GLAECONOMICS

Appendix 2

Working Paper 61

London & Partners Evaluation Methodology Study

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Contents

Executive summary

A core aim within evaluation of publicly funded programmes and organisations is to determine the value for money and the additionality of intervention. This paper describes the work undertaken by London & Partners and GLA Economics to embed methodologies to evaluate the work done by London & Partners, the Mayor of London's official promotional agency, across its five major business lines. It proposes methods of best practice in evaluation of tourism, major events, foreign direct investment and higher education promotion and outlines the work undertaken since the establishment of London & Partners in refining approaches to the evaluation and estimation of value for money.

1. Introduction

London & Partners is a private company, managed by a board of senior London business people and one Mayoral representative. The organisation is funded by the GLA and a network of commercial partners. It was launched in April 2011 as the umbrella agency for the promotion of London. London & Partners was formed through the merging of London's international promotion agencies previously funded by the London Development Agency – these included Visit London, the body designed to promote the capital as a leisure and business tourism destination; Think London, the organisation supporting foreign direct investment in London; and Study London, the body designed to promote London as a location for international students.

Previously these three functions were located within the London Development Agency, the Regional Development Agency for London. In 2010, the Coalition Government announced that the Regional Development Agencies (RDAs) were to close by March 2012; as such a strategic decision was made to establish a single body to promote London, so as to benefit from economies of scale in resources and improve return on investments when marketing the capital.

London & Partners promotes London to international and domestic audiences across five main areas:

- Leisure tourism – promoting London as the leading destination in the world for leisure tourists
- Business tourism – promoting London as a location for corporate events and association conferences
- Major events – bidding for internationally mobile major sporting and cultural events and supporting event organisers to grow existing events
- Inward investment – working with foreign investors to encourage them to choose London as a location for business expansion
- Higher education – promoting London as the leading destination for prospective international students.

London & Partners receives grant funding from the GLA in excess of £10 million annually to undertake programmes designed to promote London; this is complemented through leveraged commercial income, matched funding and benefits in kind.

Given the need to show what return on investment was being delivered on public funding; London & Partners developed its capabilities in economics and evaluation. The aim was to establish robust methodologies to evidence the value for money and the additionality of investment. Methodologies comply with best practice and the principles set out in the HM Treasury's "Green Book" and "Magenta Book"; and the Department for Business, Innovation and Skills' "Impact Evaluation Framework". Evaluation is embedded in London & Partners' operations as part of the ROAMEF project lifecycle[1].

The methodologies described in this paper and adopted by London & Partners have been aligned (when applicable) to national best practice in evaluation. Round table sessions with

[1] ROAMEF is the acronym for Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback. Referenced in "The Green Book: Appraisal and Evaluation in Central Government", HM Treasury, page 3.

London & Partners' national counterparts were held at the inception of the evaluation programme with the explicit aim of sharing approaches. Some of the approaches subsequently developed are entirely new (where no established methodologies existed) and have been recognised by national agencies and central government as best practice. The dialogue with national counterparts is ongoing. Both London & Partners and GLA Economics are members of the national tourism bodies' Evaluation Interboard Steering Group, along with Visit Britain, Visit England, Visit Scotland, Visit Wales and the Northern Ireland Tourist Board. This group meets on a bi-annual basis (or more frequently) to share best practice and build common approaches towards evaluation of promotional activities.

This paper is designed to provide the rationale behind the investment in international promotion and marketing activity and to outline the work undertaken by London & Partners and GLA Economics to develop the approaches to evaluation as well as to embed these processes within the day-to-day activity of London & Partners. Each business line is discussed in turn, starting from the assessment of market failures and the rationale for intervention, then outlining the methodologies used to assess the impact of London & Partners' activity. Finally, the paper explores areas where future work will be undertaken to further enhance monitoring and evaluation, and discuss the returns on investment from London & Partners' activities, measured with the methodological approaches covered in the previous sections.

2. Leisure tourism

a) Background

London & Partners promotes London as a world-leading visitor destination to established and emerging markets.

The team carries out marketing and promotional activity to encourage potential visitors to make trips they would not have otherwise made. This includes running the website www.visitlondon.com, which is the official destination marketing platform for London and which attracts 24 million unique visitors every year. As well as its extensive reach, visitlondon.com generates more than £6.5m in sales per annum. The visitlondon.com team works closely with commercial tourism partners to promote their services to key markets in the UK and internationally.

The site (and associated digital channels) deliver economic benefits for London and generate revenue through e-commerce and advertising. The website provides extensive and relevant content and engages audiences via competitions and interactive digital campaigns.

Digital activity is complemented by work with the travel trade (this refers to travel agents, tour operators and wholesalers) to influence visitors who don't book directly but use intermediaries to plan and buy travel services.

b) Rationale for intervention

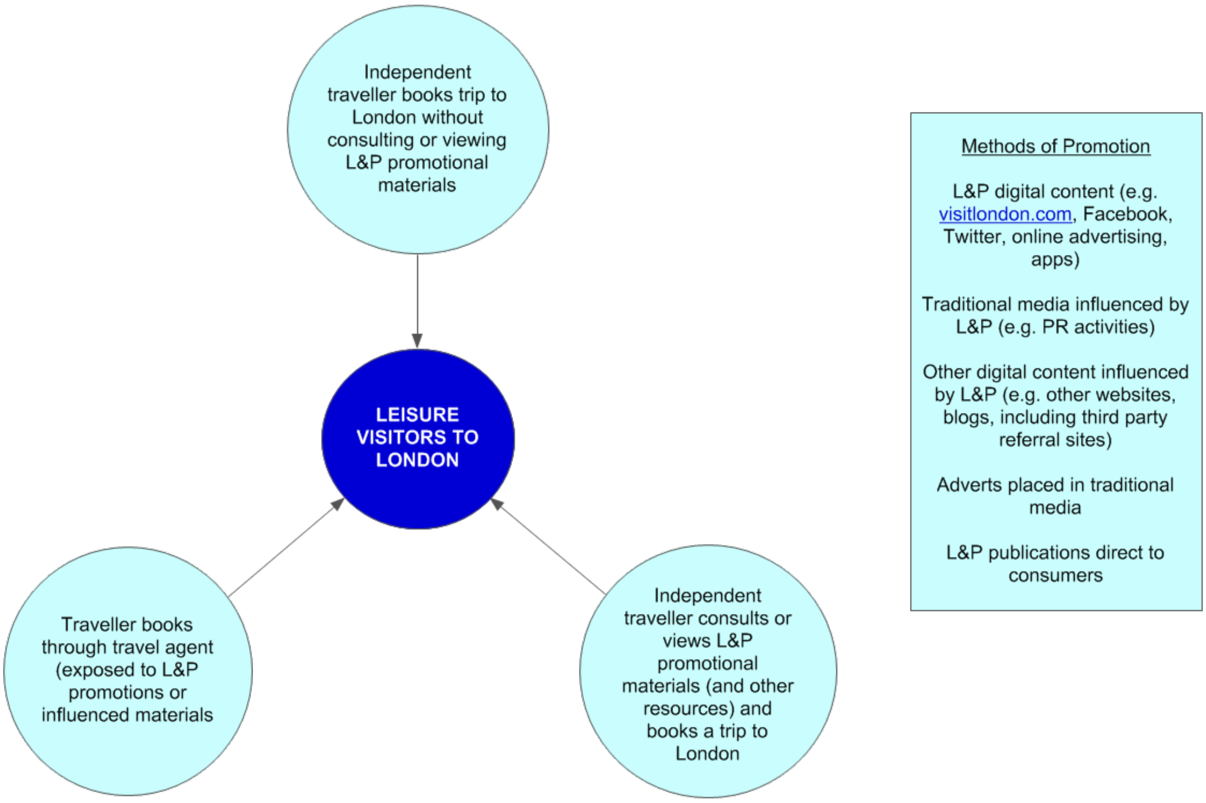
London's marketing activity has shifted from billboard publication based advertising campaigns, towards more digitally focused, ongoing promotional activity. Despite this change, the intervention logic for leisure tourism remains the same as described in previous GLA Economics publications[2]. Activity from visitlondon.com aims to correct information and co-ordination failures. Firms have little or no incentive to promote London's brand and to invest in a destination marketing strategy. This is because they cannot capture the full benefits of destination marketing as visitors' spend is spread across a range of firms. Without public sector intervention, the market would lead to an under-investment in promoting London's brand. Information failures consist of tourists and travel trade operators not being fully aware of London's offer for leisure tourism purposes, which might prevent a portion of them from considering or selling London as a holiday destination.

The following diagram outlines the potential entry routes for leisure visitors into London. It demonstrates that there are essentially three main routes into London; independent travellers who see promotional material and then book a trip to London; visitors who come to London through travel agents; and independent visitors who decide to visit London without being influenced by promotional material.

Evaluation activity conducted at London & Partners has the aim of understanding the portion of those users that are effectively influenced by visitlondon.com messages and digital content.

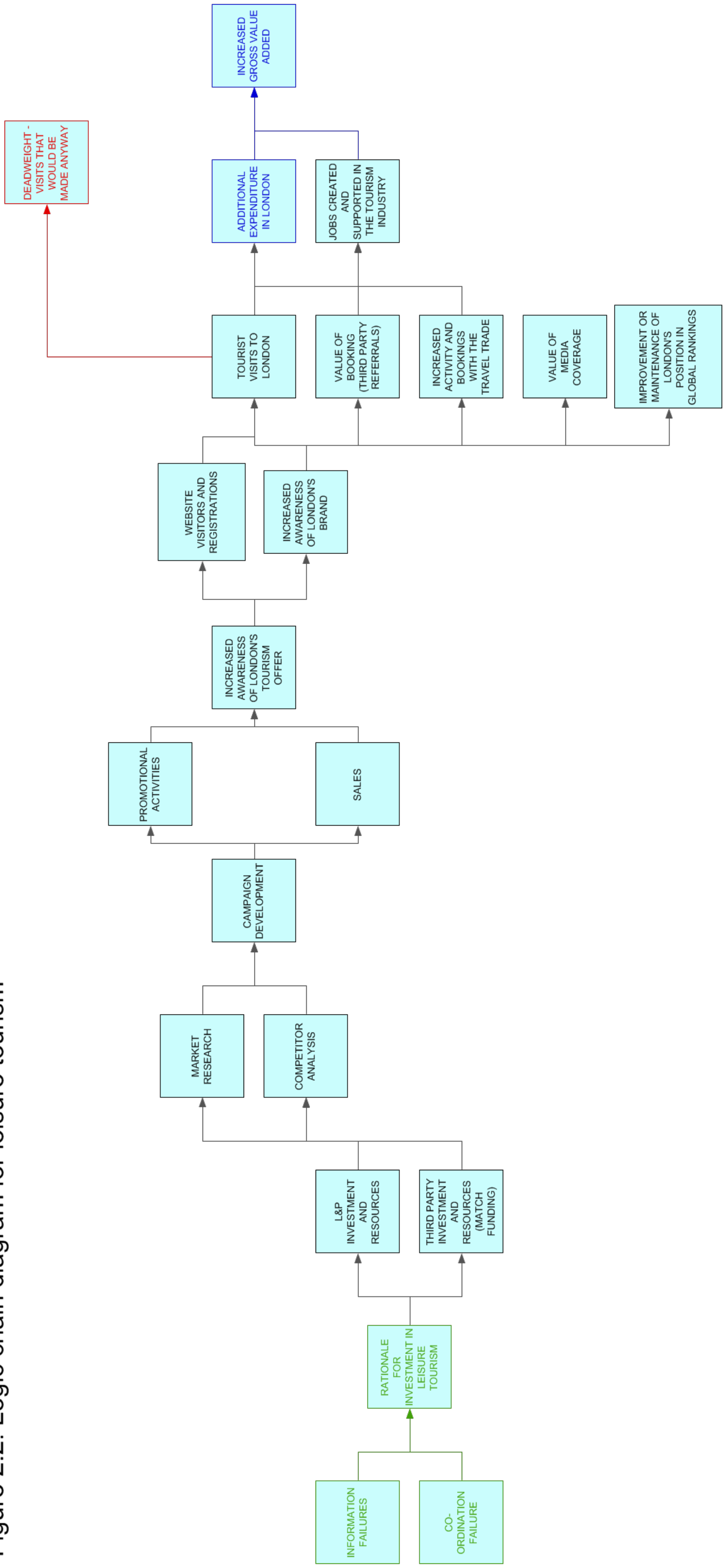
[2] GLA Economics Working Papers 46 and 54, relating to the evaluation of Visit London campaigns; (2011, 2012)

