



Oxford Economics: The Return on Investment of Business Travel Questions and Answers

Q: Why did U.S. Travel Association commission this study?

A: There is confusion in the marketplace regarding the value of business travel such as meetings and conventions. This comprehensive study details how business travel in America is critical to business and economic growth over time and across industries. Business executives will now have evidence at hand to evaluate the return on their travel investment to see customers, attend meetings and conventions, and reward employees.

Q: I'd fully expect that any study being released by the U.S. Travel Association to show that there are benefits of travel. How can anyone be sure that the findings are credible?

A: This study is the first of its kind to provide concrete data that business travel drives revenue and profit growth. The study was conducted by Oxford Economics — a respected international economic analysis firm — to help businesses make informed decisions about business travel in a challenging economic environment. The report includes an econometric analysis of the past 13 years of available U.S. government data on business travel and its impact on productivity and company profits.

Additionally, the study has also been reviewed and endorsed by another independent source: Dr. Martin Asher of the prestigious Wharton School of Business at the University of Pennsylvania.

Q: Is this study saying that an average company would generate \$12.50 in sales for every additional dollar invested in business travel?

A: The study found that on average, across industries and over history, each dollar invested in business travel drives approximately \$12.50 in sales and \$3.80 in profits. The evidence supports that business travel plays a significant role in driving corporate growth. What's more, the average business would forfeit 17 percent of its profits in the first year of eliminating business travel and it would take more than three years for profits to recover.

Q: How was the value of business travel measured?

A: An independent analysis by the U.S. Travel Association was cross-checked against the Bureau of Economic Analysis (BEA) Travel and Tourism Satellite Accounts. In addition, industry-by-industry breakdowns were developed using BEA business purchase data from the Input-Output accounts. This analysis isolated the purchases of each industry from business travel service providers, including passenger transport, hospitality and recreation sectors.

Q: Why did you decide to release the study now? Wouldn't it have been more helpful to the industry to have released this data late last year or earlier this year?

A: It would have been ideal to have this research late last year or earlier this year, when irresponsible rhetoric against meetings by some policymakers and sensational media coverage of business meetings began. However, by releasing this study now, businesses planning budgets for 2010 will have concrete data to inform their decisions about travel spending and its benefits for their business. At this turning point in economic recovery, we need businesses to invest rather than retrench.

Q: Don't business leaders already know the value of business travel? Do you think this will change their actions? (What do you want them to do with this information?)

A: Many business leaders understand the value of business travel and its benefits conceptually, but never before has business travel's return on investment been quantified. Now, more than ever, taking time to meet customers face to face, sharing best practices and incentivizing employees can strengthen businesses and speed recovery. This study demonstrates bottom-line benefits that results from business travel including sales visits, conferences, trade shows and incentive trips.

Q: With the perception that business travel is wasteful among vast layoffs nationwide, won't businesses continue to feel pressured not to travel, despite this new information?

A: We understand that many companies are facing tough financial decisions and evaluating their expenditures across the board. What this research tells us is that investing in business travel is a means of gaining market share from competitors who are cutting back on travel to customer meetings, meetings, conventions and reward trips. Those companies that invest in business travel now will see bottom-line returns that will keep them profitable and competitive.

Q: What about policymakers who have said restrictions should be placed on travel policies, specifically on businesses receiving government assistance?

A: Policymakers are playing a larger role in the operation of American business and it is important they have a deep understanding of how business works and what expenses impact a firm's bottom line. The data from this study show that criticism of business travel is counterproductive and that restricting business travel could further economic decline. If we're serious about fixing the economy, it's time to start thinking about how to stimulate business travel.

Q: What is the current impact of fewer business travelers and meetings? How is business travel faring?

A: According to STR, the travel industry lost nearly \$2 billion in revenue in January and February alone from cancelled meetings. Business travel volume is down for the first six months of this year by 6.3 percent (U.S. Travel Association). Business travel spending is down even further, 12.5 percent. Meetings and events specifically are down 8.6 percent in volume, meaning trips taken by individuals, and 14.1 percent in spending. Leisure travel, in comparison, is down only 3.5 percent in volume and 11 percent in spending. We can attribute business travel declines to both the economic and political climate.