

Working Paper 46

Visit London Economic Impact Evaluation

Preliminary findings from enhanced conversion research
of a North American leisure marketing campaign

By **Stephen King**



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Executive summary

To date there has been no consistent and robust way of estimating the net economic impact of significant public sector investment in Visit London and its different strands of activity. This situation is mirrored for tourism marketing activities in other parts of the UK. As a result the Mayor and other public bodies have not been able to effectively assess the value of this type of activity and make the case for investment on a like-for-like basis against other areas of public sector intervention.

This paper provides an important gauge of the returns from leisure tourism marketing of London assessed using improved evaluation methods developed by the LDA in partnership with GLA Economics. These methods have the potential to immediately improve the robustness of value for money estimates, with limited additional resource, of a large proportion of London's tourism marketing expenditure.

A methodology study that acts as a foundation for our work highlighted a string of weaknesses in the previous simplistic approach to assessing the impact of leisure tourism marketing. This paper develops solutions and shows how we have implemented improved methods using a new system of primary evaluation research.

Traditionally, return on investment (ROI) figures of the order of 30 or 40 to 1 have been estimated and attributed by Visit London to discrete marketing campaigns. However, results from more thorough research presented here show that campaign advertising may not be the only, or the most, significant influence that Visit London has on decisions to visit during campaign periods. Survey findings also point to the Visit London website as a key influence.

While introducing the possibility that returns during a campaign period are not solely attributable to campaign advertising, it is important to be able to gauge separately the returns from advertising (since the majority of Visit London expenditure is on campaign advertising). To this end we take a holistic view of the influences on decisions to visit London. Campaign advertising and web activity can influence decisions to visit independently, but are more likely to do so in combination with each other or other non-Visit London information sources. Potential visitors are likely to receive a range of other information sources and influences on decisions including friends and relatives living in London, media articles and travel offers, or favourable exchange rates. Such factors may act independently or in combination to generate different levels of influence.

When the fullest possible range of benefits and costs possible are compared the resulting estimates of the returns to Visit London activity are significantly lower than those produced by the previous, less robust methodology. This is particularly the case if we look at the direct returns to London only. However returns at the UK level still appear favourable in comparison to those from other economic development interventions.

One of the main goals of this paper is to set out methods and findings in such a way that encourages further development and debate regarding this area of evaluation which has traditionally been neglected (in London and the UK at least), in part due to the difficulty of

robustly gauging the additional impacts of tourism marketing. Various agencies have attempted partial evaluations of tourism marketing activities, but there had been a lack of consensus on the best way to develop this area of evaluation as compared with other areas of public investment.

The publication of this research is also timely to inform a new single promotional agency for London that will succeed the Mayor's existing promotional bodies from April 2011. Lessons from this research should be applied to strands of promotional activity other than tourism marketing (of which evaluation has also been poor) with the goal of improving the evidence to help allocate public funding to and between promotional activities.

1. Introduction

In this paper we set out results from an improved approach to examine the value for money of Visit London leisure marketing activity. Our improved approach builds on lessons from a methodology study commissioned by the LDA with three other RDAs from ECOTEC consulting (now ECORYS consulting).¹ The methodology study included a review of the academic and other relevant literature. It should be noted that destination marketing is one of the more difficult areas of economic development activity to evaluate. Even following improvements shown here there remain limitations to the levels of certainty regarding impacts of some marketing activities.

Findings relate to Visit London activity in the period September 15 to November 19 2009 when the organisation conducted a leisure marketing campaign in North America (in US and Canadian markets) named North America Phase 17. The campaign comprised print, poster, radio and internet advertisements and advertorials (advertisements in the form of editorials), and represented just over six per cent of Visit London's total expenditure, and around nine per cent of expenditure on leisure marketing, in 2009-10.

Therefore results presented here relate to only a small proportion of expenditure and by no means represent a full impact evaluation of activity undertaken by Visit London. This paper does not cover Visit London programmes to attract business and other events (on which significantly less is spent compared with leisure marketing) which are subject to separate improved evaluation methods and reporting.

Section 2 provides an overview of the relevant methods and improvements to evaluate leisure marketing. Section 3 describes an important result from the new survey methods and a holistic view of influences on decisions to visit. In Section 4 the costs associated with the North American campaign are examined. Section 5 describes the steps used to estimate returns to marketing activity and key results at each stage of the process. Section 6 presents estimates of the overall value for money including Cost Benefit Analysis (CBA), Section 7 is a conclusion and Section 8 presents a list of consolidated recommendations.

¹ ECOTEC methodology study available on the LDA website at <http://www.lda.gov.uk/publications-and-media/publications/destination-economic-impact.aspx>.

2. The evaluation approach, issues and improvements

The economic impacts resulting from destination marketing are driven by visitor spending, so the focus is on assessing the levels of expenditure attracted to London as a result of Visit London activity. VisitBritain developed a methodology for this process that is a form of what the literature calls ‘conversion’ research and which has been adopted in the past (to varying degrees) by the RDAs including Visit London.²

Conversion research involves surveying a sample of individuals who have interacted with the destination marketing organisation (DMO) in some way around the time of a campaign. In the case of Visit London, the sample of individuals is sourced from those that have registered their details on the www.visitlondon.com website around the time of a campaign, and the survey is distributed by email. A conversion survey is expected to take place around six months after people’s interaction and has the purpose of establishing whether respondents have visited the region being advertised, or plan to visit in the future, and the extent to which marketing influenced this decision.

A key recommendation from the methodology study was to retain and enhance the current conversion methodology used to assess Visit London’s leisure marketing. The reasoning for this is that the conversion method provides a relatively inexpensive and practical means of undertaking frequent assessments of effectiveness and relative effectiveness in campaign periods. And since a large majority of Visit London expenditure is currently on overseas leisure marketing, the improvements to conversion research can potentially improve value for money estimates of the bulk of public money spent.

Total incremental spend attributable to Visit London has previously been calculated by applying conversion survey results to the total number of consumers who interacted with the DMO around the time of a given campaign by visiting its website, in conjunction with data on the average length of stay, party size and average spend. In this calculation the total number of website visitors (from relevant markets) has previously been used as a proxy for the total number of individuals exposed to a given campaign.

The data on average length of stay and party size have been sourced from conversion surveys delivered by Visit London. Meanwhile, average spend data has previously been sourced from the Office for National Statistics (ONS) International Passenger Survey (IPS). In the past an estimate of total incremental expenditure has been compared to the cost of the campaign in question to produce a ROI figure.

According to the methodology study a number of issues with the conversion approach used to date compromise its robustness and provide the basis for enhancements. Shown in approximate order of importance these issues are:

² The literature review conducted as part of the ECOTEC study reported that the balance of opinion in the academic literature is that effects of tourism marketing may be overstated by the VisitBritain methodology due to the failure to filter out where commitment to visit existed prior to exposure. The study also noted that high return on investment figures from previous conversion research lacked credibility with some audiences.

- Estimates of expenditure caused by destination marketing are based solely on those who have interacted with the DMO (in the case of Visit London by visiting the website) and those who provided their contact details. Using only those who interact with the DMO in some way to estimate marketing effects potentially results in an underestimate of the impacts of marketing.
- Conversion research relies on self-reporting of the advertising influence (i.e. the individual responding to the survey is left to make their own decision as to the level of influence of a campaign). There are major issues around whether respondents are able – and willing – to report effects accurately.
- The current approach focuses on expenditure rather than economic impacts, with destination marketing impacts not routinely measured in terms of Gross Value Added (GVA).³
- Non-respondents to surveys may behave in very different ways to respondents. Although an adjustment has been developed to deal with the issue of non-response bias, the scale of such biases may vary considerably from campaign to campaign or from one area to another.
- The focus of current methods is on short-term impacts of marketing activity ignoring potential longer-term impacts (for example brand building effects).
- There is currently a failure to account for wider costs and benefits (carbon costs for example).
- There may be an element of strategic response bias (or 'prompting effect') in that respondents could potentially overstate the impact of destination marketing if they feel that will 'please' the identified study sponsor.
- Current approaches do not systematically deal with the potential for displacement of visits from one area to another as a result of marketing activity, for example by exploring where people had intended to visit another nearby location prior to seeing marketing.

In addition we identified the following issues when conducting initial analysis of enhanced conversion data relating to the North American campaign:

- The majority of enhanced conversion survey respondents reported first finding the Visit London website by means other than traditional poster, print and media campaign advertising. This result suggests that there is not a strong direct link from such traditional advertising materials to the website and therefore little basis for taking website hits as a proxy for total numbers exposed to campaign materials (as may have been assumed in the past). Section 3 contains further discussion of this result (note that the lack of a strong direct link from advertising to the website does not preclude exposure altogether).
- The time lag between the campaign period and when a conversion survey is distributed. The survey relating to the North America Phase 17 campaign was distributed around 12 months after the campaign period, whereas the methodology study indicated a standard time lag of around six months. A longer time lag is likely to impede accurate recollection of the influence of the DMO on decisions to visit.

³ Economic impact is generally represented by measures of value added – the value of goods and services less the cost of raw materials and other inputs used to produce them.

All of the issues above make existing conversion methods to gauge the effectiveness of destination marketing unreliable and inconsistent with the way that impacts of other public sector interventions are estimated. Public sector interventions are commonly evaluated with reference to a counterfactual scenario. **The 'counterfactual' refers to the situation that would have happened in any event, ie in the absence of the public sector intervention.** This idea is a key evaluation principle contained in the Treasury Green Book and the Impact Evaluation Framework (IEF).⁴ The term 'additionality' is used widely and in this paper to refer to the extra benefits that accrue as a direct result of an intervention – that is over and above what would have happened anyway in a counterfactual scenario.

It should be acknowledged that the conversion approach – although practical and relatively inexpensive – is a limited evaluation method. For instance there is a limit to which self-reporting by visitors in conversion research can accurately account for the counterfactual – that is what would have happened anyway in the absence of the intervention – even with improvements to survey questioning discussed below. It may simply not be possible for visitors to know about influences and resultant behaviour under alternative scenarios. In future research more thorough consideration should be given to the counterfactual (what would have happened anyway without the intervention), and other evaluation techniques, including econometric modelling (a further way to assess the impact of overseas leisure marketing), should be investigated.

