



OXFORD
ECONOMICS

Making the Case for Business Travel and the CVB

2010 Virginia Tourism Summit

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Created to forge a union of tourism expertise and economic discipline to answer strategic questions facing destinations, developers, investors, and corporate planners.

Extensive global experience in providing real world insights based on quantitative frameworks



Global analysis, rooted in fact, applied to reality



Travel data and forecasts for 185 countries



Policy analysis and recommendations



Market opportunity and scenario analysis



Destination visitor tracking and economic impact



Outline

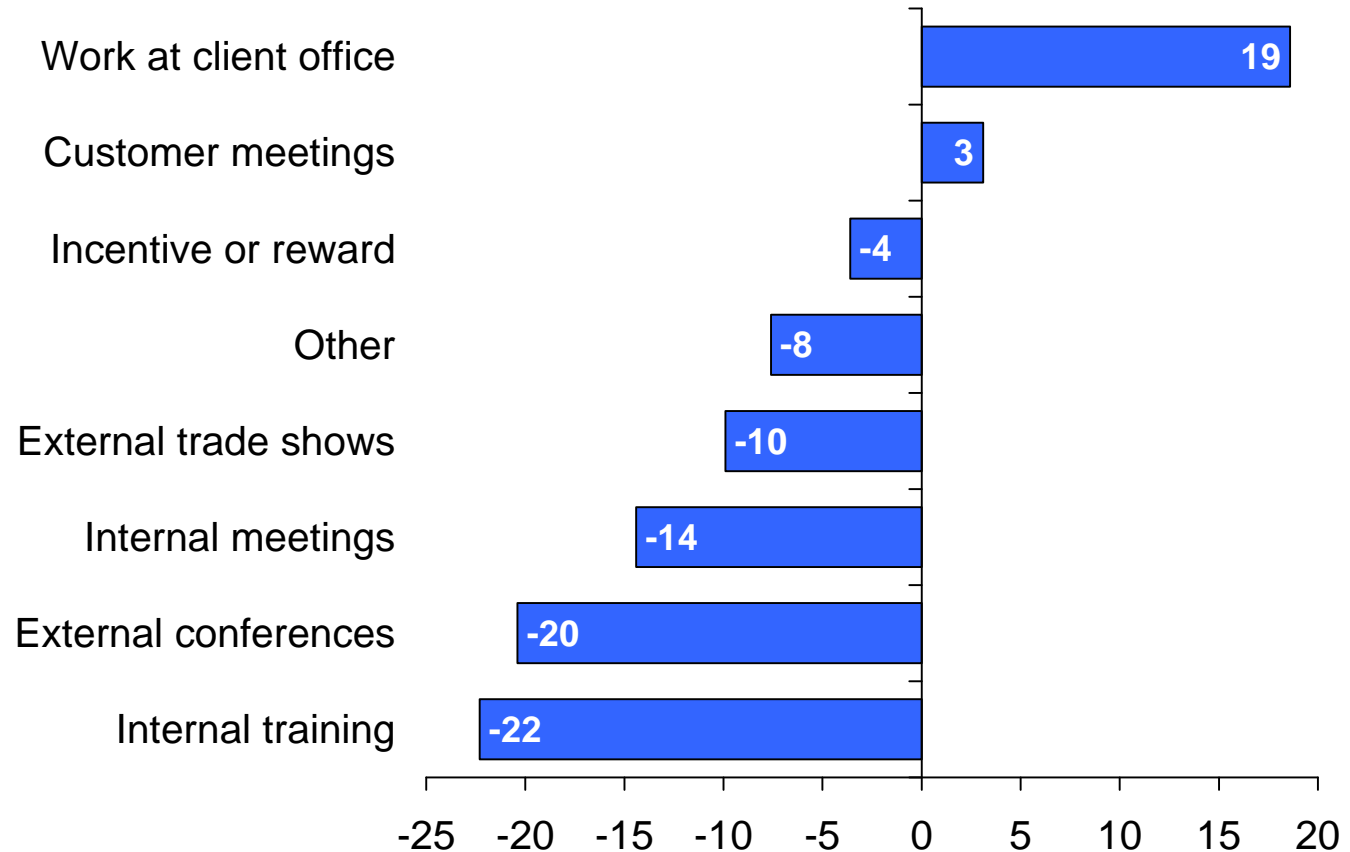
- What happened to business travel?
- What is happening now (and why)?
- How can we influence meeting planners?
- Can I make a stronger case for the role of the CVB?

What happened to business travel?

Companies cut all but essential travel

- In the Spring of 2009, 51% of companies had decreased travel.
- Those who have made cuts reduced their budgets by an average 35%.
- CEIR estimates 12.5% decline in exhibition industry last year.

Change in trips over next 12 months

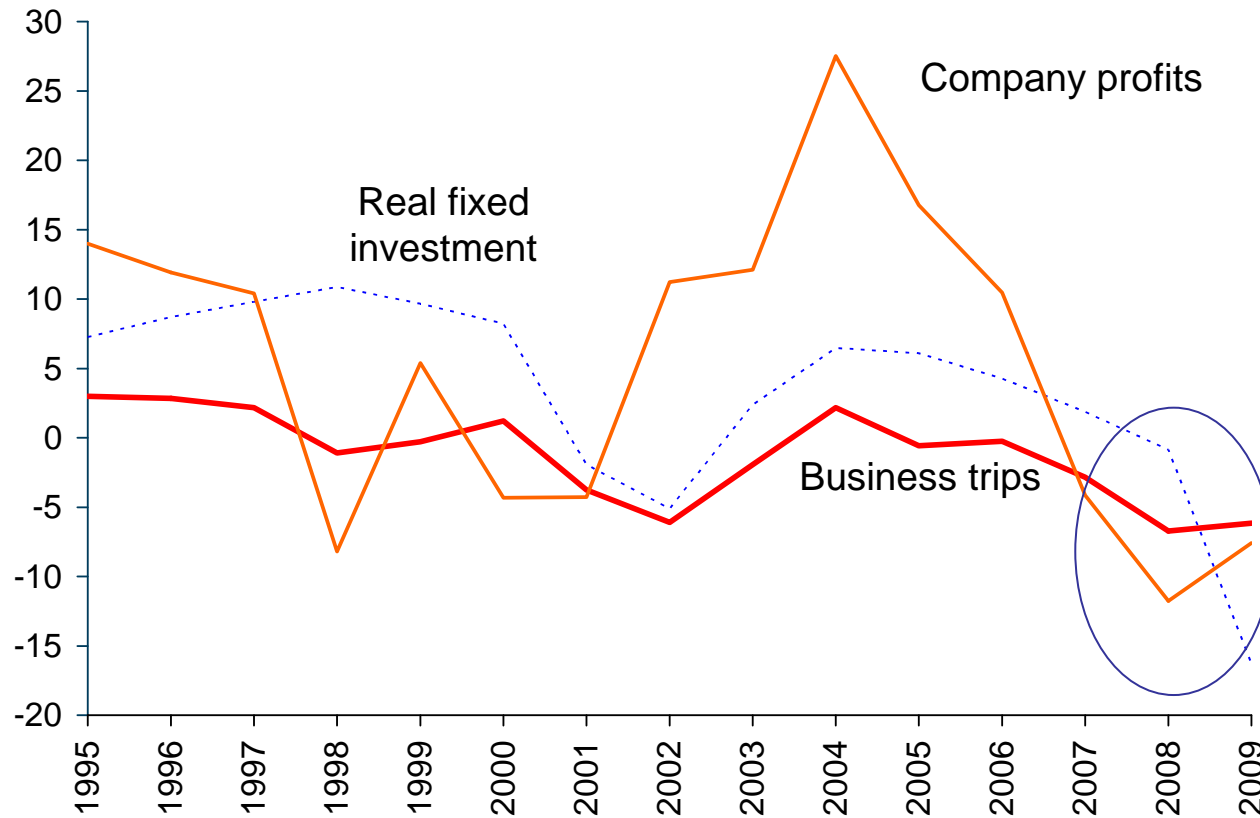


Source: Survey of business travelers (n=500)

...which is not surprising

Business trips, investment and profits

% growth



Source : Tourism Economics

What is happening now?

Early indicators of recovery

- MPI FutureWatch 2010 survey: 5% attendance, 3% meetings, spend per meeting 0%. 41% of suppliers and 28% of planners predict growth.
- GDS room bookings up 11% in Jan and 9% in Feb up (but still down 4% on 2008)
- NBTA survey: 56% of corporate travel buyers project increases in 2010. But 61% expect biz travel volume to grow slowly as the year progresses

Why is it coming back?

