

TOURISM ECONOMICS

Economic Impact of TripAdvisor on the UK Tourism Economy

Prepared for:
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Presented by:



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Executive Summary

TripAdvisor had a significant impact on the tourism industry in the UK in 2011. Key findings of this study include:

- TripAdvisor generated almost £300 million in incremental UK tourism spending or 0.4% of total tourism spending and gross value added (GVA). This is the TripAdvisor effect on the market generated by increased confidence, additional travel and higher spending per trip.
- Incremental spending is responsible for 4,000 direct tourism industry jobs and a total of 7,000 jobs when including indirect and induced impacts across the entire economy. This represents economic activity and employment that would not exist apart from TripAdvisor.
- 70% of this spending was generated by international travel to the UK as a function of higher conversion rates from page visits and a relatively high expenditure per visit. The incremental spending of international visitors generated 5,000 jobs including direct, indirect and induced impacts.
- Page views of TripAdvisor content were associated with bookings worth a total of £1.7 billion in tourism spending within the UK, or 2.2% of total tourism spending in 2011.
- Spending associated with TripAdvisor directly supported an estimated 20,000 jobs within the tourism industry and a total of 42,000 jobs including indirect effects through the supply chain and the induced effects of employees' earnings.

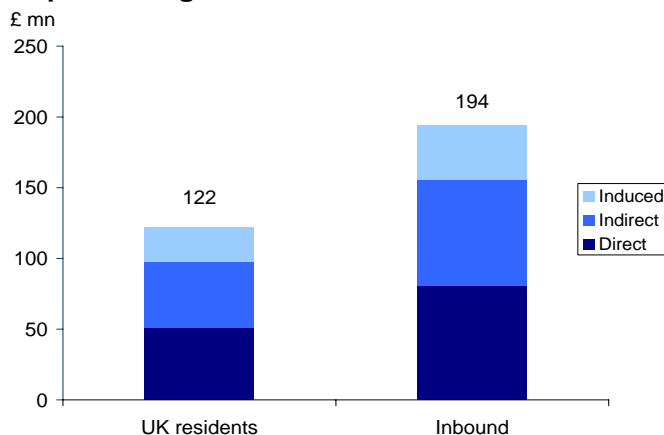
TripAdvisor Economic Impact 2011				
	Tourism Spend £ mn	GVA £ mn	Employment 000s	% UK tourism
TripAdvisor Generated Activity				
Incremental direct economic impact	£293	£131	4	0.4%
Incremental total economic impact	-	£316	7	0.3%
TripAdvisor Associated Activity				
Associated direct economic impact	£1,673	£748	20	2.2%
Associated total economic impact	-	£1,801	42	1.8%

- Spending associated with TripAdvisor also includes some redistribution of spending. More than half of survey respondents reported finding a hotel that is not part of a chain, as TripAdvisor helps smaller businesses compete in the marketplace.
- TripAdvisor supports 14,000 tourism jobs in non-chain establishments.
- A survey of TripAdvisor users suggests that over 25% either stayed longer, spent more, visited more destinations or undertook more activities than they would have otherwise. The remaining 75% followed existing budgets and travel plans but this likely included some redistribution between types of establishment.

TripAdvisor Spending Impact 2011			
	UK residents	Inbound	Total
TripAdvisor Generated Activity			
Incremental spending (mn)	£113	£180	£293
TripAdvisor share UK tourism	0.2%	0.7%	0.4%
TripAdvisor Associated Activity			
TripAdvisor page views (mn)	799	347	1,146
Associated trips (mn)	1.5	1.6	3.1
Associated spending (mn)	£477	£1,196	£1,673
Share UK tourism spending	0.9%	4.9%	2.2%