However, even with these limitations there is much scope for improvement to current conversion methods. In response to the issues above, ECOTEC identified the following enhancements to the current conversion approach intended to improve the robustness of results:

- Expansion of the questionnaire, distributed by email to those who have registered on the Visit London website around the time of a campaign, to provide results which enable:
 1. Further investigation of the additionality of visits – referring to visits that are due to Visit London activity rather than those that would have happened anyway (the counterfactual scenario).
 2. Discounting those respondents that do not recognise campaigns when assessing the impacts of individual campaigns (tested by showing campaign materials), whilst also ascertaining how far exposure to the website alone influenced decisions to visit.
 3. Investigation of whether decisions to visit had been made before or after exposure to marketing activity. Any individual that made the decision to visit London before exposure to destination marketing can be discounted for the purposes of impact assessment.

⁴ The IEF is a set of guidelines published by the Department for Business, Innovation and Skills (BIS) for the purpose of measuring the impact of activities undertaken by the Regional Development Agencies. IEF principles follow and build on evaluation methods in the Green Book.

4. Collection of information on actual expenditure (which would be provided if a trip has been made) to include in impact analysis rather than complete reliance on secondary expenditure data.
 5. Gathering of information to assess the wider effects of additional visits using CBA.
- Re-survey those who stated in earlier conversion survey research that they were planning to visit London in the future and were influenced in this decision by their exposure to marketing material.

The purpose of this re-contact survey is to establish if this visit actually took place and, if yes, to re-confirm the extent of influence and provide further details of the trip (as per the requirements of the expanded conversion questionnaire). This task could be undertaken as an internet-based survey at relatively limited additional cost.

- Follow-up telephone calls made to a sample of non-respondents to enquire about their reasons for not completing the online survey and to see if they would be willing to complete the survey by telephone.

The findings will provide evidence as to whether non-respondents can be expected to behave differently to respondents and help to check the validity of using a correction for non-response bias currently employed by VisitBritain. The suggestion is to use the VisitBritain correction – a downward adjustment of 20 per cent to conversion research findings – until the improved evidence is available.⁵

A new conversion approach incorporating these improvements was referred to by the methodology study as ‘enhanced’ conversion research. This terminology will be used to describe the improved methods in this report.

An enhanced conversion survey questionnaire to facilitate more rigorous procedures numbered 1-5 above was initially designed and piloted by ECOTEC on overseas visitors at tourist information centres and in a small online survey of North American visitors. The sample sizes achieved in the pilot were modest (less than 50 responses). But the pilot confirmed that respondents were comfortable with the format and length of the survey, the ease of completing the questions, and that they would complete a similar survey sent by email.

Following the pilot we have developed the enhanced conversion questionnaire with Visit London to be sent out by email to those registering on the www.visitlondon.com website around the time of a campaign that is to be evaluated. Visit London retains responsibility for the issuing of an online conversion questionnaire and does so via a third party survey company. Implementation of the enhanced conversion survey has involved close working between GLA and LDA staff with expertise in evaluation and tourism statistics and the Head of Leisure marketing and other staff at Visit London.

⁵ VisitBritain’s correction is based on the findings of previous research undertaken by the University of Bedfordshire to develop a formula to compensate for non-response bias.

It is anticipated that future tourism marketing activity in campaign periods will be evaluated on a rolling basis as the necessary data becomes available. Results relating to all campaigns over a year can then form the basis of an annual evaluation of tourism marketing that also captures costs and benefits of other non-campaign related activities.

Additions to the questionnaire to permit analysis in points numbered 1-3 above, and re-surveying of those planning to visit, will particularly help to avert issues with self-reporting and strategic response from the previous conversion methodology. And improvement number 1 is squarely focused on improving assessment of the truly additional impact of tourism marketing activities.

An immediate need to further investigate the additionality of visits was highlighted by evidence from the pilot survey which suggested that different ways of asking a question about the influence of Visit London activity on the decision to visit can result in very different reported levels of additionality.

In the short term two questions are being included to further investigate additionality of visits. We are retaining the question asked previously by Visit London in conversion research (taken from the VisitBritain conversion methodology). And we are adding a new question using more explicit wording to relate decisions to visit with Visit London activity. The proposal is for this dual questioning approach to be followed while more experience is gained in the application of the enhanced methodology. Box 1 shows the two questions and possible responses.

Box 1: Additionality questions asked in enhanced conversion survey

Previously asked question	New question
Did you see, hear, or read anything from Visit London prior to making your visit that convinced you to visit London?	Thinking about the Visit London advertising and promotion, and the www.visitlondon.com website; what would you have done without these information sources? Would you...
Yes, definitely	...definitely not have visited London
Probably	...probably not have visited London
Possibly	...have visited London, but at a later date
No	...have visited London, but for fewer nights
I don't know	...probably have visited London anyway
	...definitely have visited London anyway

The new question in the enhanced conversion survey regarding Visit London's influence (over and above a pre-existing intention to visit) is carefully designed to be more clear and explicit in focusing the respondent's mind on the influence of Visit London advertising and the www.visitlondon.com website. Evidence from a survey pilot suggested that respondents may have misunderstood the question as it was previously posed, focussing more on the first

element “Did you see, hear or read anything from Visit London prior to your visit” rather than the second “that convinced you to visit London.”

The design of the new question should act to improve the accuracy of additional expenditure estimates. However, we intend to undertake further testing of audiences’ understanding of the new and old questions to validate the new questioning approach and identify any adjustments as appropriate.

It could be argued that in asking two versions of the same question, responses to the second version could be influenced by the asking of the first (when the first question registers the idea of Visit London’s influence in a respondent’s mind). The chances of introducing such a bias are minimised by spacing the two versions of the additional question relatively far apart in the survey.

In a further measure to reduce strategic response bias, we have largely removed Visit London branding from the online questionnaire (making it less likely that respondents will identify and try to ‘please’ Visit London when answering the questionnaire). The follow-up of non-respondents to the conversion survey will be pursued in the future to investigate the scale of non-response bias across marketing campaigns.

Action number 2 above using new survey data helps us to analyse the impact of campaign advertising separately from other Visit London activity during a campaign period. We expand upon this process below in the context of a holistic view of Visit London and other influences on decisions to visit (see Section 3). We investigate whether decisions to visit had been made before or after exposure to marketing activity (survey improvement 3) with a simple conversion survey question to ascertain when a respondent had booked their visit to London (assessed against the timing of the campaign period).

The collection of actual expenditure from conversion survey respondents (point 4 above) represents an improvement compared with reliance on secondary expenditure data and includes collection of data by expenditure categories. Category level expenditure data assists the conversion of additional expenditure estimates into additional GVA estimates that measure actual economic impacts. Improvement number 5, to gather information for use in a CBA, is to include questions to take account of displacement effects – although displacement was not analysed for the North America Phase 17 campaign period (see Section 6).

One further action suggested by the methodology study was the use of questions in regional visitor surveys to determine an adjustment factor to estimate the entire impact from all those exposed to marketing – not just from those using the Visit London website. Initial attempts to collect information from the London Visitor Survey⁶ to create an adjustment factor have proved unsuccessful, although refinements to the survey have been made in an attempt to gather useful information.

⁶ The London Visitor Survey is designed to improve understanding of the London visitor experience. It aims to identify the strengths and weaknesses of London as a visitor destination and to track visitor satisfaction with the capital over time. This is achieved through 5,000 face-to-face interviews with international and domestic visitors to the capital per annum.

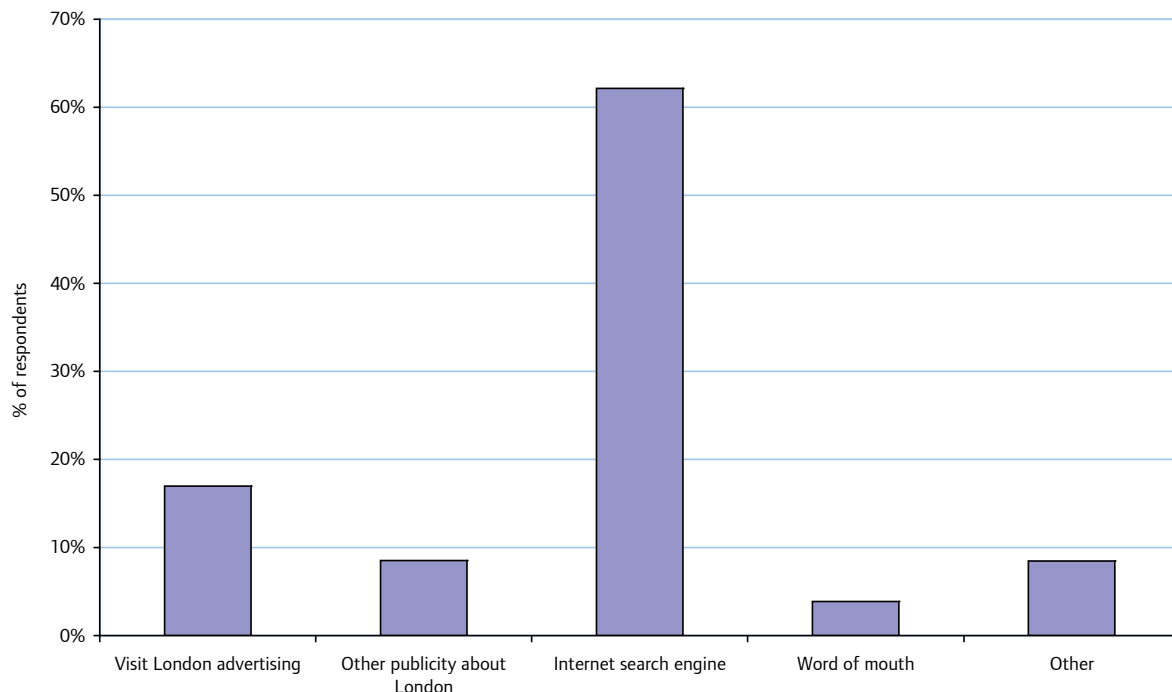
3. Evidence towards a holistic view of influences on decisions to visit

Analysis of the first enhanced conversion data provoked our broader thinking about the influence of Visit London activity on decisions to visit alongside other factors (for instance friends and relatives living in London, exchange rates, media exposure or simple word of mouth). Taking a broader perspective we have built upon ECOTEC's work and modified the guidance it contains to estimate additional visits and expenditure. Ahead of outlining the modified practical guidance, this section describes an important result that we derived from the enhanced conversion survey which stimulated our holistic view of influences on decisions to visit. **We propose this holistic view as a valid framework in which to analyse conversion data irrespective of whether future conversion results differ from those captured in the survey of North Americans.**

When ROI figures were previously attributed to campaigns, there appears to have been an implicit assumption that those visiting the Visit London website did so in response to campaign materials. In other words that there was a strong direct link between campaign advertising and website activity. From this assumption it follows that website hits from a campaign period and target market are a reasonable proxy for total numbers exposed to the campaign advertising itself (this was the proxy used previously by Visit London and suggested by the methodology study).

