



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Evaluating Market Potential and Risks (and setting a good strategy)

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TIA Marketing Outlook Forum

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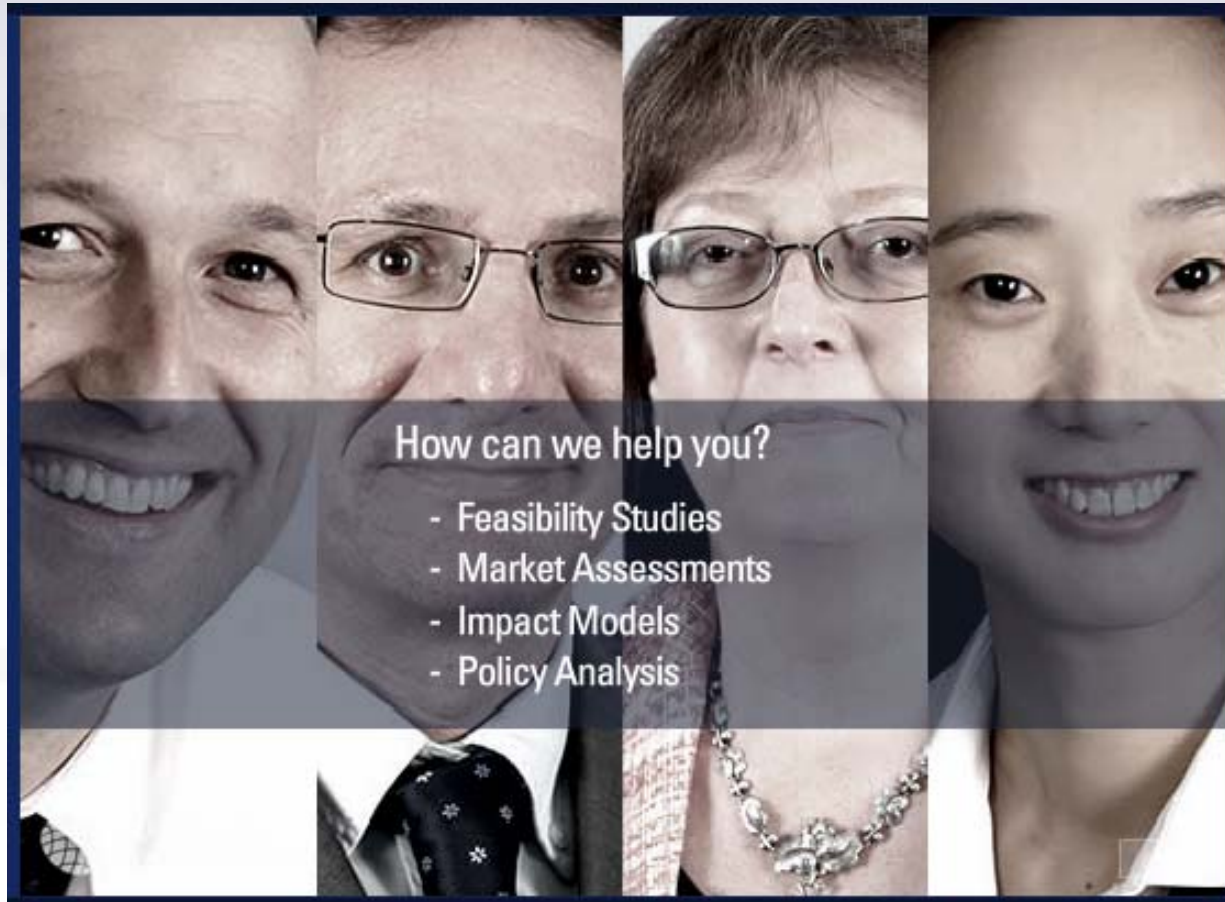
Our mission



"We created Tourism Economics as a fusion of global economic expertise and real world tourism understanding. This gives us the ability to provide answers to our clients that are both credible and meaningful."

- Adam Sacks, Managing Director

Our focus



Past clients



Goals of Fast Track session

- Define challenges of setting market strategy
- Using economics to measure opportunity and risk
- Creating intelligent analysis to guide strategy

Challenges

- Knowing the true size of multiple markets
- Assessing markets' overall performance
- Monitoring my share of each market
- Quantifying growth opportunities (market drivers?)
- Diversification and risk mitigation
- Short term / medium term strategic balance

Solving the challenge

- Current market size has been the primary indicator used by planners in developing a strategy.
- Is this the same as market potential? No.
- Why? We are interested in incremental visitation.
- Solution: Tourism Opportunity Metrics
 - a quantitative model that encompasses a broad view of potential with a consistent approach across markets.

Focus of Tourism Opportunity Metrics

- Which markets will offer the fastest gains?
- Which markets warrant a long-term investment?
- What is the optimal allocation of marketing spending (or where are the best expansion opportunities)?