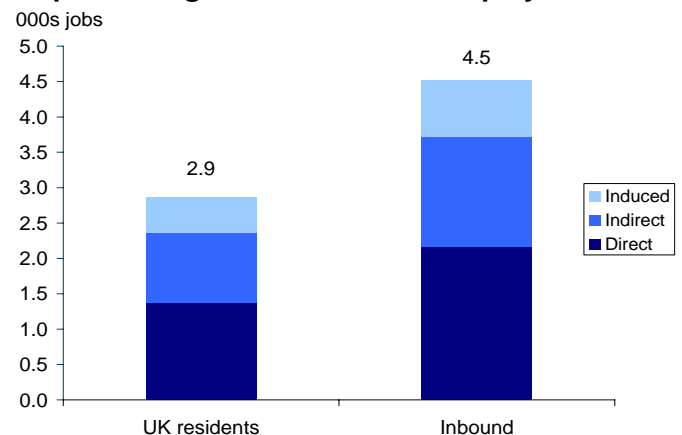
- Average domestic spending per trip by UK TripAdvisor user is estimated to be over 20% higher than average online booking; spending by non-UK tourists is 15% higher.
- Half of survey respondents reported having a better travel experience attributable to using the TripAdvisor website as some benefits also accrue to consumers as well as the industry.
- Consumer benefits are approximately 4.5 times larger than the incremental sales benefits (GVA) at almost £600 million. This is the incremental consumer surplus that is defined as utility derived by consuming particular goods and services in excess of the price paid. For example, TripAdvisor users may learn of hotels that meet their requirements which are available at prices lower than they were originally prepared to pay. They may also learn of free attractions that can add to the enjoyment of their trip but at zero cost; a clear benefit to the consumer.
- TripAdvisor enables greater consumption of tourism services at a lower average price. There is overwhelming evidence of a reduction in average market prices due to the availability of online information. TripAdvisor allows users to enjoy lower average prices and therefore redirect savings to other tourism spending for greater utility. Savings are generally not re-directed to non-tourism spending as TripAdvisor users tend to spend more per trip than other tourists.

TripAdvisor generated tourism GVA



Source : Tourism Economics

TripAdvisor generated tourism employment



Source : Tourism Economics

TripAdvisor's impact on the UK economy comes through several channels, both direct and indirect. While TripAdvisor's direct operations in the UK supports direct employment, this study makes no explicit estimate of the indirect jobs supported by spending of these employees, or jobs created as a result of additional demand placed on supplier industries.

Instead we focus on the wider benefits to the tourism industry and notably the additional tourism activity and employment that are generated by TripAdvisor. In addition to the direct tourism impacts we measure the total impact including the indirect effects through the supply chain and the induced effects of spending of earnings by employees.

TripAdvisor and other similar websites encourage greater spending by connecting buyers and sellers. For consumers, more reliance on the internet for travel planning makes websites like TripAdvisor increasingly important to building confidence and trust, and to encourage consumers to ultimately 'pull the trigger' in spending decisions. The improved access to information represents a shift of demand, or more demand at all price levels, for travel services. An emboldened and more confident consumer is more likely to spend and the result is greater demand for travel-related services.

From a producer's perspective, TripAdvisor is primarily a marketing tool and enhances the competitiveness of smaller players in the marketplace. Positive online reviews posted by previous customers are a key influence in consumers' decision-making, more so than marketing and advertising. The increased trust and confidence on the part of consumers also results in longer stays and more spending per trip, ultimately benefiting producers.

By improving the information flow and removing some asymmetry, TripAdvisor raises the average quality of supply. Lower quality establishments are forced to either improve or go out of business as TripAdvisor aids "natural selection" with clear benefits to the consumer as well as successful business.

We acknowledge that there is some uncertainty with the calculations described and notably uncertainty in the number of bookings and average spending per trip and therefore also in the additionality assumption. We calculate a lower and upper bound of effects which shows that total incremental employment benefit lies within a range of 3,000-13,000 total employees. The estimated 7,000 jobs remain the best estimate and most likely overall impact.

This report was prepared by Tourism Economics for TripAdvisor UK. The analysis employs various data sources and methods to estimate the economic impact of travel-related activity associated with TripAdvisor. Page views, clicks to partners and conversion ratios were used as inputs to the model in addition to detailed information on the demographic profile and travel spending of TripAdvisor users. Both domestic and inbound tourism activity are considered and comparative analysis references data from the UK International Passenger Survey (IPS) and the GB Tourism Survey (GBTS). Finally, a survey of TripAdvisor users was conducted and provides data on the influence of the website in travel and spending decisions. The survey included respondents from UK, US, France, Italy, Germany, and Spain. Input-output data used to determine the wider economic impact multipliers are based on official UK economic statistics and are consistent with those used in other Oxford Economics studies on UK tourism.

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