on the data used in the analysis is available in the Appendix
Figure 2. Distribution of UK Travel & Tourism Employment

Source: Oxford Economics
In addition, to examining the dispersion rankings for each industry, the analysis also identified the number of regions that represent a functioning market for each industry (Table 2). In the UK and the U.S. 100% and 98% of the regions respectively represent functioning market for Travel & Tourism. This compares to:

- **Mining** – none of the local authorities in the UK and only one state could be considered a functioning market for the mining industry;
• **Automotive manufacturing** – none of the local authorities in the UK or any of the states in the U.S could be considered a functioning market for the automotive manufacturing industry; and

• **Chemical manufacturing** – seven of the local authorities in the UK and one state in the U.S. could be considered a functioning market for the chemical manufacturing industry.

By contrast, in the education sector, 400 out of the 408 local authorities in the UK and 49 of the 50 states in the U.S. could be considered a functioning market for the education sector.

The UK and U.S. results confirm the country-wide findings that employment impacts related to Travel & Tourism are more widely distributed than the other industries, and are a significant economic driver across the whole country. The industries that are more evenly dispersed, such as Travel & Tourism and education, have more functioning markets across each country and those industries that are more clustered, such as mining and automotive manufacturing, have few functioning markets.

Industries that are important for regional economies, such as Travel & Tourism, education, and retail, are likely to have more local authorities or states as functioning markets.

### Table 2. Benchmark Industry Sub-National ‘Functioning Market’ Concentrations (year 2011)\(^{21}\)

<table>
<thead>
<tr>
<th>% of Functioning Markets</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanded Travel and Tourism</td>
<td>96%</td>
<td>98%</td>
</tr>
<tr>
<td>Mining</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Education</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>Automotive Manufacturing</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Chemical Manufacturing</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Communications</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>12%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

\(^{21}\) The education sector data for the US represents employment classified as belonging to NAICS code 61 “Educational Services.” However, a large portion of the education related employment in the U.S. is classified under the local and state government sectors. Due to data availability issues, this education related employment was not able to be included in the analysis.
4.4 Detailed Findings

The existing benchmarking study released by WTTC relied on national level employment and GDP data, for which industry data is available at a fine-grain level of detail. However, at the sub-national regional level for the wide spectrum of countries being examined, employment and GDP data is not easily available in the same level of detail as the other sectors. As a result, we have used the employment and GDP generated by the accommodation and food services sector as a proxy for Travel & Tourism.

While accommodation and food services are an important part of the Travel & Tourism sector, the sector also included several other industries and sub-sectors. Figure 1 compares the employment in the accommodation and food services sector to the larger Travel & Tourism industry definition. The correlation between the proxy measure of Travel & Tourism and the definition of Travel & Tourism used in the benchmarking study is 0.96 which indicates that, at the national level, our proxy measure is a good measure of the Travel & Tourism sector.

Correlation between Actual and Proxy Measures of Travel & Tourism Employment (2011)

Source: Oxford Economics

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22 For example, Canada includes agriculture and logging in the same sector as their mining data while the other countries do not; China is missing data for the mining, education, and communication sectors at the sub-national regional level; and South Africa includes wholesale and retail trade with their accommodation and food service sectors.

23 The industries and sub-sectors included in the expanded Travel & Tourism definition were based on the “Supply Side of Tourism Report 2009” report released by the UK Office of National Statistics.
In addition, we were unable to obtain detailed manufacturing sector data for most countries at the sub-national regional level and as a result were forced to use data for the much larger general manufacturing sector, as opposed to the automotive and chemicals sub-sectors. This adaptation likely means that the analysis over-estimates the regional dispersion of manufacturing – data for automotive and chemicals sub-sectors for US and UK shows that those sub-sectors are much more concentrated than the manufacturing sector as a whole.

The analysis used the following measures to quantify the dispersion across industries and sub-national regions:

1). Herfindahl Index: the Herfindahl index is used to measure the degree of concentration of a given industry in each sub-national region. Equally dispersed employment shares all of the sub-national regions would equal an index score of 0, while more clustered employment distribution would result in higher values.

2). Ogive Index: the Ogive index measures deviations from an equal distribution of employment shares across sub-national regions. Equally dispersed employment shares all of the sub-national regions would equal an Ogive index score of 0, while more clustered employment distribution would result in higher Ogive values.