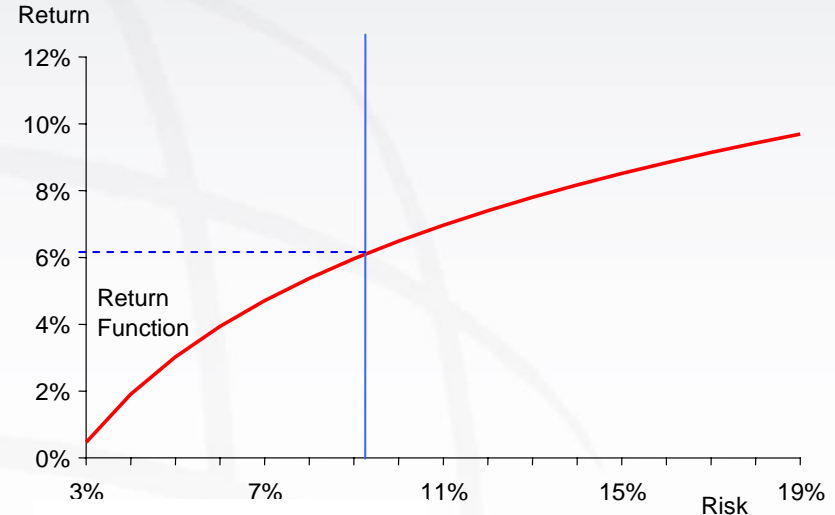


Using economics to your advantage

- Defining measures of potential and their importance based on correlation to actual demand

- Quantifying risk
 - Volatility
 - Debt
 - Interest rate premiums
 - Housing valuations
 - Energy prices

Tourism risk-return schedule



- Defining allocation of marketing based on portfolio optimization

Assessing market opportunity

STEPS

1. Quantify each of these
2. Benchmark strength / weakness by dimension
3. Weight each indicator appropriately
4. Create an total opportunity index



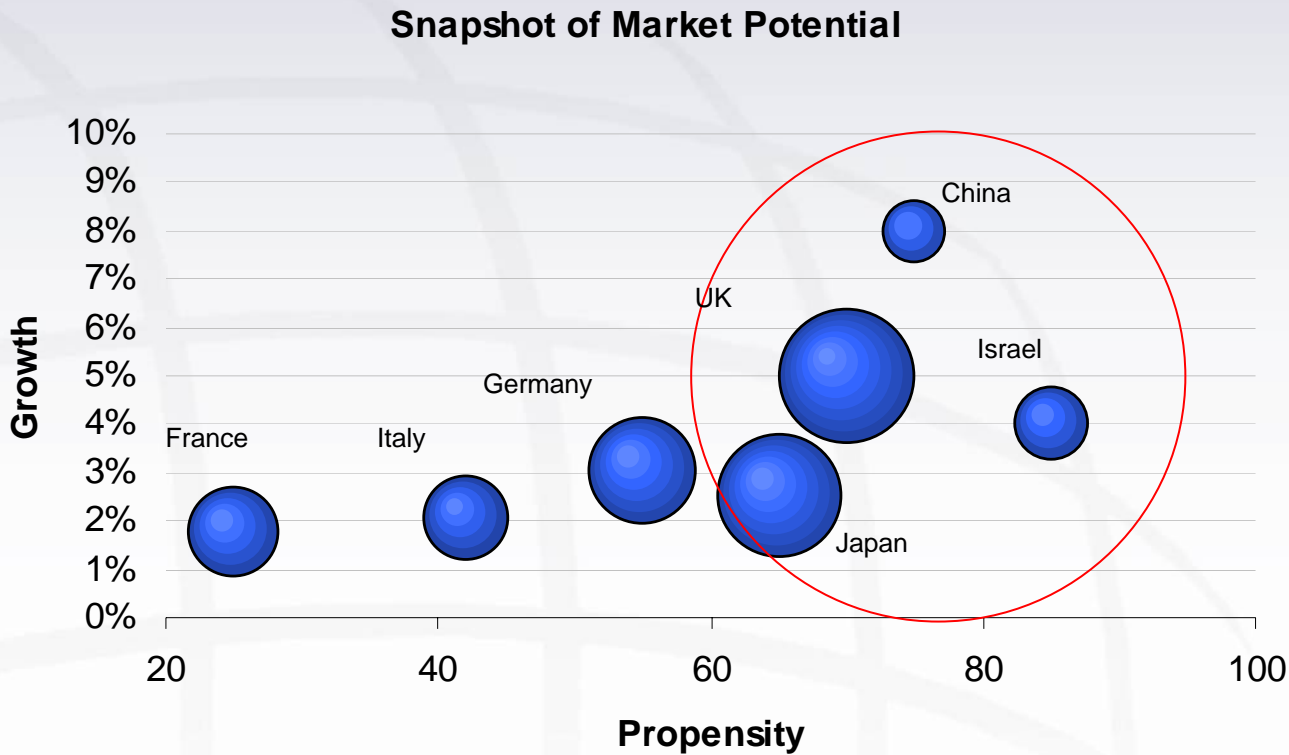
Defining the indicators

1. Market size (spend and visits)
 - What is the actual market size to destination and to competition, leisure / business?
2. Market saturation
 - What is your share of overseas leisure, share of region
3. Market alignment / propensity
 - What percentage of total market aligns with brand, attractions and activities of your destination?
4. Market growth (recent, future)
 - What are the growth prospects for a market?
5. Price (purchasing power, exchange rates and inflation)
 - Is your destination price competitive to this market?
6. Risk and resilience (economic, financial, policy, response to events)
7. Value (spend per visitor, length of stay, wealth)
8. Consumer sentiment (preferences, Pew research)
9. Market cost (advertising, cost of doing business)

Results

- Output: Comparable metrics for each market to evaluate the opportunity now and in the future.
- Inform industry with not just the results of a model but with implications. The strengths and weaknesses of each market are identified to inform marketing decisions.
- The results of the model guide market strategy in terms of both timing and allocation to maximize ROI within a certain risk threshold and time horizon.
 - Short-term opportunities (next 1-2 years)
 - Longer-term opportunities (coming 3-5 years)
 - Post-crisis markets
 - Price competitive markets
- Web-based system for dynamic analysis by client

Example of opportunity index





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