However, as mentioned in Section 2, results from the enhanced conversion survey indicate that those visiting the website had not generally found the site in response to Visit London's traditional campaign advertising. Figure 1 shows the proportion of respondents finding the site by various means.

Figure 1: Proportions of respondents that first found out about the www.visitlondon.com website from Visit London advertising and other sources, based on those completing the survey



Source: Visit London enhanced conversion survey

The largest proportion of respondents reported first finding the site through an internet search engine. A caveat to this result is that it is based on responses from those who registered on the website over the entire campaign period and not solely during a peak period in which campaign advertising was concentrated (towards the start of the full advertising period). As such this result may not be completely representative of behaviour in the peak advertising period. However, responses are from those that registered their details during or shortly after the peak period and so are likely to provide a reasonable approximation of behaviour when campaign advertising was concentrated.

We have not been able to disaggregate conversion survey data for the North America Phase 17 campaign to produce results from those who registered on the Visit London website during the peak advertising period. Moreover, aside from intelligence regarding a peak advertising period, information on concentrations of advertising within the campaign period was not investigated for this preliminary study. In future, detailed information regarding the concentration of advertising within campaign periods (if the advertising is not uniform over time) could be sought together with the dates at which respondents registered on the website. With these data a more granular analysis of the direct links from advertising to website visits during peak and non-peak periods of advertising activity could be conducted.

It is also possible that a proportion of those finding the site through internet searches were prompted to search by campaign adverts and search engine marketing (or optimisation) paid for from the campaign advertising budget. Visit London indicated that they spent

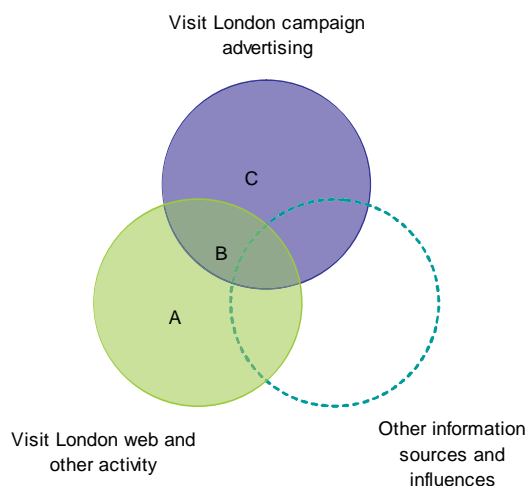
approximately £45,000 on search engine marketing as part of this North American campaign (around 4 per cent of total spend), carried out by an online agency in New York. Visit London also noted that there is a positive correlation between web traffic to the www.visitlondon.com website and the campaign activity that includes search engine marketing.

But despite these caveats, based on the available results it is judged unlikely that the majority of respondents found the Visit London website directly because of traditional print, poster and media advertising on which the majority of the North American campaign budget was spent. **With the absence of a strong direct link from traditional advertising materials to the website, there is little basis for taking website hits as a proxy for total numbers exposed to campaign materials (as was implicitly assumed in the past).**

Moreover this result gives us reason to assume that the website (with related activities such as search engine marketing) is a key influence on decisions to visit in addition to campaign advertising materials. Therefore it is inappropriate to attribute returns from campaign periods solely to traditional campaign advertising alone. Rather, we should attribute returns to the entirety of Visit London activity in the period.

The diagram in Figure 2 illustrates our holistic view for the purposes of this evaluation. The three circles represent sets of people (or populations) that receive information about London from Visit London advertising, the Visit London website and other activity, and other sources respectively. Areas of intersection represent overlap – audiences that receive information from two or all three channels.

Figure 2: Influences on decisions to visit London (areas represent audiences)



Area A represents the population exposed to the Visit London website but not campaign materials; Area B those exposed to the website and campaign materials; Area C those exposed to campaign materials but not to the website.

Source: GLA Economics

Note that this diagram does not capture the possibility of different-sized audiences for each information source, or the proportionate scale of overlap audiences (these factors may vary

across markets). So for instance campaign advertising may create impact by reaching very large numbers of people compared with other information sources. Or a large proportion of those using the Visit London website may also have been exposed to campaign advertising. These factors will influence the overall impact of Visit London's marketing on visits to London and associated spending.

Interaction between Visit London activities and other factors that encourage visits makes it difficult to isolate the impact of campaign advertising (and an attempt to do so is important given that the majority of Visit London expenditure is on campaigns). However, structuring the analysis of conversion data around this conceptual framework allows a clearer perception of the roles played by Visit London campaigns and the website, and data gaps that should be filled to further increase the robustness of evaluation.

The fact that respondents did not initially find the website as a result of traditional campaign advertising does not mean that they were not exposed to campaign materials. It is only that campaign materials did not account for the majority of website activity in a direct sense. Advertising may work subliminally to attract people to the website, or equally other influences may have attracted visitors to the site (for example other publicity about London, pre-existing interest, or the reputation of London). Moving forward, advertising theory and knowledge from within Visit London and other sources could be used to help understand how potential visitors are influenced by destination marketing in combination with other factors. Also of contextual interest is knowledge of the overall strength and scope of non-Visit London influences on decisions to visit.

That said the methodology study's literature review highlighted that understanding of the destination decision making process is not very advanced. The literature review also points out that differences may exist between the purchase decisions for destinations and those for more conventional goods. Given the state of knowledge our framework can serve as a starting point for treatment of destination marketing effects alongside other influences on decisions to visit. The use of the conceptual framework presented here is encouraged as a general foundation for evaluation of all types of promotional activities.

We know the total number of North Americans exposed to the website during the campaign period (from Visit London website statistics). There are two sub-groups of this population of website users; those not exposed to campaign materials (represented by area A in Figure 2), and those that were also exposed to campaign advertising (represented by area B). Area C in Figure 2 represents the audience exposed to campaign materials but not the Visit London website, although possibly exposed to other sources. A lack of information regarding the size of this audience limits the overall evaluation and could lead to an underestimate of the impacts of campaign materials. A recommendation is to explore the use of other information sources to help assess the scale and characteristics of the audience exposed to campaign advertising but not the Visit London website in future research. For example, information may include the readerships of publications in which Visit London advertise and their demographics. Or there may be information to show relationships between the costs of poster advertising paid for and the numbers that view it when adverts are in place.

Identifying characteristics associated with the two sub-groups of website users (areas A and B) is key to helping to estimate returns from campaign advertising over and above the role that the website plays alone. This can be accomplished using conversion survey results from those that did and those that did not witness campaign materials.⁷ Questions are asked in the enhanced conversion survey to establish recognition of specific Visit London campaign materials. The questions involve displaying pictures of relevant print, poster and web-based advertisements, and playing relevant radio adverts. Responses to these questions present a reasonably robust way of identifying whether website users were also exposed to the campaign.⁸

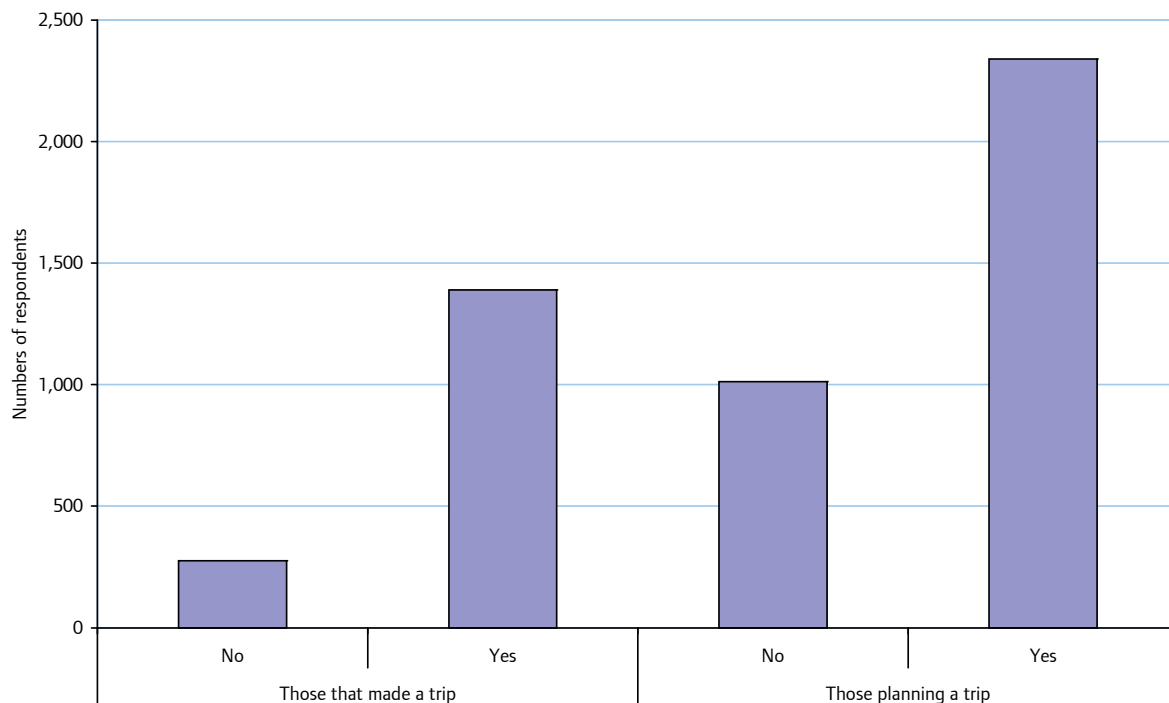
Conversion data in Figure 3 shows that the majority (around 80 per cent) of respondents that made or were planning a trip to London recognised at least one of the materials that were part of the Phase 17 campaign. From this result we assume that the majority of website users also witnessed some form of Visit London campaign advertising. Therefore in Figure 2 the overlap audience represented by area B covers the majority of the circle that is the set of all Visit London website users. Interestingly, Figure 3 shows that the balance in favour of advertising recognition was stronger amongst respondents that had made a visit to London in the past 12 months compared with those planning a trip in the year ahead. Of respondents that recognised one or more campaign materials, recognition of three pieces of advertising was most common (both amongst respondents that had made trips and those planning trips).