3). Entropy: the Entropy index is another popular measure of diversity. If employment is concentrated in single region, then the Entropy score would be 0 and if there is an equal distribution across regions, then the Entropy index achieves its maximum value (which depends on the number of sub-national regions).

Due to the fact that each measure uses a different scale, the three measures were standardized so that each measure ranged from 0 to 1, with 0 representing evenly distributed industry and increasing scores representing a greater degree of clustering.
Table 3: Benchmark Industry Regional Employment Dispersion Rankings by Comparator Country
(1 = more evenly dispersed and 6 = more clustered / less evenly distributed)

<table>
<thead>
<tr>
<th>Employment</th>
<th>Travel &amp; Tourism</th>
<th>Mining</th>
<th>Education</th>
<th>Manufacturing</th>
<th>Communications</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Brazil</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Russia</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Turkey</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>UAE</td>
<td>5</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>UK</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>U.S.</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Avg. Rank</td>
<td>2.82</td>
<td>5.00</td>
<td>2.09</td>
<td>3.09</td>
<td>3.45</td>
<td>4.18</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

Table 4: Benchmark Industry Regional GDP Dispersion Rankings by Comparator Country
(1 = more evenly dispersed and 6 = more clustered / less evenly distributed)

<table>
<thead>
<tr>
<th>GDP</th>
<th>Travel &amp; Tourism</th>
<th>Mining</th>
<th>Education</th>
<th>Manufacturing</th>
<th>Communications</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Brazil</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>6</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Mexico</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Russia</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Turkey</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>UAE</td>
<td>2</td>
<td>6</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>UK</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>U.S.</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Average</td>
<td>2.55</td>
<td>4.73</td>
<td>2.00</td>
<td>2.91</td>
<td>3.64</td>
<td>4.91</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

4.5 Section conclusions

This section presents a dispersion analysis examining benchmark industries for 20 major economies around the world. The analysis finds that employment and GDP contributions of Travel & Tourism are more evenly distributed across regions within the world’s major economies. The only exception is the education
sector which is more evenly dispersed likely because it is driven by demographics. Other benchmark industries, such as mining and financial services, tend to be more concentrated in regional industry hubs. Mining tends to be located near natural resources and financial services are usually based in key cities that serve as domestic and international business centres.

Travel & Tourism is an important driver of economic, social, and cultural development in both developed and developing countries. Unlike traditional industries (e.g. manufacturing, communications, financial services, etc.), Travel & Tourism can be a significant economic driver in remote areas of countries far from economic centres, as well in the major business and administrative centres.
5. The Economic Returns on Destination Marketing

5.1 Introduction

Destination marketing organizations (DMOs)—including multi-national, national, state/provincial, and local entities—seek to generate additional visitor activity as a driver of economic growth. These organizations are generally funded through a combination of public and public-private sources. As public finances are strained in many countries and the private sector has become more circumspect about expenses, destination marketing funding has come under increased scrutiny.

This raises a critical question: is destination promotion and marketing worth the investment?

This section examines this question reviewing global spending on destination promotion and presenting several case studies showing the effectiveness of these investments and, in some cases, the effects of reduced funding.

A survey conducted by Oxford Economics on behalf of the World Travel & Tourism Council (WTTC) and a review of previous research suggest that destination marketing activities likely increase brand awareness, enhance perceptions of travel destinations, and ultimately lead to increased visitation and visitor spending. For many economies around the world, this injection of visitor spending represents a significant contribution to GDP, business sales, income, and tax revenues. For less developed tourism markets, tourism promotion is an essential part of a broader economic development strategy to realize these benefits.

5.2 National DMO spending

In many countries National Tourism Organizations (NTOs) have responsibility for international tourism promotion, and their responsibilities are also increasingly covering domestic tourism promotion. A survey of NTOs from 62 countries was conducted by the UNWTO in 2010 and provides a snapshot of promotion and marketing at the national level across countries24. According to the survey, responsibilities are varied and include:

- Regulation Classification and licensing
- Product development
- Infrastructure development
- Training, advice and technical support
- Financial support
- International marketing
- Domestic marketing

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24 Source: UNWTO report Budgets of National Tourism Organizations, 2008-2009
• Marketing for leisure and business tourism
• Customer relationship management

Countries with destination management budgets tend to be more developed and, as expected, are more likely to have the ability to develop and implement coordinated and strategic marketing efforts. More than half of the countries covered in the UNWTO study are in Europe, while most less developed countries in Africa and Asia either did not respond or have no official promotion organization.25 However, of those less developed countries that responded to the survey and have NTOs, their budgets have increased in recent years.

