



OXFORD
ECONOMICS

Making the Case for Business Travel and the CVB

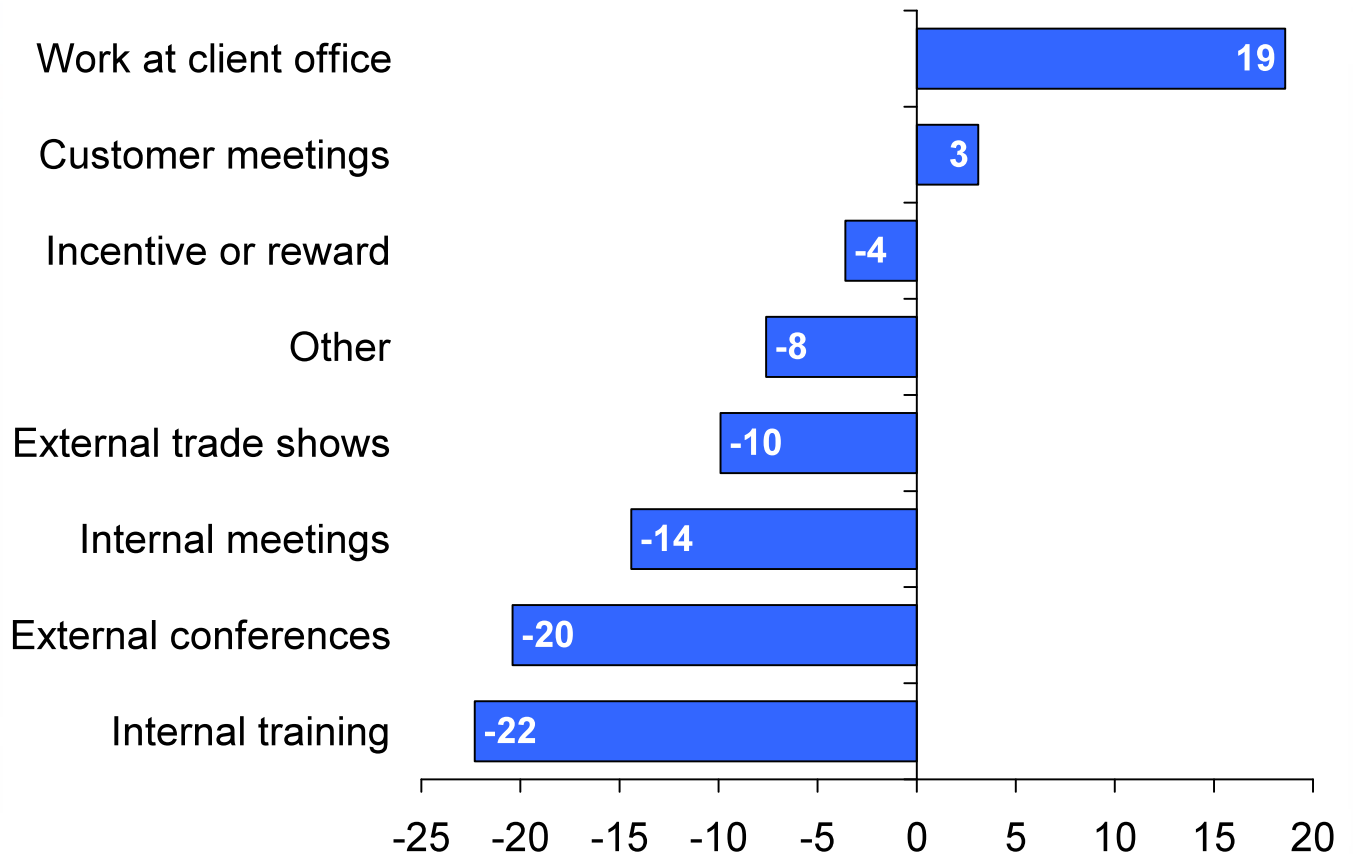
2011 Explore Minnesota Tourism Conference

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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

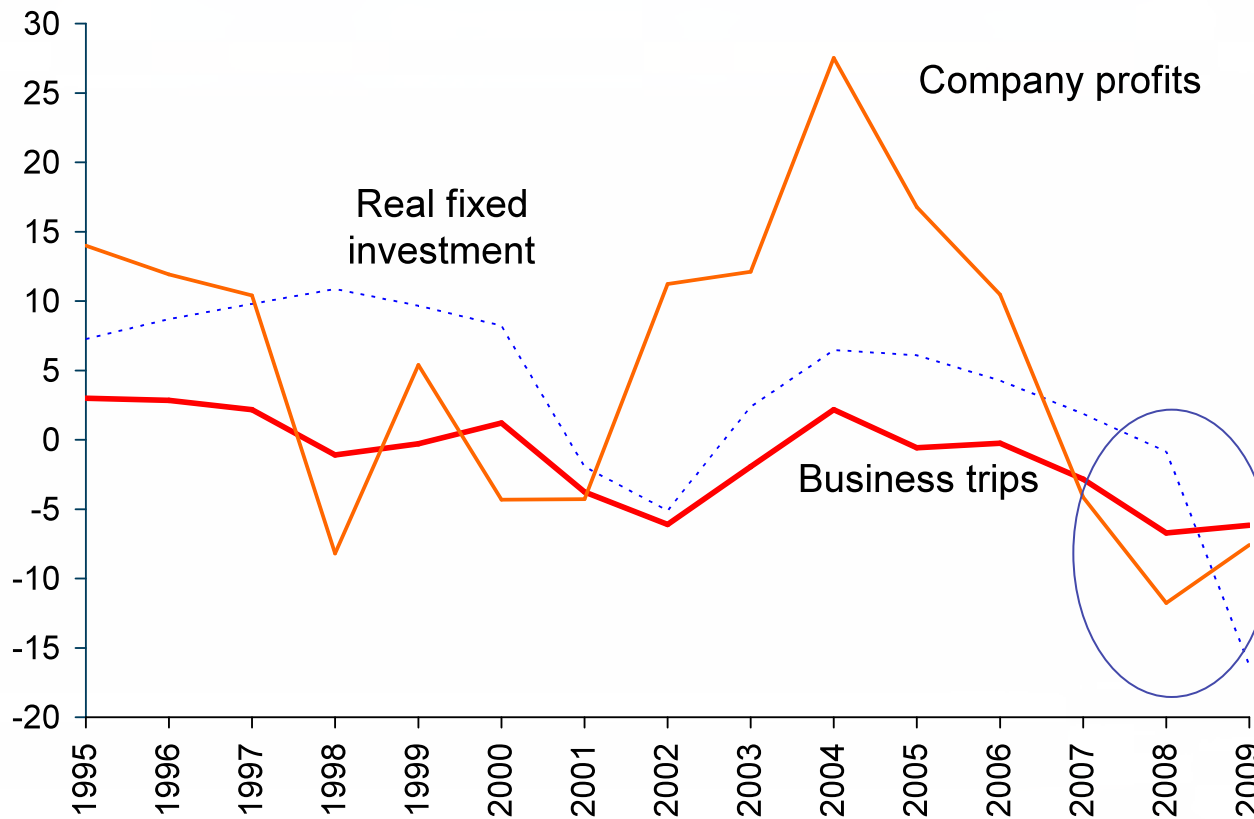


Source: Survey of business travelers (n=500)