Figure 2.1: Entry routes to London for leisure tourists



The following diagram is a logic chain which illustrates how the activities of visitlondon.com can address market failures, encourage additional tourists to visit London and lead to positive economic impacts.

Figure 2.2: Logic chain diagram for leisure tourism



c) Evaluation methodology

The methodology to estimate the impacts of the activities briefly described in the previous section builds upon the most credible and conservative evaluation approaches published by the former RDAs and GLA Economics[3] and it is grounded in an extensive academic literature review on measuring the economic impact of destination marketing activity. London & Partners, jointly with GLA Economics, extended and adapted these methodological approaches across different marketing activities and all markets interacting with visitlondon.com.

In line with previous studies and with the approach used by other National Tourism Boards, the economic impact of visitlondon.com digital marketing and campaign activity is measured via "conversion research". This consists of surveying a sample of website users who have interacted with the main visitlondon.com website and campaign microsites to estimate the conversion from website visits into real visits to London. The samples were sourced as follows:

- For the visitlondon.com website: sample sourced from those visiting the website who left their email address via pop-up messages, and users previously registered to enter competitions
- For campaign activity: sourced from those who registered their details on the campaigns' microsites during campaign periods and re-contacted 6 – 8 months after the end of the campaigns.

The survey, sent via email, is designed to establish what percentage of respondents have visited or plan to visit the capital following their interaction with visitlondon.com digital channels; the typical length of stay, party size, number of trips made to London; and the influence of visitlondon.com marketing activity. The survey is translated into the languages of visitlondon.com's main audiences (ie, French, German, Italian and Spanish) to increase response rate and to improve the understanding of questions and the accuracy of the answers collected.

At the core of this evaluation is the estimation of the additionality of London & Partners' promotional activities; ie, the extra benefits that accrue as a direct result of these activities, over and above what would have happened anyway.

i) Population and sample sizes

The estimation of the total population using visitlondon.com and exposed to campaigns varies depending on the activity measured.

For overall digital marketing activity (www.visitlondon.com):

Unique visitors to the website are the population used to estimate the economic impact of visitlondon.com digital marketing activity. Numbers are sourced using Google Analytics and are available by individual country markets.

The number of unique visitors, which is used as the measure of the population, only takes account of multiple page visits. Users who visit one visitlondon.com page only and then leave the website are discounted (known as the "bounce rate"). The assumption is that they have not been engaged sufficiently with visitlondon.com to have been influenced to make a visit to the

[3] Key references include: "Destination Marketing and Promotion: Economic Impact Methodology Study", ECORYS (formerly ECOTEC), (2010); and GLA Economics Working Papers 46 and 54, relating to Visit London campaigns (2011, 2012).

capital. By adopting this assumption, unique visitors were discounted by a factor averaging 59 per cent across markets in financial year (FY) 2012/13. Following improvements made on the visitlondon.com website in September 2013, the bounce rate has reduced and the associated discounting factor is currently 53 per cent on average.

For "Limited Edition London" campaign:

"Limited Edition London" (LEL) was a multi-media campaign with the aim of counteracting displacement before the Olympics[4]. The online campaign was integrated into the main visitlondon.com website and key to the estimation of the economic impact was the need to distinguish organic clicks to the website (for example, those who visit the site out of curiosity) from those related to the actual marketing campaign. To evaluate the economic impact of LEL, we used the same discounting process as described above, but referring to the unique visitors made during peak periods of the campaign activity (September 2011 – June 2012). The population was further discounted by the percentage of users surveyed who did not recall any campaign images: this percentage ranged from 64 per cent to 83 per cent depending on markets. By pursuing this further discounting factor, we were able to separate organic traffic from campaign-related traffic.

For "London Now See It For Yourself" campaign (LNSIFY):

The campaign was launched following the Olympic and Paralympic Games which offered a unique opportunity to showcase London internationally. The success and popularity of the Games also contributed to shifting perceptions of London and the UK as international audiences discovered London's warm welcome and creative talent. The campaign was designed to capitalise on this positive impression of London and encourage visitors to come and experience the city in person.

This campaign was hosted on an independent microsite. The population used for the analysis was the number of unique multiple page visitors to the microsite. Due to the nature of the microsite, bounce rate was defined as a visit to the microsite where the user did not click on the buttons on the video overlay to progress through to the map. Once again, this behaviour was regarded as indicative of minimal engagement, not sufficient for claiming attribution on bounced visits. For the evaluation of this campaign, questions asking respondents to recall images from the campaign were not used as a discounting variable, as only visits to the campaign microsite were included.

Table 2.1 shows the split of respondents by markets, by channels and by different campaigns. The good spread of respondents across the main visitlondon.com markets and target markets for all the activities evaluated (excluding social media), created sufficient sample sizes allowing for robust analysis and estimation of returns per markets.

[4] The rationale behind this is that visitors may delay visits to London until or after the 2012 Olympic Games. This campaign encouraged visitors to come to London beforehand.

Table 2.1: Proportions of website and microsite visitors by country

Country	Website visitors (intercepted via pop-ups)	Users registered during LEL campaign period	Users registered during LNSIFY campaign period	Twitter users	Facebook users
Australia	4.5%	9.7%	6.9%	2.0%	2.5%
Belgium	1.2%	0.6%	0.4%	1.4%	1.0%
Canada	3.5%	2.7%	1.8%	1.4%	3.0%
France	3.1%	3.6%	8.3%	2.7%	1.5%
Germany	2.4%	3.9%	4.6%	6.1%	10.4%
Great Britain	30.9%	18.0%	9.9%	29.3%	9.0%
Ireland	1.2%	0.6%	0.4%	1.4%	0.5%
Italy	7.5%	10.8%	27.7%	1.4%	14.4%
Netherlands	1.0%	0.2%	0.3%	1.4%	2.5%
Spain	5.9%	3.7%	10.3%	4.1%	4.5%
USA	23.4%	38.5%	24.9%	21.1%	18.4%
Other markets	15.5%	7.7%	4.5%	27.9%	32.3%
Total responses	**16,130**	**14,882**	**11,407**	**147**	**201**

Responses from social media were very low and were not used for building the economic impact model. There are different explanations for the reasons why these channels returned a low response rate:

- Facebook and Twitter do not allow for publishing pop-ups containing survey links. Thus, users were invited to fill in the survey via posted messages that tend to have immediate reaction: social media users are not likely to check what was posted in previous days.
- Survey links on visitlondon.com were first emailed to website registrants, then published on the visitlondon.com website using pop-up survey links and, finally, posted on Twitter and Facebook. Respondents from the same IP address were not allowed to re-submit the survey if already completed. It is assumed that a significant proportion of social media users would also have been website users and registrants.

London & Partners has evaluation plans in place to measure the economic impact of social media more effectively.

ii) Economic impact model

The economic impact model estimates the additional GVA generated by tourists influenced to visit London or to extend their visit in the capital by visitlondon.com marketing activities. The major driver of economic impact is additional tourists' spend; ie, the proportion of spend that leisure tourists, exposed to marketing activity, would not have made in the absence of the messages and information provided by London & Partners. Spend is converted into GVA by using a ratio of 40 per cent, based on ONS data and previous GLA Economics evaluation evidence. This means that, on average, for every £1 spent by tourists in London, 40 pence is retained in London's economy, mainly in the form of wages for London's employees and profits for local businesses[5].

Based on the responses of more than 30,000 individuals, London & Partners was able to determine what proportions of users travel and what percentage are influenced by visitlondon.com and campaign activity. The results from the surveys are used to estimate:

- What percentage of visitlondon.com users had visited or intended to visit London
- Average length of stay
- Average party size
- Average number of trips made to London in the last year
- The influence that visitlondon.com had on tourists' decision to visit London

By using ONS International Passenger Survey data (IPS) and Visit England Great Britain Tourism Survey (GBTS) statistics, London & Partners estimated the total spend of audiences, by adjusting for the following factors:

a) Additionality: the net visitors' spend that London & Partners' marketing activity generates over and above what would take place anyway. Additionality was measured by asking our users the following question[6] and by attributing the weighting outlined in the following table:

Table 2.2: Additionality question used by London & Partners for leisure tourism surveys

Thinking about the visitlondon.com website, advertising and social media, what would you have done without these sources of information, would you…	
Definitely not have visited London	Weight = 100%
Probably not have visited London	Weight = 50%
Have visited London, but for fewer nights	(Calculated separately in the model)
Probably have visited London anyway	Weight = 20%
Definitely have visited London anyway	Weight = 0%

Based on the survey results, 7.2 per cent of the spend and GVA generated by all the visitors engaging with visitlondon.com marketing would not have occurred in the absence of the website. This is estimated by calculating the weighted average from the question above.

Addtionality increases for campaign activities: for "Limited Edition London" it ranged from 6 per cent to 11 per cent depending on markets; for "London Now See It for Yourself" the range was 9 per cent to 17 per cent.

