

Brand USA Board of Directors Meeting March 22, 2017



Board Meeting Agenda

Opening Remarks

- Call the Meeting to Order
- Approval to conduct the meeting in executive session*
- > Introductions: Management, Legal Counsel, and Invited Guests
- Item 1: Approval of the Minutes from the December 9, 2017 Meeting*
- Item 2: CEO Report
- Item 3: Finance Committee Report
- Item 4: Audit Committee Report
- Item 5: Communication and Public Policy Report
- Items 6-8: Business Planning and Reporting
- Item 9-15: Marketing Committee Report
- Discussion and Q & A
- Closing Remarks, and Adjourn Meeting



Opening Remarks and Introductions



Tom Klein Chair, Board of Directors



Brand USA Board of Directors



Tom Klein Chair



John Edman Vice Chair



Barbara Richardson Vice Chair



Arne Sorenson Treasurer



Andrew Greenfield Secretary



Kyle Edmiston



Maryann Ferenc



Daniel Halpern



Alice Norsworthy



Thomas O'Toole



Rossi Ralenkotter



Executive and Senior Management



Chris Thompson President & CEO



Thomas Garzilli Chief Marketing Officer



Anne Madison Chief Strategy & Communications Officer



Donald Richardson
Chief
Financial Officer



Karyn Gruenberg SVP, Partner Marketing & Strategic Alliances



Cathy Domanico VP, Global Trade Development



Tracy Lanza
VP, Integrated
Marketing



Carroll Rheem VP, Research & Analytics



Stanley Mattos VP, Operations



Aaron Wodin-Schwartz

VP,

Public Policy



Jake Conte Director, In-House Counsel



Brian Watkins
Director,
Information Technology



Item 1: Approval of the Minutes from December 9, 2016



Tom Klein Chair, Board of Directors



Item 2: CEO Report



Chris Thompson President and CEO



Item 3: Finance Committee Report



Arne SorensonChair, Finance Committee



Finance Committee Report



Arne SorensonChair, Finance Committee







Highlights

ESTA

➤ We have identified \$84.4 million of the FY2017 ESTA submission and are on target to reach our \$100 million contributions match goal.

Partner Cash Contributions

➤ We are \$9.5 million ahead of budget year-to-date.

In-Kind Contributions

- ➤ In progress as planned, but no in-kind contributions have been recorded as revenue year-to-date.
- ➤ In-kind contributions are recorded as revenue once they are submitted to the Department of Commerce.
- In-kind policies and procedures were approved by the Department of Commerce on February 23, 2017—outlining the requirements for Brand USA to utilize evaluations from a single third-party expert to support matching funds requests.

Highlights, continued

Expenses

➤ Expenses are \$24 million below budget year-to-date, primarily due to a shift of strategy and timing differences in marketing expenses. Expenses are expected to be at budget for FY2017.

Cash Flow

Cash flow remains strong and is 91% above the reserve requirement as of January 31, 2017.



Item 4: Audit Committee Report



Kyle EdmistonChair, Audit Committee



Audit Committee Report



Kyle EdmistonChair, Audit Committee







FY2016 Financial Statements Audit

- Moss Adams conducted the financial statement audit.
- The audit was completed on schedule and resulted in an unqualified opinion (meaning our financial statements are fairly stated in all material respects)
- No internal control or related matters were uncovered during the audit, eliminating the need for Moss Adams to issue a Management Letter.
- The FY2016 financial statements reflect a successful year ending in a strong cash position.
- The audit report was reviewed and accepted by the Audit Committee of the Brand USA Board of Directors at its February 27, 2017 meeting.

Item 5: Communications and Public Policy Report



Chris Thompson

President and CEO



Communications and Public Policy Report



Chris Thompson
President and CEO

Anne Madison
Chief Strategy and
Communications Officer





Communications and Public Policy Report



Anne Madison

Chief Strategy and Communications Officer



Travel Policy Communications: Our Role

Brand USA is committed to communicating travel policy as an important component of inviting, welcoming, and thanking international travelers who visit the United States of America.

- Our commitment to market the USA to international travelers is as strong as ever—and the reason for our existence is as compelling as ever.
- Brand USA's ability to reach and influence international traveler decisions to visit the USA is especially important when traveler uncertainty or misperceptions exist.
- It is possible—and necessary—to communicate that the USA is and can be both welcoming and secure.
- When a change in travel policy occurs, Brand USA's role is to communicate that information in tandem with our ongoing efforts to promote the range of diverse destinations and nearly limitless travel experiences available in the USA.
- Our role is not to set, defend, or promote travel policies.
- It is outside our legal authority to comment on travel policy since we do not set travel policy and are prohibited from advocating for travel policy.