...which is not surprising

Business trips, investment and profits

% growth



Source : Tourism Economics



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

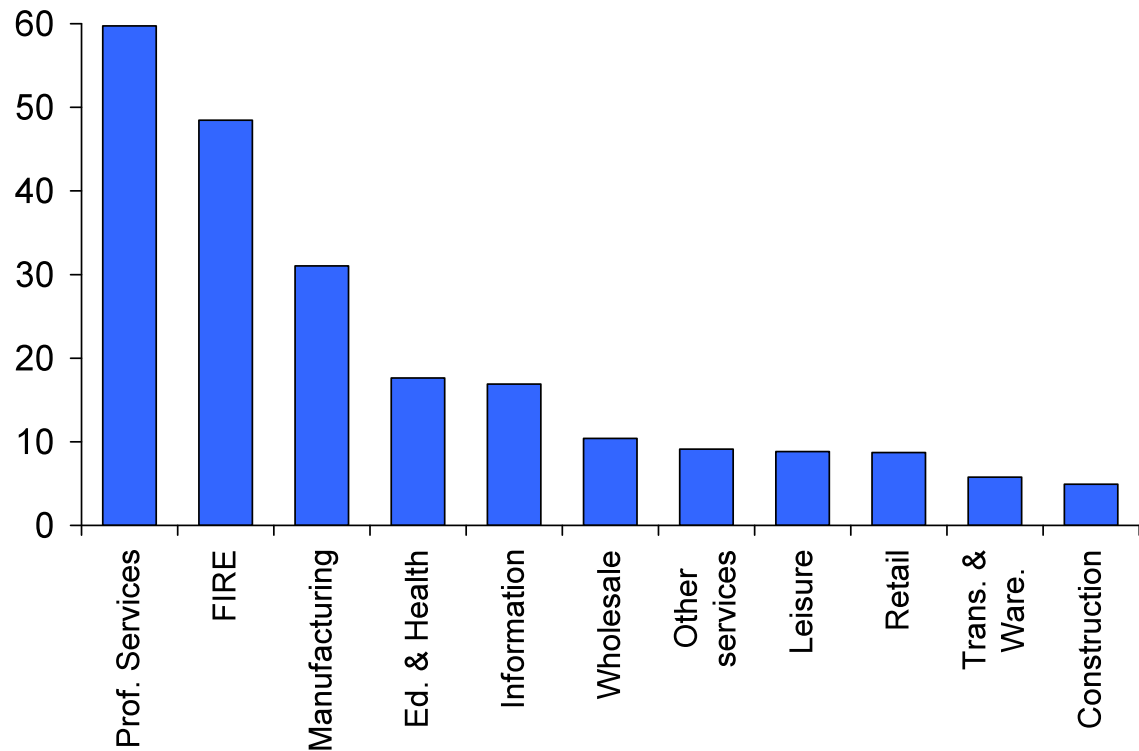
Approach

- 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



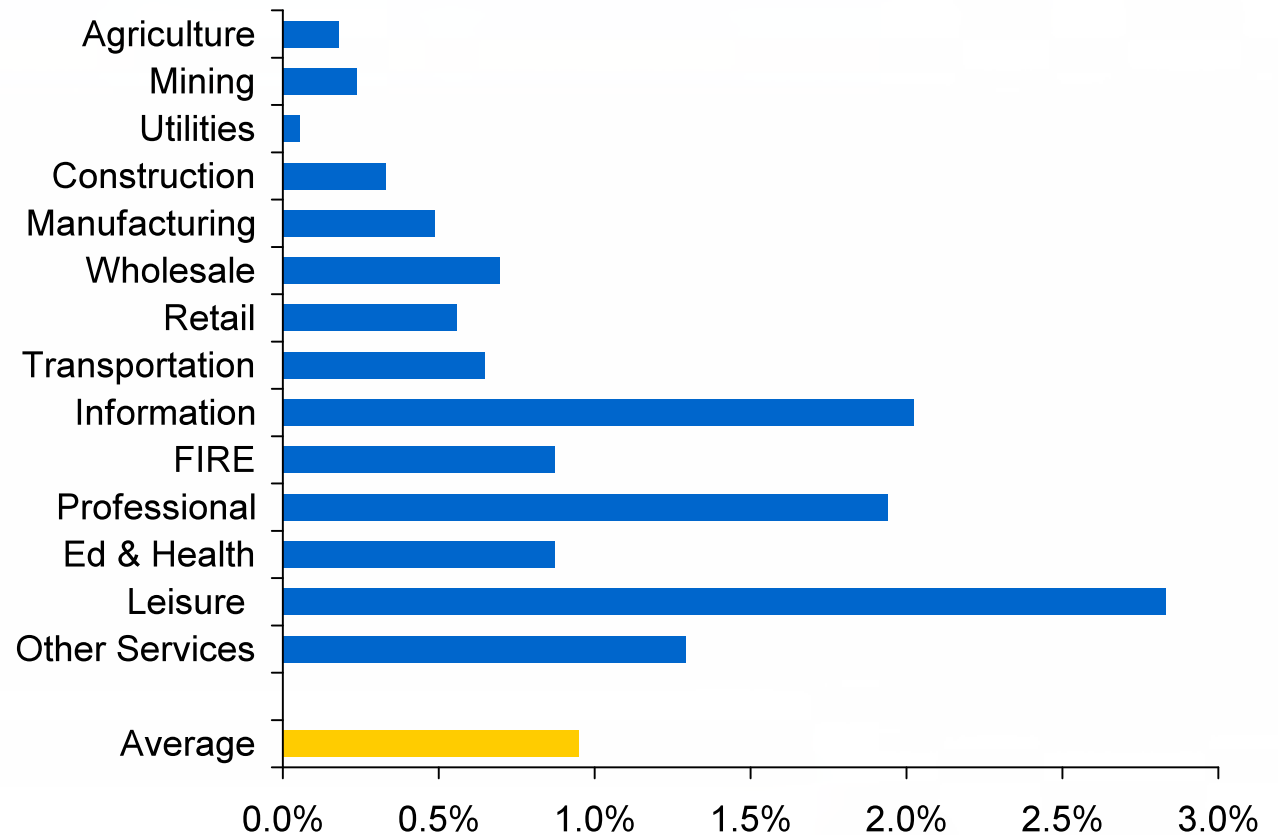
Source : Oxford Economics, BEA, U.S. Travel Association