The activities carried out by NTOs are varied and reflected in budget allocations for marketing efforts carried out through different channels of spending:

• Internet and e-marketing
• Advertising, brochures and mailings
• Fairs, trade shows and workshops
• Familiarization trips
• Support for other tourism organizations
• Research and data collection

Most marketing budgets focused on efforts to promote the home country’s culture or place, such as specific cities or regions. Other themes included emphases on the sun and sea, mountain or rural experiences, sports and recreation, wellness and health, business meetings, conferences and events, and educational and study opportunities.

An international presence is considered important by most NTOs and many operate branches in their key market countries or emerging markets where they expect to generate more tourism demand. The survey respondents reported having 562 promotion and marketing branches operating abroad in 2010, and these offices were staffed by more than 2,200 employees.26

The UNWTO survey provides the most recent and comprehensive survey of NTO budgets. Expenditure data for 2009 is the most complete and includes responses from 51 countries. For the responding countries, total funding summed to $2.7 billion in 2009. Funding by country ranged from $0.7 million in Madagascar to $173 million in Mexico. The average budget of $53.1 million was comparable to those in Germany, Italy, and Norway. The median budget was $38.1 million. Total funding increased in each year from 2005 to 2008, before a decrease in 2009.27 The global economic downturn affected the budgets in many countries in 2009 and 2010. In 2009, 30 out of 51 responding countries allocated fewer funds

25 Note: no additional information was available on the breakdown of those countries that did not respond versus those with no official NTO.
26 Source: UNWTO
27 Budgets are reported in U.S. dollars and a percent change calculation would not account for exchange rate fluctuations, and therefore not represent budget changes in the local currency
to tourism promotions than a year earlier. In 2010, 17 out of 30 countries reported smaller budgets versus the previous year.

A 2011 report completed by European Travel Commission covered NTO activity from 2008 to 2011 for 23 European countries. The report showed that total spending by NTOs participating in the survey decreased in 2010 and 2011, likely due to the global economic slowdown. The average NTO budget was €31 million in 2011, a 10.9% decrease from two years earlier. Among those included in the analysis, the minimum budget of the reporting countries was €1.3 million and the maximum was €153.7 million. The majority of the funding came from public funding sources; the minimum share of public funding was 51.3%, the maximum share was 100%, with an average share across the respondents of 72.7%.

The UNWTO and ETC surveys of NTOs provide only a partial accounting of national tourism promotion spending. For this report, Oxford Economics developed estimates for countries not included in the survey and for years in which there are no data in the UNWTO survey. Estimates were generated based on inbound spending receipts by country. Additional information was incorporated from the European Travel Commission, the Mexico Ministry of Tourism and the Brand USA. Total NTO spending was estimated to be $4.2 billion in 2009, and this decreased by 3.9% in 2010 before recovering in 2011 with 2.2% increase. Total spending is expected to rise 3.3% in 2012. Table 5 below shows the estimated total budgets and spending of NTOs. The table also presents total inbound spending and the national tourism promotion budgets as a percentage of total spending. NTO budgets increased as a share of spending through 2009, when total budgets corresponded to 0.51% of total inbound spending. In the 2010, this share decreased to 0.42%. This share is expected to increase to 0.43% in 2012.

Table 5. Total Funding of National Tourism Organizations ($ million)

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,274</td>
<td>1,579</td>
<td>1,811</td>
<td>2,122</td>
<td>1,989</td>
<td>1,895</td>
<td>1,762</td>
<td>1,717</td>
</tr>
<tr>
<td>Americas</td>
<td>400</td>
<td>408</td>
<td>482</td>
<td>541</td>
<td>582</td>
<td>391</td>
<td>433</td>
<td>578</td>
</tr>
<tr>
<td>Mideast / N Africa</td>
<td>407</td>
<td>460</td>
<td>609</td>
<td>685</td>
<td>700</td>
<td>717</td>
<td>761</td>
<td>777</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>678</td>
<td>780</td>
<td>1,001</td>
<td>1,017</td>
<td>937</td>
<td>1,044</td>
<td>1,181</td>
<td>1,202</td>
</tr>
<tr>
<td><strong>World Total</strong></td>
<td><strong>2,759</strong></td>
<td><strong>3,227</strong></td>
<td><strong>3,903</strong></td>
<td><strong>4,365</strong></td>
<td><strong>4,209</strong></td>
<td><strong>4,046</strong></td>
<td><strong>4,137</strong></td>
<td><strong>4,273</strong></td>
</tr>
<tr>
<td>Percent change</td>
<td>17.0%</td>
<td>20.9%</td>
<td>11.9%</td>
<td>-3.6%</td>
<td>-3.9%</td>
<td>2.2%</td>
<td>3.3%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Inbound Travel Spending ($ mn)</td>
<td>659,973</td>
<td>718,143</td>
<td>824,731</td>
<td>910,739</td>
<td>822,128</td>
<td>883,282</td>
<td>986,345</td>
<td>998,065</td>
</tr>
<tr>
<td>Budgets as % of Travel Spending</td>
<td>0.42%</td>
<td>0.45%</td>
<td>0.47%</td>
<td>0.48%</td>
<td>0.51%</td>
<td>0.46%</td>
<td>0.42%</td>
<td>0.43%</td>
</tr>
</tbody>
</table>