Note that at this stage we do not have any information on the scale of the set of all people exposed to Visit London campaign advertising, of which area B is a proportion. So the set of all people exposed to campaign advertising (areas B and C combined) could be large relative to area B or it could be of a similar size.

⁷ Using the survey sample to estimate total numbers exposed to the website and also to campaign materials (or alternatively to the website only) assumes that survey respondents are representative of all visitors to the website.

⁸ Further analysis of the campaign recognition questions could be undertaken in future to assess whether any bias exists from systematic false recognition of the campaign materials.

Figure 3: Recognition / non-recognition of any North America Phase 17 campaign materials, based on those completing the survey



Source: Visit London enhanced conversion survey

In summary, our results indicate that using website hits as a proxy for total numbers exposed to campaign materials is inappropriate. The Visit London website also plays a key role. As a result, we take steps to evaluate returns with a holistic view of influences and attribute impacts to Visit London activity as a whole during a campaign period. At the same time we also attempt to assess the impact of campaign advertising over and above the role of the website alone.

4. Costs of Visit London campaign advertising and other activity

Of interest for the purposes of this evaluation are costs accrued by Visit London in the period September 15 to November 19 2009. This was the period over which Visit London ran the North America Phase 17 leisure marketing campaign.

Costs used in previous ROI calculations have been those relating to campaign advertising only. In order to conduct a more robust CBA of activity in the campaign period, we consider costs that relate directly to the North America Phase 17 campaign and other costs including staff salaries, building costs and running the Visit London website – known traditionally by Visit London as ‘indirect costs’.⁹

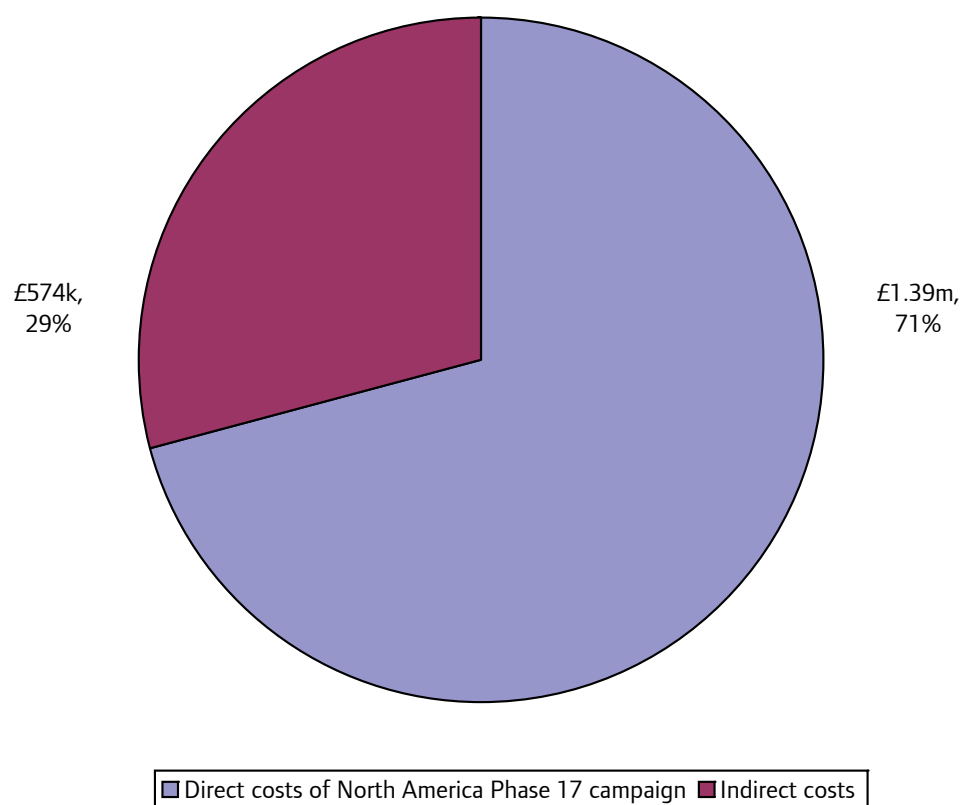
We have apportioned indirect costs pro rata to the period of interest from information available for the financial year 2009-10, adjusted to reflect that not all Visit London staff, overheads and website costs are used towards leisure marketing in North America. At this stage we arbitrarily assume that 50 per cent of indirect costs are unrelated to North American leisure marketing. This assumption represents a conservative approach in potentially overestimating costs relating to North American leisure marketing for comparison against benefits.

In future more detailed information on indirect costs to include in evaluations could be sought through close working arrangements with Visit London. A priority is to investigate a breakdown of indirect costs that includes website activity and amounts spent on business tourism promotion (information we have already requested).

Figure 4 shows the breakdown of direct and indirect costs relating to the North American campaign period (using the apportioning of indirect costs described above). Under current assumptions, indirect costs add significantly to campaign costs during the campaign period. To put these expenditure data in a wider context, leisure marketing campaign activity accounted for £14.9 million of £21.7 million total Visit London expenditure in 2009-10 – with indirect costs accounting for the remainder. In 2010/11 Visit London expenditure totalled £16.5 million, of which £10.0 million was spent on campaigns.

⁹ The majority of Visit London’s costs are covered by public funding, with a minority of expenditure funded by private partners. This evaluation considers total costs and benefits relating to the North America Phase 17 campaign period, without separating out strands of public and private funding. Comparing total costs and benefits without discrimination of whether they relate to public or private funding is a simplifying assumption but is likely to provide a reasonable approximation of the returns to public investment over the campaign period. More detailed analysis of the returns to public and private investment respectively would need to be informed by information regarding the Visit London business model to attract private funding (on which an initial conversation has taken place between GLA Economics and Visit London staff).

Figure 4: Visit London costs relating to North American leisure marketing in the period September 15 to November 19 2009



Source: Visit London and GLA Economics calculations

5. Estimation of additional visits, expenditure and economic impacts

This section shows the steps that we have taken to produce estimates of additional visits, expenditure and economic impacts from data collected from the enhanced conversion survey of North Americans. Included are the key results at various stages of the analysis and final estimates. To note is the size of the conversion survey sample upon which estimates are based. The sample size is 10,259, reflecting a response rate of 22 per cent of North Americans that registered their details on the Visit London website during the Phase 17 campaign and completed a web-based questionnaire sent to them by email.

In producing final estimates we broadly followed guidance in the methodology study but have made some changes to reflect the key features of the data and framework outlined above. A significant addition that we have made is an expansion of the analysis to estimate the impact of campaign advertising over and above the role that the website plays alone. How this should be achieved in practice was not part of the methodology study and can only now be analysed in relation to our conceptual framework (Figure 2).

The impact of the website alone can be viewed as an alternative counterfactual scenario where no campaign advertising takes place. In this alternative counterfactual the influence of Visit London associated with area B in Figure 2 (exposure to both the Visit London website and campaign advertising) reverts to the lesser influence associated with area A (exposure to the website only), and the overall number of website hits is reduced as traditional poster, print and media campaign advertising does not exist to attract individuals to the website. In the analysis that follows we estimate this alternative counterfactual position for comparison with the overall impacts from Visit London activity during the campaign period. By making this comparison we can estimate the **additional impact of campaign advertising over and above the impact of the website alone**. Further details are provided in steps below.

Our approach to estimating the 'do nothing' and alternative 'website only' counterfactuals are basic, reflecting the confines of the conversion methodology. However, in the future more sophisticated counterfactual analysis could be developed by considering the other possible outcomes and sources of information that would arise in a hypothetical situation where there was no Visit London website or other activity. A range of evaluation techniques are available to assess the counterfactual.

Some methods described in the steps below are closely linked with the conversion survey itself and so where relevant aspects of the new questionnaire are detailed and compared with the previous conversion research. The previous conversion methodology is outlined in Box 2 for reference and Figure 5 uses flow charts to summarise stages of analysis under the old and new approaches (serving to emphasise the increased rigour of the new approach). This section concludes with a summary table showing headline results from each stage of the North America Phase 17 analysis.

The steps that we ultimately used are described below – including the features to assess impacts of the campaign advertising separately and other changes to original guidance that are noted with relevant reasoning. Key results and final estimates for visits are shown to the nearest thousand and for expenditure and GVA in £ million to the nearest hundred thousand.

1. Establish the total population exposed to the Visit London website during a campaign

The original suggestion was to establish the total population exposed to marketing during a campaign. From the explanation above it should be clear that the absence of a strong link from traditional poster, print and media advertising materials to the website precludes using website activity as a proxy for total numbers exposed to campaign advertising. And in any case results indicate that the website also plays a significant role in addition to other information sources. This stimulates our holistic view of influences on decisions to visit and attributing returns to Visit London activity as a whole during a campaign period.