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

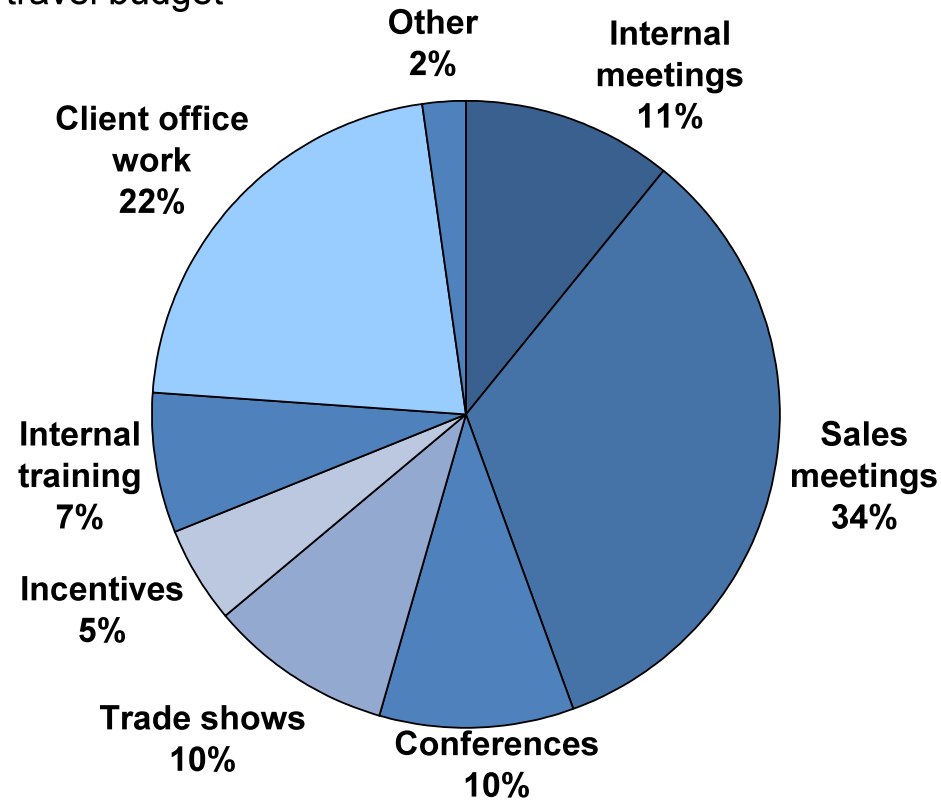


Source : Oxford Economics

Spending by type of trip

Business travel spend by type of trip

% of total travel budget



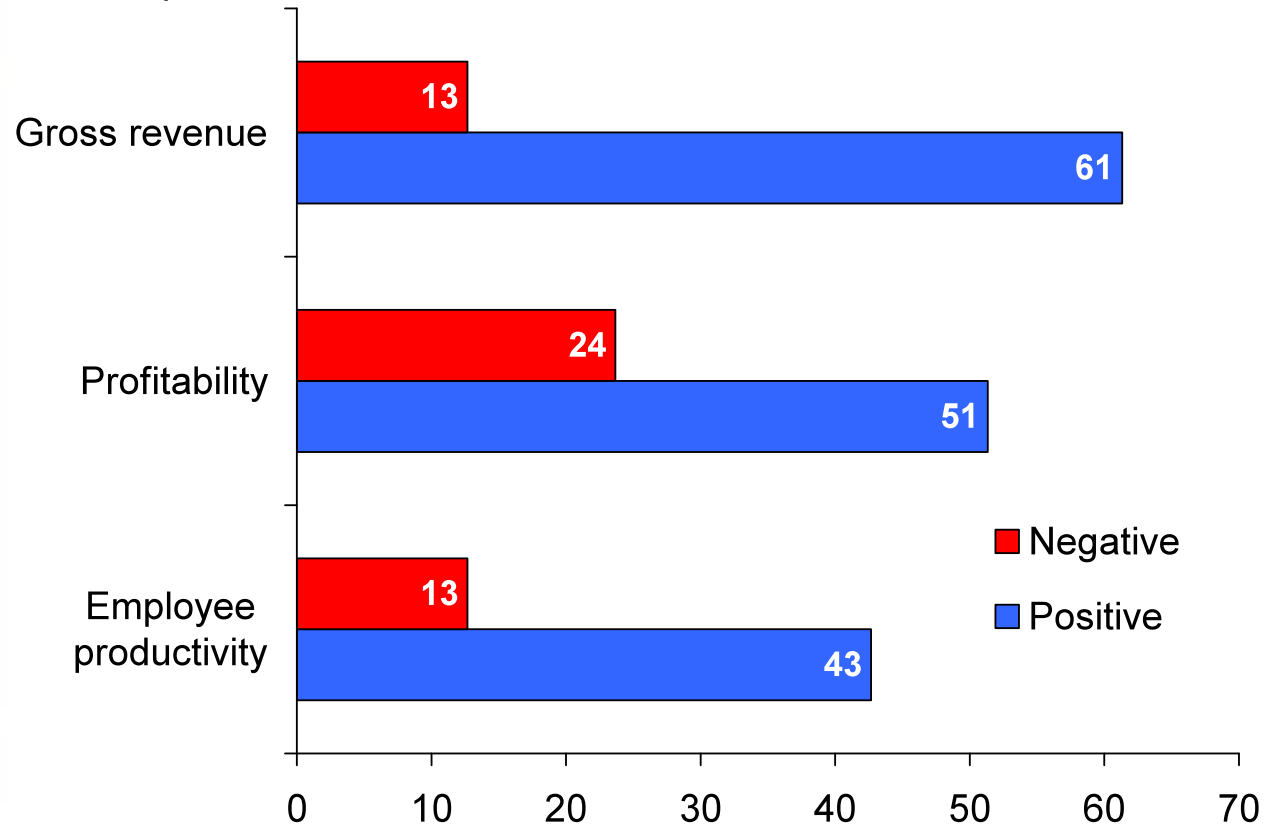
Source: Corporate executives survey (n=300)

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

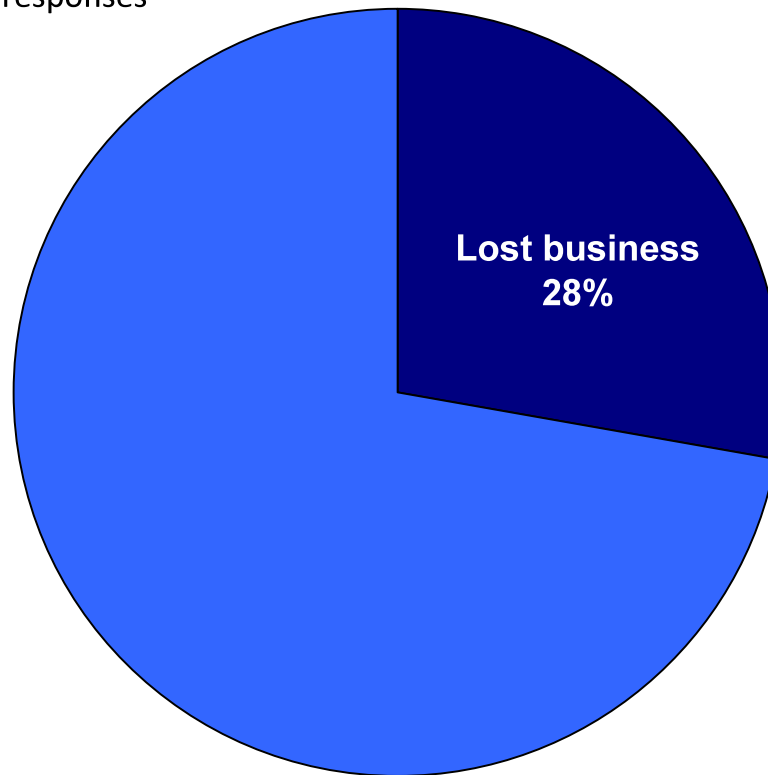


Source: Corporate executives survey (n=300)