Sources: UNWTO, ETC, Tourism Economics

It should be noted that in the US, destination marketing is largely handled by the states. According to the U.S. Travel Association, $398 million was allocated to state tourism office budgets in the 2011/12 fiscal year. Of this amount, $48.3 million was designated for international sales and marketing, or 12% of the total.
This would not substantially change the relatively low ratio of international marketing to tourism receipts for the Americas.

The Middle East and North Africa as a combined region spend the most on destination marketing as a share of tourism receipts.

Two observations stand out from the data. First, destinations spend a relatively small amount on destination marketing given levels of international tourism spending. If domestic tourism spending were to be included, the share of destination marketing spending would be significantly lower. Second, the most recent economic cycle has caused these promotional budgets to decline both in absolute terms and as a share of tourism receipts.

The graph below also shows that a positive relationship exists between the funding of destination marketing and actual tourism receipts. Although this does not indicate a causal relationship in either direction (it is likely in both directions to some degree), it is clear that governments with larger tourism promotion budgets also enjoy a higher level of international tourism spending.
The downward trend in funding is evident as a share of total government spending in all regions, except the Americas where both Mexico and the United States have seen recent increases in funding. Tourism spending has fluctuated as well through the course of the downturn with similar magnitude. Of course, a direct causal link between the two is difficult to make, as broader economic conditions likely play a much more important role in changes in Travel & Tourism traffic and spending than marketing and promotion alone. Tourism office budgets increased in 2011 and 2012, but not as quickly as tourism spending, resulting in a declining share. Overall government spending also increased in 2011 and 2012 faster than tourism office budgets and the smaller share of government spending is reflected in the chart below.

5.3 The rationale behind investing in destination promotion

The case for destination promotion has two main tenets. The first is that destinations, as an amalgamation of attractions and sectors, require an overarching brand and marketing umbrella. Indeed, tourism is not a single product and is comprised of companies offering a variety of goods, services, and experiences that make up a destination. Without destination marketing, there is no entity responsible for developing a destination message that brings these various entities together in the mind of the consumer. The second tenet is that competition demands it. Research cited later in this paper shows that destinations that hold back on destination marketing tend to lose market share over time.

Given the substantial investments made in destination marketing around the world—approximately $4.1 billion in 2011—it is critical to understand the returns on these investments. Specifically, the governments around the world must answer the question, "Is destination marketing worth the investment?"

This is an important and practical economic development question because the funding of destination marketing is sensitive to both economic cycles and political changes.

When government budgets are tight, funding for tourism promotion is usually squeezed as well. However, if destination marketing yields returns exceeding the investment, then funding for tourism promotion should be preserved even when budget resources are scarce.
5.4 Measuring incremental impact

To demonstrate a return on investment in tourism promotion, a link must be established between the promotion or marketing campaign and the incremental visitation and spending generated by that investment. While measurement of this incremental impact is challenging, destinations and academics have developed a substantial body of research evaluating the effectiveness of destination promotion. If geographic and time elements to the promotion and visitation are clearly defined, the total return to the regional economy can be measured.28

Measuring return on tourism investment has become a standard practice as public funding sources demand more accountability. This pressure has intensified amid public sector fiscal pressures, efforts to balance budgets and reduce public debt. Numerous studies have been completed by destinations and academics that demonstrate robust returns on tourism investment. Controlled conversion studies are a frequent method of evaluation of the larger NTOs, since they generate ROI estimates. But a number of other methods are also employed. These include:

- Assessing the number of articles generated from PR and media familiarisation trips;
- Estimating advertising equivalent value and a formal assessment against objective and favourability of content;
- Coupon return on print media advertising plus equivalent statistics for response to email or telephone numbers contained within advertisements;
- Advertising tracking studies;
- Questionnaire-based evaluation of consumer characteristics and satisfaction;
- Questionnaire-based evaluation of trade activities covering satisfaction with events and estimates of additional tourism revenues generated through the event;
- Qualitative research in pre-testing advertisement effectiveness;
- Continuous monitoring of ‘macro’ statistical data.