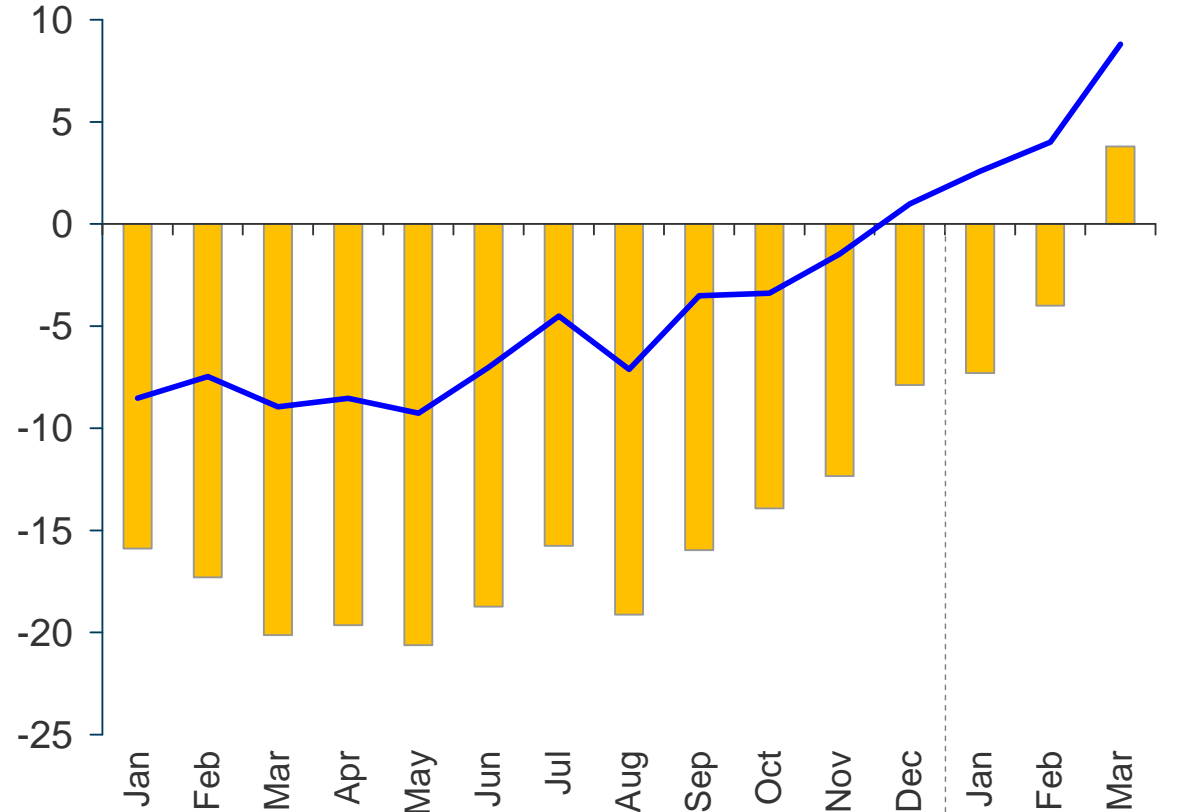
- Prices
- Pent-up demand
- Productivity
- Profits

The power of pricing

- Dolce Hotels and Resorts “Make us an offer” campaign for meeting planners has produced a 20% increase in group travel in Q1 and 25% overall for business.

Lodging performance

y-o-y % change



Source : Smith Travel Research

Pent-up demand

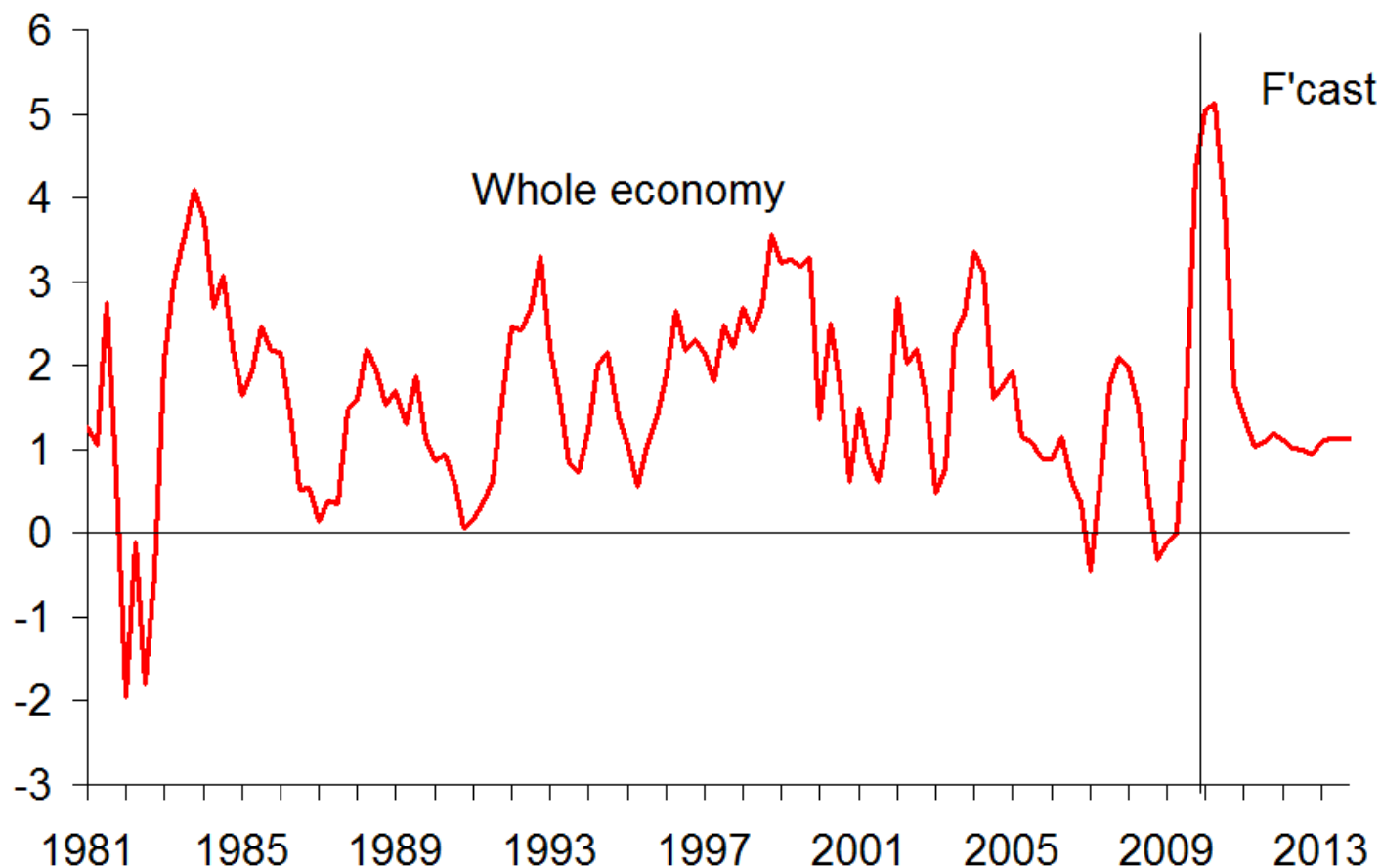
- Strong anecdotal evidence that many meetings which were postponed or skipped are now more necessary than ever
- “Meetings are healthy. There is some pent-up demand.”