[5] Methodology used drawn from GLA Economics Working Paper 54, which estimates a visitor spend to GVA ratio of 37.8 per cent, based on the weighted average of turnover to GVA for the relevant sectors that account for the tourism spend, drawn from Annual Business Survey data (ONS). This ratio was updated based on the visitlondon.com survey 2012/13. Standard Industrial Classification 2007 (SIC 2007) codes used – Division 47: Retail trade, except of motor vehicles and motorcycles; Groups 55.1, 55.2, 55.9 within Accommodation division; Division 56: Food and beverage service Activities; R: Arts, entertainment and recreation; Groups 49.1, 49.3, 50.3 within Transportation and storage section.
[6] Questions sourced and adapted from Impact Evaluation Framework guidance, BIS. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32112/11-979-survey-questions-for-impact-evaluations-beneficiaries-self-assessment.pdf

There is consistency across additionality ratios resulting from the three main surveys conducted at London & Partners and previous studies[7].

b) Additional nights: To estimate the value of additional nights from respondents who indicated that, without visitlondon.com contents and campaign messages, they would have still visited London but for shorter periods, we applied average daily spend to the number of additional nights estimated[8].

c) Over-optimism: The model further discounts the spend to take into account any over-optimism bias on the respondents' answers, to correct for any impact duplication and to adjust for the effect of competitions run in vistlondon.com with the aim of increasing registrations and traffic to the website. This discounting factor was estimated at 50 per cent (which is more conservative than the figure recommended by ECOTEC in their destination marketing economic impact study)[9].

The following table shows the steps of the model alongside the sources of information used to populate the model.

Table 2.3: Summary of steps within the leisure tourism economic model

Step	Detail	Source
A	Hits from unique visitors	visitlondon.com statistics (Google Analytics)
B	Proportion of single page visits ("Bounce Rate")	visitlondon.com statistics (Google Analytics)
C	Total users who might be influenced by visitlondon.com	= C * (1 – B)
D	Gross day visits (actual)	Drawn from survey: (No. of visitors) * (Average party size) * (Average days per trip) * (Average trips made in one year)
E	Daily spend of visitors	International Passenger Survey daily average spend per market (overseas visitors) Great Britain Tourism Survey average daily spend of British tourists by purpose of visit; eg, "Holidays"
F	Gross expenditure (actual)	= D * E
G	Additionality	Drawn from survey
H	Net (additional) expenditure	= (F * G) + expenditures from additional nights (drawn from survey)
I	Over optimism bias adjustment	Based on ECOTEC methodology and additional considerations on: modelling consistency across L&P business lines; reduction of double counting across multi-device website use from same users; increased use of competitions to grow traffic and registrations; non-response adjustment bias.
J	Net (additional) expenditure adjusted	= H * (1 – I)
K	Additional GVA	= J * Turnover to GVA conversion ratio (based on ONS statistics and GLA Economics research)

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[7] GLA Economics Working Papers 46 and 54, relating to the evaluation of Visit London campaigns; (2011, 2012).
[8] International Passenger Survey, (ONS); Great Britain Tourism Survey, (Visit England).
[9] "Destination Marketing and Promotion: Economic Impact Methodology Study", ECORYS (formerly ECOTEC); (2010).

3. Higher education

a) Background

Study London promotes the capital as the best place for international students to study. Its primary routes to students are:

- The website studylondon.ac.uk (and now the Chinese version of the website, studylondon.cn) and supporting social media (Facebook, Twitter, Sinaweibo). The website lists all London's universities and 30,000 courses and directs circa 130,000 students' leads directly through to the universities each year. Traffic to the site has grown to 1.2 million unique users a year.
- In-country events, usually to coincide with a Mayoral visit such as the Mayor's trips to Beijing (October 2013) and Delhi (November 2012). These events are aimed at stakeholders and media.
- Undertaking PR activity that is aimed at students and their parents in key markets.

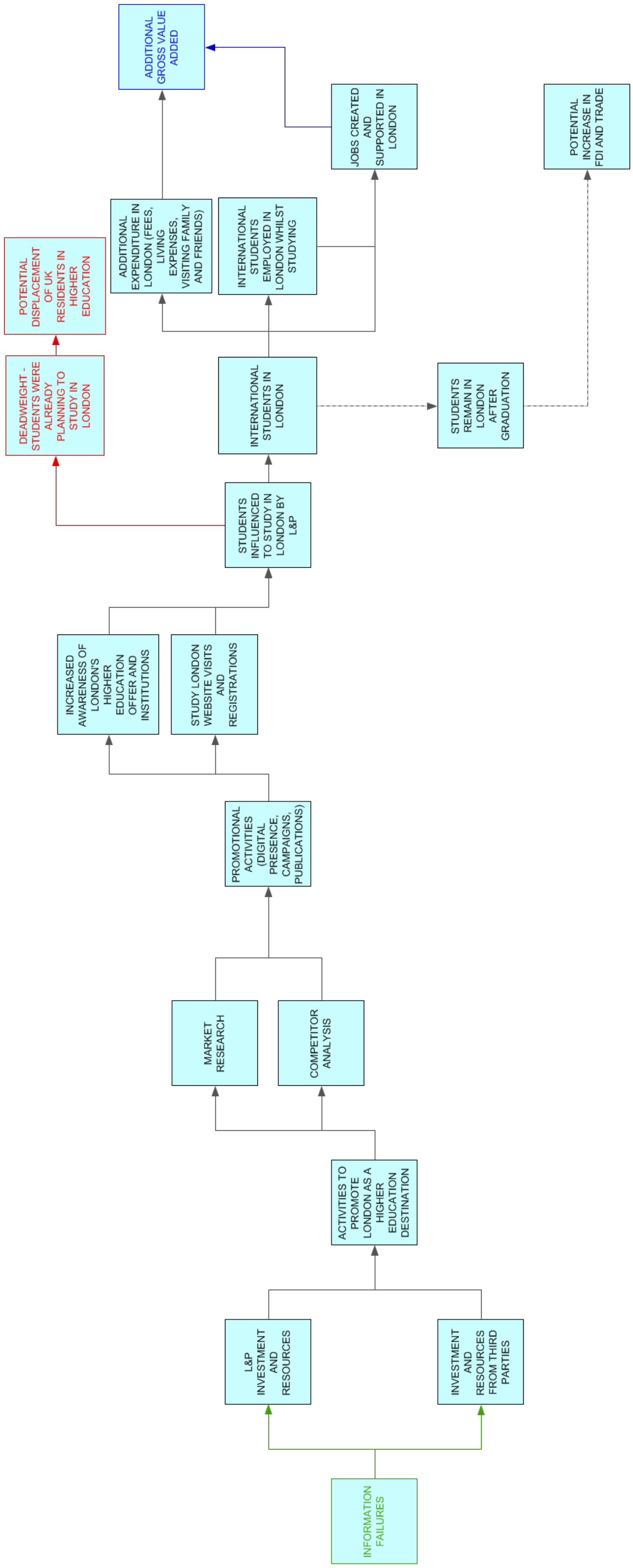
b) Rationale for intervention

Study London acts to correct an information failure; that potential international students may not be aware of the benefits of studying in London or have sufficient information about the courses available. This is overcome through the promotion of London's university offer and demonstrating the breadth of higher education opportunities within London.

In addition, the Study London promotional campaign was originally set up because of a perceived market failure in that London was home to a world-class cluster of universities and higher education colleges but who were more used to competing than collaborating.

The following diagram shows the logic chain for intervention in higher education, outlining the progression from inputs and activities, to outputs and outcomes.

Figure 3.1: Logic chain diagram for higher education



c) Evaluation methodology

i) Methodology to estimate additional GVA from international students

After consultation with the British Council and a review of the evaluation and economic impact assessment literature, it was clear that there was no robust measurement of the additional GVA generated by attracting international students to the UK and London. The economic impact model developed by London & Partners and GLA Economics is the first attempt to fill this gap.

Similarly to visitlondon.com, economic impact is driven by the additional students' spend in London, converted into GVA. Consistent with the methodological approach used for leisure tourism marketing activity at London & Partners, we used the conversion survey approach to build the economic impact of studylondon.ac.uk. In September 2012, London & Partners ran a survey of all current and potential students who registered with studylondon.ac.uk. The survey was completed by over 2,600 students (allowing for statistical analysis at 99 per cent confidence level and +/- 5 per cent margin of error).The results from the survey were used to estimate:

- What proportion of studylondon.ac.uk registrants had secured a place in a London university or had applied for a place
- The influence that studylondon.ac.uk had on their choice to study in London (ie, additionality)

Other relevant information about students' reasons for choosing London and how the Study London website influenced their decision were also captured through the survey.

The same survey was then repeated in October 2013 with a further 1,000 students interviewed and results were consistent with the previous survey.

ii) Estimation of the economic contribution from international students

The assessment of the economic contribution from overseas students to London's economy could not be derived directly from the survey. This is due to the difficulty for prospective students and actual students who have just arrived in London to provide reliable estimates on the costs of living and the expenditure from visiting families and friends.

We used a study of the scale of the economic impact of international students on the London economy published in 2011 by PA Consulting[10] and drawing primarily on data from the 2009/10 academic year. This study estimated the total spending generated by London's international students at £2.5 billion. Table 3.1 shows spend allocation across fees, subsistence and spend generated by friends and relatives visiting and its conversion into Gross Value Added (from London & Partners using ONS data).

[10] "The Economic Impact of International Students to London's Economy: A Quantitative Perspective", PA Consulting, (2011)

Table 3.1: Overview of economic impacts of students in London (£ million)

	Gross Economic Output			Gross Value Added		
	Direct impact on London's economy	Indirect plus Induced (UK)	Total	Direct	Indirect plus Induced (UK)	Total
Fee Income	£1,173	£1,279	£2,452	£732	£798	£1,530
Subsistence	£1,216	£1,726	£2,942	£533	£757	£1,291
Family and Friends	£140	£195	£335	£75	£104	£179
Total	£2,529	£3,200	£5,729	£1,340	£1,660	£3,000

Source: Gross Economic Output figures from "The Economic Impact of International Students to London's Economy: A Quantitative Perspective", PA Consulting, (2011). Gross Value Added figures have been derived from output figures using sector turnover to GVA ratios drawn from analysis of the Annual Business Survey, ONS. Table provided by Regeneris Consulting.

It is possible to estimate the Gross Value Added (GVA) impact associated with this economic output using sectoral turnover to GVA ratios from the Annual Business Survey, ONS[11]. Adjustment factors to convert the gross economic output to GVA have been generated based on the following assumptions about the sectors that will benefit from the additional local expenditure:

- Fee Income: The adjustment factor has been calculated using the ratio between total employment costs and employment costs plus bought in goods and services[12], which provides a GVA adjustment factor of 62 per cent.
- Subsistence: An average of the turnover to GVA ratios for the following sectors: food and beverage service (43 per cent), real estate activities (59 per cent) and retail trade (21 per cent). This provides an average ratio of 41 per cent.
- Family and Friends' visits: An average of the turnover to GVA ratios for the accommodation (55 per cent) and food and beverage service activities (43 per cent) sectors have been used, resulting in an overall adjustment factor of 49 per cent.

PA Consulting estimated the total direct annual GVA impact of international students on London's economy at £1.3 billion in 2011. If multiplier effects are taken into account, the total annual impact of London's international student population was estimated at £5.8 billion in gross economic output and £3 billion in GVA. However, for estimating London & Partners' contribution only direct economic impact is taken into account, in line with the measurement approaches adopted for other business lines.

