Market Allocation Platform
Guiding investment decisions to maximize ROI
Tourism Economics core services

- Travel data and forecasts for 190 countries, 50 states, and 300 cities
- Policy analysis and recommendations
- Market opportunity and scenario analysis
- Destination visitor tracking and economic impact
Market Allocation Platform
Selected MAP destinations

Intelligent decisions ... improved ROI
Market allocation as an investment portfolio

An optimal investment portfolio has the following characteristics

- Adequate diversification
- Risk mitigation
- Defined time horizon
- Maximizing returns

...the same is true for destination marketing
Translating market analysis into decisions

• Marketing strategies are often based on current travel activity
• However, the goal is to identify new opportunities
• Market costs and risks vary across markets
• And all this changes over time!

The need: a dynamic and flexible system to continuously evaluate market opportunities and guide investment decisions
Solution: Market Allocation Platform (MAP)

• The underlying model scores and ranks origin markets across comparable metrics of opportunity, cost, and risk.

• MAP uses these scores to suggest marketing budget allocation across markets.

• Up to 30 international markets

• The model delivers flexibility in terms of:
  • Timeframe for outlook
  • Risk tolerance
  • Origin markets for comparison
  • Components
Measuring opportunity is complex

• Market size and growth
• Destination and activity preferences
• Market presence
• Accessibility / barriers
• Purchasing power
• Value per visitor
Framework

Realizable Return
- Opportunity
- Propensity
- Value

Cost
- Marketing
- Access

Relative ROI Potential index

Risk

Allocation

Constraints
- Access
Step 1: Quantify the raw opportunity

Realizable Return
Opportunity
Propensity
Value

Cost
Marketing
Access

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Implementation

- Over 25 indicators of demand are grouped into like categories and weighted based on historic importance in determining market demand
- The MAP scoring system ensures a comparable basis for assessing potential across all markets
- Scores are all relative indices for easy benchmarking

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>COMPONENT</th>
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<tbody>
<tr>
<td>Opportunity</td>
<td>Travel Market Size</td>
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<tr>
<td></td>
<td>Country Size</td>
</tr>
<tr>
<td></td>
<td>Market Growth</td>
</tr>
<tr>
<td></td>
<td>Headroom</td>
</tr>
<tr>
<td>Propensity</td>
<td>Sentiment</td>
</tr>
<tr>
<td></td>
<td>Alignment</td>
</tr>
<tr>
<td>Value</td>
<td>Purchasing Power</td>
</tr>
<tr>
<td></td>
<td>Visitor Value</td>
</tr>
<tr>
<td></td>
<td>Affordability</td>
</tr>
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<td></td>
<td>Market Presence</td>
</tr>
<tr>
<td>Constraints</td>
<td>Risk</td>
</tr>
<tr>
<td></td>
<td>Accessibility</td>
</tr>
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</table>
Example: Country size

The country size score is based on GDP per capita and the number of households in each income tier.

For example, Japan, the highest scoring country on country size, has 2.6 million households within income over $150k, plus 18.5 and 30.2 million households in the next two income tiers.
Detailed analysis... simple conclusions

For each origin market...

Total potential score
4 categories
12 components
28 indicators

| Tourism Economics |
Example metric: Alignment

- Competitor share outbound
- Comparable share outbound
- Alignment in activities
- Alignment in leisure activities
Step 2: estimate costs (the flip side of return)

Cost of doing business in a market AND costs faced by its travelers

- **Realizable Return**
  - Opportunity
  - Propensity
  - Value

- **Cost**
  - Marketing
  - Access

- **Relative ROI Potential index**

- **Allocation**

- **Risk**

- **Constraints**
  - Access
Market cost estimates

2 types of costs are considered

1. Marketing costs
   • The physical cost incurred of operating marketing activity by market
   • The ease of doing business in each market is also considered
   • Current marketing presence as a mitigating factor to operating costs are also considered

2. Barriers
   • Accessibility is included as restrictions on travel from each market also presents a cost to be overcome
Step 3: Create ROI index

ROI index is calculated as the ratio of Return and Cost indices

Realizable Return
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Relative ROI Potential index

Risk

Allocation

Constraints
- Access
Step 4: Factor in risk

- **Realizable Return**
  - Opportunity
  - Propensity
  - Value

- **Cost**
  - Marketing
  - Access

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**Relative ROI Potential index**

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**Constraints**
- Access

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**Risk**

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**Allocation**
Risk-return trade-off?