Jeff Wagoner, President Wyndham Hotels and Resorts

Corporate productivity has surged

US: Productivity growth

% year

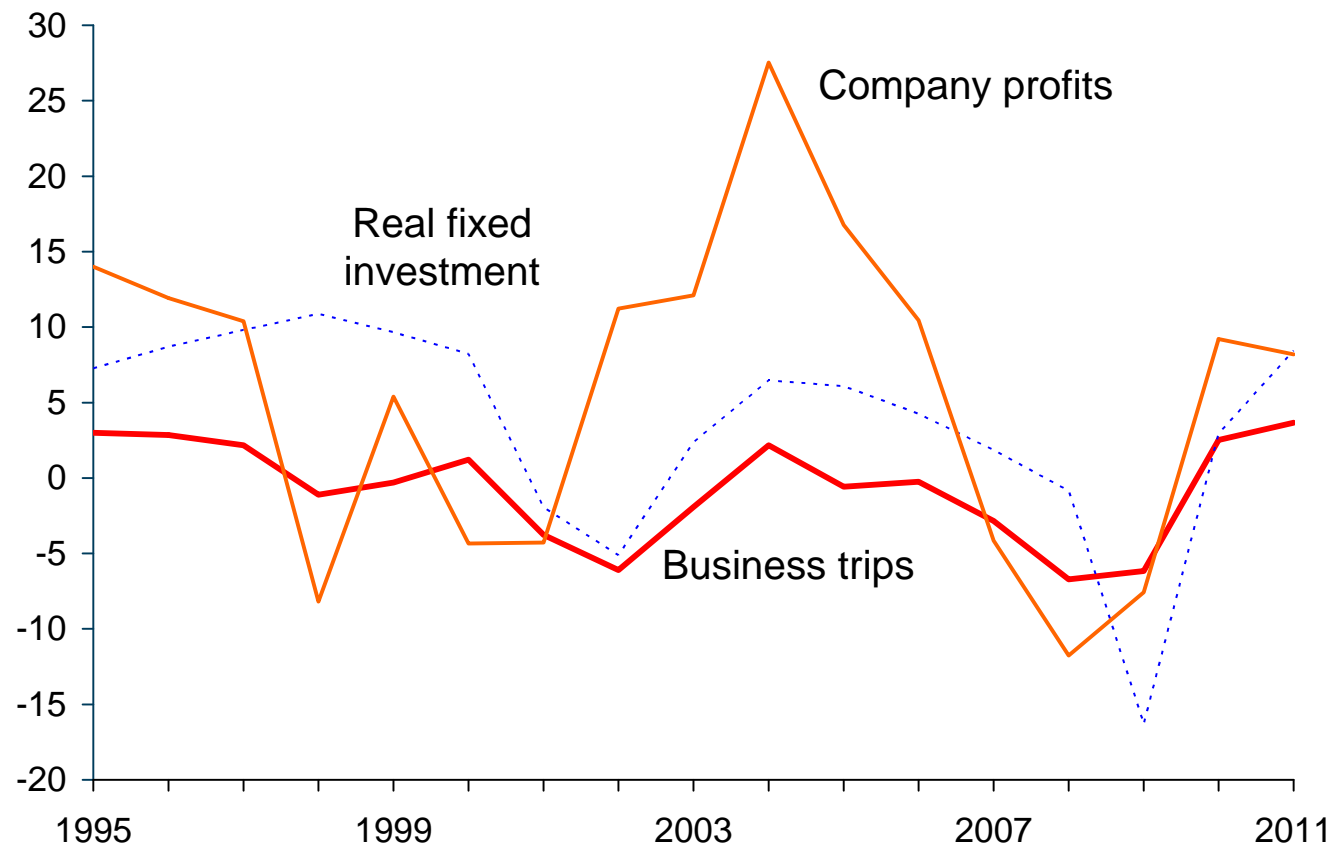


Source: Oxford Economics

And profits are returning

Business trips, investment and profits

% growth



Source : Tourism Economics

Getting the word out...

Making the case for business travel

- The dramatic cuts of the past several years bring a fundamental business question to the forefront: what is the relationship of business travel to company performance?
- The U.S. Travel Association commissioned Oxford Economics to assess the impact of business travel on corporate sales and profitability across all types of business travel.
- This can be part of the CVB vernacular

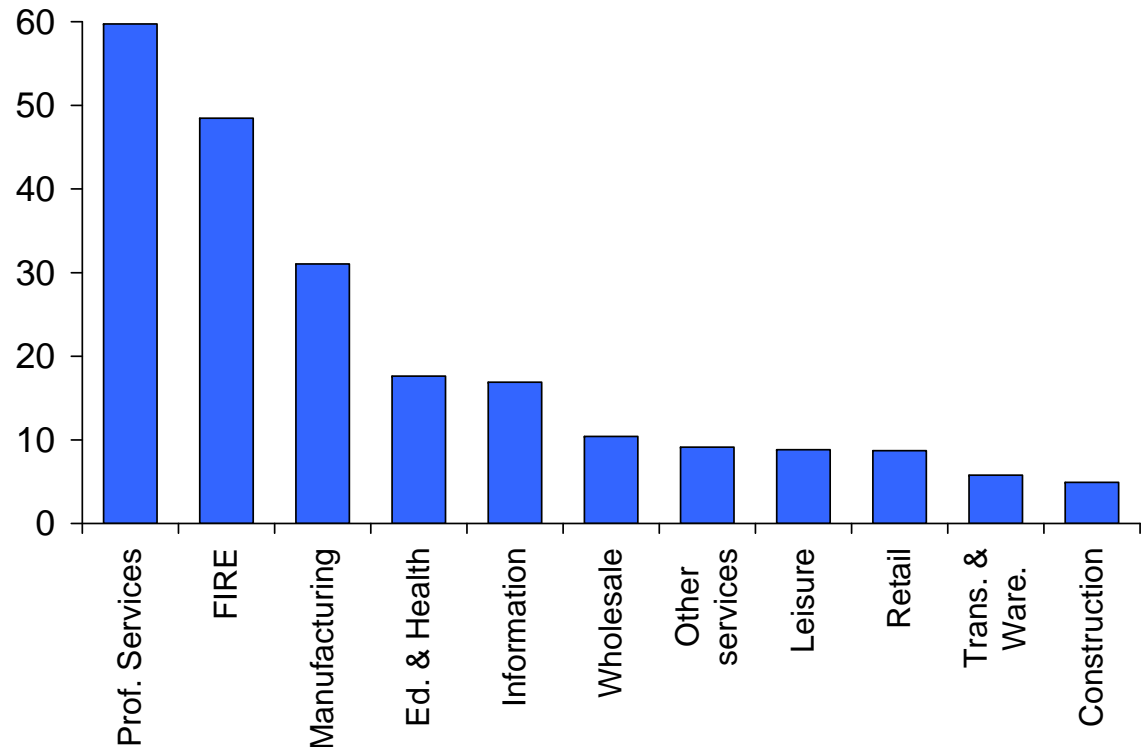
Approach

- Econometric analysis to determine any historic correlations between business travel by sector and changes in productivity, profitability, and sales.
- Survey of business travelers (n=500)
- Survey of corporate executives (n=300)
- Literature review
- This latter analysis leverages work conducted by Oxford Economics for the UK and mainland Europe in two separate studies.

What is spent by US Companies?

- U.S. companies spent \$229 billion on business travel in 2009.

Business Travel Expenditure by Sector, 2008



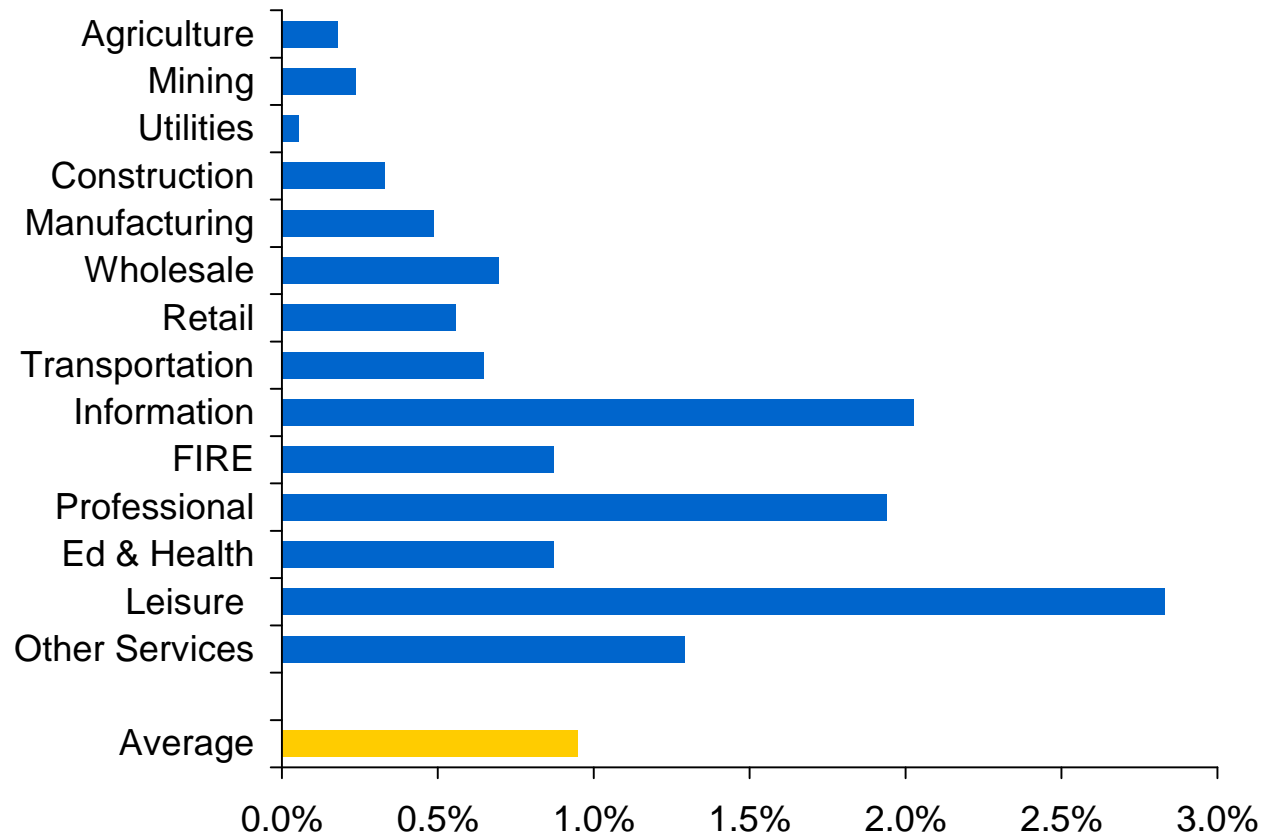
Source : Oxford Economics, BEA, U.S. Travel Association

What is spent by US Companies?