Using these estimates of direct GVA impact it is possible to generate a headline assessment of the incremental value to the London and UK economy of increasing the number of overseas students in the capital. Table 3.2 summarises the per-student GVA impact (taking into account the three core sources of economic impact generated via overseas students). This headline level analysis suggests that each overseas student in London generated a direct GVA impact of around £12,800 for each year of their studies (in 2011 prices).

[11] London & Partners and GLA Economics update these figures on an annual basis.
[12] As education is not a labour intensive sector that has not routinely sold services in the past, a turnover to GVA ratio would be misleading.

Table 3.2: Estimation of the incremental value of overseas students

	Total Annual Direct GVA Impact in London = £1.3 billion	
	Undergraduate	Postgraduate
Number of students	48,210	56,595
Percentage of total students	46%	54%
GVA apportioned according to share of students (£ million)	£617	£724
Annual impact per student	£12,800	£12,800
Average total impact per student	£38,350	£12,800

Source: Regeneris Consulting analysis, using PA Consulting data on impacts and HESA student numbers (2009/10). Note: Total per-student impacts are based on conservative assumptions about the duration of undergraduate and post-graduate courses. We have assumed average durations of three years for undergraduates and one year for post-graduates. This latter assumption is conservative as post-graduate courses can last more than one year. All figures were updated in 2012 and 2013 prices using Bank of England deflators.

By combining survey results on the estimated percentage of studylondon.ac.uk users enrolling in one of London's universities, internal statistics on the split between undergraduate and postgraduate registrants and GVA per student, London & Partners and GLA Economics estimated the gross GVA contribution of the users of the Study London platform.

This contribution was discounted by:

- Additionality: This measures the net spend (and therefore net GVA) that London & Partners' marketing activity generates over and above what would have taken place anyway. Based on the survey results, we estimated that 9 per cent of the spend and GVA generated by all the students registering on studylondon.ac.uk would not have occurred in the absence of the marketing activity. Additionality (and weightings for analysis) was measured by asking users the following question[13]:

Table 3.3: Additionality question used within higher education surveys

What would you have done without the information and guidance received from the Study London website…	
Definitely have not studied in London	Weight = 100%
Probably have not studied in London	Weight = 50%
Probably have studied in London anyway	Weight = 20%
Definitely have studied in London anyway	Weight = 0%

- Over-optimism: the model further discounts this spend to take into account any over-optimism bias on the respondents' answers (20 per cent discount). This is based on the assumption that those responding to the survey are the ones most engaged with studylondon.ac.uk.

Although from the survey responses, there appeared to be an influence by studylondon.ac.uk on accelerating the decision of studying in London between 6 – 12 months, we excluded any acceleration effects in the model. This is based on the fact that the decision of when to start a university course is dependent on the completion of previous studies and the beginning of new

[13] Based upon RDA Impact Evaluation Framework guidance, BIS.

academic years. After consultation with the marketing team at London & Partners, it was deemed sensible to exclude any acceleration effects for this business area only.

Table 3.4: Summary of steps within the higher education economic impact model

Step	Detail	Source
A	Number of student registrations	studylondon.ac.uk statistics
B	Proportion of undergraduate students	studylondon.ac.uk statistics
C	Proportion of postgraduate students	studylondon.ac.uk statistics
D	Average spend per undergraduate	PA Consulting study and adjusted for inflation on an annual basis
E	Average spend per postgraduate	PA Consulting study and adjusted for inflation on an annual basis
F	Proportion of registrants converting into actual students and accepted in a university in London	Drawn from survey results
G	Gross expenditure (actual)	= [(A * B * D) + (A * C * E)] * F
H	Additionality	Drawn from survey results
I	Net (additional) expenditure	= G * H
J	Over optimism bias adjustment	Model assumption following a review of the evaluation literature
K	Net (additional) expenditure adjusted	= I * (1 – J)
L	Additional GVA	= J * Turnover to GVA conversion ratio (based on ONS statistics and GLA Economics research)

4. Foreign Direct Investment

a) Background

London & Partners attracts foreign direct investment (FDI) and helps foreign-owned businesses to expand in London. The sales team, both in the UK and in the overseas offices, focuses on generating leads through a range of activities including identifying targets through business and financial media and analyst networks, networking events, referrals from UKTI and commercial partners, and building London's reputation as a place for business with prospective investors. Business Development Managers at London & Partners work with firms that are considering a number of locations in the UK or worldwide for their investment. Services are objective, client led and bespoke depending on client need with the aim of helping clients understand how London can play a role in their global operations. A fast-track service is offered to those businesses who have already decided to locate in London and, consequently, there would be little or no additionality from London & Partners' support. These businesses are supported mainly for reputational purposes.

In addition to services offered to new inward investors, London & Partners also provides similar services to foreign-owned businesses planning to expand their London operations, in particular where London is in competition for expansion with another site. This support is particularly targeted to strategically important businesses to ensure that they create new jobs and safeguard existing ones.

Foreign direct investment is designed to deliver economic benefits to London through additional activity, improving economic competitiveness and enabling improvements in productivity for both new and existing firms. Evaluating the full impact of FDI on London's economy requires a significant amount of analysis and a longitudinal approach, because arguably the key end outcome of inward investment is to increase total factor productivity. Evaluation of this kind would likely be longer-term and research intensive – more suited to a detailed academic study. Reporting on more observable and shorter term impacts is more relevant to monitoring the performance of London & Partners.

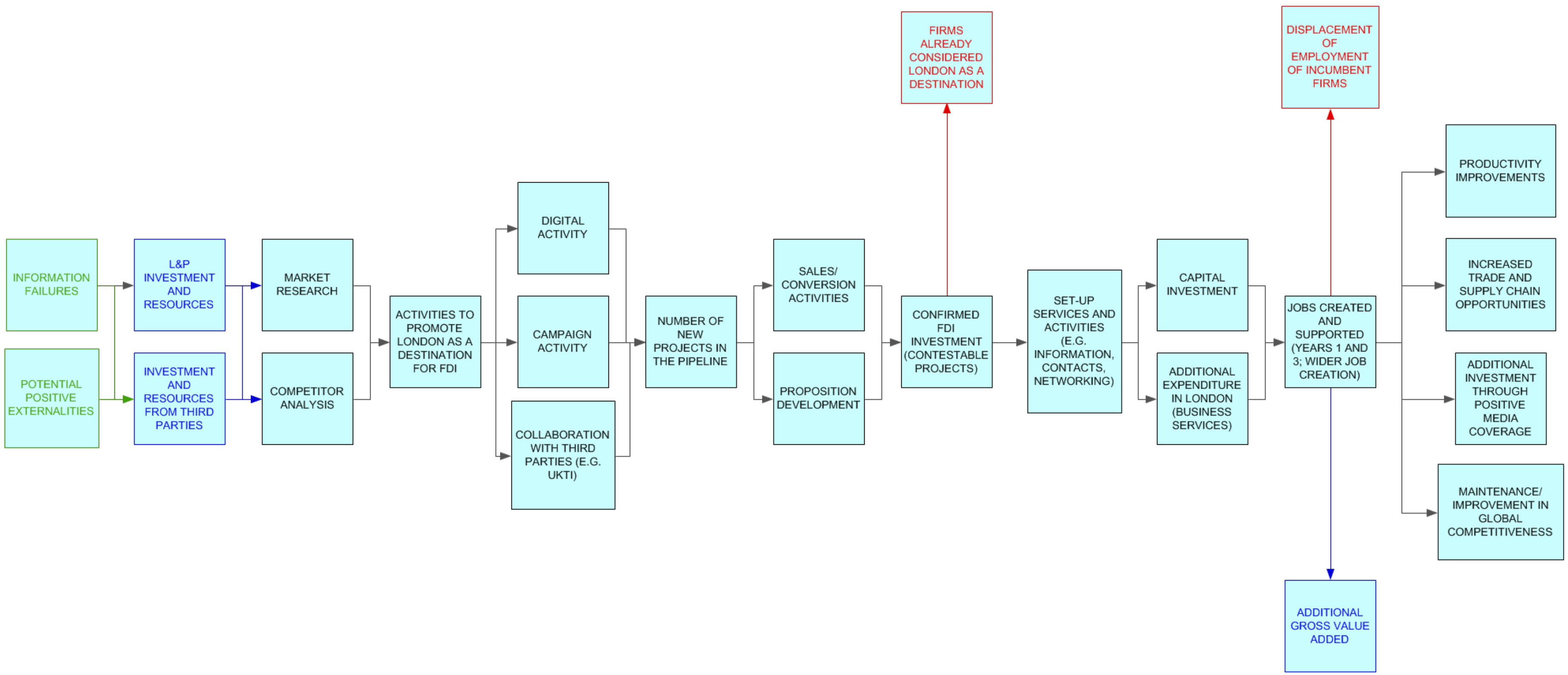
In the short term, the outputs and outcomes of note will be the economic impact of inward capital expenditure, increased business turnover (hence tax revenues through higher earned profits), additional GVA and job creation. In addition to these, although harder to evaluate, there may be supply chain, networking and clustering benefits.

b) Rationale for intervention

London & Partners' intervention is justified based on the following market failures, and is shown in the logic chain diagram showing the progression from activities to outputs and outcomes:

- Information failure: firms expanding overseas require information on market opportunities ie, access to customers; the business environment; and the availability of talent. Arguably, information asymmetries and lack of complete information are often barriers preventing new inward investments. Private companies do not have an interest in promoting London as they cannot fully internalise the benefits; the market tends to under-provide the range of information needed for a firm to invest or expand.
- Positive externalities: High-quality FDIs benefit local economies via knowledge spillovers to local firms. The acquisition of knowledge tends to increase local productivity and improve local economic outputs. It is in the public interest to ensure that investments from high-quality foreign businesses are sustained and promoted.

Figure 4.1: Logic chain diagram for Foreign Direct Investment



c) Evaluation methodology

The evaluation literature on the economic benefits of programmes supporting businesses is richer and more advanced than studies on the impacts of tourism promotion and marketing to international students. The recommendations from the HM Treasury Green Book, Magenta Book and the BIS Impact Evaluation Framework provide a solid foundation to measure additional GVA from FDI promotional activity.

London & Partners measures economic impacts in terms of additional economic activity (GVA), job creation, and inward capital expenditure based entirely on authenticated feedback from its client base. The organisation has traditionally claimed GVA for "contestable projects" only. These are foreign-owned companies considering other locations in the UK or globally as well as London for a new operation or for an expansion. The argument for this is that impacts will be maximised by focussing on potential investments where London & Partners can play a more important role to influence the investor's decision and therefore the additionality is expected to be higher. However, the organisation still plays a role in influencing the timing and scale of non-contestable projects (for example, bringing forward investment plans). For this reason, and based on empirical evidence, during the past financial year (FY 2013/14), London & Partners only measured additional GVA from non-contestable projects when clients confirmed that the sales team had an influence on the timing and scale of the investment.