Brand USA's Role in Communicating Travel Policy

What We Do

Communicate U.S. Visa and Entry Policy

How We Do It

- By furthering the understanding of U.S. travel policies.
- By identifying and correcting misperceptions about those policies.
- By helping international travel trade, media, and visitors link directly to information from the federal agencies responsible for the policies.



Executive Order on Travel

<u>U.S. Travel Information Page: www.visittheusa.com/info</u>
The following message and links are posted on the U.S. Travel Information page of Brand USA's global and in-market consumer websites (VisitTheUSA.com):

For the most up-to-date information regarding U.S. entry and visa policy, Brand USA encourages all travelers to refer to the following resources provided by the U.S. government as they make their travel arrangements and prior to embarking on a trip to the USA.

U.S. Customs and Border Protection: www.CBP.gov

U.S. Department of State: <u>travel.state.gov</u>

In addition, the U.S. embassy or consulate in the traveler's country of residence can provide specific information about visa and entry policy for travelers from those markets. More information about contacting the nearest U.S. embassy or consulate is available at www.USEmbassy.gov.





Information and tips on visiting the USA

Welcome to the USA! Here you will find lots of great information and tips on visiting the USA. We've done the research for you so you can just enjoy your trip. Being prepared early and knowing what to expect will help you ease into the USA way of

For the most up-to-date information regarding U.S. entry and visa policy, Brand USA encourages all travelers to refer to the following resources provided by the U.S. government as they make their travel arrangements and prior to embarking on a

U.S. Customs and Border Protection: CBP.gor

U.S. Department of State: travel.state.g

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No two trips are alike, so you will find information in this section for a variety of trips. Whether you prefer staying in a resort or camping under the stars, we've included the details you need to be safe and happy on your USA trip.

While you'll find many of the brings you already love, and discover new ones, there are a few things that ore different her. Talks it as example our winds for insourcement on electricity, our business hours and official public holdays. We suggest you begin with a brief overview of U.S. austense and culture. From here, you will find information covers formly twent, extribitly planning, shopping and an everview of the country's health and safety information. No matter if your trip length is two days of the common than the exception will help on the country's health and safety information. No matter if your trip length is two days of the country's health and safety information. No matter if your trip length is two days of the month. The exceptions will help node you on informed trutyers.

Have a great trial

Still have questions? Find us on

Twitter @VisiTheUSA and Tacebook.com/visittheusa and we'll get you answers. And don't forget to share your top trip moments by using #VisitTheUSA on your favorite and a hatfareness.



The USA is as Amazing as Ever

- As the nation's destination marketing organization, we will continue to:
 - Invite travelers to visit the USA by creating campaigns, cooperative marketing programs, and trade outreach initiatives to invite, welcome, and thank international travelers.
 - Work directly with our partners to ensure that they have the proper information and messaging regarding changes in travel policy.
- The reasons people want to visit the USA remain the same today as they have always been: Our destinations, our experiences, and our people.
- What makes the United States the attractive destination it has always been hasn't changed. In fact, it's as amazing as ever.
 - The diversity of the USA's destinations, experiences, and people is exciting and unique.
 - The USA offers nearly limitless authentic travel experiences.
 - Visitors to the USA have the freedom to explore and discover all the USA has to offer.
 - The ability to travel freely throughout the country and to engage in free speech and open debate is one of the many things that define us as a nation.

This is core to our marketing efforts to promote the USA as a premier travel destination.



Potential Impact of Travel Policy

- Here's the challenge: Official visitation numbers are a lagging indicator and are usually reported several months following the close of the month.
 - As the nation's destination marketing organization whose mandate is to promote international travel to the USA as an economic driver, we follow the National Travel and Tourism Office (NTTO) forecast to get an idea of what the future holds.
 - It is our understanding there has been no change to the forecast as of today. NTTO usually updates its forecast mid-year.
 - Independent forecaster Oxford Economics has issued a revised forecast that shows single digit revisions downward (ranging from 4% for overseas markets and 6% for all markets) in 2017.
- According to a number of publicly released data reports, travel bookings have slowed when comparing short periods of time on a year-over-year basis, but it would be presumptuous at this point to assume these short-term trends will remain consistent through the year.