- This represents slightly less than 1% of the average company's revenue.

Business travel intensity

Business travel spending as a share of industry revenue

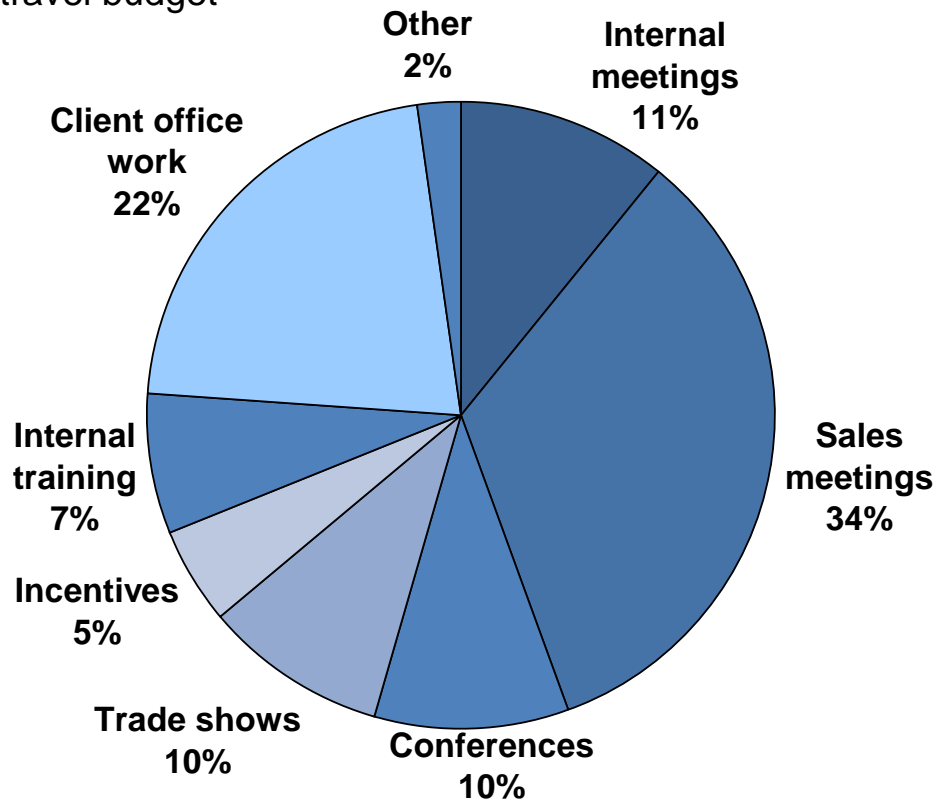


Source : Oxford Economics

Spending by type of trip

Business travel spend by type of trip

% of total travel budget



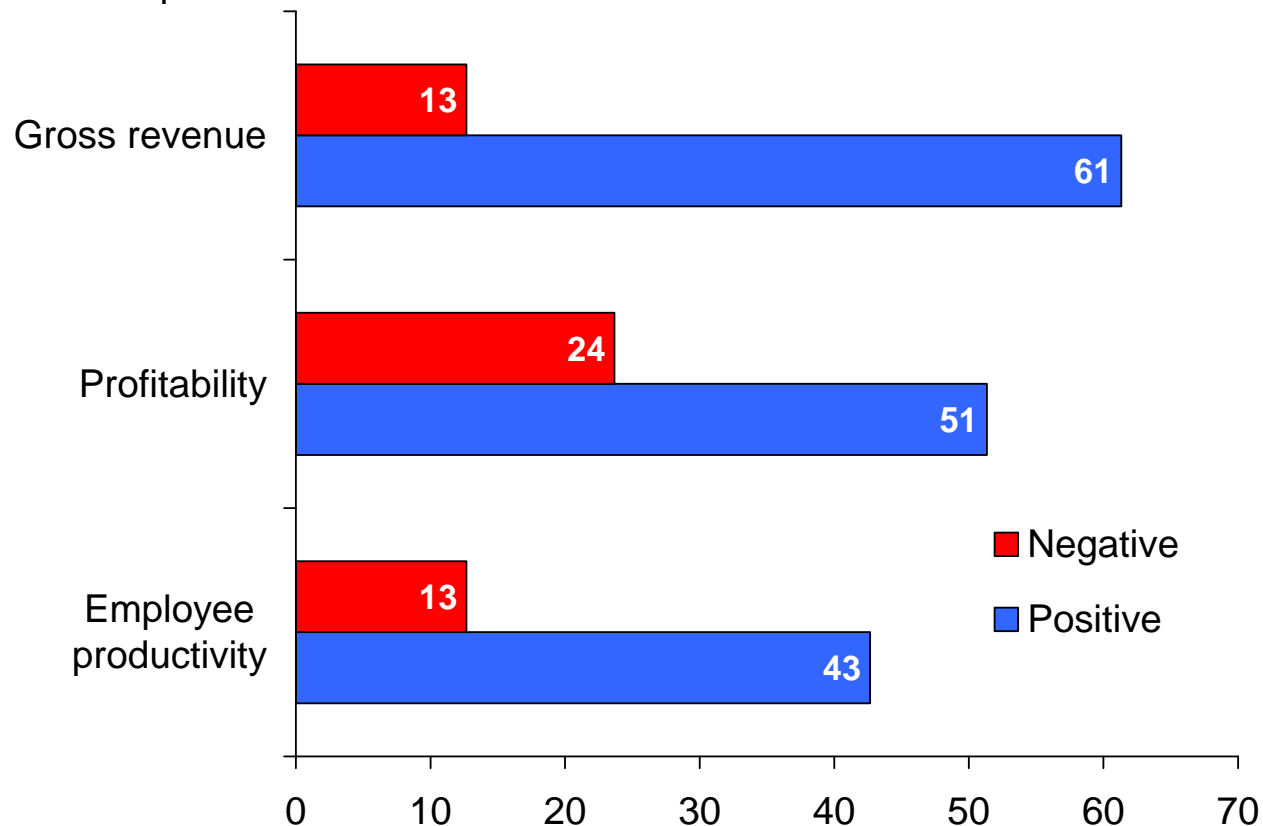
Source: Corporate executives survey (n=300)

Irony: executives see the implications

- 61% of corporate executives believe that an increase in travel budgets would have a positive impact on revenue.

Impact of additional travel spending

% of responses

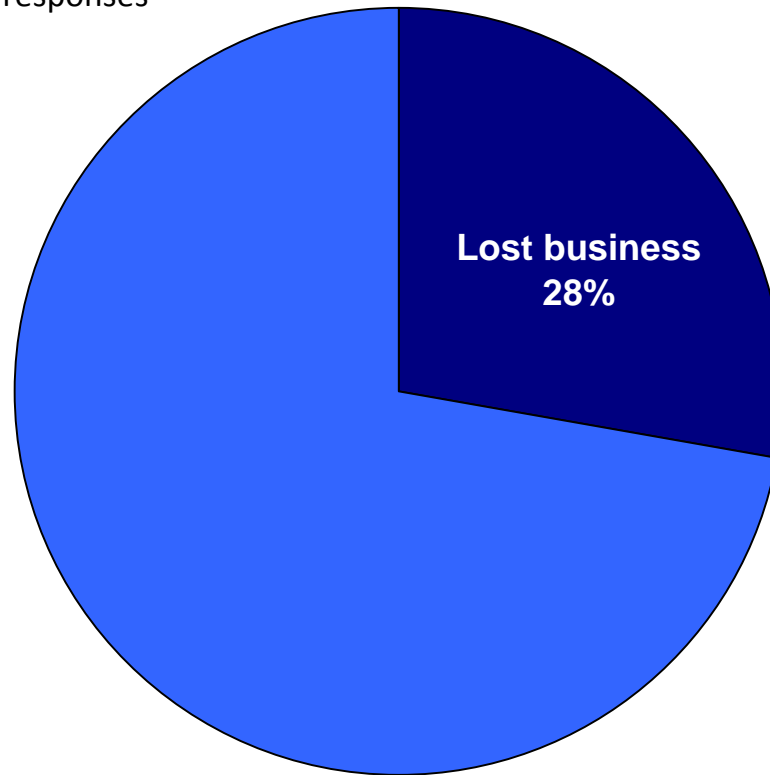


Source: Corporate executives survey (n=300)