Implication #1: keeping customers

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

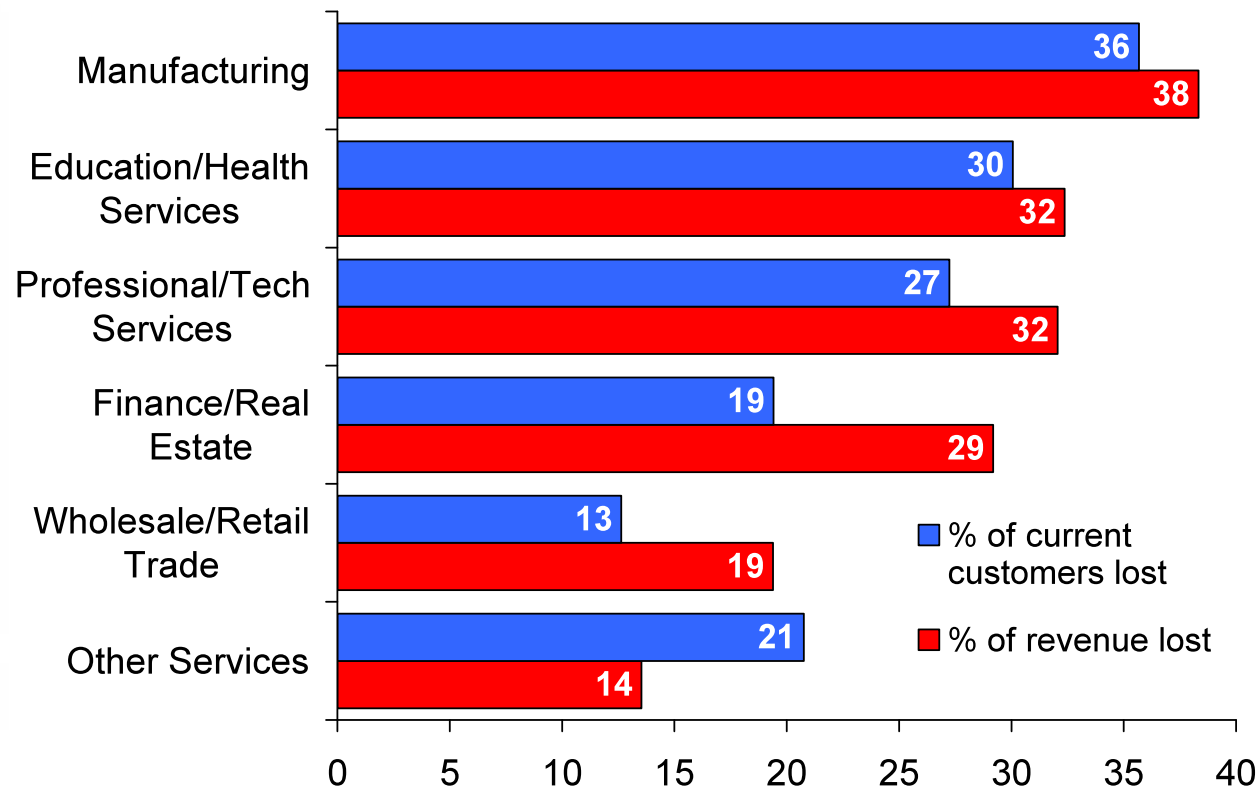
weighted average of responses



Source: Corporate executives survey (n=300)

Implication #1: keeping customers

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

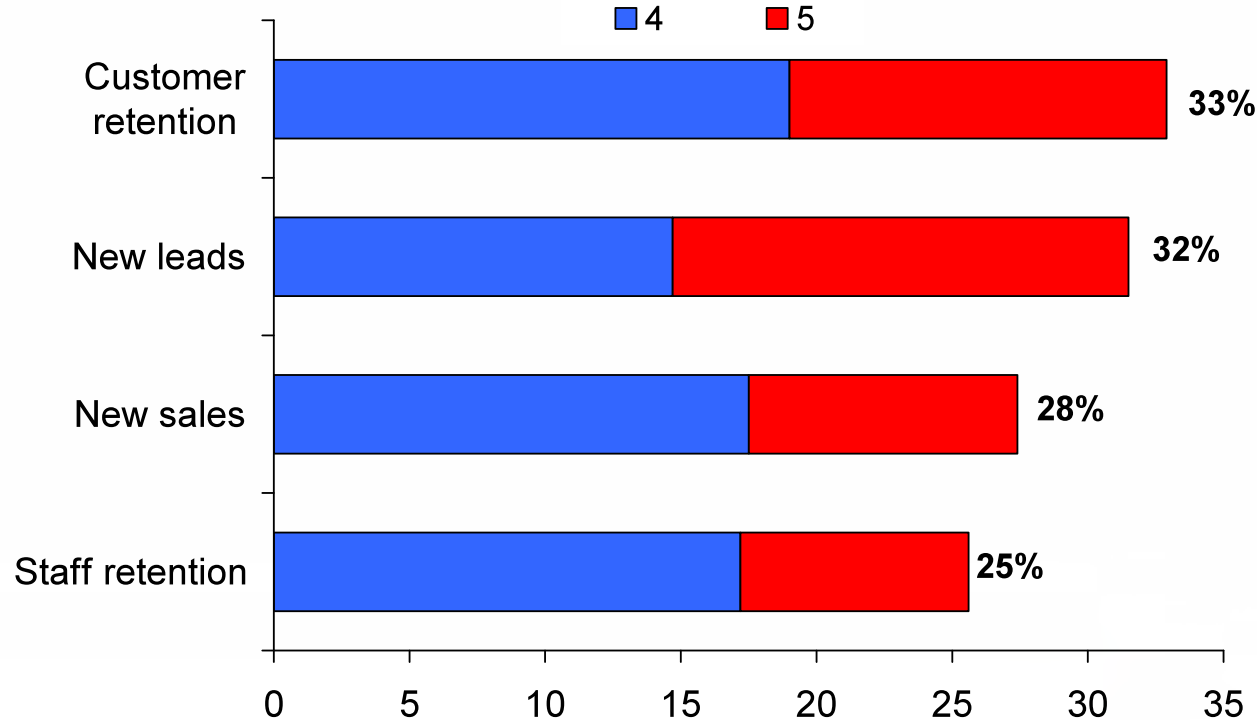


Source: Survey of business travelers (n=500)

