



Incentives Move Business

TRAVEL AND THE U.S. ECONOMY

In recent years, research on the impact of travel on the U.S. economy was commissioned by numerous travel associations under the auspices of the U.S. Travel Association. Similar research was commissioned by other industry organizations. Although there is a scarcity of information dealing with the impact of travel on the economies of other countries, the World Travel & Tourism Council's Economic Impact of Travel and Tourism in 2012 is an excellent, all-encompassing view of travel's positive effect globally.

This study focuses on the U.S. It is the Site International Foundation's hope in keeping with our commitment to maintain a global focus that similar analyses can be made in the near future for other countries. For now, it is well worth reviewing some U.S. findings from existing studies.





The mission of the Site International Foundation is simple — to enhance the awareness and effectiveness of motivational experiences and incentive travel, thereby increasing use globally. Join us in this effort to raise funding for research and educational programs that enhance the effectiveness of the professionals in our community.

Incentive Travel and Motivational Events

What does it mean?

Travel incentives and motivational events comprise a business tool proven to change behavior, to improve profit, cash flow, employee and customer engagement and various other business objectives. When properly designed and delivered they create a measureable and verifiable return on investment.

Why do businesses use it?

Incentive travel programs have been proven to increase sales, boost productivity, retain customers, hold on to top talent, increase company loyalty, promote teamwork and decrease turnover among other results.

What do participants say? Does it work?

Research into participants' views of incentive travel programs shows that it is highly effective in impacting their performance. Similar research with sponsors of such programs shows that it has positive bottom line impact and achieves other goals for the corporation.

Most people do not recognize the impact of the travel and tourism industry on the economy of the United States. The many enjoyable aspects of travel blind the average person from considering its importance as an industry. Therefore, it is frequently trivialized.

Would it surprise you to know that:

- travel is the 6th largest industry in the United States in terms of employment?¹
- from March 2010 to July 2012 travel jobs have been created at a rate of 29%, a faster pace than the rest of the U.S. economy?²
- according to the McKinsey Global Institute, travel could create as many as 22.5 million new jobs in the U.S. in this decade? That would be enough to restore the United States to full employment.³ If that goal were achieved it would generate growth in this sector of 160%!

What is the travel industry?

Due to its complexity it is somewhat difficult to analyze the *travel* industry. Travel means different things to different people. To some it is the vacation they look forward to each year (whether domestic or international) or other types of leisure travel. To others it means business trips—to meet with customers, attend meetings or participate in a trade show. In the incentive travel and

motivational events industry, it means traveling to reap rewards earned from the achievement of individual productivity goals and for one's impact on helping their company achieve its strategic business objectives.

So, it is difficult to measure the full impact of individual segments of this industry. Moreover, many industry practitioners cross all aspects of travel. Hotels and airlines, for example, serve guests and passengers regardless of the type of travel in which they are participating. The statistics in this report apply to all types of travel unless otherwise noted. Business travel is shown separately whenever specific data is available.



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The travel industry generates jobs for and pays wages to the obvious people—those employed by airlines, railroads, cruise lines, travel agencies, hotels and so on. But in creating jobs it reaches much deeper into the workforce—to employees in convention centers, restaurants, theme parks and transportation of all sorts, and anyone whose job is to provide service to those who travel for any reason.

In the United States, travel and tourism accounts for \$759 billion in direct spending.⁴ It also generates \$118 billion in tax revenue for government—local, state and federal.⁵ Fourteen million (14 million) jobs are supported by travel and tourism ... and in one way or another, one of every nine jobs in the U.S. depends on travel and tourism.⁶

Travel is a major industry impacting nearly everyone in one way or another and therefore must be recognized as critical to business and government alike.

The Business of Business Travel in the United States

Recent studies confirm that business travel is a necessity for successful business practice. If a U.S. business were to eliminate travel for two years, the company would forfeit 12% of its profit in the first year of that cutback instead of recognizing a 5% growth. Moreover, it would take three years for profits to recover.⁷

Viewed from another perspective, executives and business travelers alike estimate that 28% of current business would be lost without in-person meetings.⁸ Fully 40% of prospective customers are converted to new customer status as the result of face-to-face contacts, including meetings and incentive travel programs.

Without that interaction, it is estimated that only 16% of prospects would become customers.⁹

Further, between 5% and 20% of new customers are acquired from trade show participation.¹⁰

While all business travel is a generator of increased revenue and profit for a company, incentive programs are unique in that, when properly planned and executed, they become self-liquidating. Their out-of-pocket costs are funded from the incremental revenues/profits generated by the incentive program. That gives businesses added reason for creating motivational programs.