A trade-off is evident between risk and return across similar markets. Markets in the upper-left quadrant should be targeted (low-risk, high-return) with limited exposure to those in the lower-right (high-risk, low return).

Return relative to Risk

Each score averages to 100 across countries, only the top 15 countries are shown.
MAP enables decisions to reflect preferred risk tolerance

Risk - Return schedule

Portfolio return on investment

Very low risk    Low risk    Average risk    High risk    Very high risk
Market risk

Risk is the counterparty to return. This is considered according to 3 categories

1. Country risks
   - Based on Oxford Economics risk ratings considering debt, currency and government stability

2. Volatility / Stability
   - Typical volatility in both the economy and travel are considered

3. Volatility / Stability in recession
   - Economic and travel volatility is also considered in recession years, with a large weight placed on volatility in 2009.
Market risk is used to “discount” returns

- Canada
- Scandinavia
- UK & Ireland
- Australia & NZ
- Benelux
- Ger, Aus, Swi
- France
- Italy
- Japan
- India
- China
- Mexico (air)
- South America
- S Korea
- Brazil
Step 5: Factor in constraints

Suggested allocations are subject to upper bounds according to market constraints

- **Realizable Return**
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- **Relative ROI Potential index**

- **Allocation**

- **Constraints**
  - Access
Market constraints

Market constraints provide upper limits on allocation based on:

- Distance
- Air service
- Visa requirements
Dynamic functions of MAP system

- Interactive analysis
- Time horizon: short-term, long-term
- Risk tolerance: Low, balanced, or high
- Market subsets
- Indicator subsets
Interactive analytical platform (example)

Market Allocation Platform

Select Outlook and Risk
- Current Outlook: Short-term
- Risk: Balanced

Year: 2015

Recommended overseas allocation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Return</th>
<th>Cost</th>
<th>ROI Index</th>
<th>Risk*</th>
<th>Score</th>
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<td>India</td>
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<td>28</td>
<td>138</td>
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<td>4.1%</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

* measures are reported as diffusion index, average = 100
** a higher cost index value indicates a higher cost market. Higher risk index value reflects greater risk

View Details
- Select Country to view properties
- Select Component to view properties

Model structure (select or deselect components)

Realisable Return
- Opportunity
  - Market Size
  - Country Size
  - Growth
  - Headroom
- Propensity
  - Sentiment
  - Alignment
  - Yield
  - Purchase Power
  - Visitor Value

Cost
- Affordability
- Presence
- Accessibility

Relative ROI Potential

Market Potential

Constraint
Viewing an individual market

France - Market Overview

Score Summary

- Market Size
- Country Size
- Growth
- Saturation
- Sentiment
- Alignment
- Purchasing Power
- Visitor Value
- Market Affordability
- Market Presence
- Risk
- Accessibility

Opportunity, Propensity, Value, Constraint
Comparing markets

The user can select any 4 markets and compare their scores. France represents more potential than Japan, Canada, or Australia for this sample destination.
Strategic applications

• MAP output guides the decision-making process with a consistent framework to measure opportunity for a particular destination across its key markets.

• These opportunities are indexed against risk and costs to derive an optimal allocation and focus marketing investments.

• Flexibility in market inclusion, time horizon, and risk tolerance provide dynamic analysis.

• Model is completely transparent in its details. Output tables and charts tell the story of “why” for each market.
<table>
<thead>
<tr>
<th>City</th>
<th>Telephone</th>
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<tbody>
<tr>
<td>Oxford</td>
<td>+44 1865 268900</td>
</tr>
<tr>
<td>London</td>
<td>+44 207 803 1400</td>
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<tr>
<td>Belfast</td>
<td>+44 2892 63540</td>
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<tr>
<td>Frankfurt</td>
<td>+49 69 95 925 280</td>
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<tr>
<td>Paris</td>
<td>+33 (0)1 78 91 50 52</td>
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<tr>
<td>Milan</td>
<td>+39 320 4525 559</td>
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<tr>
<td>Dubai</td>
<td>+971 56 396 7998</td>
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<td>+1 617 206 6112</td>
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<td>+852 3103 1096</td>
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<tr>
<td>Mexico City</td>
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