Therefore the first step that we take is establishing the total population exposed to the Visit London website during a campaign. This acknowledges that at present we are unable to measure the audience exposed to campaign materials but not to the Visit London website (but possibly to other sources) – the audience represented by Area C in Figure 2.

The total population exposed to the website is intuitively the number of unique visitors to the site during the campaign period. Initially Visit London supplied us with a figure for website hits relating to the period of peak advertising during North American Phase 17 campaign. Use of such a figure would follow from an assumed strong link from traditional campaign advertising to website activity. Without evidence of such a link and considering that we are seeking to estimate the impact of Visit London activity as a whole during the campaign period, it is more appropriate to consider the population of visitors to the site during the entire campaign period. We also need to confirm that Visit London website statistics provide numbers of unique visitors (use of a figure that includes repeat visits in later analysis could compromise the robustness of impact estimates). And in future it would be worthwhile discounting website visits that were very short.¹⁰

The total number of website visits by North Americans during the campaign period was 509,000. To facilitate assessment of the alternative ‘website only’ counterfactual position later in the analysis we estimate (using a question which asks how respondents found the website) that 423,000 website hits were not as a direct result of Visit London’s traditional campaign advertising.

The proportion of the survey sample not first finding the website from traditional poster, print and media campaign advertising is used here to estimate total hits not influenced by

¹⁰ ECOTEC reported that Visit Britain had recently reviewed the method by which it evaluates the impact of its websites. Following investigation of registrants’ web use behaviour it was decided to base the incremental spend calculations only on those unique users who had a total visit time of more than one minute, excluding those who had only visited a competition entry page.

advertising in the absence of any other evidence. This approach leads to a conservative estimate later in the analysis of the impact of advertising over and above the website alone. In reality a larger proportion of website hits may have derived from campaign advertising (for example where advertising prompts internet searches reported in the conversion survey as first routes to the website).

In future, conversion research respondents that report finding www.visitlondon.com through an internet search engine (and possibly other channels) could be questioned more deeply about whether their searches had been prompted by Visit London campaign materials. Such questioning would provide further information on which to base the estimation of website hits that were not due to traditional Visit London advertising.

2. Identify those exposed to the marketing campaign and making a visit to the region

Questions in the enhanced conversion survey supply us with the number of individuals that have made a visit to London within the last 12 months and the number who plan to make a visit in the next 12 months.¹¹ We applied the percentage of individuals reporting that they made a visit (or planned to make a visit) to estimates of the total exposed population (total website visits) to estimate the total numbers exposed to Visit London material and making a visit. Total numbers exposed and making a visit are also derived using the population of website hits not due to Visit London advertising for use later in the alternative counterfactual analysis.

Estimates of the number of individuals that made a trip within the last 12 months are considerably more certain than for those planning to make a trip and these two estimates are kept separate. To account for the uncertainty associated with planned trips and estimate how many of these trips will take place, the enhanced conversion survey asks those planning to make a visit to estimate the probability that their visit will take place. Responses to the probability question are then used to down-weight the total number of trips that were planned based on corresponding additionality weights consistent with those applied in IEF compliant evaluations.

Applying these methods and adjusting results to reflect party size and multiple visits (assessed using the conversion survey) produces **an estimate of 219,000 gross actual visits** (North Americans that made trips to London). The equivalent calculation for those planning a visit (with adjustment for the probability of visits) generates **an estimate of 216,000 gross potential visits**. Estimates based on the exposed population of website hits not due to Visit London campaign activity – for use later in alternative counterfactual analysis – were 182,000 gross actual visits and 179,000 gross potential visits. All of these estimates incorporate an average party size of just over two people and the estimates of actual visits includes an average 1.3 trips reported in the past 12 months.

¹¹ The conversion survey assessed visits that were planned for up to 12 months in the future. Our conversion research is not suited to assessing visits planned for a time horizon of more than 12 months following a campaign period, and such visits are assumed not to be additional to marketing activity.

These gross estimates do not reflect the impact of Visit London’s activity over and above what would have happened anyway or the separate impact of the website – although they are a necessary step towards the calculation of additional visits and expenditure (described below in step 4).

Box 2: Visit London’s previous conversion methodology

Discussed and discounted in step 1 above was use of the number of Visit London website hits during the peak period of campaigns as a population to which conversion survey results are applied. Such an approach was used previously to calculate the ROI from Visit London campaigns (with the assumption of a strong link between campaign advertising and website activity).

It is worthwhile recapping in full the methods used previously to estimate the return on investment to Visit London campaigns. These methods are relatively simplistic and outlining them here will further serve to illustrate the improvements that the new enhanced conversion methods represent.

To derive additional expenditure, the previous conversion method (developed by VisitBritain) multiplied the number of nights stayed by visitors due to Visit London activity with secondary ONS IPS data on average daily visitor spend (for visitors’ country of origin). The number of nights stayed by visitors due to Visit London activity was estimated in two parts:

- Nights from additional visits

Respondents were initially asked whether they had visited or made the decision to go to London in the previous 12 months. Results were used to estimate the gross number of visitors as we have done in step 2 of the new methodology. However, the previous conversion survey did not discriminate between respondents that had made a visit and those reporting that they had decided to visit. So an initial question was “Have you visited London or made the decision to go to London in the last 12 months?” – to which the respondent could answer Yes or No. In contrast to this catch-all question the enhanced conversion survey allows separate treatment of respondents that had already visited and those that were planning to visit London.

Survey respondents that answered the initial question in the affirmative were asked the original additionality question in Box 1. Proportions of responses reporting different levels of additionality together with additionality weights were applied to the estimate of gross visitors to identify total additional visits. These additional visits were then multiplied by the average number of total nights stayed and average party size – calculated from conversion survey responses – to estimate the number of nights from additional visits.

Of note, the previous questionnaire asked survey respondents how many nights they did or will stay in total without specific reference to London (although preceding questions did refer to London specifically).

- Extra nights stayed on existing visits

The previous conversion questionnaire asked if Visit London had encouraged respondents to stay longer than they had intended and if so for how many extra nights. The proportion of the sample reporting that they had stayed longer due to Visit London was applied to the population figure to estimate the total numbers of visitors that had extended their stays. The extended stays were then multiplied by the average number of extra nights reportedly stayed and average party size to estimate the number of extra nights on existing visits.

3. Assess the gross expenditure of those visiting

To estimate gross expenditure we apply average expenditure per visitor to the total number of gross actual visitors and gross potential visitors estimated in step 2. Average expenditure per visitor was calculated from the results of the enhanced conversion survey questions that asked how much respondents that visited in the past 12 months had spent on their trip in various categories and how many people the expenditure covered. In applying average expenditure to the number of gross potential visitors there is an assumption that visitors in the future will have similar spending patterns to those that have made a visit.

The enhanced conversion survey asked respondents for their expenditure in six commonly used categories: Accommodation; Eating and Drinking; Shopping; Entertainment; Transport; and Other. The pilot survey of North American visitors to London suggested that respondents are willing to respond to category of expenditure questions and provide responses that are comparable to results collected previously by the ONS IPS. Expenditure data by category facilitates estimation of the GVA impact of Visit London activity for comparison with other areas of economic development spending (discussed further below).

Our use of average expenditure derived from conversion survey respondents contrasts the previous conversion research which used secondary expenditure data (see Box 2). Use of primary data to calculate average expenditure leads to an improvement in the robustness of gross expenditure, additional expenditure and economic impact estimates (since average expenditure is also used to calculate additional expenditure within step 4 from which economic estimates follow).

For North America Phase 17 we estimate **gross actual expenditure of £189 million and gross potential expenditure of £185 million**. Not surprisingly the largest proportion of expenditure was on accommodation (36%), followed by eating and drinking (21%). As with estimates of gross visits, **the gross expenditure figures do not reflect the effect of Visit London's activity over and above what would have happened anyway**.

The enhanced conversion survey did not attempt to ascertain separately expenditure of visitors in London and the rest of the UK, and our primary assessment of expenditure is without attempting to estimate a 'London only' average expenditure figure. As such our results are comparable with those from the previous conversion research (which did not mention London specifically in a question on nights stayed from which spend was estimated).

Average expenditure in London can be estimated, however, using a split of nights between London and the UK asked for only in the enhanced conversion survey. This is a crude method and likely to underestimate average expenditure and economic benefits to London (when average expenditure is used in subsequent calculations). Nevertheless we have used average expenditure for London based on the split of nights to facilitate the most complete analysis possible of expenditure and other benefits and costs in London and the rest of the UK (see Section 6). Average expenditure per visitor is estimated at £504 in London compared with £859 in total (London and the UK).

4. Assess the additionality of visits and expenditure

This step addresses a core aspect of assessing economic impact – the extent to which this tourism activity would have happened in the absence of marketing. In the enhanced conversion research we derive additional expenditure principally by combining additional visits and average expenditure (the title of this step is appended with ‘visits’ to reflect this method). The exception is a different method used to capture spending on extended visits. We calculate additional expenditure estimates here as this seems a logical stage to do so (the methodology study suggested calculating additional expenditure in a later part of the analysis).

Described below are four key parts of the process towards final estimates of additional expenditure. The counterfactual positions referred to in the first two parts are assessed using the old and improved additionality questions described in Section 2.¹²

a. Additionality of Visit London activity as a whole during the campaign period (in comparison to a ‘do nothing’ counterfactual)

To estimate overall additional visits we applied additionality ratios (calculated from one of the two additionality questions) to the estimates of gross actual and potential visits calculated in step 2. To generate additionality ratios each response to an additionality question is assigned a value, or weight, of between zero and one to reflect the extent to which a visit would have occurred anyway – so-called deadweight. A weight of zero signals total deadweight and a weight of one complete additionality.¹³

Respondents reported a significantly greater influence of Visit London in response to the historic additionality question compared with the new style additionality question. As discussed above, the new approach is designed to assess additionality more explicitly compared with the previous question (which the pilot survey suggested was being misinterpreted). In response to the new style question there was a notably higher level of

¹² A further question in the pilot survey asked respondents to rate the influence of destination marketing in their decision to visit alongside other factors such as exchange rates and other media coverage. This approach provides a way of highlighting the relative importance of a range of factors but was not a method used to develop measures of additionality.