In 2010, the incentive travel, meetings and events segment of tourism and travel accounted for \$92 billion of all business travel expense.¹¹ There were about 157 million overnight trips made just for meetings and events.¹²

The Business Travel Segment

There are 6.3 million jobs generated by the meetings industry in the United States, which represents nearly half (45%) of all travel related employment.¹³ Another outcome from business travel is the positive effect it has in promoting employee engagement and retention. Recruitment, retention and productivity are major cost centers for U.S. employers so there is an obvious and direct link between business travel and corporate cost reduction.

An Oxford Economics study showed that every dollar invested in business travel returns an average of \$12.50 in increased revenue and \$3.80 in new profits for the sponsoring company.¹⁴



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Travel and the National Economy

As the sixth largest U.S. industry in terms of employment, the impact of travel on the American economy is significant. It is a top-ten employer in 48 states, and in 25 states, it employs more than 100,000 workers.¹⁵

In addition to the direct impact it has on the economy, it generates an indirect influence when recipients of direct travel dollars (restaurants, hotels, etc.) pay third-party vendors for services and products. Travel industry activities create a strong ripple effect through its myriad supplier layers.

Additionally, travel exports are a major stimulus for the American economy. Travel exports occur when foreign travelers visit the U.S. and purchase goods and services in America. They may be tourists or visitors on business travel. Their travel needs are served by the same suppliers involved in domestic travel within the United States.



Since 2008, travel has ranked as America's largest export industry. In 2011, it accounted for \$153 billion in exports, 7.3% of total U.S. exports in goods and services.¹⁶

The travel industry also disproportionately employs those Americans displaced by the recent recession— younger workers and those without higher education. Workers under 25 years of age make up nearly 25% of the travel industry as opposed to only 13% of other sectors of the economy.

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Similarly, 80% of travel workers do not have a college degree compared with 70% in other sectors. This industry offers on-the-job training allowing one-third of part-time workers who are furthering their education to find work in the leisure and hospitality segments.¹⁷

The travel industry—and especially business and incentive travel—is a key element in creating a strong economy in the United States and in the world at large. It obviously has greater meaning to those countries where travel is a mainstay of the overall economy but its role in creating a growing economy applies globally.

Site is the international association for the motivational events industry, comprised of some 2000 members in 90 countries globally. Worldwide, it is the recognized source of expertise, knowledge and personal connections that drives the growth of this industry.

The International Site Foundation exists to facilitate research, trend analysis and educational program support for motivational event professionals. It is the forum for a body of knowledge dedicated to those advancing the financial health and well-being of corporations as they seek strategic solutions to the challenges of doing business domestically and globally in this ever-changing world.

Learn more at:
 Site International Foundation
 330 North Wabash Avenue
 Chicago, IL 60611
 +1.312.321.5148
 Site@siteglobal.com
 www.siteglobal.com

Footnotes

1. U.S. Travel Association, Travel Means Jobs, page 2, www.ustravel.org/research.
2. Ibid., page 3.
3. Ibid., page 9.
4. U.S. Travel Association, Power of Travel Coalition, "Talking Points and Fun Facts for Meeting with Elected Officials", page 1, www.travelcoalition.org.
5. Ibid.
6. Ibid.
7. The Return on Investment of Business Travel, page 31, Oxford Economics USA for the U.S. Travel Association and Destination & Travel Foundation, www.incentive-trip.com/wp.../Oxford%20Economics%20USA.pdf.
8. Ibid., page 19.
9. Ibid., page 20.
10. Ibid., page 21.
11. U.S. Travel Answer Sheet, U.S. Travel Association, www.ustravel.org/sites/.../09/USTravelAnswerSheet_June2012.pdf.
12. Ibid.
13. Davidson, Tyler, quoting PricewaterhouseCoopers in Meetings Nearly a Trillion-Dollar Industry, www.meetingsfocus.com/ArticleDetails/tabid/162/ArticleID/15313/Default.aspx
14. U.S. Travel Answer Sheet, op. cit.
15. Travel Means Jobs, op. cit., page 2.
16. Ibid., page 11.
17. Ibid., page 7.



Site International Foundation
 330 North Wabash Avenue
 Chicago, IL 60611

+1.312.321.5148
 Site@siteglobal.com
 www.siteglobal.com

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