Conferences matter

Benefits of external conferences to bottom line

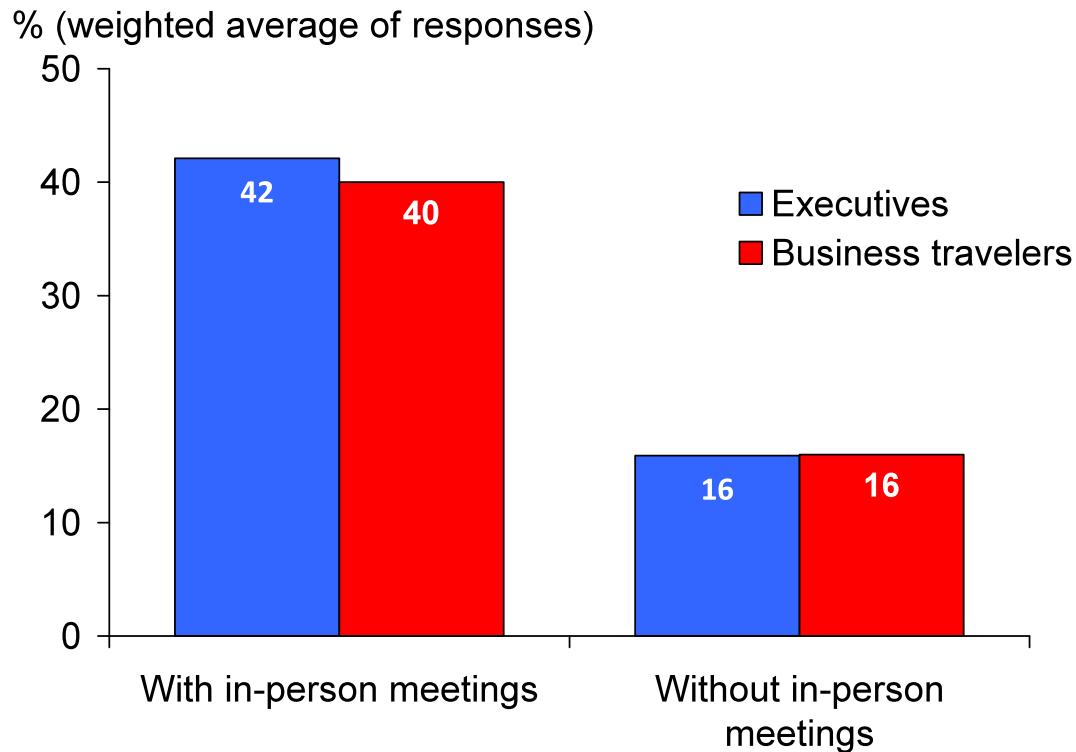
% of respondents indicating high impact on a 1 to 5 scale



Source: Survey of business travelers (n=500)

Implication #2: converting prospects

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

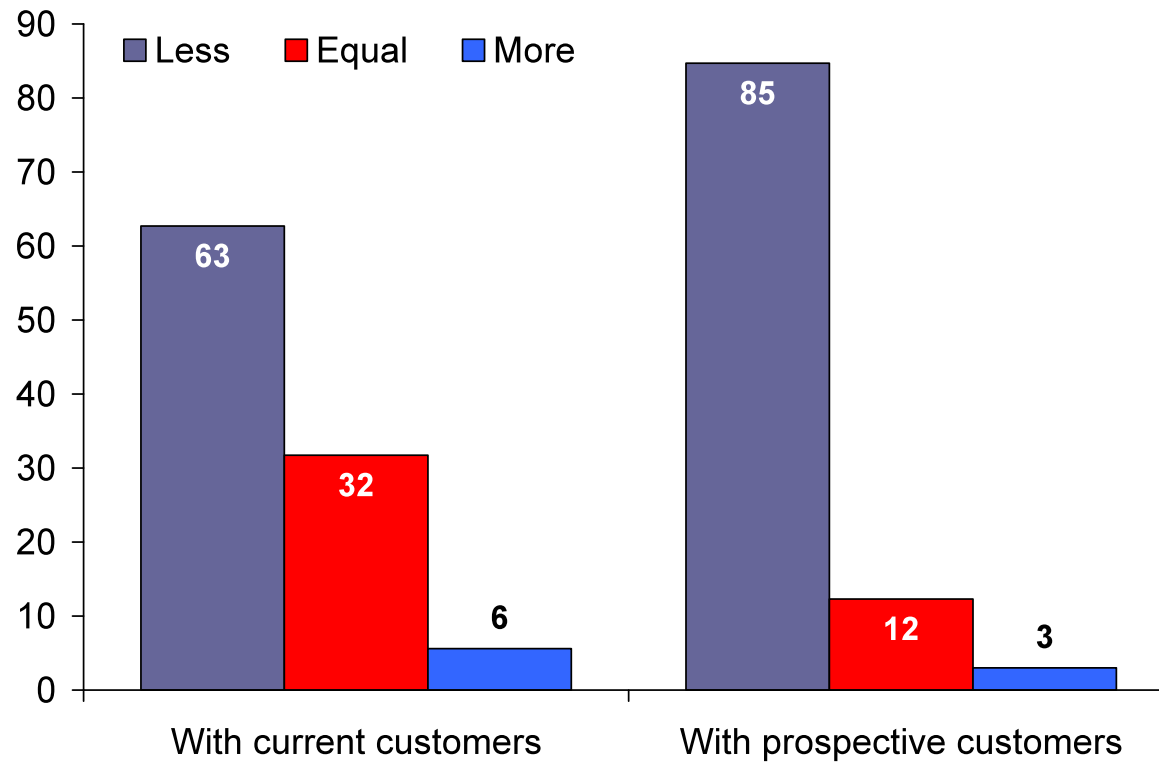


Source: Survey of business travelers (n=500) and executives (n=300)

What about virtual meetings?