¹³ Weights assigned to responses from both the old and new style additionality questions correspond to those used by Visit Britain. Following National Audit Office recommendations Visit Britain count additionality question responses of ‘definitely’ as 100 per cent additional (a weight of 1), ‘probably’ as 50 per cent additional (weight of 0.5), and ‘possibly’ as 20 per cent additional (weight of 0.2).

influence reported by those planning a trip compared with those that had made a trip (although lower probability of planned trips taking place is already accounted for in step 2).

The new style question produced additionality ratios of 6 per cent and 11 per cent for actual visits and planned visits respectively. These results imply that almost 19 in every 20 actual visits and 9 in every 10 planned visits reported by respondents would have occurred anyway without any activity by Visit London. Applying the additionality ratios to the gross visits calculated in step 2 leads to **estimates of 12,000 additional actual visits and 24,000 additional potential visits – 36,000 additional visits in total**. For comparison the historic question produced additionality ratios of 43 per cent for actual visits and 38 per cent for planned visits, leading to estimates of estimates of 95,000 additional actual visits and 82,000 additional potential visits.

To calculate additional expenditure of those encouraged to visit, average expenditure per visitor (already calculated in step 3) is applied to the estimated numbers of additional actual and potential visitors. **Estimated additional expenditure was £31.4 million using results from the new style additionality question, with £10.7 million from actual visits and £20.6 million from potential visits (sum reflects rounding)**. Therefore planned visits account for more than twice as much additional expenditure as trips that have taken place. This breakdown was not available from the previous conversion research.

b. Additionality of Visit London campaign activity (in comparison to an alternative 'website only' counterfactual)

Additional visits in the alternative 'website only' counterfactual scenario we derived by applying additionality ratios from those exposed to the website only (lower than the ratios based on all responses) to the estimates of gross actual and potential visits based on website hits not due to campaign activity (figures shown under step 2).¹⁴

This calculation results in an estimate of 29,000 visits in the alternative counterfactual situation. Applying average expenditure per visitor to this estimate of additional visits produces an estimate of expenditure under the alternative 'website only' counterfactual of £24.8 million.

Subtracting these figures from the estimates of overall additional visits and expenditure above generates **estimates for the impact of campaign advertising (over and above the website alone) of 8,000 additional visits and £6.5 million in additional expenditure**.

c. Additional expenditure of those encouraged to stay longer

To estimate the additional expenditure of visitors that extended pre-existing visits as a result of Visit London activity, we applied average expenditure per night to the number of additional nights spent by those encouraged to stay for longer than initially planned.

¹⁴ The alternative counterfactual analysis was only completed using the new style additionality questions, these being considered the more robust method.

The new additionality question includes an option for respondents to indicate that without Visit London activity they would still have visited London, but for fewer nights. Respondents that select this option are then asked to estimate how many extra nights they had stayed or would have stayed (for planned visits) as a result of Visit London advertising or promotion or the www.visitlondon.com website. Responses are used with results from earlier steps of the analysis, including average party size, to estimate the number of additional nights as a result of Visit London activity. Additional nights from actual and planned visits are estimated separately.

There are issues around whether respondents are able to accurately self report information on the number of extra nights that they stayed as a result of Visit London activity. However, a practical approach is required to assess the effect of marketing on pre-existing visits and the conversion survey questions provide this.

A total of 37,000 total additional nights were estimated on actual and planned visits. Applying average expenditure per night (of £154 derived from the conversion survey) to our estimate of additional nights generates an estimate of **additional expenditure from visitors extending their stays due to Visit London of £5.7 million.**

Box 3: Methods to estimate additional nights and associated spending in the previous and enhanced conversion research

Interrogation of extra nights using the enhanced survey starts in the core additionality question. This new approach should help respondents to pinpoint Visit London's influence more effectively and avoid double counting of Visit London's additional effects that may have been an issue with the previous conversion methods. In the past, questioning around extra nights was completely separate from the core additionality question.

Since it is not possible to maintain the previous questioning approach for extra nights in the enhanced survey (where the new approach has taken its place) results for extra nights influenced by Visit London from the old and new methodologies are not comparable. Estimates of additional nights (and related spend) derived from the new approach are significantly lower than those from the previous methodology for a similar sized North American campaign (Phase 13). The previous approach produced an estimate of 167,000 extra nights stayed by North Americans due to Visit London activity. The lower extra nights figure from the new methodology of 37,000 principally reflects the new, more stringent questioning approach.

Although the new approach provides a more robust measure of extra nights and should be used going forward, the new estimates can be factored up for comparison with extra nights derived previously. Based on the figures above for similar North American campaigns, a factor of 3.5 can be applied to new estimates of extra nights for comparison with estimates derived from previous conversion research.

d. Final expenditure estimates and adjustment for non-response bias

Adding additional expenditure of those encouraged to stay longer to that from those encouraged to visit produces an estimate for total additional expenditure of £37.1 million. To this figure we apply Visit Britain's correction for non-response bias until improved evidence becomes available to test this effect (as per a recommendation by ECOTEC). Applying Visit Britain's downward adjustment of 20 per cent to additional expenditure generates a **final estimate of £29.6 million for overall additional expenditure**. Based on the impact of campaign advertising over and above the website alone, additional expenditure incorporating the VisitBritain downward adjustment is estimated at £9.8 million.

We have applied proportions of gross expenditure by category (calculated in step 3) to these final expenditure estimates in order to produce additional expenditure figures by category (which are used to convert expenditure estimates into GVA in step 7).

5. Assess displacement

The methodology study highlighted that some consideration should be given to what visitors might have done if they had not visited the destination being advertised. If the effect of destination marketing is to encourage visitors to visit one UK region over another, then no additional expenditure has been attracted to the UK.

The enhanced conversion survey should include a question asking whether visitors would have visited another destination in the UK if they had not visited London. However this question was omitted from the enhanced conversion survey relating to the North America Phase 17 campaign. It is unlikely that this omission will significantly affect final results of the evaluation of this campaign because the majority of North American visitors are likely to visit London when travelling to the UK. The displacement question should be included in future conversion research with options for the likelihood that respondents would have visited somewhere else in the UK if not visiting London.

6. Evaluate crowding out

If destination marketing encourages visitors to visit during peak periods (such as the summer or weekends) when the capacity of the tourism sector can be limited, then other visitors may be 'crowded out.' Likewise, increasing tourist numbers might encourage residents to avoid busy areas of the region, potentially crowding out spending to other areas (although it is likely that such expenditure will be displaced to other parts of the region).

Crowding out is potentially an issue in assessing the net economic impacts of destination marketing and so important to acknowledge. However, we do not have a robust methodology available for systematically estimating crowding out effects owing to their broad scope. The methodology study encouraged examination of the distribution of visits over time to identify how far those encouraged to visit do so during peak periods. This is therefore an area for future research which could be aided by sources such as hotel demand studies.

7. Convert expenditure to GVA

Not all expenditure attracted to the region will represent an economic impact in terms of GVA, as firms will need to procure intermediate inputs (such as the case of a restaurant procuring ingredients) needed to satisfy the demand from visitors.

Estimates of additional expenditure attracted to the region are converted into estimates of GVA using ratios of GVA to turnover from the ONS Annual Business Inquiry and its replacement the Business Register and Employment Survey. Ratios for industry sectors are applied to corresponding additional expenditure estimates by category (from step 4). Following these calculations the **overall additional GVA associated with the North America Phase 17 campaign is an estimated £11.2 million. Additional GVA from campaign activity alone was an estimated £3.7 million.**

These figures are based on estimates of additional visitor expenditure (excluding Value Added Tax (VAT)). It is not standard practice for GVA measures to include tax which is normally assessed at the national level and will be considered separately in cost benefit analysis in Section 6.

Although we have relied upon ONS ratios to convert expenditure to GVA this is a simplified approach. In future, a favoured approach is to convert expenditure to GVA using a Tourism Satellite Account (TSA) when a suitable version is available from the ONS.¹⁵ An experimental UK TSA was published in October 2010. Future evaluations in this area should investigate whether it is appropriate to convert expenditure estimates to GVA using this method.

8. Assess leakage and multiplier effects

In our calculations we have assumed that leakage is zero. This is mainly because we have calculated the impact to both London alone as well as to the UK as a whole. As a result, whilst there may be further leakage (of visitors spending monies outside of London whilst staying in London) this may, to some extent, be offset by visitors spending money in London whilst staying outside of London.