All successfully completed FDI clients complete a form to provide the key information required to assess the economic impact from businesses encouraged to locate in London through London & Partners activity. Additional information is collected via an annual survey addressed to businesses who have been in London for at least three years and can confirm the size of the company, and other relevant information on their competitive environment useful to estimate the displacement of local economic activity. In the last financial year, 226 inward FDI businesses completed the forms and 69 businesses which landed in London two to three years ago were interviewed via a telephone survey.

The following factors drive the estimation of the GVA impact from London & Partners' FDI promotional activity:

- The scale of the project in terms of number of jobs expected in the first three years of business operations;
- The sector of the project;
- The persistence of the jobs created which are likely to generate a stream of future economic benefits, rather than the one-off impact of tourism spend;
- The estimated scale of displacement of existing London jobs by the inward investor;
- The estimated additionality of London & Partners' activities in terms of their influence on the number, scale and timing of the investment or growth project;
- Over-optimism adjustment, based on extensive evidence that the number of jobs effectively generated in the first three years of an FDI operation tend to be lower than the forecasts provided by the businesses when arriving in London

The estimate of GVA depends on the number of jobs generated by an FDI business and the sector in which the FDI operates. GVA is, in simplistic terms, the sum of the cost of employment and business profits and this tends to vary widely across sectors. However, there is not a perfect match between the sectors identified by London & Partners to define their FDI strategy, and the Standard Industrial Classification (SIC) codes used by the Office for National Statistics (ONS) with regard to published data. A number of options were explored when deciding how to match the SIC codes with London & Partners' defined sectors and how these changed over time, as detailed in this section.

The methodology to estimate the GVA contribution per job changed from FY 2012/13 to adopt an improved approach developed by GLA Economics in collaboration with regional statisticians from the Office for National Statistics. Research relating to developing estimations of GVA per workforce is currently ongoing within GLA Economics and will be the subject of a future Working Paper. Data used for FY 2014/15 and beyond are reflective of the preliminary work relating to developing refined Gross Value Added per workforce job estimates and are subject to change once new data becomes available[14].

i) GVA per workforce job – FY 2012/13 and FY 2013/14

For the GVA employee calculation, London & Partners initially used an approach developed by Regeneris Consulting:

- The GVA per job figure is calculated by dividing the Gross Value Added at basic prices (Regional Gross Value Added, ONS) by the total employment – average during the year (Annual Business Survey, ONS). These figures are at UK level only.
- The above ratio was uplifted by multiplying it by the London-UK ratio (1.3:1) of earnings for the specific sector (sourced from the Annual Survey of Hours and Earnings (ASHE, ONS), using median full-time earnings. The reason for this adjustment is that the London economy is more productive on average than the UK as a whole; the earnings differential is a close proxy for this productivity differential.

The analysis used the latest available data for both the ABS and the ASHE. For some of the earnings adjustments, Regeneris Consulting used an unweighted average of the ratios across the relevant sub-sectors (ie, not weighted for the size of the sub-sectors). Ideally it would be a weighted average, but this is not straightforward because for some of the sub-sectors the number of jobs is suppressed and the approach is also using the median, not the mean.

Table 4.1 summarises how the SIC codes match into sectors as defined by London & Partners. Some of them provide a very good fit (eg, Construction) while for others it has been necessary to make a judgement on the appropriate codes (eg, Creative Industries). Where the fit was particularly problematic, an all economy average was used. Regeneris Consulting did this for Environmental; Public Administration; and Food and Drink sectors.

[14] GLA Economics Working Paper on Gross Value Added per workforce job, publication pending.

Table 4.1: SIC codes used to define sectors used by London & Partners

Sector	SIC Codes used for GVA per employee	SIC Codes used for London wage uplift
Business Services	L: Real estate activities M: Professional, scientific and technical activities N: Administrative and support service activities	Average of Sections L, M and N
Construction	F: Construction	Section F
Creative Industries	Weighted average of the following divisions: 58: Publishing activities 59: Motion picture, video and television programme production, sound recording and music publishing activities 71: Architectural and engineering activities, technical testing and analysis 73.1: Advertising 90: Creative, arts and entertainment activities	Average of Divisions 71, 73, 90 and Section J (which includes Divisions 58 and 59)
Energy	D: Electricity, Gas, Steam and Air Conditioning Supply	Section D
Environmental	All sector average	All sector average
Financial Services	K: Financial and Insurance Activities	Section K
Food and Drink	All sector average	All sector average
ICT	J: Information and Communication	Section J
Industrials	C: Manufacturing	Section C
Leisure & Entertainment	R: Arts, entertainment and recreation	Section R
Life Science & Healthcare	21: Manufacture of basic pharmaceutical products and pharmaceutical preparations	Division 21
Public Administration	All sector average	All sector average
Retail	G: Wholesale and Retail Trade; repair of motor vehicles and motorcycles	Section G
Transport	H: Transportation and Storage	Section H

UK Standard Industrial Classification 2007, SIC 2007. Sections are denoted by letter, divisions by a two digit number, Office for National Statistics.

ii) GVA per workforce job – FY 2014/15

Work is being undertaken by GLA Economics to develop methodologies to produce refined estimates of Gross Value Added per workforce job, which is to be the subject of a forthcoming GLA Economics Working Paper. Early work relating to these refined estimates has formed the basis of the alterations in the Gross Value Added per workforce job values forming the basis of the evaluation methodology. GVA per job values for FY 2015/16 will be based upon updated values using the methodology outlined within the published Working Paper (hence the outline provided below is subject to change).

Methodologies have been developed for assessment at the 1 digit and 2 digit SIC level separately and are summarised below:

- 1 Digit SIC level: Data is initially drawn from the Regional Gross Value Added (Income Approach) from the ONS for London; however to isolate the proportion of GVA directly attributable to the employed and self-employed (the proxy for workforce jobs), a data request was made to the ONS requesting details of the individual components of GVA at the

UK level for each 1 digit SIC. This data request has allowed us to isolate proportions of published GVA attributable to the employees, the self-employed, and to rental income and imputed rents. For the purposes of London & Partners measurement of GVA by sector, the proportions of employee jobs and the self-employed have been combined. This resultant figure for total GVA by sector is then divided by a four-quarter average of Workforce Jobs by sector (ONS).

- 2 Digit SIC level: Data on Gross Value Added by 2 digit SIC is drawn from the Input-Output Supply and Use Tables based on the Blue Book (ONS). Drawing upon time-series data on employee jobs and self-employed jobs at the 2 digit SIC level, a measure of workforce jobs is created. These data create estimates of GVA per workforce job at the 2 digit SIC level for the UK. To develop estimates for London, Annual Survey of Hours and Earnings (ASHE, ONS) data is obtained outlining the wage uplift between London and the UK at each individual 2 digit SIC code for all employee jobs (where data is available) – the UK estimate of GVA per job is then adjusted by the wage uplift to develop the estimate of GVA per job for London.

Full details on the methodology will be set out in the forthcoming Working Paper.

In addition to development of the methodology used to calculate GVA per job, London & Partners and GLA Economics refined the definitions of sectors. Table 4.2 outlines the definitions used as part of the evaluation of the impacts of FDI in London from FY 2014/15.

Table 4.2: 2 Digit SIC codes for GVA per job

Sector	SIC Codes used for GVA per employee
Business Services	M: Professional, scientific and technical activities N: Administrative and support service activities
Construction	F: Construction
Creative Industries	58: Publishing activities 59: Motion picture, video and television programme production, sound recording and music publishing activities 60: Programming and broadcasting activities 71: Architectural and engineering activities; technical testing and analysis 73: Advertising and market research 90: Creative, arts and entertainment activities J: Information and communication
Energy	D: Electricity, gas, steam and air conditioning supply E: Water supply, sewerage, waste management and remediation activities
Environmental	No SIC code matching (removed from list)
Financial Services	K: Financial and insurance activities
Food and Drink	10: Manufacture of food products 47: Retail trade, except of motor vehicles and motorcycles 56: Food and beverage service activities
ICT	J: Information and communication
Industrials	C: Manufacturing
Leisure & Entertainment	R: Arts, entertainment and recreation
Life Science & Healthcare	21: Manufacture of basic pharmaceutical products and pharmaceutical preparations 72: Scientific research and development
Retail	47: Retail trade, except of motor vehicles and motorcycles
Transport	H: Transportation and storage
Public Administration	O: Public administration and defence; compulsory social security

UK Standard Industrial Classification 2007, SIC 2007. Sections are denoted by letter, divisions by a two digit number, Office for National Statistics.

i) Gross to net additionality calculation

Gross estimates of GVA, computed by multiplying the number of Year 3 jobs by the relevant GVA per job figure, is adjusted for the following factors:

- Displacement: Measuring the extent to which new inward investors have taken away sales from London-based businesses. GLA Economics and London & Partners explored the possibility of commissioning research measuring the extent of displacement using econometric analysis using the Interdepartmental Business Register (IDBR, ONS). However to date, displacement has been measured following the RDA Impact Evaluation Framework recommendations: survey evidence was gathered on the location of competitors and customers. The higher the local client base and the percentage of local competitors, the higher the rate of displacement. Questions were phrased as follows:

Table 4.3: Questions used to assess the extent of displacement

Q1: In the last financial year, what percentage of your sales from your London operation was to customers based in London?	
1	Enter a percentage between 0% and 100% (go to Q2)
2	Not sure (go to Q1.1)

Q1.1: Would you be able to provide your best estimate of the percentage to your London clients?	
A	0% - 10%
B	11% - 20%
C	21% - 40%
D	41% - 60%
E	61% - 80%
F	81% - 100%
G	Don’t know

Q2: In the last financial year, what percentage of your competitors were based in London?	
1	Enter a percentage between 0% and 100%
2	Not sure (go to Q2.1)

Q2.1: Would you be able to provide your best estimate of the percentage of your London competitors?	
A	0% - 10%
B	11% - 20%
C	21% - 40%
D	41% - 60%
E	61% - 80%
F	81% - 100%
G	Don’t know

As part of this exercise 69 inward FDI businesses (who have completed their investment) were interviewed and the displacement ratio was estimated at 27 per cent. This means that for every four jobs created by the new investors or foreign owned businesses expanding in London, one job is lost somewhere else in the economy as a result of increased competition.

- Additionality: Refers to the net economic activity from foreign direct investment that London & Partners' promotion and support generates over and above what would happen anyway. To measure the extent to which firms would have moved to London in the absence of London & Partners' support and whether the agency had any influence in speeding up the investment and increasing its size, the survey asked (with weighting of responses in the right hand column):

Table 4.4: Question used within FDI completion survey to assess additionality

Do you think you would have invested/expanded in London without the support and services provided by London & Partners?	
Definitely not	Weight = 100%
Probably not	Weight = 50%
Yes, but at a later stage (please specify how later)	Calculated separately
Yes, but at a smaller scale (please specify how smaller, %)	Calculated separately
Probably yes	Weight = 20%
Definitely yes	Weight = 0%

144 businesses responded to the above additionality question. Based on the business responses and the weighting in brackets, gross to net additionality was estimated at 22.5 per cent.