The Destination Marketing Association International (DMAI) has developed a set of standard practices that offer organizations guidance on how to conduct tourism spending research and how to estimate a marketing ROI.29 The DMAI handbook covers topics such as designing and conducting surveys, assessing visitor motivations and spending, and how to engage consultants through an RFP process if needed. These guidelines could help to bring consistency in methodologies across organizations.

Section 5.5 below cites several case studies and the majority employ a conversion analysis that quantifies the incremental impact of an advertising campaign. Visitor surveys are designed to determine: (1) if the visitor was aware of the campaign and (2) if the campaign influenced their decision to travel to the destination. The data for these case studies clearly show positive—though widely diverging—returns. This likely reflects differences in research methodology as well as differences in media, markets, messages, timing and varying conditions in the broader regional and national economies. Several of these case studies have been audited by independent government agencies. For example, Hawaii’s ROI studies were audited by a state-appointed task force of economists and academics and were approved as credible.

Success stories are no guarantee. Certainly, a poorly developed and implemented campaign can produce minimal or even no returns. However, the body of research confirms returns that are consistently well above the cost of marketing investments.

5.5 Case studies of destination marketing success

The survey conducted by Oxford Economics on behalf of WTTC provides evidence of positive returns to promotion and marketing investment. The survey was intended to assess respondents’ perceptions of tourism as a catalyst for economic development and included questions on marketing effectiveness and return on investment. The survey was sent to 100 senior executives in the tourism industry, including publicly funded tourism offices, private firms and trade associations, and a total of 30 responses were received. Of the responding organizations 20 were government tourism organizations, at the national or sub-national level, and 16 reported having sales and marketing budgets. Sales and marketing spending for these organizations ranged from 1% to 78% of annual revenues, with most reporting a marketing budget between 50%-70% of annual revenues. Of these that had a marketing budget, 10 responded that they received a positive return on investment, while others did not provide a response to this question. The estimated return on investment varied greatly and methodologies for calculating an ROI across countries likely varied. Below select responses are summarised:

- Visit Denmark reported a return of 16 dollars in tourism revenues for every one dollar spent on marketing to leisure visitors, and a 12 to one return on marketing directed toward meetings and conference customers. Visit Denmark reports several quantitative steps to its return on investment calculation: an estimate of the number of exposures of the advertisement, a measure of awareness (number of views), an estimate of any changes in travel preferences or intentions, and affected travel decisions. A cost associated with each step is calculated: investment per exposure, per ‘awareness’ view, per preference change, and per affected travel decision. Any boosted visitation resulting from an ‘affected travel decision is included in the ROI calculation.
Tourism Ireland estimates its return at 10% on television advertising (in Britain) and on-line advertising.

Flanders finds that, on average, every euro spent on press activities returns €318 in advertising value equivalency. This excludes online articles which would add to the figure.

Visit Scotland reported a 20% return on marketing investment. In general terms, £1 invested in VisitScotland activity generated £20 in return. In 2009, VisitScotland’s specialised destination marketing campaigns generated £416 million for the Scottish economy including £248 million of additional revenue from leisure tourism activity, £94 million of additional revenue from business tourism activity, and £23 million from 100 VisitScotland Information Centres and 26 Partnership Centres. According to VisitScotland’s analysis, travellers who visited the information centres spent an additional £5.35 that otherwise would not have been spent.

Australia’s ‘A Different Light’ campaign in 2005 yielded a return of $64 per $1 spent in marketing. Current campaign assessments do not include explicit ROI calculations, but Tourism Australia’s monitoring activities in 14 international markets, plus the domestic market, include measurement of ad ‘recall’ and ‘action taken.’ More qualitative evaluation includes any reported barriers to visiting Australia, information sought after seeing the ad, the message received from the ad, and any reasons why a viewer would be more likely to visit.