Implication #1: keeping customers

Percent of existing customers that would be lost without in-person meetings

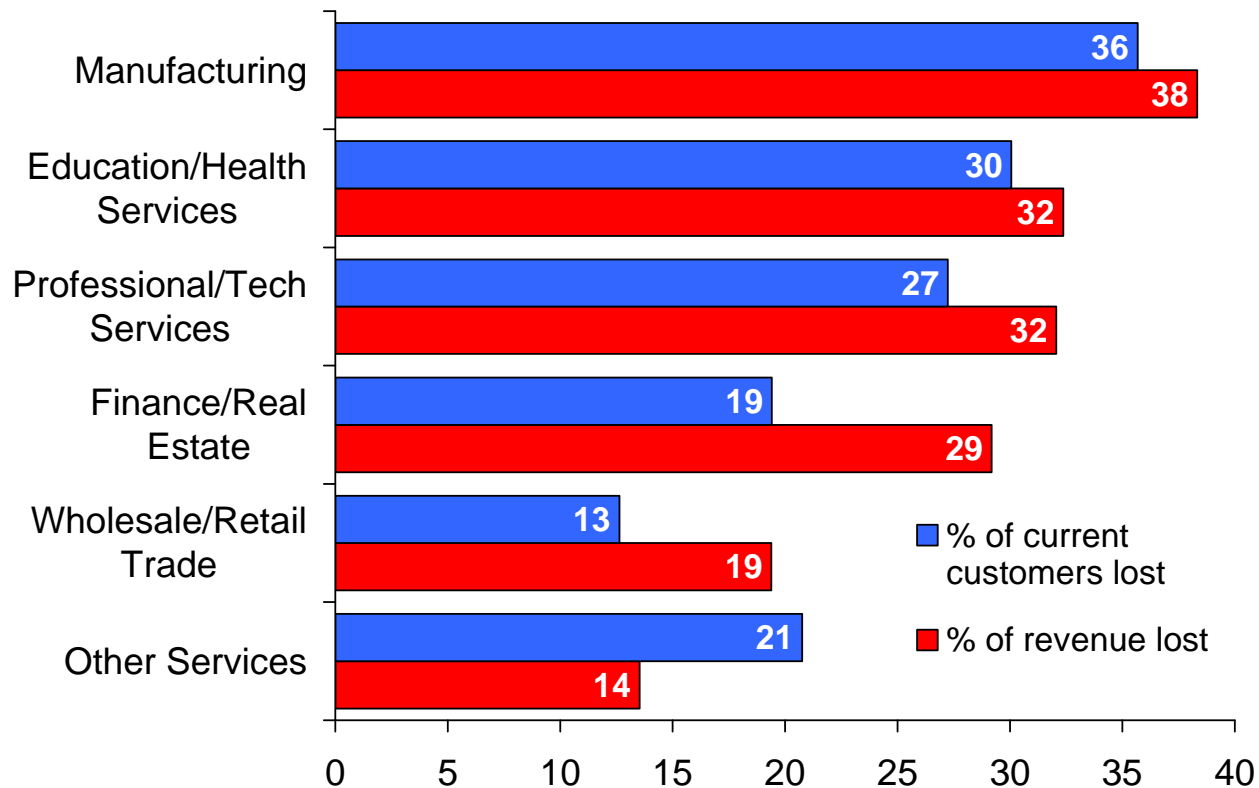
weighted average of responses



Source: Corporate executives survey (n=300)

Implication #1: keeping customers

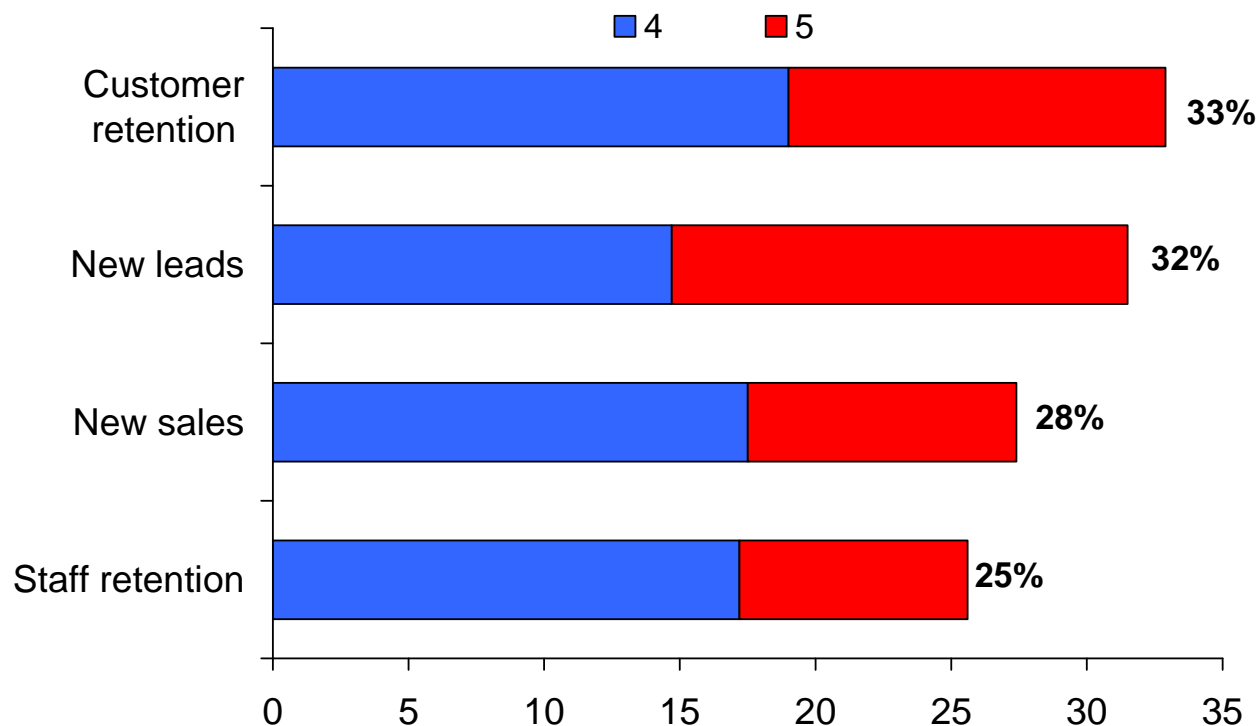
Potential loss of current customers and revenue from not meeting in-person



Source: Survey of business travelers (n=500)

Benefits of external conferences to bottom line

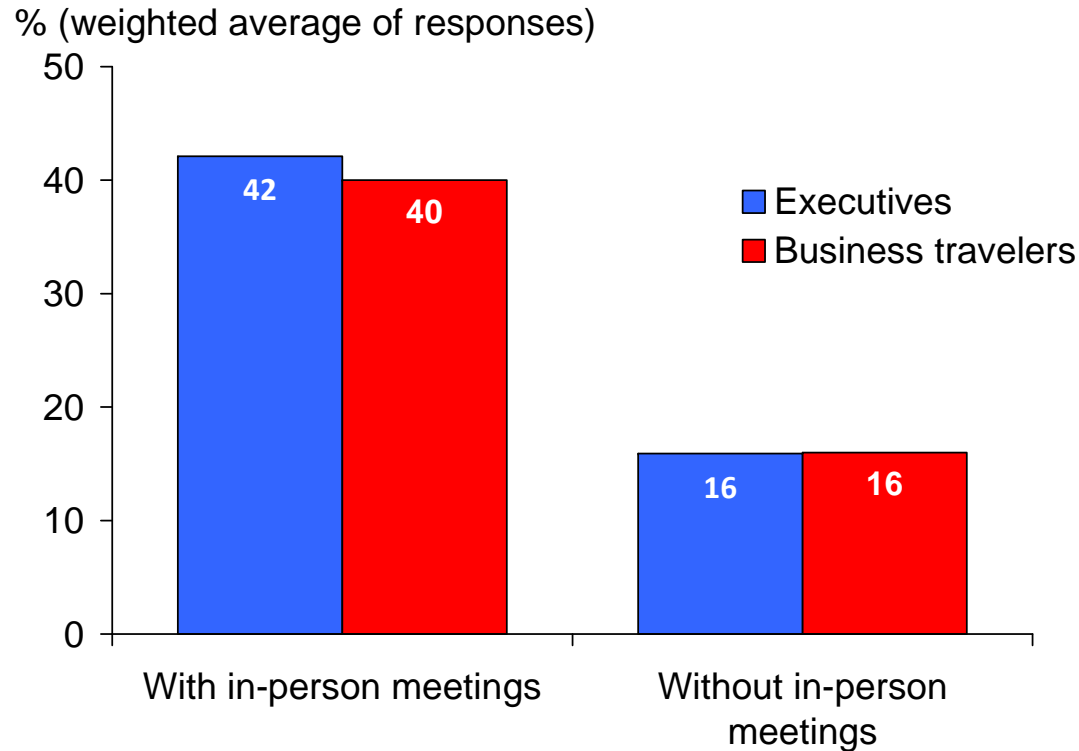
% of respondents indicating high impact on a 1 to 5 scale



Source: Survey of business travelers (n=500)