- Over-optimism: The value of an investment is based on the expected size of the business after the first three years of operation. This information is sourced from the business forms completed by new inward investors when landing in London or business growth projects "FDI expansion" at the inception of their expansion. To account for any over-optimism in the businesses' forecasts, their estimates are corrected by a factor of 64 per cent. The factor is generated by interviewing businesses supported by London & Partners in FY 2011/12 and comparing their current employment size with their forecast two to three years ago. This ratio is consistent with a previous Think London evaluation study that validated the forecasts of all business completions between 2003 and 2009, finding a job realisation ratio of 69 per cent.
- Persistence effect: Unlike the one-off impact on economic activity that leisure/business tourists or major events attendees generate when visiting the capital, FDI businesses produce a stream of future economic benefits from on-going activity. The persistence of the benefits attached to new inward investments depends on the length of time for which the investor firm remains in London. Following Regeneris Consulting recommendations that provided a range of 3 – 5 years drawn from a review of the evaluation literature in the field of business support, London & Partners adopted a conservative position and assumed persistence of three years.

Table 4.5: Summary of steps within the FDI Economic Impact Model

Step	Detail	Source
A	Number of jobs forecasted by FDI businesses in the first three years of operations	L&P completion forms
B	Over-optimism adjustment factor	Drawn from survey results
C	Number of jobs discounted by optimistic forecasts	= A * B
D	Average GVA per employee job by sector	Drawn from ONS data and GLA Economics calculations
E	Gross Economic Impact	= C * D
F	Displacement	Drawn from survey results
G	Additionality	Drawn from survey results
H	Persistence	Model assumption from the review of the literature
I	Net (additional) GVA	= E * F * G * H

5. Business tourism and major events

a) Background

London & Partners promotes the capital as a leading destination for conferences and corporate events. Activity here looks to improve the offer to major corporations and associations, to build on the comparative advantages of London and to improve London's standing as a destination for conferences.

London is one of the most competitive cities for business events globally, ranking sixth in the most recent International Congress and Convention Association (ICCA) annual rankings. International competition for attracting business events is high and ever growing from both established destinations who are improving their product, and from new emerging destinations. London & Partners promotes the capital with a major focus on new, contestable, international events that risk being lost to other cities. Attracting business events is not only important for the immediate economic benefits, but for growing a city's reputation, for underpinning sectoral growth, and for helping to animate a destination. Hence the business tourism team undertakes many activities to remain at the forefront of the global event destinations, and to maintain an active pipeline of future events; targeting those that could not be won without the intervention and those with the best forecasted return on investment.

London & Partners is home to the city's official convention bureau. It offers a total event solution service for clients and event organisers, including free and impartial advice on planning meetings, conferences, events, exhibitions, incentives and launch parties in London.

London & Partners Event Solutions and Associations Team provide support with all aspects of event planning or bid submissions, including:

- Free impartial advice about venues, housing, professional conference organisers (PCOs) and destination management companies (DMCs)
- Site inspection facilitation
- Production and support for bids from leading civil and corporate figures in London and the UK to secure large internationally mobile conventions
- Promotional tools to help increase delegate attendance, including DVDs and presentations
- Visitor information for delegates
- Customised accompanying partner programmes in London
- Oyster cards (pay-as-you-go travelcards) for groups of more than 50.

London & Partners also hosts a major events team. This team acts as a central point of leadership and expertise to develop the capital as the world's most exciting major events destination while delivering incremental social and economic benefits to London. The team leads on strategic planning, bid development, marketing, brand activation, and destination marketing of London as a major event city. The team is integral in identifying and developing a balanced and coordinated programme of major events in London including:

- Creating new iconic major events for London, such as Ride London
- Developing existing events that have significant growth potential
- Bidding for new major international and world class events

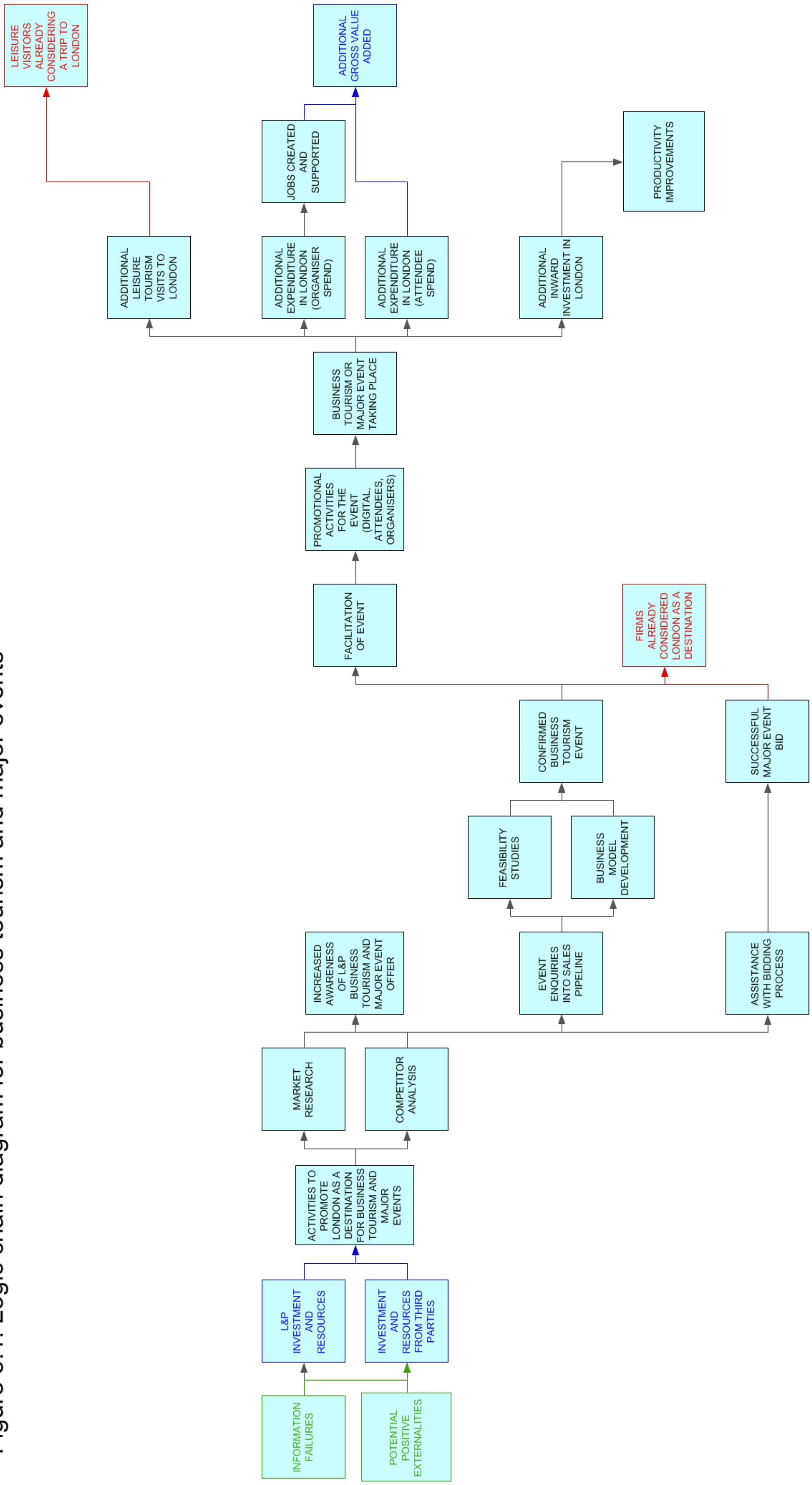
b) Rationale for intervention

Activity in this area looks to correct information failures whereby conference or event organisers may not realise the potential benefits to them of hosting events in London. In addition there are information asymmetries; event organisers might have the concern that information provided by accommodation and venue providers is not independent. A trusted and impartial advisor can address this concern and remove barriers to booking events in London.

There are also positive externalities for London and its brand reputation, for example through attendees being more inclined to return to London as leisure tourists, or through potential positive impacts on trade and inward investment brokered at conferences or events in London. In addition to this, hosting events in London can generate considerable additional spending in London by organisers and attendees. Although the level of these spillover benefits can be difficult to evidence, these could potentially lead to considerable additional economic activity in London.

The following diagram is the logic chain illustrating how the activities within business tourism and major events can lead to the achievement of outcomes.

Figure 5.1: Logic chain diagram for business tourism and major events



c) Evaluation methodology for business tourism

Measurement of the economic impact from business tourism conferences and events has traditionally been weaker than for other business lines. There is very little evaluation literature outlining the net impacts generated from conferences and conventions. London & Partners, with the support of GLA Economics, embarked on an ambitious evaluation plan with the objective of building a rigorous economic impact model for this business area. The final result is now regarded as an example of best practice in the field of evaluation with the potential of becoming an industry standard. Other national tourism boards have recognised the innovative and complete nature of London & Partners measurement approach and there is on-going work for rolling the model out nationally.

i) Methodology to estimate the additional GVA

Economic impact is driven by the spend of business delegates and event organisers in London, which is converted into additional GVA by accounting for London & Partners' additionality and by using Input-Output tables to convert spend into GVA . The magnitude of this net impact depends on a variety of factors that are captured in the economic impact model:

- Event typology: London & Partners supports different business events into London. We have aligned with the standard classification adopted by other national tourism boards since 2006[15]. According to this taxonomy, events are classified as Corporate or Association; International or Domestic; and Single Day or Multi-day events. Average gross spend varies depending on the combination of the events characteristics with international multi-day events generating higher value than domestic single day events.
- Size of the event: measured in number of business delegates and exhibitors (when applicable).
- Delegate composition: the country of origin of attendees impacts on the average daily spend; the model uses the International Passenger Survey (IPS) data and the Great Britain Tourism Survey (GBTS) data for the following regions: UK (differentiating between London and rest of the UK), Europe, North America and Rest of the World, with long-haul markets providing the highest average daily spend. Expenditure from London-based delegates is discounted from the net impact.
- Event organiser's country of origin: consistent with delegate expenditure, the spend from event organisers varies depending on country of origin. Any expenditure generated by London-based event organisers is discounted from the net impact. This is because the model measures additional wealth generated by non-London sources only.
- Contestability: Events are "contestable" when event organisers are considering other locations in the UK or globally as well as London for hosting their events. By surveying 100 event organisers, London & Partners demonstrated that contestable events tend to have a higher additionality than non-contestable events (ie, the influence of London & Partners' services and support is greater in case of internationally mobile events).
- London & Partners' role and influence: The business tourism team at London & Partners provides advice about venues, site inspection, bid support and submissions (for example, to organising bodies), city promotion, visitor information and travel advice to secure business events in London. The model accounts for the additionality of these services to secure business events for the capital. Gross to net additionality for business events is in the range of 18 per cent to 43 per cent depending on event typology and contestability. This range

[15] "Estimating the Local Expenditure Benefits of Conferences to a Local Area", an advisory note from the UK Tourist Boards. Used towards the delegates expenditure survey carried out in 2006.

was estimated based on the results of the annual survey and responses collected by 100 event organisers.

ii) Data collection and impact model calculations
The information listed in the previous section is collected from different sources. The business tourism team gathers a set of data from event organisers, including size of the event, delegates' composition (international vs. domestic breakdown), event organisers' country of origin, and contestability.