Numerous ROI studies have been completed at the national or sub-national level. The Canadian Tourism Commission (CTC) carries out controlled conversion studies across its major markets to evaluate the influence of its campaigns.

Historical CTC data indicates a weighted average ROI of $38:$1 across all international markets. On average, each $1 in marketing generates $38 in visitor spending across international markets.

Table 7 below shows select studies completed by U.S. states in the last decade. The studies covered marketing and advertising campaigns ranging from six to 21 months. The reported ROI figures vary from $47 to $305 in visitor spending per advertising dollar. A variation in ROI would be expected and likely depends on the quality and length of the campaign and conditions in the regional and broader economies.

Table 6. Allocation of Canadian Marketing Budget and Corresponding ROI

<table>
<thead>
<tr>
<th>Country</th>
<th>Marketing Investment</th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>37%</td>
<td>$30:$1</td>
</tr>
<tr>
<td>UK</td>
<td>14%</td>
<td>$36:$1</td>
</tr>
<tr>
<td>France</td>
<td>10%</td>
<td>$42:$1</td>
</tr>
<tr>
<td>Germany</td>
<td>10%</td>
<td>$30:$1</td>
</tr>
<tr>
<td>Australia</td>
<td>4%</td>
<td>$43:$1</td>
</tr>
<tr>
<td>Japan</td>
<td>2%</td>
<td>$36:$1</td>
</tr>
<tr>
<td>South Korea</td>
<td>4%</td>
<td>$107:$1</td>
</tr>
<tr>
<td>China</td>
<td>9%</td>
<td>$29:$1</td>
</tr>
<tr>
<td>India</td>
<td>3%</td>
<td>$36:$1</td>
</tr>
<tr>
<td>Mexico</td>
<td>4%</td>
<td>$95:$1</td>
</tr>
<tr>
<td>Brazil</td>
<td>3%</td>
<td>$21:1</td>
</tr>
</tbody>
</table>

Weighted Average 100% $38:$1
Table 7. Return on Investment Studies and Findings for Select U.S. States

<table>
<thead>
<tr>
<th>State</th>
<th>Year</th>
<th>Summary Scope of Study</th>
<th>Estimated ROI: Visitor Spending per Ad Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>2009</td>
<td>An update in a series of annual ROI studies</td>
<td>305</td>
</tr>
<tr>
<td>Colorado</td>
<td>2008</td>
<td>15-month ad campaign</td>
<td>193</td>
</tr>
<tr>
<td>Arizona</td>
<td>2007</td>
<td>21-month advertising campaign</td>
<td>180</td>
</tr>
<tr>
<td>Florida</td>
<td>2010</td>
<td>Spring 2010 marketing effort</td>
<td>147</td>
</tr>
<tr>
<td>Oregon</td>
<td>2008</td>
<td>One year ad campaign</td>
<td>134</td>
</tr>
<tr>
<td>North Dakota</td>
<td>2007</td>
<td>One year ad campaign</td>
<td>123</td>
</tr>
<tr>
<td>Virginia</td>
<td>2006</td>
<td>One year ad campaign</td>
<td>71</td>
</tr>
<tr>
<td>Minnesota</td>
<td>2000</td>
<td>Six month ad campaign</td>
<td>52</td>
</tr>
<tr>
<td>Montana</td>
<td>2008</td>
<td>One year ad campaign in 2004</td>
<td>50</td>
</tr>
<tr>
<td>Michigan</td>
<td>2005</td>
<td>One year marketing initiative</td>
<td>48</td>
</tr>
<tr>
<td>Missouri</td>
<td>2009</td>
<td>One year ad campaign</td>
<td>47</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td><strong>123</strong></td>
</tr>
</tbody>
</table>

Source: Explore Minnesota

The following case studies provide additional context, more detail and compelling evidence of the effectiveness of destination marketing as an investment that generates tax revenues, create jobs and income, and enhances the lifestyle of both tourists and residents. These anecdotal assessments of tourism marketing campaigns are based on a Longwoods International report The Power of Destination Marketing.30

**Michigan:**

Michigan’s “Great Lakes, Great Times” campaign was funding by a roughly $7 million annual budget in the 1990s. The campaign was moderately successful drawing regional tourists. However, mid-west states were struggling and Michigan had a relatively weak image in terms of destination appeal. In 2006, the “Pure Michigan” initiative was kicked off, the budget was increased to $15 million and to more than $30 million in 2009. The effort focused on creating a national image of the state. The state jumped up to second place from ninth, out of regional destinations that survey respondents “would really enjoy visiting.”31 From 2007 to 2010, visits to the state increased by double digit percentages in three out of four years. Visitor spending was significantly higher after the campaign. Longwoods International attributed more than $600 million in visitor spending in 2010 to the Pure Michigan campaign, and estimated a tax revenue return on public investment of $4.33 per dollar invested.

