How many galaxies are in the Universe?

- In 1995, NASA’s Hubble Space Telescope identified between 100 billion and 200 billion galaxies in the Universe.
- This was the working estimate for the next 20 years …until last month.
- Astronomers at the University of Nottingham now say the number of galaxies in the observable Universe is 2 trillion.

Conclusion: economists are more reliable than real scientists.
Risks are tilted to the downside

What do you see as the top three downside global economic risks over the next two years?

- Sharp rebound in oil and commodity prices
- Continued US interest rate rises cause market turmoil
- Emerging Market concerns trigger market turmoil
- Unconventional policies, such as negative rates, undermine confidence
- Trump presidency weighs on US growth
- Rise of populism in the EU (eg post-Brexit or related to migrant crisis)
- Brexit-related uncertainty weighs heavily on Europe
- Geopolitical tensions (eg Middle East or South China Sea)
- Other challenges for Eurozone (eg Italian banking sector problems, Grexit)
- More severe downturn in the Chinese economy

Source: Oxford Economics Global Risk Survey
“Consumers vs. Businesses” dichotomy

US: Contribution to real GDP growth

% point, SAAR

Source: Oxford Economics/Haver Analytics
US GDP still gaining traction

US: GDP

% year

2008: 0.0%
2010: 2.6%
2012: 2.4%
2014: 2.6%
2016: 1.5%
2018: 2.0%
Forecast: 2.1%

Source: Oxford Economics
Exchange rates a headwind for international

Exchange rate, US dollar

Real effective exchange rate index, historical average = 100

2016 Q2: 3.9% above historical average

Value of the dollar in 2017:

• 18% stronger than in 2014
• 8% stronger than historical average

Note: History through 2016 Q2. Historical average based on period from 1995 Q1 to 2015 Q4.
Source: Bank for International Settlements; Oxford Economics
Destination marketing: Vital to economic success
Why prioritize destination marketing?

- The visitor economy is driving the Maryland economy
Tourism is an economic engine

- Tourism supported over 218,000 jobs in Maryland last year.
- Including indirect and induced impacts, tourism in Maryland generated $2.3 billion in state and local taxes

Tourism-supported tax revenues exceed $1,000 per Maryland household

1-in-16 jobs in Maryland is supported by tourism
Visitor economy outperforms other “exports

Hospitality and tourism has generated more US jobs over the past 15 years than any other traded cluster of its size.

Job creation in traded clusters
Net change in jobs 1998 to 2013, in thousands

- Hospitality and tourism: 331.7
- Oil and gas production and transportation: 265.4
- Marketing, design, and publishing: 172.0
- Performing arts: 106.5
- Transportation and logistics: 57.9
- Financial services: 57.1
- Food processing and manufacturing: 0
- Construction products and services: -600
- Insurance services: -400
- Plastics: -200
- Production techn. and heavy machinery: 0
- Printing services: 0
- Automotive: 0
- Information tech. and instruments: 0

Note: Graph shows selected traded clusters. Excludes the largest and smallest clusters, such as business services, education, and distribution and electronic commerce, which each have greater than 2.0 million jobs and are on a different scale than the selected clusters.
Source: US Cluster Mapping Project; Census Bureau; Tourism Economics
The MD visitor economy is leading job growth

Maryland Employment by Industry
Cumulative % change, 2009-2015

- Total Economy: 7%
- Accommodation and F&B: 15%
- Recreation: 19%

Source: BEA
…and income growth

Maryland Personal Income by Industry
Cumulative % change, 2009-2015

- Total Economy: 20%
- Food & Beverage: 24%
- Accommodation: 41%
- Recreation: 118%

Source: BEA
Industry strength is continuing this year

Maryland Hotel Industry Performance

% change

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016 (Jan-Sep)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7.6%</td>
<td>4.9%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Rooms</td>
<td>5.9%</td>
<td>2.9%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: STR
...and Maryland is outperforming the nation

Maryland and US Hotel Industry Performance
2016 Jan-Sep, % change

Source: STR
Why prioritize destination marketing?

- The visitor economy is driving the Maryland economy
- The visitor economy is a catalyst for economic development
How destination marketing drives the economy

- Building Transport Networks
- Attracting Strategic Events
- Raising Destination Profile
- Raising Quality of Life

The Catalytic Impacts of Destination Promotion
Airlift is one of the top criteria for site selectors

Air passenger volumes are a strong predictor of future population growth and employment growth.

“Air service is profoundly important to corporate investment and location decisions... “This is one of tourism’s most significant contributions since the levels of air service at New Orleans far exceed what local demand could support.”

Stephen Moret, Secretary, Louisiana Economic Development
#2 – Raising the destination profile

- Destination promotion strongly supports economic development through brand development, raising awareness, and building familiarity

“Every tourist that comes through here is a potential business lead.”
Jeff Malehorn, President & CEO, World Business Chicago

“If we do it right, the ideal brand will transcend the visitor market and support all economic development.”
Hank Marshall, Economic Development Executive Officer, City of Phoenix Community and Economic Development Department
#2 – Raising the destination profile

Familiarity is critical in attracting investment

- 13% of executives with site selection responsibilities state that their perceptions of an area’s business climate were influenced by leisure travel and 37% reported influence by business travel (Development Counsellors International, 2014)

“We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development.”