Implication #2: converting prospects

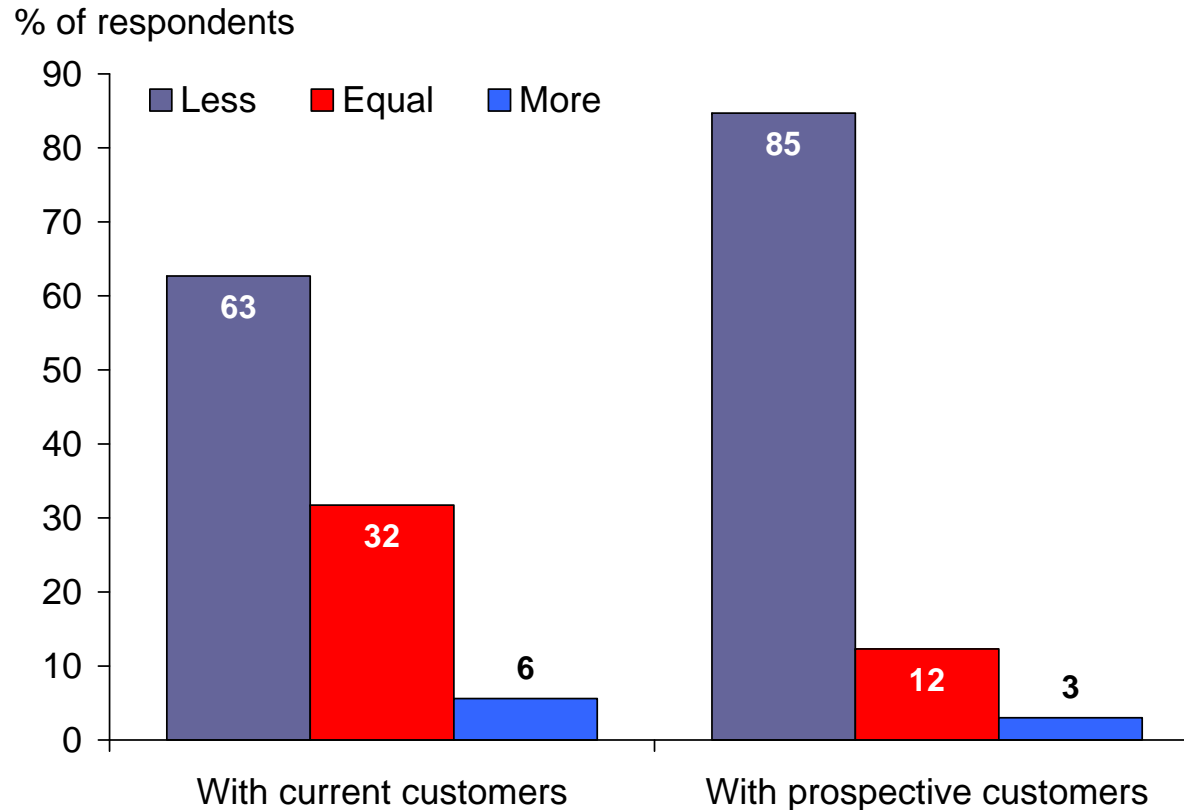
Conversion rate of prospects to customers with and without in-person meeting



Source: Survey of business travelers (n=500) and executives (n=300)

What about virtual meetings?

Effectiveness of virtual vs. in-person

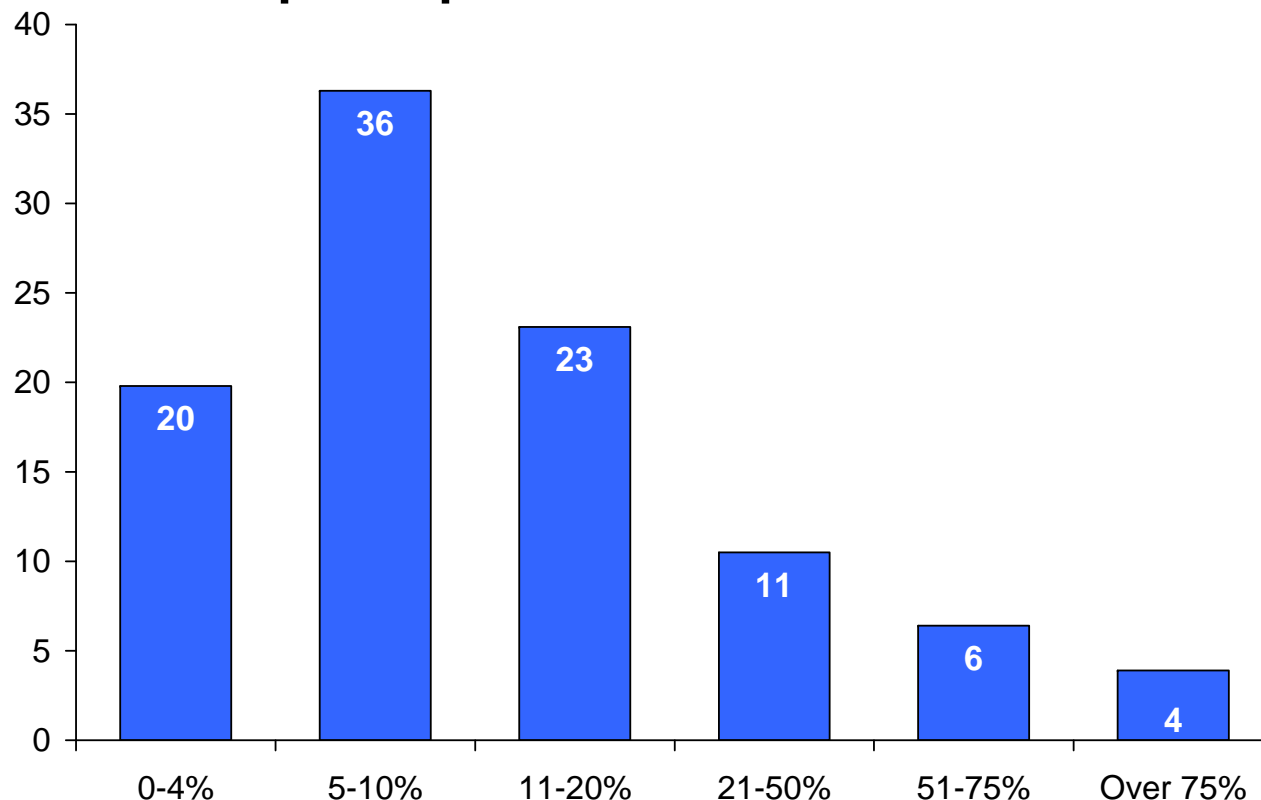


Source: Corporate executives survey (n=300)

Trade shows matter

- Over half of business travelers stated that 5-20% of their company's new customers were the result of trade show participation.

Percent of new customers gained from participation in trade shows

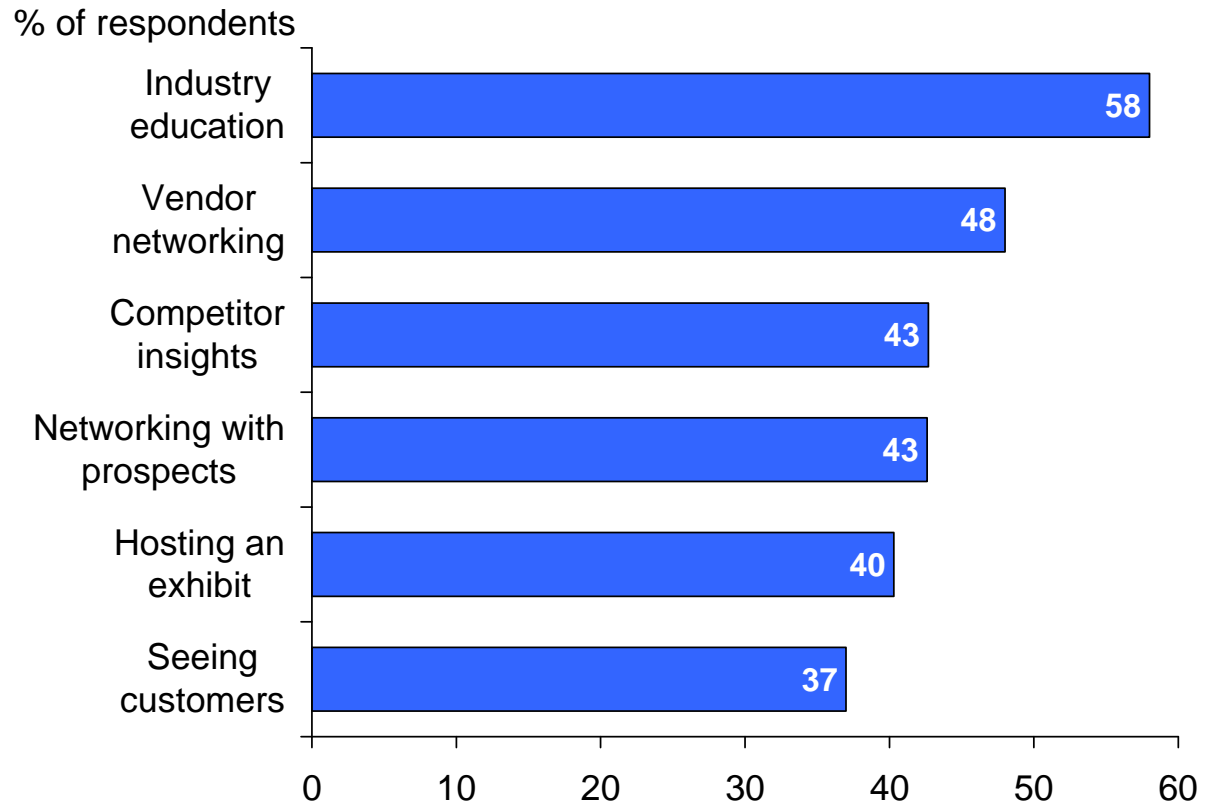


Source: Survey of business travelers (n=500)

Implication #3: building relationships

- Networking with vendors (48%) and prospects (43%) were among the top cited purposes of attending trade shows.