**Philadelphia:**

Philadelphia is a large city but growth had been stagnant for decades as of the 1990s and the city had little appeal as a tourist destination. In 1997, the City initiated a campaign called “Philadelphia: The City that Loves You Back,” clearly


31 *ibid*
was directed as a play on the well-known symbol “I love New York” depicted with a red heart, and that city's reputation for toughness. In Philadelphia, the ad sought to convey, you get something in return. The campaign is estimated to have generated more than an additional 1.1 million visits annually from 1997 to 1999. In 2001, a second campaign “Philly Overnight” encouraged visitors to stay overnight and spend in the city's hotels and restaurants. The ‘Overnight’ effort was credited with generating an additional 1.4 million visits from 2001 to 2002. The estimated ROI for the “Loves You Back” campaign ranges from $55 to $80 in visitor spending per ad dollar, and the “Overnight” campaign ROI was estimated at $116 in visitor spending per ad dollar. Additional survey research by Longwoods International and Tourism Economics revealed a marked change in perceptions about Philadelphia from 1997 to 2002.

**Colorado:**

The Colorado story is often cited to bolster support for tourism funding. Colorado is one of the few examples of the complete cessation of destination management and marketing. Such an example is rare because few in leadership positions are willing to take the risk and enter into such unchartered territory: Just what happens to the regional tourism industry without an active effort to court visitors? The Colorado story serves as a natural experiment to examine such a policy move.

In 1986, Colorado tourism was primarily regional and a campaign was launched, funded by a 0.2% tax on travel-related goods and services, to enhance the state’s draw. The effort was successful but voters struck down the tax effectively eliminating the marketing and promotion budget. The effect of the abrupt stop to marketing was significant and swift: Colorado lost 30% of its market share of U.S. tourism and more than $1.4 billion annually in visitor spending. In 2000, a new tourism agency was established, with renewed funding and a reinvigorated effort to manage and promote the state as a destination. Longwoods International analysis of Colorado’s marketing and return on investment show positive results, including an improved image, increased visitation and more visitors spending.

**United States:**

The U.S. Department of Commerce mounted a pilot marketing campaign in the UK from mid-December 2004 to late February 2005. A $4.1 million media buy included television and outdoor posters. Results of the campaign include increased awareness, a better image as a “Dream Destination,” increased visitation and more visitors spending, all attributable to the promotion effort. The returns to government were also found to be substantial with $9.56 in taxes to the federal treasury and $9.80 in state and local taxes generated for each dollar spent.
California:

Visit California tracks the effectiveness and ROI of its advertising campaigns annually.

Phase 1 is conducted immediately after the conclusion of an ad run and measures (1) the reach of the campaign, (2) reactions to the creative, (3) the impact of the campaign on changing attitudes toward California and, (4) the ways in which the campaign influenced consumer interest in visiting the state.

Phase 2 of the advertising research is conducted after a period of time deemed reasonable to allow for travel which is related to advertising exposure. It measures (1) Incremental travel and spending associated with Visit California’s marketing efforts, and (2) ROI as determined by this travel spending in relation to campaign expenditures.

The estimated ROIs for recent Visit California advertising campaigns range from less than $25 to more than $200 in additional visitor spending for every ad dollar spent. The studies attempt to capture just the incremental visitor spending and in this sense claim to be conservative in their estimates. The chart to the right displays Visit California’s findings for recent campaigns.

5.6 Investing during an economic downturn

During an economic downturn public sector revenues are usually squeezed and destination promotion competes with many other spending priorities often targeted for cutbacks. However, the existing research shows that destination marketing generally produces positive returns that warrant the investment. According to Sir Martin Sorrell of WPP Group, a cut in marketing spending can not only reduce current business sales but also make recovery longer and harder.32

Marketers can be tempted to cut back on advertising during times like these, but multiple studies have confirmed just the opposite. In the short term, it’s critical to establish or maintain your brand and product’s relevance and keep the dialogue going. In the long-term, studies have proven that increased ad spending during a recession not only works, but contributes to financial performance for up to three years in the future.33 Businesses stand to gain more during downturns than in good times, when a majority of advertisers are increasing spending.