London & Partners runs an annual survey with event organisers to update information on additionality of support and services. In FY 2013/14, the agency launched the first telephone survey, collecting responses from 100 event organisers (representing 60 per cent of the entire population of businesses supported between May 2012 and April 2013 and which confirmed an event in London).

Additionality was gathered using the following set of questions:

Table 5.1: Questions used to estimate the additionality of intervention within business tourism

Q1: How did London & Partners' support affect the event? Please complete the table below:		
	Yes	**No**
The event happened more quickly than it would have done	(if "Yes", go to Q1.1)	
The event was easier to organise		
The event was less costly		
The event was a larger scale than it otherwise would have been	(if "Yes", go to Q1.2)	
No impact		

Q1.1: You indicated that the support from London & Partners enabled your event to be held sooner. Please indicate how much sooner:	
Number of Months	Number of Years

Q1.2: You indicated that the support from London & Partners enabled your event to be larger. Please indicate how much larger	
Larger	(Insert Percentage)

Q2: What would you have done without the support of London & Partners?	
Definitely not have visited London	Weight = 100%
Probably not have visited London	Weight = 50%
Probably have visited London anyway	Weight = 20%
Definitely have visited London anyway	Weight = 0%

Answers from these questions were used to estimate the additionality ratio and London & Partners' influence on accelerating events in London or on increasing their size. The additionality ratio was calculated using the weighted average of the responses to Q2 (using the weightings in the right hand column).

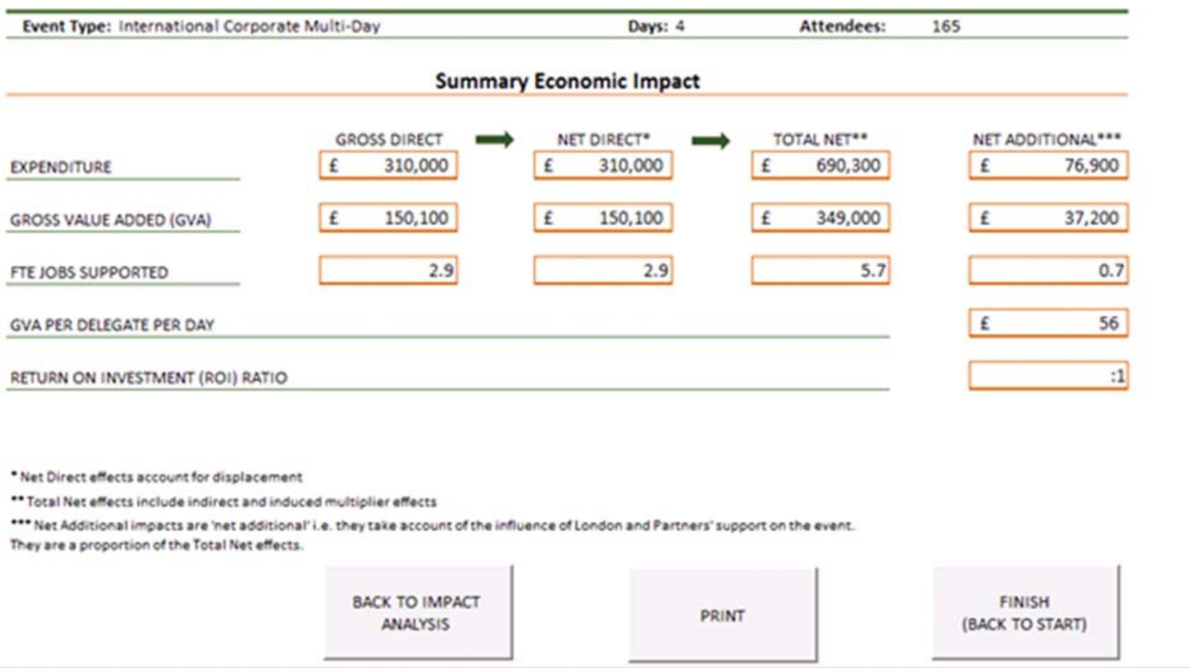
To convert spend into GVA, Input-Output tables for the UK regions were used[16], the model breaks down the spend as follows:

- Event Organiser Spend: broken down into a set of categories such as venue costs (including all meals and inclusive entertainment provided by the venue), publicity costs to generate interest in the event (spent with London-based agencies only), administration to cover the spend associated with staff organising and running the event (to focus on additional staff based in and temporarily working in London), plus sundry spend which does not easily fall into the other categories
- Delegates' spend broken down into the following categories: food and drinks, travel, accommodation and entertainment, including spend after the event such as gifts, attractions etc.

The model also allows for the estimation of multiplier effects; however London & Partners only report direct additional economic impact in terms of GVA that is generated and retained in London's economy.

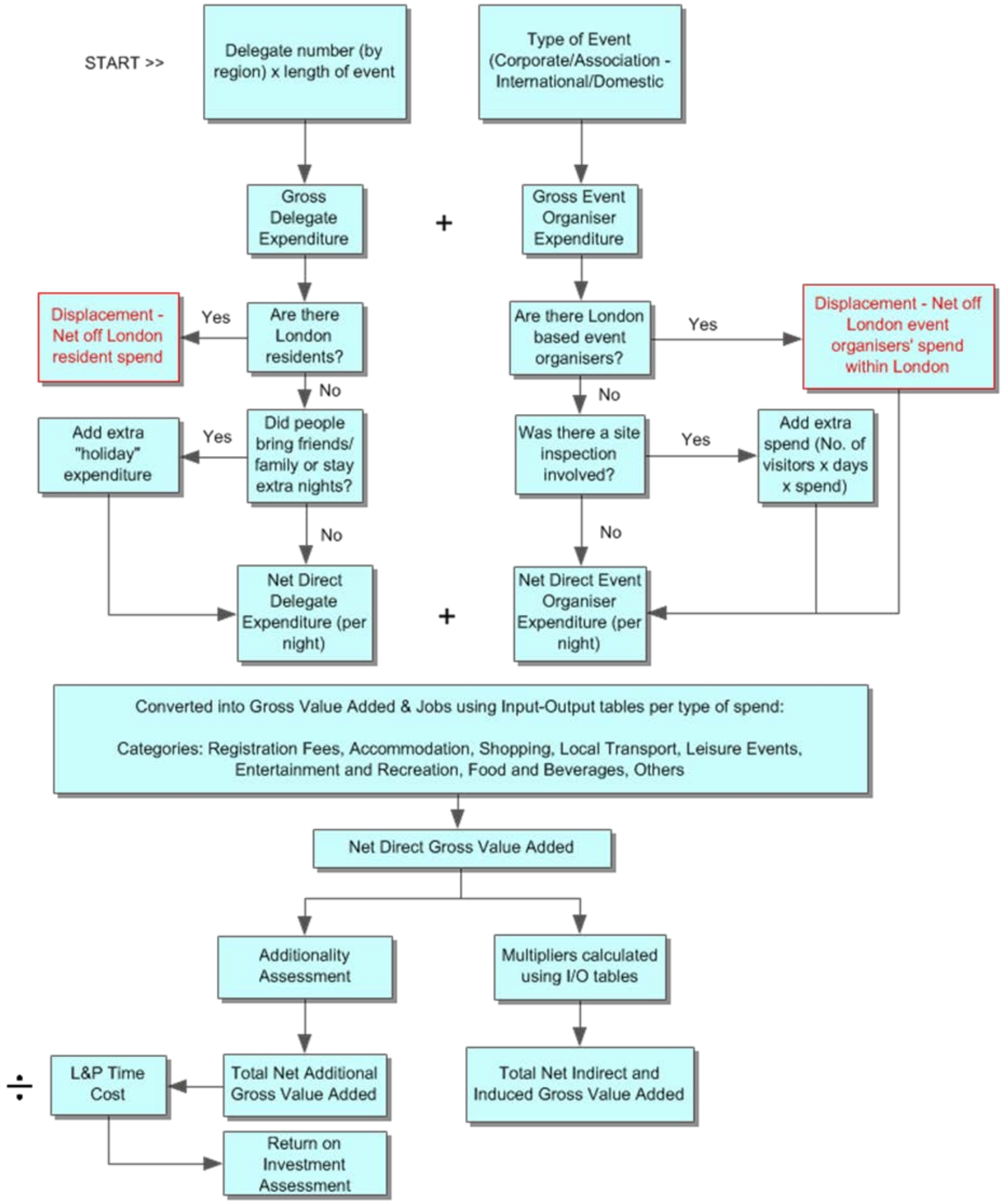
Figure 5.2 shows a typical output of the model while Figure 5.3 summarises how the economic impact model works:

Figure 5.2: Screenshot of the output from the Business tourism economic impact model



[16] This was developed by Regeneris Consulting using the UK level national accounting data, along with data on the London economy, to estimate Type I (indirect) and Type II (indirect and induced) output , employment and GVA multipliers for 110 different business sectors (different from SIC codes as produced by the ONS). The different spend categories identified are therefore translated into net additional impacts for London.

Figure 5.3 Flow diagram outlining the evaluation model for business tourism



d) Evaluation methodology for major events

London & Partners organised a round table in October 2012 on the methodological approach to estimate the economic contribution of major sporting and cultural events. The round table was attended by representatives from the Department for Culture, Media and Sport; UK Sport, the national agency promoting major events in the UK; GLA Economics and London & Partners. The purpose of the workshop was to share best practice in measuring the economic value of major events and aligning measurement across agencies. As a result of this exercise, London & Partners acknowledged that, for the most part, eventIMPACTS was the best approach currently available to estimate the gross contribution of the major events bid for, promoted and facilitated[17]. The toolkit was developed by Sheffield Hallam University's Sport Industry Research Centre (SIRC) and was commissioned by a consortium of UK based organisations staging and promoting major public events nationally. However, for consistency in measurement of other business lines, London & Partners and GLA Economics agreed on applying some discounting factors to estimate additional GVA deriving from the events.

The challenge with measuring the economic contribution of London & Partners' activity depends on the variety of major events in terms of size, type and audience profiles. Ideally every event should have its own evaluation; however this would not provide a cost-efficient approach to measuring GVA.