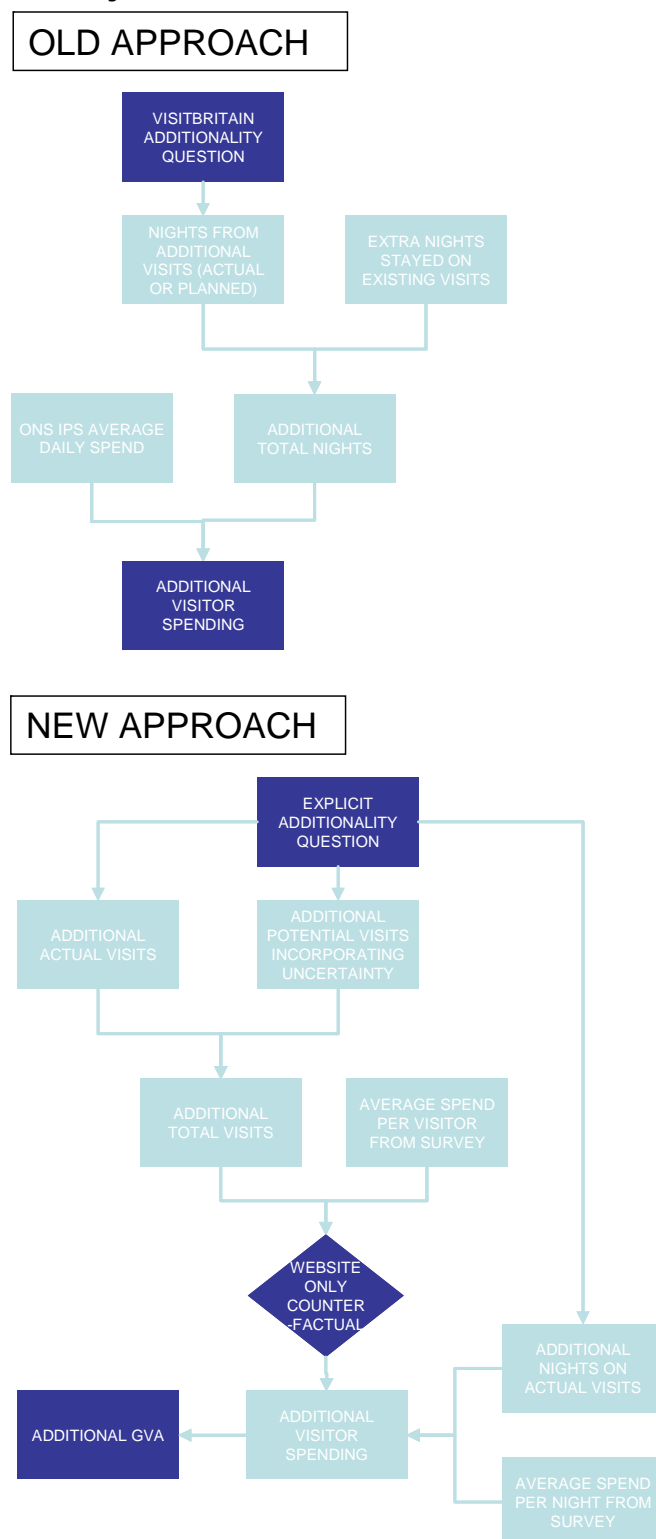
In order to satisfy the additional demand associated with visitors, businesses need to procure additional inputs. To the extent that these inputs are procured from other firms based in the region concerned, this can generate further spinoff benefits in terms of additional sales, GVA and potentially employment. These spinoff benefits are termed 'multiplier effects' and are accounted for in some evaluations by expanding initial additional GVA estimates by factors that are thought to represent the scale of the effects.

Multipliers have not been applied in this work since there is little evidence of under utilised capacity in London (necessary if multiplier effects are not to simply crowd out existing activity) and the application of non-tourism specific multipliers undermines the robustness of the analysis.

¹⁵ A TSA reconciles the demand and supply sides of tourism activity and provides a means of quantifying the economic impact of tourism within a National Accounting Framework.

Alongside leakage and multiplier effects, the methodology study also highlights the issue of persistence of benefits. Impacts of destination marketing should be assumed in general to be temporary when using the conversion approach which focuses mainly on short-term effects. There is the potential for tracking studies to be used to assess the strength of long-term effects through brand building, although this is generally outside the scope of conversion studies.

Figure 5: Key stages of analysis within the old and new conversion approaches



Summary of results from estimation of visits, expenditure and economic impacts

Table 1: Headline results for each stage of the North America Phase 17 analysis

UK level analysis, expenditure and GVA figures in £ millions. Figures may not sum due to rounding.

	Total	Campaign only
Step 1		
Population exposed to the Visit London website	509,000	86,000
Step 2		
Gross visits		
Actual	219,000	-
Potential	216,000	-
Total	435,000	-
Step 3, Gross expenditure (£ millions)		
Actual	189	-
Potential	185	-
Total	374	-
Step 4 (based on results from new style additionality question)		
Additional visits		
Actual	12,000	3,000
Potential	24,000	5,000
Total	36,000	8,000
Additional expenditure		
Actual	10.7	2.3
Potential	20.6	4.3
Total	31.4	6.5
Additional nights and expenditure of those encouraged to stay longer		
Nights	37,000	-
Expenditure	5.7	-
Total additional expenditure	37.1	12.2
Visit Britain non-response bias adjustment	-20%	-20%
Total additional expenditure adjusted for non-response bias	29.6	9.8
Percentage of expenditures eligible for VAT	50%	50%
VAT rate	17.5%	17.5%
Final additional expenditure with VAT removed	27.1	8.9
Step 7, GVA		
Total additional GVA	11.2	3.7

Source: Visit London enhanced conversion survey and GLA Economics calculations

6. Overall value for money

This section assesses the overall value for money of Visit London activity that took place during the North America Phase 17 period using estimates of costs and expenditure-related benefits estimated in the previous two sections. The value for money assessment also takes account of other wider effects of destination marketing activity within a CBA framework. Like the analysis thus far wider costs and benefits considered here are not indicative of all Visit London activity, being based on preliminary results relating to a single campaign period.

Key categories of cost and benefit (from the methodology study) are summarised in Table 2. The table indicates whether it is possible to quantify each category of cost or benefit at the present time. Only a limited number of areas can currently be quantified in monetary terms, reflecting the less tangible and measurable nature of some wider costs and benefits and a lack of reliable data.¹⁶ However it is still important to recognise those areas of impact that cannot be monetised but which could influence policy decisions.

CBA based on only a limited number of impacts that can be quantified should be regarded as partial (particularly in relation to benefits and disbenefits) but nevertheless increases our understanding of a wider range of impacts. ECOTEC identified a number of areas of impact that could not be quantified but have potential as the subject of case studies which are a possible area for future research.

Table 2: Cost benefit analysis framework for evaluation of tourism marketing

Costs	Estimation
Direct cost of activity	Quantified (data from DMOs)
Additional consumption of public services	Case study potential
Benefits / disbenefits	Estimation
GVA associated with visitor expenditure	Quantified (enhanced conversion study)
Un-priced user benefits	Case study potential
Crowding-out of consumption	Potential consideration
Exchequer receipts	Quantified (enhanced conversion study)
Viability of services	Potential consideration
Degradation of environmental assets	Case study potential
Congestion	Case study potential
CO2 emissions associated with travel - cost benefit analysis to be presented with and without (policy implications)	Quantified (enhanced conversion study)

Source: ECOTEC

Along with costs incurred by Visit London and GVA associated with additional expenditure, there are two other areas of impact that can be quantified using results from the enhanced conversion survey; exchequer receipts and carbon costs. Several questions were included in

¹⁶ Monetisation of wider effects of an intervention is merely a way to facilitate common comparison within CBA in order to quantify impacts on a like-for-like basis.

the survey with the express intention of gaining results that would facilitate the estimation of these two areas of impact.

The methodology study indicated that cost benefit analysis should be presented with and without the inclusion of carbon costs to highlight the impact of including these costs in the policy and decision-making process. This suggestion is followed in the CBA presented below. Policy and decision makers may choose to utilise the analysis with or without carbon costs depending on their view of how carbon emissions from tourism-related transport (particularly air transport) should be incorporated within efforts to reduce overall carbon emissions globally.

Exchequer receipts

Exchequer receipts are generated through VAT and Air Passenger Duty. We include exchequer receipts in CBA below for the national level only (as noted in the methodology study).

We calculated GVA estimates based on additional visitor expenditure excluding VAT. The VAT paid by overseas residents originating from within the EU and a proportion of that paid by overseas residents from outside of the EU represents exchequer benefits that can be included in the CBA. Residents of non-EU countries can potentially claim back the VAT paid on their purchases and this is also accounted for in the CBA.

VAT receipts for inclusion in the CBA are estimated by multiplying additional expenditure by the VAT rate and the percentage of expenditures eligible for VAT, and subtracting a proportion of the VAT that was reclaimed based on results from a relevant conversion survey question. In our analysis there is an assumption (suggested by ECOTEC) that 50 per cent of expenditures are not eligible for VAT, intended to provide a conservative estimate of the overall level of VAT receipts. Based on conversion survey results we estimate that 10 per cent of VAT is reclaimed.

Additional VAT relating to North America Phase 17 was an estimated £2.4 million based on overall additional expenditure. This estimate incorporates a disbenefit from reclaimed VAT of £0.3 million. The additional VAT benefit from campaign activity alone is an estimated £0.9 million accounting for a £0.1 million reclaim.

Overseas visitors that are attracted to London as a result of destination marketing pay Air Passenger Duty to the exchequer on return flights home. The Duty is not captured in the estimates of additional expenditure and GVA calculated previously since the conversion survey does not capture the costs of travel to and from London (only costs of travel whilst visitors are in London).

When estimating these Air Passenger Duty receipts we assume that all additional visits are on airline seats for which lower Duty rates apply (typically economy class), and use rates that were in operation from November 2009 to October 2010 for actual visits and rates since November 2010 for potential visits. The estimated Air Passenger Duty associated with the

campaign period is £2.4 million based on overall additional visits and £0.5 million based on campaign activity alone.

Taking additional VAT receipts and Air Passenger Duty together provides estimates of total **exchequer receipts of £4.8 million from overall Visit London activity and £1.3 million based on campaign activity alone.**

Carbon costs

Where visitors have been encouraged to visit a location as a consequence of destination marketing there is a social cost in terms of the carbon emissions associated with land, air and sea transport (air transport in the case of North American visitors). The methodology study suggested that the CBA should value CO₂ costs in line with Department for Energy and Climate Change (DECC) guidance on carbon valuation published in July 2009.¹⁷

Estimates of CO₂ costs are made with respect to additional visits although the level of emissions associated with visitors coming to London varies by both distance travelled and mode of transport. The enhanced conversion survey includes questions on visitor origins and modes of transport (air transport in this case) in order to assist the estimation of carbon emissions from additional visits.¹⁸

Average carbon emissions per visitor are estimated from the conversion data and government data on CO₂ emissions per mile by mode of transport, and combined with earlier estimates of additional visits to estimate additional carbon emissions (measured in tonnes). The estimated total emissions are then applied to social cost of carbon figures available from DECC to monetise the cost of emissions associated with marketing activity.