Brook Taylor, Deputy Director, Governor’s Office of Business and Economic Development
Impact of campaign on economic perceptions

Marketing influences perceptions on key decision criteria
Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image

"A good place to..."
- ...live: +173%
- ...purchase a vacation home: +157%
- ...retire: +107%
- ...attend college: +161%
- ...start a business: +147%
- ...start a career: +128%

Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"
#3 – Targeted conventions and trade shows

- By securing meetings, conventions and trade shows for local facilities, DMOs attract the very prospects that economic development agencies target.

> “Our EDO doesn’t have to fly to DC or China. The low hanging fruit is coming here for events.”

Steve Moore, CEO, Greater Phoenix CVB

> “Economic clusters and conventions have become synergistic”

Tom Clark, Metro Denver Economic Development Corp.
Channel of impact: The visitor economy supports amenities and a quality of life that attract investment in other sectors.

- Boeing’s decision to relocate its headquarters to Chicago was heavily influenced by the cultural assets and vibrancy of the city.
- Asheville’s recent win of a $125 million investment from GE Aviation was heavily influenced by its quality of life scores related to both outdoor activities and a vibrant downtown.
- The development of leisure attractions in lower downtown Denver has been instrumental in the relocation of 20,000 residents to the area.

“Traveler attractions are the same reason that CEOs choose a place.”

Jeff Malehorn, President & CEO, World Business Chicago
Why prioritize destination marketing?

- The visitor economy is driving the Maryland economy
- The visitor economy is a catalyst for economic development
- It actually works
SDTMD case study is telling

San Diego TOT Receipts
year-over-year % change

Source: SD TMD

Defunding of SDTA
San Diego stark demand slowdown in 2013

**Striking lull in SD room demand**
Room nights, 12-mo moving sum, % change year ago

Sources: STR, Tourism Economics

Defunding of SDTA

Surge in 2014
California TID scenario

- Elimination of $207 million of annual TID funding
- Reduction in DMO group sales and leisure marketing
- Loss of a portion of out-of-state visitors and their spending
- Loss of California jobs, income and tax revenues in tourism and downstream sectors
Massive impacts

- 8.2 million fewer out-of-state visitors
- 22.8 million fewer visitor nights, including 10.4 million fewer hotel room nights
- $3.3 billion reduction in visitor spending
- 52,000 Jobs
- $460 mn Tax Revenue
Graph shows PA tourism budget before earmarks. After earmarks, only $2.0 million was available for statewide marketing in FY2015.

Note: PA tourism budget adjusted to real terms (i.e. constant dollars adjusted for inflation).
Source: US Travel Association; Tourism Economics
Marketing cuts resulted in share losses

PA share of competitive state total

State tourism budgets
- 2009: 27.4%
- 2014: 6.2%

 Marketable overnight trips
- 2009: 18.4%
- 2014: 14.7%

 Marketable day trips
- 2009: 22.9%
- 2014: 19.4%

Note: Nine-state competitive state region includes Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, Ohio, West Virginia, Virginia and District of Columbia. Tourism budgets for 2009 are the FY 2008-09 fiscal year, where available. Source: US Travel Association; Longwoods International; Tourism Economics
Illinois

State budget impasse limited state and city destination marketing for most of the past fiscal year

- Dropped to third from first most visited mid-west state.
- Illinois ranked 9th among all 50 states and is now ranked 11th as both Michigan and Ohio gained share.
- Hotel tax revenue from January–April was down 0.7%, while the US average was up 4.9%.
- Inquiries about travel to Illinois were down over 70% in FY16.
Why prioritize destination marketing?

- The visitor economy is driving the Maryland economy
- The visitor economy is a catalyst for economic development
- It actually works
- Destination marketing meets a pronounced need
## The need for destination promotion

<table>
<thead>
<tr>
<th></th>
<th>Challenge</th>
<th>Solution: Destination Promotion</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>The primary motivator of a trip is usually the experience of a destination, beyond the offerings of one business</td>
<td>Articulates the brand message that is consistent with consumer motivations</td>
</tr>
<tr>
<td>2</td>
<td>Effective marketing requires scale to reach potential visitors</td>
<td>Pools sustained resources to provide the economies of scale and marketing infrastructure required to generate impact</td>
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</table>
Target opportunity: 658 mn unused vacation days

Unused PTO in 2015

Days of PTO per worker

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Gov't</th>
<th>Private</th>
<th>&lt;100</th>
<th>100-499</th>
<th>500+</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Pub/Priv Sector)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Employees)</td>
<td>5.7</td>
<td>9.9</td>
<td>5.1</td>
<td>4.7</td>
<td>5.7</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Sources: GfK and Oxford Economics
Destination marketing must reverse this trend

Days Away on Vacation
Annual vacation days per worker, trend is the 24-month moving average

Source: Oxford Economics analysis of BLS survey results
Plenty of reasons why…

Obstacles to taking PTO
Multiple answers allowed, share of respondents, %

- Would return to backlog of work
- I cannot afford a vacation
- No one else can do the work
- Hard to take PTO with seniority
- Can bank/roll over unused PTO
- Want to show dedication
- Get paid for my unused PTO
- Would work anyways
- I feel guilty using PTO
- Can't appear to be replaceable
- Work culture doesn't promote PTO
- Concerned about promotion/raise
- I would prefer to work
- Afraid I would lose my job
- Afraid of boss's perceptions
- Taking PTO comes with seniority

Sources: GfK and Oxford Economics
But the benefits are real

The Manager’s View of PTO

%, "By using their PTO, employees..."

Sources: GfK and Oxford Economics
Why prioritize destination marketing?

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- Destination marketing meets a pronounced need
Destination Marketing in an Uncertain Economic Climate

November 2016