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32 Source: Media Week, October 23, 2008
33 Source: Millward and Brown, Marketing Suring a Recession May and April 2008
One study published in March 2008 by Paul Dyson of independent modelling and analysis agency D2D Limited, showed that cutting advertising during a downturn had adverse long term affects for up to three years after the recession ended, even if that brand returned to its prerecession spending the year after the cut.

A 50% cut in spending for one year resulted in a decrease in sales for that year and the year after. A complete stoppage of advertising resulted in a period of three to four years of decreased sales versus where the brand would have been had its ad budgets been maintained. For the company to recapture prerecession sales levels within a year requires spending 60% more money than the amount saved by cutting the ad budget in the first place. There is also evidence that consumers explicitly want advertisers to advertise. In a study conducted by OMD, a media agency under the Omnicom umbrella, 81% of consumers surveyed said advertisers need to continue to communicate about their products during a recession. Of course, they also offered that they would be more responsive to messages that emphasize cost savings, discounts or products that are positioned as investments during economic downturns.

5.7 Policy implications

The Travel & Tourism industry is a significant part of many national and regional economies around the globe, and potentially an integral part of a broader economic development strategy for developing nations. Because of the industry’s importance, National Tourism Organizations spent more than US$4.0 billion on promotions and marketing efforts in each year since 2008. NTO spending is only a partial picture of promotion spending since destination marketing is conducted at the state, provincial, or city level in some countries. The responsibilities of NTOs are varied and include regulation, product development, training and marketing, and these efforts are being increasingly directed towards domestic tourism in addition to international visitors.

As the public sector in many countries seeks relief from intense fiscal pressures, decision-makers are looking for opportunities to close budget gaps and reduce debt, and tourism promotion funding is coming under intense scrutiny.

A survey of senior tourism industry executives, case studies and previous examinations of return on advertising investment at the national and subnational levels suggests that a well-designed marketing strategy and campaign likely increases brand awareness, enhances perceptions of travel destinations, and ultimately leads to increased visitation and visitor spending. The positive return on investment reported by numerous studies suggests that the initial investment in many cases results in benefits that exceed that investment. Actual return on investment of course depends on many other factors beyond a marketing budget, such as the timing and context of the campaign, the strategy and implementation of the campaign, and broader economic conditions.

Source: Mering Carson
Understanding the benefits of an effective destination marketing campaign can help to clarify its importance and make a compelling case for reliable funding. The need for clarifications of the benefits is especially acute during economic downturns because of the key role public sector funding plays in tourism promotion. It is during downturns that decision-makers are most likely to seek opportunities to cut funding. The research suggests that doing so would likely result in decreased market share, fewer visitors and lower levels of visitor spending than would otherwise be the case.
6. Conclusions

In comparison to other sectors, Travel & Tourism possesses distinct advantages as a driver of economic development.

In particular:

- In terms of absolute size, growth, and share of exports, Travel & Tourism is one of the most important industries in the world;
- Travel & Tourism has strong linkages to other industries within national economies generating significant indirect benefits;
- Travel & Tourism is highly dispersed within national economies and its benefits are widely distributed;
- Travel & Tourism drives infrastructure investment that benefits other industries;
- Investments in well-designed destination marketing consistently produce strong economic returns.

Travel & Tourism supports economic development because the industry cuts across and is linked to many other industries, and its benefits are widely distributed within national economies. The industry also generates valuable spinoff benefits by developing infrastructure that other industries can use, and by boosting investments in other industries.

Well-designed marketing and promotion campaigns require up front investments and tend to generate additional visitation and spending in the economy that far outweigh the initial costs.

All of this leads to a simple and important conclusion. Governments around the world should consider Travel & Tourism as an integral part of their economic development strategy. Policies which foster the development of Travel & Tourism generate a broad set of benefits that extend through the entire economy.
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With the Chairs and Chief Executives of the 100 foremost Travel & Tourism companies as its members, WTTC has a unique mandate and overview on all matters related to Travel & Tourism.

WTTC works to raise awareness of Travel & Tourism as one of the world’s largest industries, supporting some 255 million jobs and generating 9% of global GDP. WTTC advocates partnership between the public and private sectors, delivering results that match the needs of economies, local and regional authorities and local communities with those of business.

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