Using these methods, **carbon emissions associated with North America Phase 17 activity are £1.3 million based on overall additional visits and £0.3 million based on additional visitors from campaign activity.**

Cost benefit analysis

Table 3 summarises the benefits and costs relating to the North America Phase 17 campaign period from the UK's perspective. Benefits and costs are shown for overall activity in the campaign period and in relation to campaign activity over and above the website. Separate consideration of campaign activity involves subtracting benefits and costs associated with the website only counterfactual from the benefits and costs relating to overall activity. Discounting has not been applied to values in Table 3 given that effects measured using the conversion approach are all short-term.

¹⁷ Air transport will not join the Emissions Trading Schemes until 2013/14, so we use DECC values for non-traded emissions within the CBA until this point.

¹⁸ The enhanced conversion survey asked North Americans to specify which state or province they had travelled from if taking a trip to London, for which distances to London were identified using on-line tools.

Table 3: Summary of benefits and costs relating to the North America Phase 17 campaign (£ millions), UK level analysis

	From overall activity	From campaign activity separately
Benefits		
GVA from expenditure	11.2	3.7
Exchequer receipts	4.8	1.3
Total benefits	15.9	5.0
Costs		
Campaign costs	1.4	1.4
Indirect costs (additional)	0.6	0.3
Carbon costs	1.3	0.3
Total costs		
Including carbon costs	3.3	2.0
Excluding carbon costs	2.0	1.7

Source: Visit London enhanced conversion survey and GLA Economics calculations

Significantly reduced benefits for campaign activity only reflect our analysis based on the conversion survey which shows that the majority of visits would have happened anyway had the website been operating without the presence of campaign activity. In the website only scenario naturally there would be no campaign costs incurred and so these costs are fully counted when assessing campaign activity separately.

And we assume that under the website only counterfactual the indirect costs relating to North American leisure marketing are 50 per cent of those incurred when the campaign is also delivered. In other words the assumption is that half of indirect costs relate to Visit London's internal management of the campaign. When assessing campaign activity separately we therefore subtract 50 per cent of the indirect costs associated with the overall North American leisure marketing. We make this assumption in the absence of any clear information regarding the resource within Visit London that goes towards supporting campaigns. This information is sought for future evaluations.

Tables 4 and 5 show the benefit cost ratios (BCRs) and Net Present Values (NPVs) that we have derived in relation to overall Visit London activity and campaign activity respectively. A BCR represents the average return on every £1 of public investment in a project and provides a useful gauge of value for money including between different types of government interventions. Alternatively the NPV shows the difference between monetised benefits and costs over the course of the intervention.

Measures are shown separately for analysis undertaken at the UK and London levels. The measures for London differ from those for the UK in that they do not include exchequer receipts and are based on GVA benefits derived from estimated average expenditure per visitor in London only and not the whole of the UK. As discussed previously in section 5 (step 3), the method by which average London expenditure has been estimated is crude and

likely to underestimate average expenditure and economic benefits to London. As a result the figures here may underestimate returns to London versus those for the UK as a whole.

Table 4: BCRs and NPVs associated with overall Visit London activity in the campaign period

	UK level	London level (excluding exchequer receipts and Rest of UK spend)
BCR		
Including carbon costs	4.8	2.0
Excluding carbon costs	8.1	3.3
NPV (£ millions)		
Including carbon costs	12.6	3.3
Excluding carbon costs	14.0	4.6

Source: Visit London enhanced conversion survey and GLA Economics calculations

It is worthwhile stressing again that the evidence here is preliminary so caution is advised when interpreting the BCRs and NPVs until further evidence becomes available. These results should be viewed very much as a start towards further research into the value for money of this area of public spending, for which evaluation has generally been neglected.

Whether considering overall Visit London activity or campaign activity separately, the BCRs are significantly lower than those that were typically attributed to campaigns from previous conversion research. As stated previously the conversion method from which previous results were derived is not considered robust.

Table 5: BCRs and NPVs associated with separate campaign activity

	UK level	London level (excluding exchequer receipts and Rest of UK spend)
BCR		
Including carbon costs	2.5	1.1
Excluding carbon costs	3.0	1.3
NPV (£ million)		
Including carbon costs	3.0	0.2
Excluding carbon costs	3.3	0.5

Source: Visit London enhanced conversion survey and GLA Economics calculations

The higher BCRs and NPVs for overall activity during the campaign period principally relate to the impact of the website – something which is evidenced by the lower results shown in Table 5 for the separate impact of campaign activity. However, **the additional impact of the website also requires further investigation** that is beyond the scope of this paper but which we can pursue in future research (possibly as part of an annual evaluation).

The current results do, however, encourage further thinking about the relative returns from campaign and website or other digital activity. This is likely to be an issue of concern for the

new London & Partners agency when seeking to maximise value for money whilst having to be selective about its tourism leisure marketing campaigns and other promotional activities.

Variation between the returns estimated at the London and UK levels reflects both the treatment of exchequer benefits and average expenditure per visitor in calculations. The returns are also sensitive to the inclusion of carbon costs. We suggest that the central estimate should be that at the UK level and including carbon costs, although policy makers will hold their own views on which estimates are most appropriate.

Our suggested central estimate still represents good value for money relative to other public sector economic development interventions. To put the BCR estimate of 4.8:1 in the context of other LDA interventions, a recent £4.6 million employment project (Matching People) returned 1.4:1 and a £3.5 million business support project (Enhance) returned 1.9:1.

7. Conclusions

This paper has presented an improved approach to assessing the value for money of Visit London leisure marketing activity using the findings from the methodology study, enhanced conversion research and new approaches that we have developed to analysing the data.

Following the analysis we conclude that effects of destination marketing cannot be assessed in a robust or realistic way without considering a holistic view of influences on decisions to visit. When taking this holistic view it is then possible to begin to assess the impact of campaign activity separately from the role that a website alone plays in attracting additional visitors. From the cost benefit we have found that the value for money of Visit London activity is markedly lower than previous estimates, although a suggested central estimate still represents good value for money relative to other interventions. However, value for money measures also depend significantly on whether costs and benefits are analysed from a UK or a London perspective, and whether carbon costs are taken into account.

To reiterate this analysis relates to only one campaign and only a small proportion of Visit London's total expenditure. Therefore results should be treated with caution until more data becomes available and whilst we continue to develop the new methodology. As more data becomes available the suggestion is that results relating to all campaigns over a year form the basis of an annual evaluation of tourism marketing. Such an annual evaluation will capture costs and benefits of other non-campaign related activities, such as business-to-business marketing and account management activities to attract major conferences and events to London.

This work produced numerous recommendations which are listed in full in Section 8. The foremost of recommendations include pursuing other information sources to help assess the scale and characteristics of the population exposed to Visit London campaign advertising but not to the www.visitlondon.com website (a major weakness of current evaluation methods).

A further key recommendation is to apply key lessons and methods from this research to other tourism marketing activities and other strands of promotional activity (for example those to attract inward investment and overseas students) in the new single agency for London. The goal is to improve the evidence to help allocate public funding to and between promotional activities. Results in Section 7 showing returns from Visit London's overall and campaign activity respectively are an example of information that could be used in future decision making. It is also recommended that the methods developed here be adopted by the national tourism agencies (VisitBritain and VisitEngland), replacing the previous (less robust) conversion approach and enabling benchmarking and comparison.

Above all this paper attempts to stimulate further evaluation research on destination marketing that can help to inform future investment decisions amongst promotional activities. The paper has not been written with comprehensive knowledge of advertising theory or models and these are areas in which the expertise within Visit London and other promotional bodies is sought to expand the usefulness of future evaluations.

8. Recommendations

Evaluation approaches presented in this paper and those relating to destination marketing in general should be recognised as developmental. It should not be surprising therefore that a list of recommendations for future research is extensive. The consolidated recommendations below focus on detail within the new methods.

- Pursue other information to help assess the scale and characteristics of the population exposed to Visit London campaign advertising but not to the www.visitlondon.com website.
- Follow up with non-respondents and re-interview those that were planning visits as per the ECOTEC recommendations.
- Shorten the time-lag between campaigns period and the conversion surveys with which they are assessed to six months.
- In future periodic research consider the counterfactual situations for Visit London and other promotional activities more thoroughly than is possible with the conversion methods – particularly the role of the website and its content – and adjust conversion results if the research indicates this is necessary.
- Further test conversion survey respondents' understanding of the new and old questions to validate the new questioning approach and identify any adjustments as appropriate.
- Monitor the potential of the London Visitor Survey or other appropriate surveys to create an adjustment factor to estimate the impact of Visit London activity on the whole audience exposed to destination marketing (not only those that interacted through the website).
- Gain more detailed information regarding the concentration of advertising within campaign periods (if the advertising is not uniform over time) and append conversion survey results with dates during the campaign period on which respondents registered on the Visit London website.
- Do further checks to ensure that the website statistics provide numbers of unique visitors (not including repeat visits) for use in impact calculations and discount website visits that are very short (in line with Visit Britain's approach).
- Test the sensitivity of findings for additional spending and economic impacts to estimates of the exposed population and other data sourced from the conversion survey.
- In future conversion research, question respondents that report finding www.visitlondon.com through an internet search engine (and possibly other channels) more deeply about whether their searches had been prompted by Visit London campaign materials.
- Automate as far as possible processes for analysing conversion survey data to produce estimates of economic impact (drawing on IT support as required). Methods to analyse this first set of enhanced conversion data are deliberately detailed to investigate all of the issues that may effect robustness of results.
- In relation to crowding out, examine the distribution of additional visits over the year to identify how far those encouraged to visit do so during peak tourism periods.
- Investigate research into the timing of advertising and brand building effects to consider longer-term impacts. Also to evaluate whether 6 or 12 months is an appropriate length of time to allow for advertising effects before implementing conversion surveys.
- Consider case studies for areas in the CBA framework that could not be quantified by which according to ECOTEC have case study potential.

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Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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