Purpose of attending external trade shows



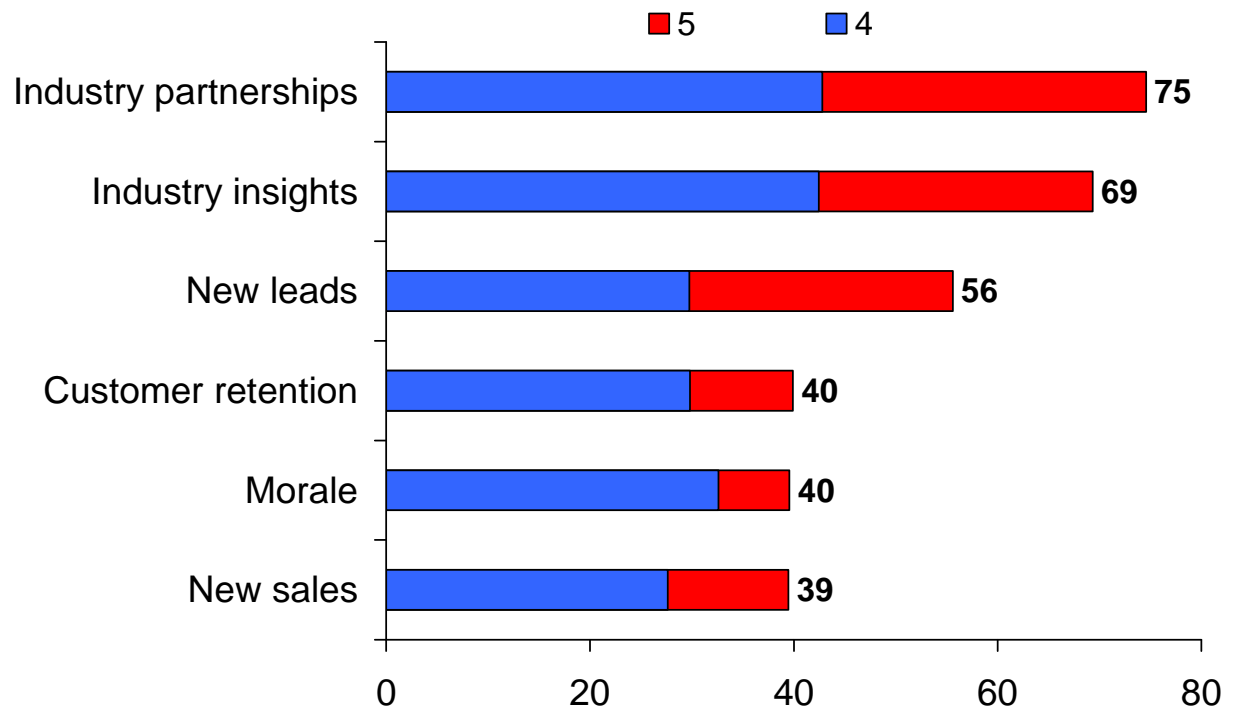
Source: Survey of business travelers (n=500)

Implication #3: building relationships

- 75% of corporate executives cited industry partnerships as a significant benefit of conference travel.

Impact of external conferences and conventions

% of executives indicating high impact on a 1-5 scale



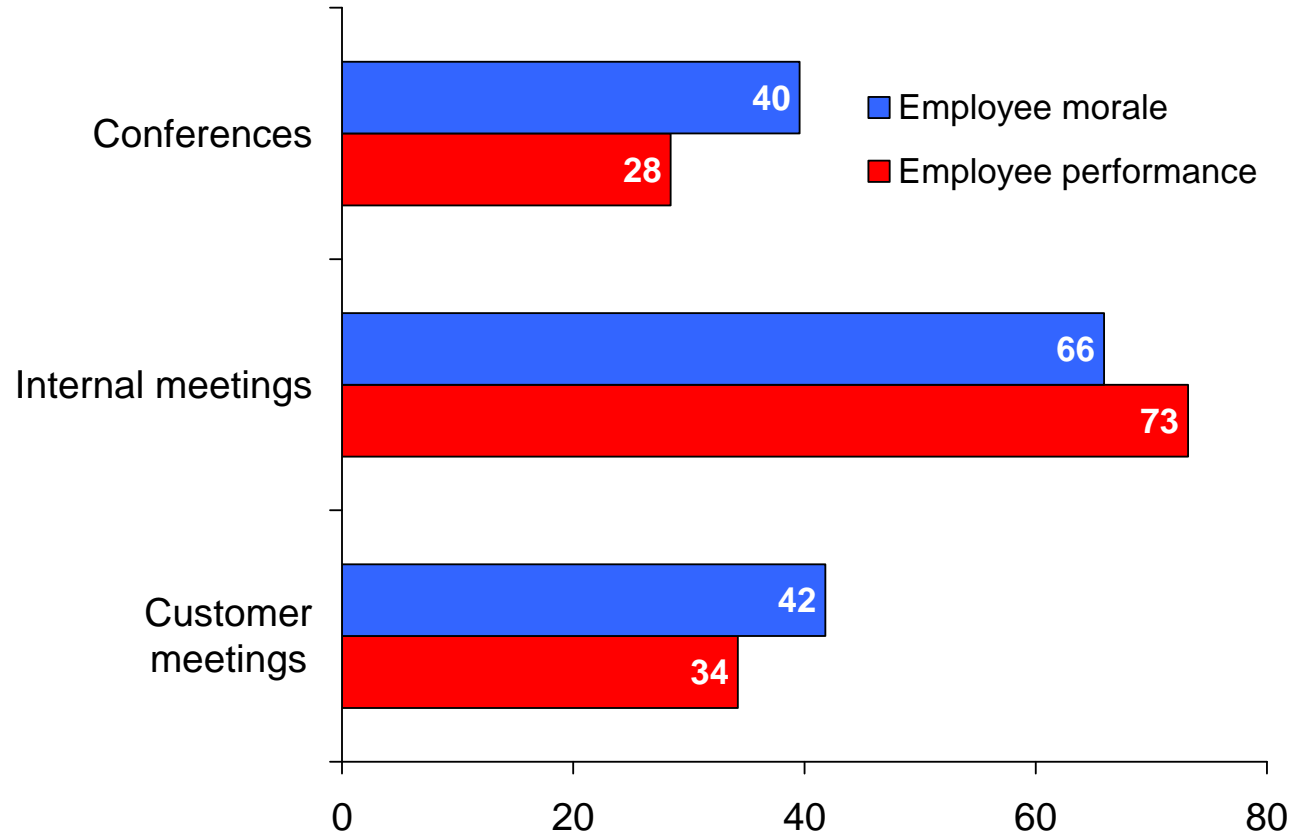
Source: Corporate executives survey (n=300)

Implication #4: human capital

- Internal meetings receive the highest marks for improving employee performance and morale.