Effectiveness of virtual vs. in-person

% of respondents

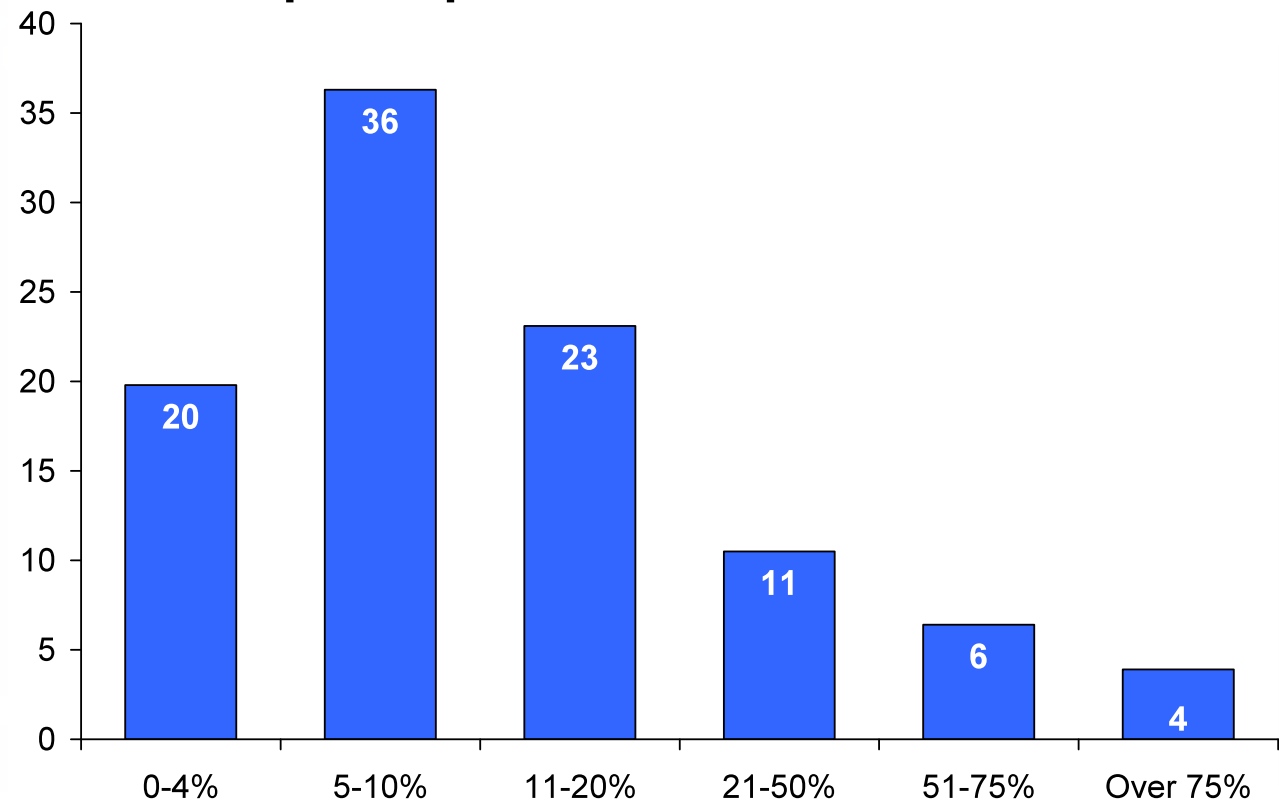


Source: Corporate executives survey (n=300)

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

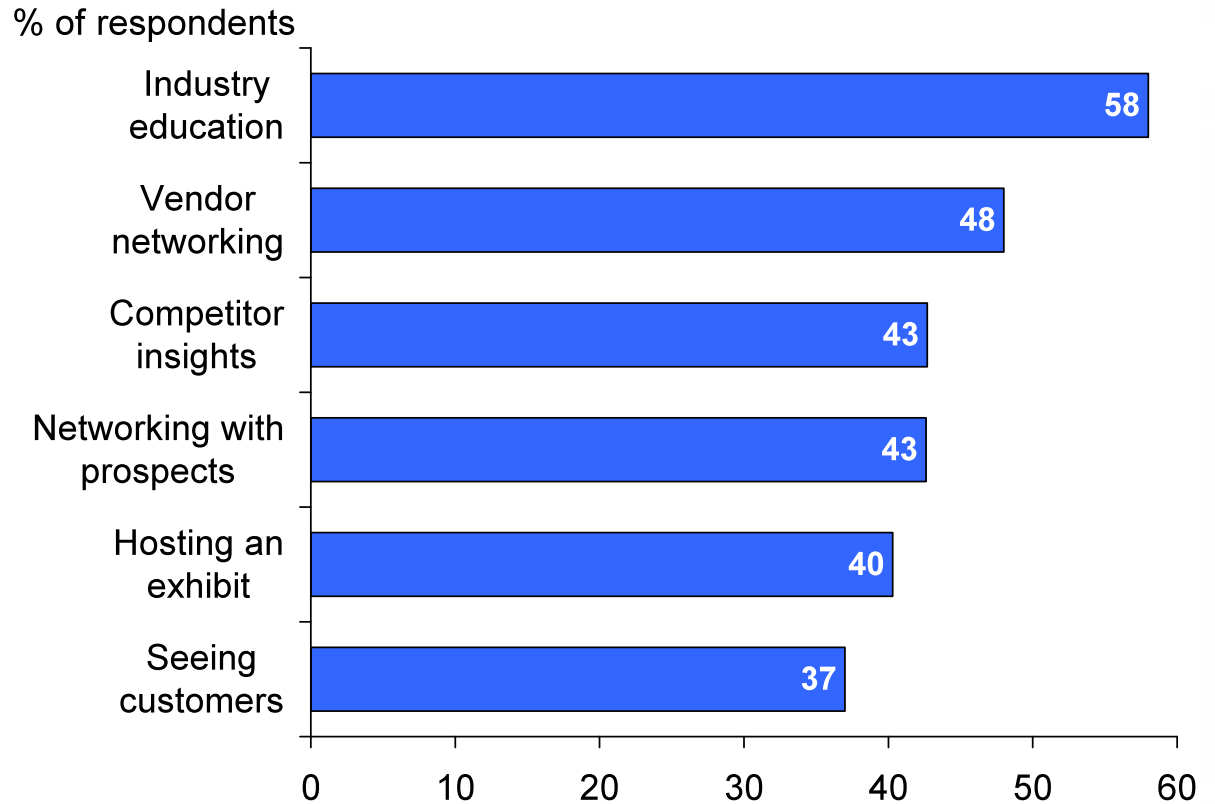


Source: Survey of business travelers (n=500)

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



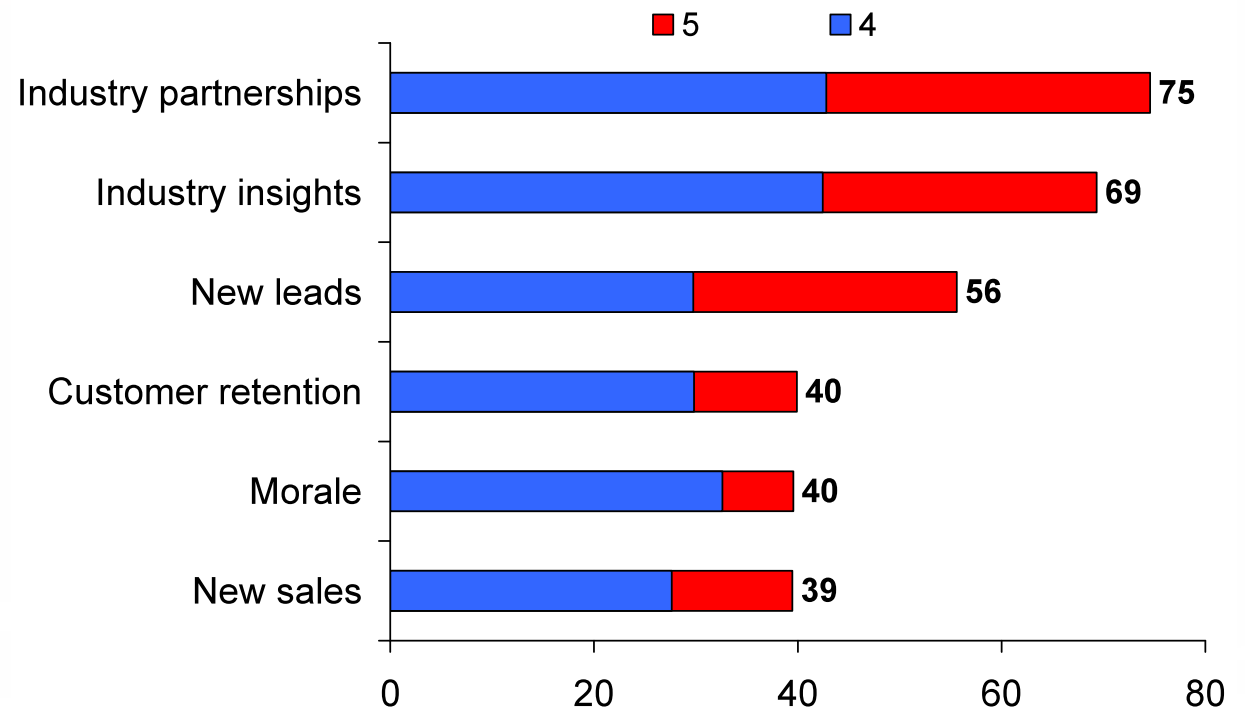
Source: Survey of business travelers (n=500)