London & Partners therefore engaged the SIRC with the brief of undertaking a literature review on the economic impact of major events to use previous studies where primary research was performed. In addition the events were classified by main typologies and SIRC provided the best benchmarks data when primary research wasn't available. The events taxonomy adopted consists of:

- Major sporting events lasting one day
- Major sporting events lasting two or more days
- Major sporting event – London & Partners owned
- Major cultural events lasting one day
- Major cultural events lasting two or more days
- Major cultural events – London & Partners owned

The SIRC study consisted in a review of London & Partners' activity during FY 2012/13 in terms of its contribution to London's economy. The events included in the economic analysis were:

- Amlin Challenge Cup Final, 18 May 2012, Twickenham
- Heineken Cup Final, 19 May 2012, Twickenham
- Red Bull Empire of Dirt, 19-20 May 2012, Alexandra Palace
- NFL Fan Rally, 27 October 2012, Trafalgar Square
- NFL International Series Game, 28 October 2012, Wembley Stadium
- ATP World Tour Finals, 5-12 November 2012, The O_2 Arena
- Euroleague Basketball Final Four, 10-12 May 2013, The O_2 Arena
- RideLondon, 3-4 August 2013
- Two NFL International Series Games, 29 September and 27 October 2013, Wembley Stadium
- Rugby League World Cup Semi Finals, 23 November 2013, Wembley Stadium
- 2016 European Swimming Championships, (Bid in Progress)

The review was carried out as follows:

- Desk research and consultation with the Major Events team at London & Partners on the events listed above to define their duration, scale and any typical features.
- Review of previous event economic impact studies undertaken by SIRC (and other consultants) in London, including NFL International Series Games in 2011 and 2012, for which London & Partners had separately commissioned to SMG-YouGov.

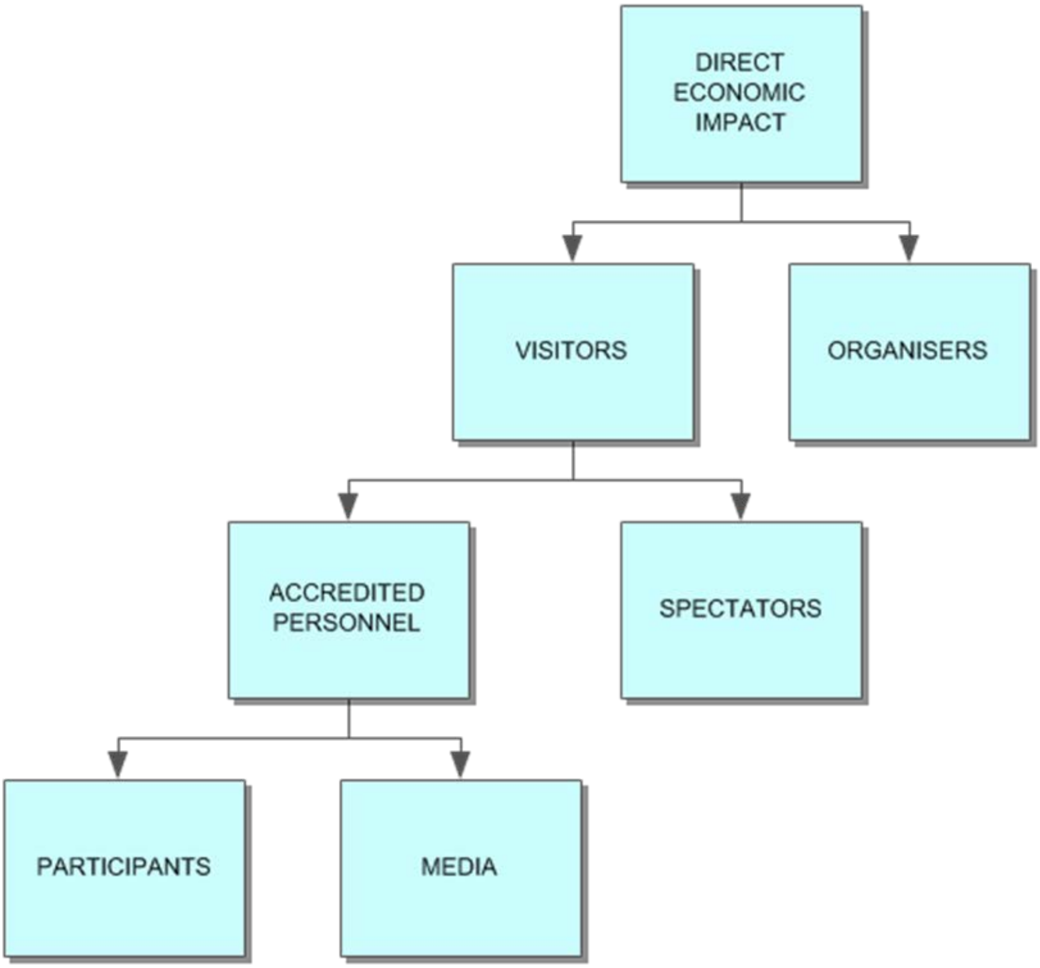
[17] Details of the eventIMPACTS methodology available at http://www.eventimpacts.com/economic

- Based on the above, considered judgement for each event on factors including the likely origin, trip duration and expenditure patterns of spectators on accommodation and other items; and the likely contribution of other attendees and organisers residing outside London.

i) Methodology to estimate additional GVA from major events

The contribution of London & Partners supported events is measured primarily through their estimated direct economic impact on London in accordance with the eventIMPACTS methodology. As illustrated in Figure 5.4, there are two sources of an event's direct economic impact: visitors and organisers' spend[18]. The visitor component can be disaggregated further into spectators; audience and accredited personnel (ie, delegates, media etc.).

Figure 5.4: Flow diagram outlining the components of economic impact from major events



Direct economic impact is estimated by accounting for:

- Spending in London by both (non-London) domestic and overseas visitors who visited the capital for the purpose of attending the specific event (ie, this excludes spend from random visitors)

[18] "An Economic Assessment of London & Partners support for major events", Sport Industry Research Centre, Sheffield Hallam University, (2013).

- Organisational expenditure in London at net of event revenues originating from local sources.

The figures are concerned with the amount of new money injected into London from external sources as a direct result of hosting major events. The figures provide an appropriate baseline to estimate the net benefits of major events to London in terms of Gross Value Added (GVA) terms, and to estimate the additionality of London & Partners' contribution, deriving an overall cost-benefit ratio of London & Partners promotional activity linked to major events.

London & Partners applies an additionality factor of 33 per cent to convert gross to net economic spend. The additionality of London and Partners' contribution has been set at 33 per cent based on the number of main players contributing in winning major events bids; namely, the Sport Governing Body (UK Sport Federation), the hosting venue and the City (London & Partners, the Mayor's official promotional organisation for London). This is a simplifying assumption as additionality for our activity in this business area cannot be estimated via primary research. Additionality is set at 100 per cent in case of London & Partners owned events (ie, Ride London).

Additionality for this business area had been largely discussed during the round table with national counterparts, and two consultancies have been involved in brainstorming on the subject. There has not been any systematic analysis in the major events' evaluation literature setting out the additionality from an organisation such as London & Partners when promoting and supporting major events.

Additional spend is finally converted into additional GVA by using the same conversion ratio between leisure tourism spend and GVA (40 per cent, utilising data from the Annual Business Survey, ONS) based on the similarity of the expenditure pattern.

6. Conclusions and future evaluation work at London & Partners

At a time when public funding for promoting London is decreasing, London & Partners invested in evaluation activity to build a measurement platform capable of assessing return on investment and allocating resources effectively. The models presented in this paper are the result of this investment. The development and implementation of these models contributed to London & Partners' targeting resources more efficiently and effectively, increasing the returns on investment across all the activities. London & Partners calculated the average return on investment across all business lines was 13:1 in FY 2012/13; through building upon findings and refining activity further, the return on investment across all business increased to 15:1 in FY 2013/14[19].

The models developed by London & Partners and GLA Economics presented in the paper have been recognised by national counterpart organisations as innovative and ground-breaking. The ambition is to establish some of the new models developed (in particular, the methodological approach for estimating the impact of business tourism and higher education promotion) as industry standards. At the same time, London & Partners is keen to import best practice in measuring economic impact, through maintaining an ongoing dialogue with the National Boards in the tourism, FDI and higher education sectors.

London & Partners, jointly with GLA Economics, are committed to evaluating any new activities delivered by the agency and to continue to improve existing economic models with new evidence from primary and secondary research. The three main projects in the evaluation pipeline for the new financial year are detailed below.

a) The evaluation of london.cn

In 2013, the Mayor of London launched london.cn during his visit to China. This website is London's official Chinese website, with the aim of marketing the capital to Chinese students, businesses in the travel trade sector and leisure tourists. After the successful launch in China, london.cn is continuously developing its capacity and functionality, aiming to become an effective and efficient digital platform to showcase London to Chinese audiences.

The website was launched because there was evidence that London & Partners needed bespoke marketing channels to effectively engage Chinese audiences. In particular:

- The studylondon.ac.uk bounce rate from China was at 95 per cent which led the team to conclude that a new channel, in Mandarin, was needed to communicate to prospective Chinese students
- The percentage of Chinese students studying in London (14 per cent) was significantly lower than the national average of all international students (25 per cent)
- The nature of Chinese culture means that some tools (Facebook, Twitter, etc.) are banned so new tools were needed to connect with this audience.

Due to the specific nature of the project an ad-hoc evaluation is planned to capture feedback on additionality for this new channel and the behaviour of its users. It is likely that the model

[19] "Review of the Year: Achievements and Impact 2013-14", London & Partners, (2014); available at http://www.londonandpartners.com/about-us/reviewoftheyear

generated will be a re-iteration of the models currently used for studylondon.ac.uk and visitlondon.com.

b) The evaluation of travel trade activity

London & Partners promotes London as a tourist world-class city to travel trade operators and provide them with the best information and guidance to sell the capital in their markets, ensuring London features in tour operator portfolios and itineraries.

London & Partners deliver this activity jointly with Visit Britain, mainly by:

- Hosting and attending key trade events to develop and strengthen relationships with travel trade operators
- Working closely with trade associations and other tourism bodies to distribute London product information to travel trade audiences via London & Partners' travel trade website, regular newsletters, social media and BritAgent training.

An attempt to evaluate the additional economic impact that this activity generates for London's economy was done in 2013; however a low response rate, coupled with difficulties in estimating the additional GVA remaining in London's economy, meant that it was not possible to build an economic impact model for this business stream. The evaluation plan is that of designing a new survey to align to a recent methodology developed by Visit Britain in collaboration with Ecorys. The survey will be implemented in the new financial year and the measurement will be aligned with how London & Partners measures and reports economic impact for other business lines.

c) The evaluation of social media channels

In the 2014/15 business plan, London & Partners committed to "increase the viral reach of www.visitlondon.com's social channels by creating engaging content designed to encourage social sharing. A percentage of the creative team's time will be ring-fenced for content creation, sourcing and commissioning, as well as developing partnerships. A new social listening tool will also be introduced to enhance our audience insights and inform content decisions". The evaluation team plans an ad-hoc impact assessment of this important marketing channel. The priorities here are to avoid any double counting with users of visitlondon.com main website and campaign microsites and to define how the additionality of social media channels differ from mainstream marketing activity already measured.

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