Benefits of travel to employees

% of executives indicating high impact on a 1-5 scale

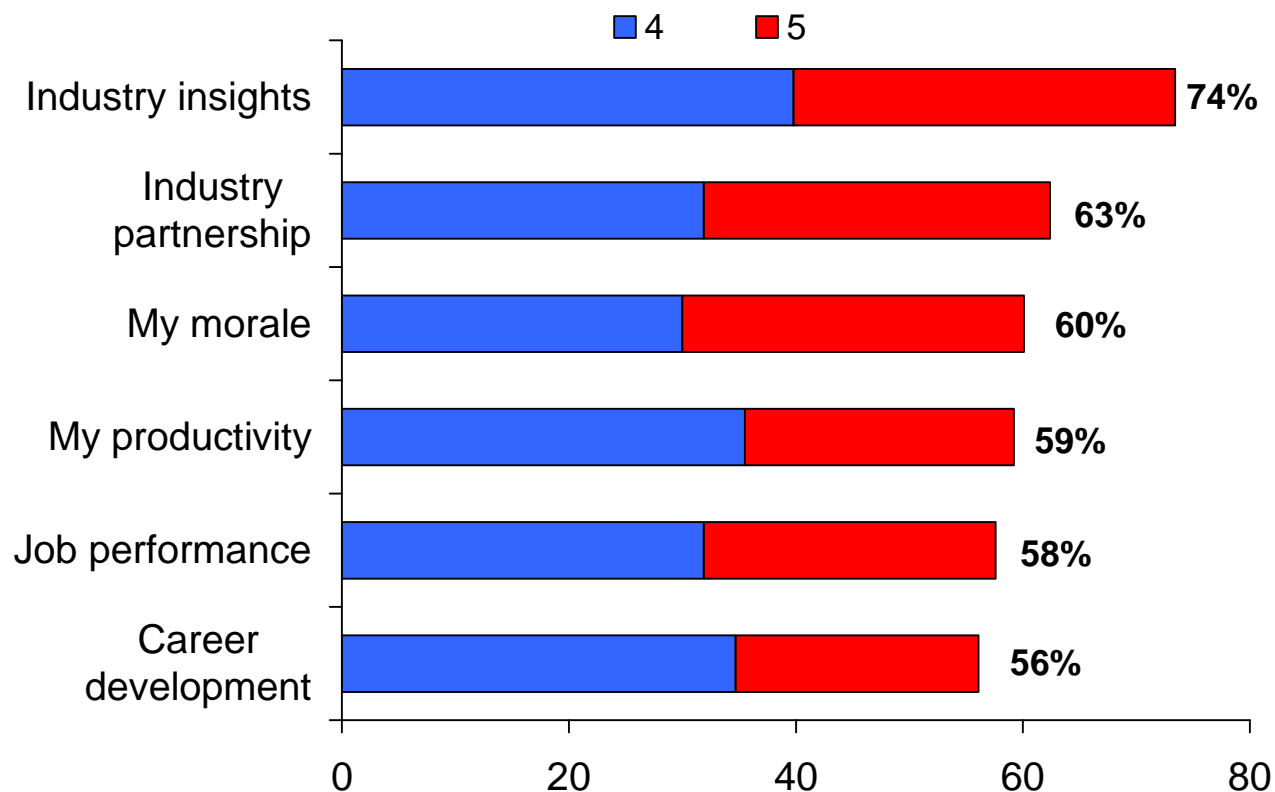


Source: Corporate executives survey (n=300)

Implication #4: human capital

Benefits of external conferences to employees

% of respondents indicating high impact on a 1 to 5 scale



Source: Survey of business travelers (n=500)

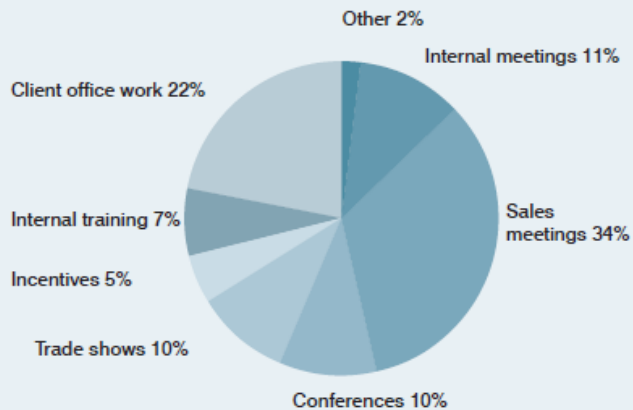
What does this mean for the bottom line?

According to executives

Business Executives: ROI of Business Travel

Business Travel Spend

% of total travel budget



Total sales return for each dollar of investment on travel

Median of responses

\$10 – 14.99

Trip type

% of travel budget

Average

Return on \$1 of investment

Median of responses

Customer meetings	34%	\$15 –19.99
Conferences	10%	\$4–5.99
Trade shows	10%	\$4–5.99
Incentives	5%	\$4+
All other	42%	NA

Econometric analysis

- The econometric model confirmed a similar magnitude of impact as indicated by the executive survey: for every dollar invested in business travel, U.S. companies have experienced a return of approximately \$12.50 in revenue and \$3.80 in profits.

Econometric Analysis: ROI of Business Travel Impact of \$1 mn increase in spending

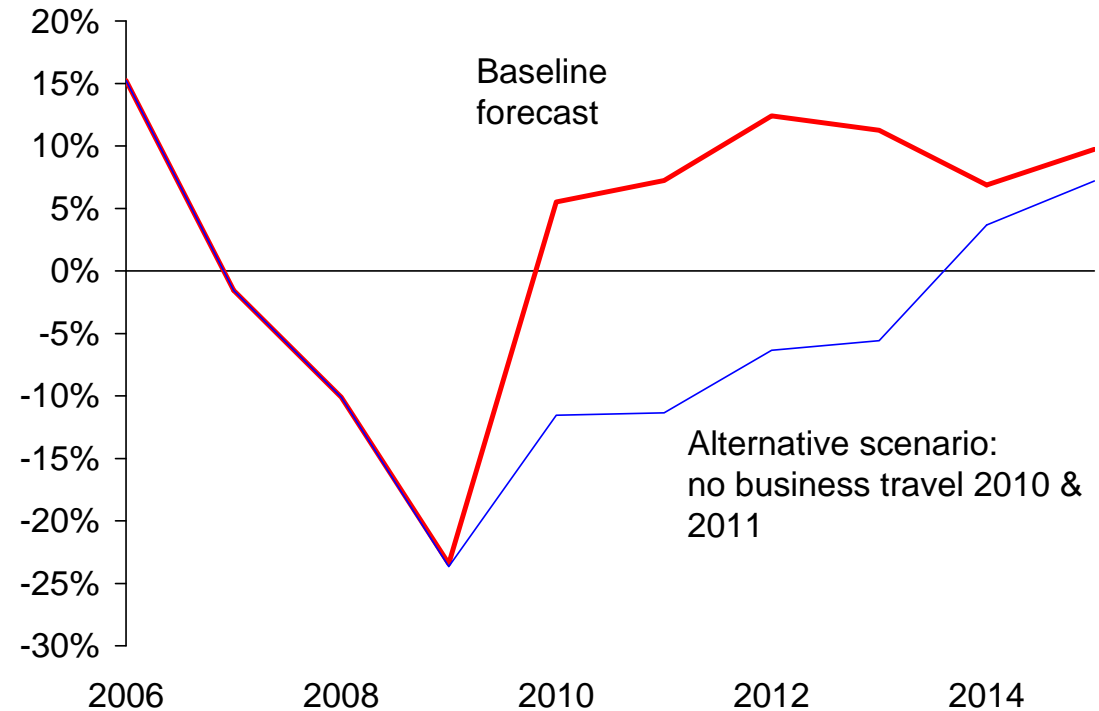
	Minimum	Maximum	ROI (midpoint)
Revenue	\$8.5 mn	\$16.4 mn	12.5
Profits (without wage increase)	\$7.5 mn	\$15.4 mn	11.5
Profits (with wage increase)	\$2.5 mn	\$5.1 mn	3.8

What is the response to a cutback?

- Scenario: a company eliminates business travel for two years (2010 and 2011).
- In the first year of a complete shut-down of travel (2010), the company experiences a profit decline of 12% instead of a 5% increase.
- The negative impact on profits peaks in the second year of the travel hiatus.
- It then takes three years after travel is reinstated for profit growth to stabilize.

US Profits: alternative scenarios

% growth



Source : Oxford Economics

Key findings summarized

- Econometric analysis and surveyed executives confirmed a similar magnitude of business travel ROI: for every dollar invested in business travel companies realize \$12.50 in incremental revenue.
- Both executives and business travelers estimate that 28% of current business would be lost without in-person meetings
- Both executives and business travelers estimate that roughly 40% of their prospective customers are converted to new customers with an in-person meeting compared to 16% without such a meeting.
- More than half of business travelers stated that 5-20% of their company's new customers were the result of trade show participation.
- Executives stated that in order to achieve the same effect of incentive travel, an employee's total base compensation would need to be increased by 8.5%. This implies an ROI of 4:1 for incentive travel.
- Curbing business travel can reduce a company's profits for years.

Making a case for the CVB

Develop an “ROI Scorecard”

- Economic impact of travel by segment (leisure, business, meetings, day, overnight)
- Travel sector contribution to state and local taxes
- Rank tourism against other sectors (use jobs)
- CVB performance metrics (website visits, call-to-action promotions, observable impacts of campaigns, conventions sold)
- Direct ROI (economic impact of conventions sold, ROI of leisure travel marketing)
- Developing the scorecard can be incremental but is essential

Concluding remarks

- Business travel has been the worst hit of all travel segments
- However, it is returning on the back of corporate performance and pent-up demand
- We can make a fundamental case for business travel as part of our marketing
- By tracking CVB performance, we can make the case for a strong future CVB and improve what we do at the same time

Thank you!