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



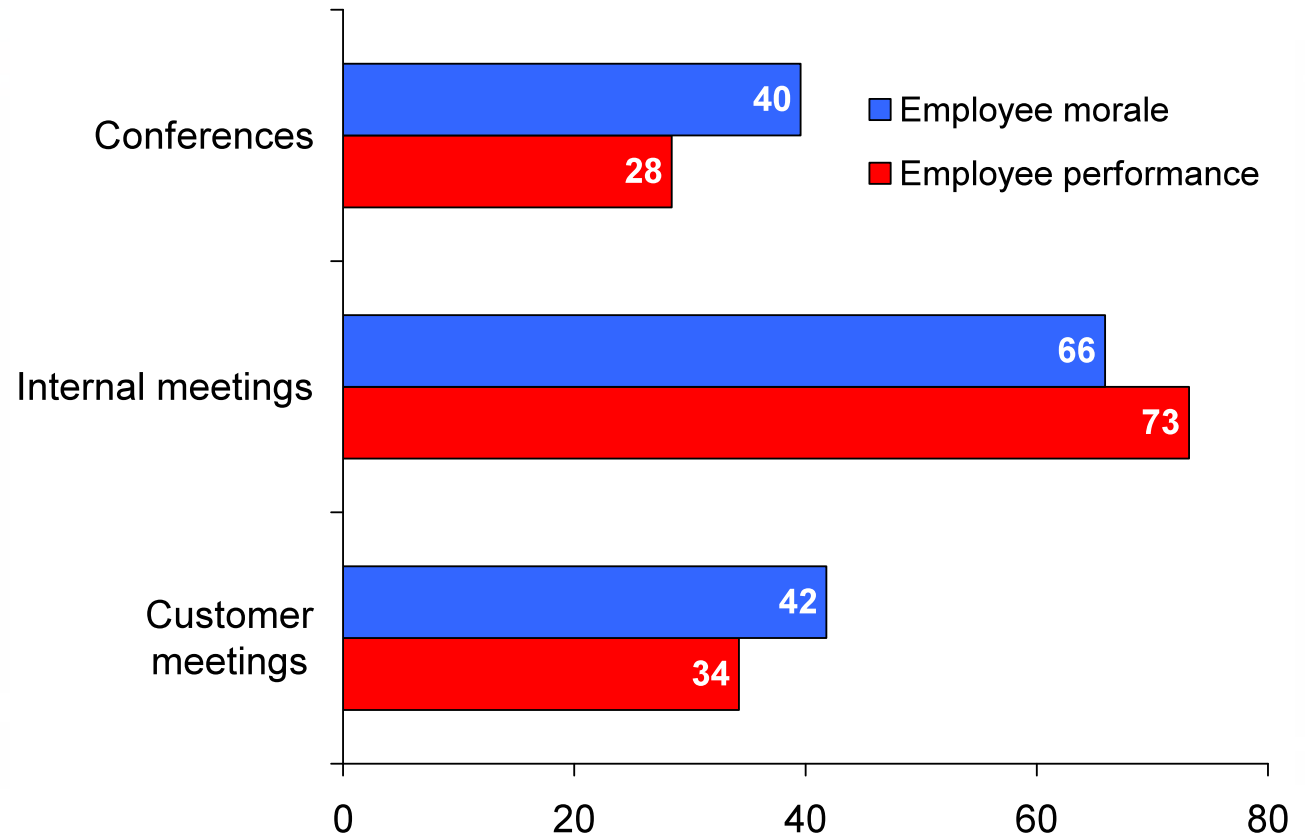
Source: Corporate executives survey (n=300)

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

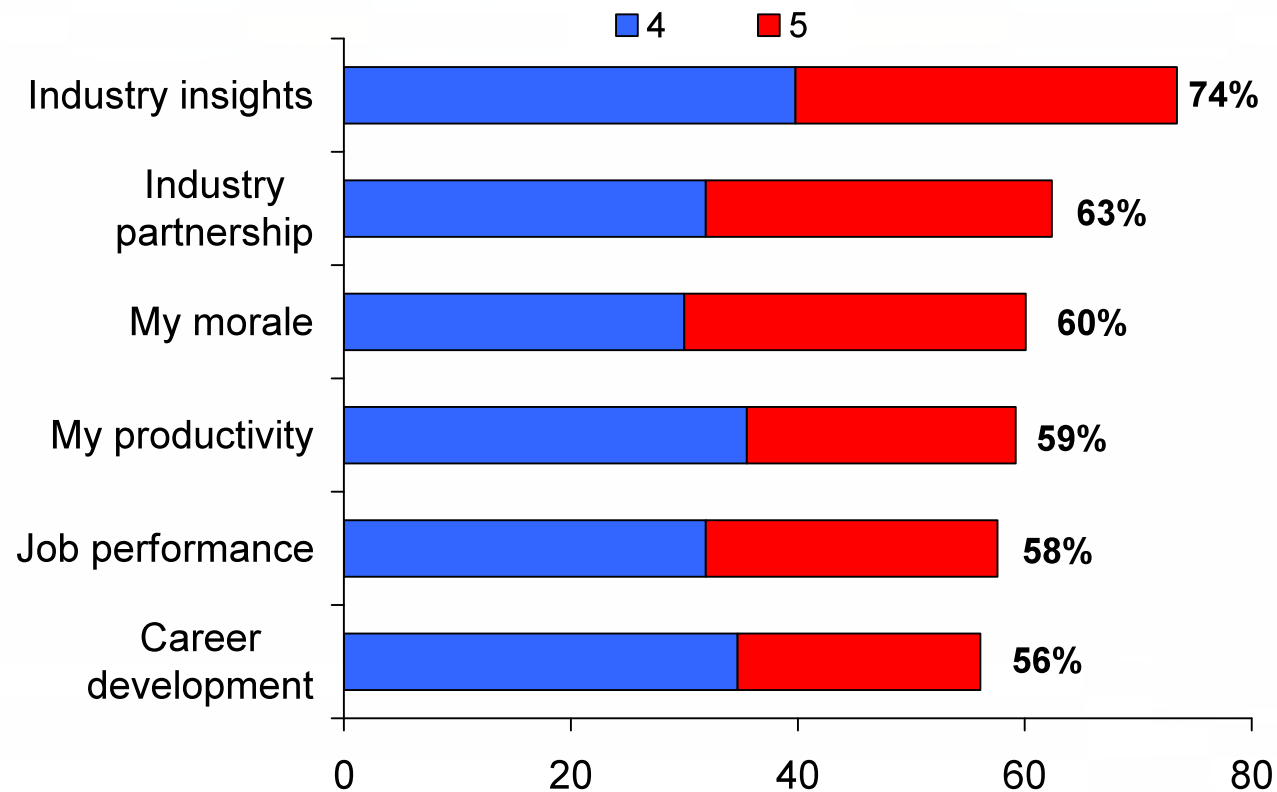


Source: Corporate executives survey (n=300)

Implication #4: human capital

Benefits of external conferences to employees

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



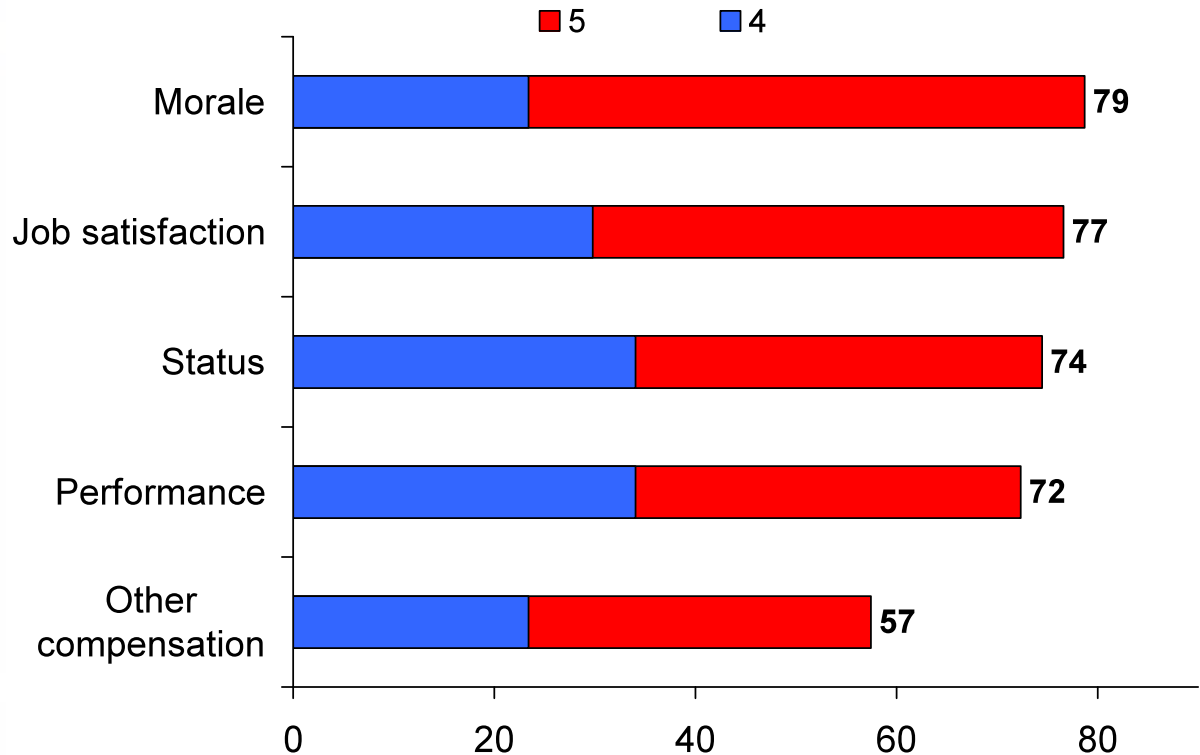
Source: Survey of business travelers (n=500)

Implication #4: human capital

- Nearly 80% of executives indicate that incentive travel has a significant impact on employee morale and job satisfaction. Over 70% believe that incentive travel has a real impact on employee performance.

Impact of incentive trips on employees

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



Source: Corporate executives survey (n=300)



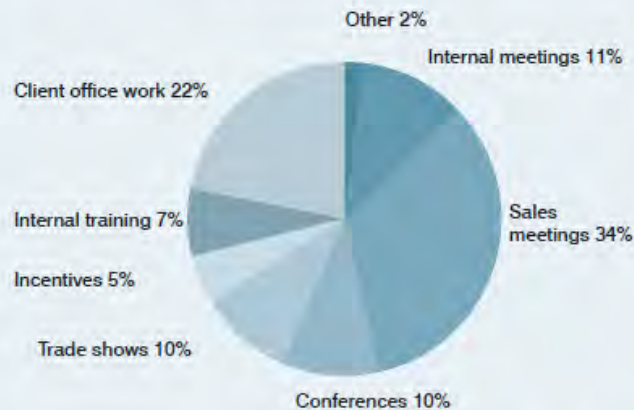
What does this mean for the bottom line?

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

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.

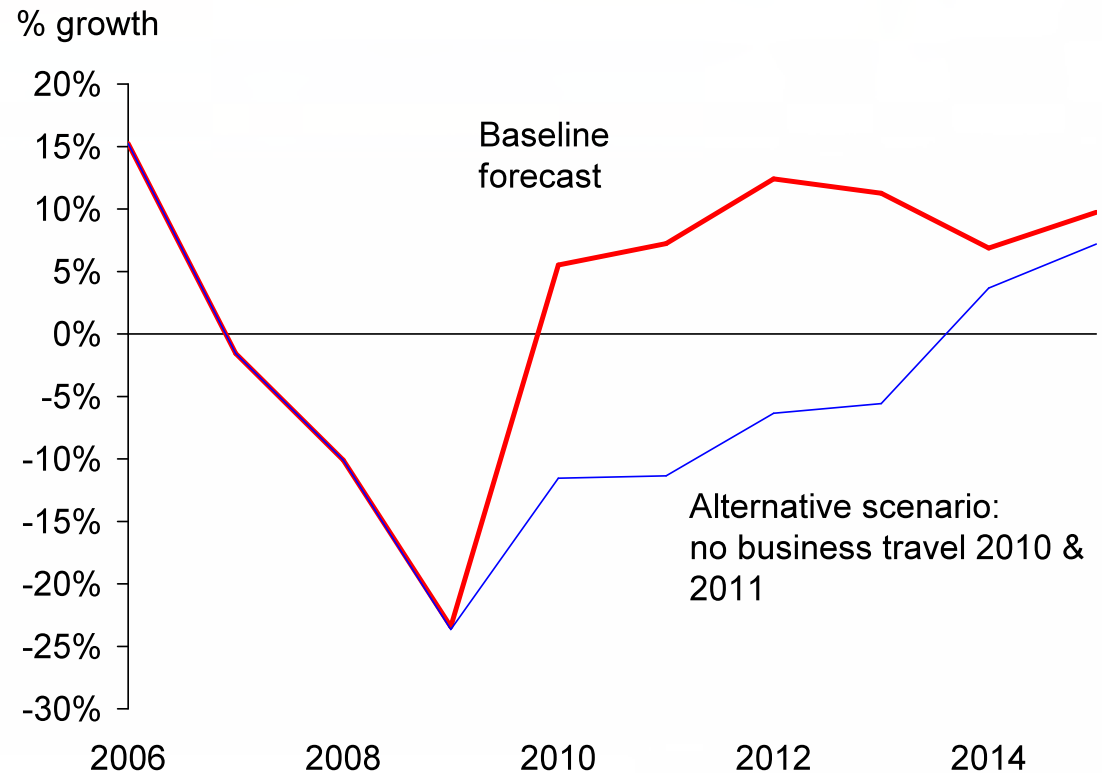
Econometric Analysis: ROI of Business Travel Impact of \$1 mn increase in spending

	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



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!