Our Marketing Strategies

- As we do in every market, we continually monitor market conditions to see if a change in marketing strategy is needed.
- As of today, we believe our core campaign strategy—which emphasizes possibility and the value inherent in visiting the USA remains as relevant as ever.
 - For example, a challenge the USA has had in many international markets over the past year is the strengthening of the U.S. dollar.
 - Historically, currency valuation and exchange rates have had more impact on travelers' decisions than most other changes in market conditions.
 - That's why we've been promoting the value the United States offers international travelers—in terms of the breadth and depth of experiences that can be had in a single trip.



Items 6-8: Business Planning and Reporting



Chris Thompson

President and CEO



Business Planning and Reporting



Chris Thompson
President and CEO

Anne Madison
Chief Strategy and
Communications Officer





Item 6: FY2016 Annual Report

Schedule

- April 3: High-level Review of FY2016 Objectives/Performance and Report Content
- April 18: Annual Report Content to Board for Review/Comments
- April 24: Comments Requested from Board to Annual Report Content
- May 1: Delivery to the Department of Commerce for Transmission to Congress
- May 15: Department of Commerce transmits Annual Report to Congress



Progress toward FY2016 Objectives

Objective	Goals	Summary Results
Increase international visitation, spend, and global market share for the United States	 1.04 million incremental international visitors \$3.8 billion in incremental international spend \$7.6 billion in total economic impact 51,400 incremental jobs supported Manage overhead to remain below 15% 	 ROI study to be released April 2017 (for visitation, spend, total economic impact, and jobs supported) Overhead at 9.6% (well below the threshold of 15%)
Create innovative marketing	 Achieve year-over-year market targets set by NTTO forecast: 81.5 million international visitors; \$240 billion in spend Support the USA's increase in global market share 13.6% long-haul market share; 6.75% global market share 	NTTO results to be released by June 2017
Market the welcome	 Achieve 100% of the annual objectives shared with the Tourism Policy Council (TPC) Deploy Federal resource program in three embassies by year-end Deploy international arrival program in five international arrival halls with 100% compliance to brand and national voice 	 100% of shared objectives with TPC achieved Federal resource program deployed in three embassies International arrival program in four of five international arrival halls
Build and maintain trust	 100% compliance with policies, procedures, and Travel Promotion Act 85% or better rating on partner satisfaction surveys (benchmark year) Manage ESTA submission cycle time to 85 days or fewer for cash contributions and 120 days or fewer for in-kind contributions 	 100% compliance 96% partner satisfaction ESTA cycle time (cash): 85 days ESTA cycle time (in-kind): 122 days
Add and create value	 \$100 million in contributions Target 50% cash and 50% in-kind (but no less than 25% cash and no more than 75% in-kind) 90% or higher partner program retention Increase partnership base to 525 	 Generated >\$100 million in industry contributions 53% cash and 47% in-kind 98% partner program retention rate 707 partnership base

Item 7: Dashboard Update

Dashboard Comprised of 12 Key Metrics

Component	Metric	Results
Travel Lifecycle Phase 1 Dream/Awareness	Consumer Destination Favorable/ Familiarity	
Travel Lifecycle Phase 2 Consider/Engagement	 Website & Social Engagement Intent to Visit the USA 	^
Travel Lifecycle Phase 3 Activate/Book	4. Attributable Increase in Visitation	
Travel Lifecycle Phase 4 Travel	5. Attributable Increase in Spend, Jobs6. Market Share	
Travel Lifecycle Phase 5 Share	7. Consumer Net Promoter Score	
Financial Partner Revenue Trends	8. Percentage of Federal Match9. Ratio of Cash/In-Kind Contributions	>
Partnership Value	10. Value Provided to Partners-Growth-Satisfaction-Retention	1
Compliance & Process	11. Compliance12. Cycle Time	*

Results Monitored Quarterly and Annually





FY2016 Dashboard

(preliminary numbers; to be updated prior to the board meeting)

2013	2014	2015	2016 Target	2016 Actuals*	Trending
339 partners	475 partners	577 partners	610 partners	707 partners	1
97% retention	94% retention	94% retention	90%+ retention	98% retention	^
N/A	N/A	92% value grade 94% intent to partner again	90%+ each on value grade and intent to partner	96% value grade 100% intent to partner again	^

Brand USA internal data

- > Cumulative number of partners from inception to date: Tracked quarterly and reported annually
- > Partner program retention rate: Tracked monthly and reported annually in December
- > Partner satisfaction: Annual survey administered by Brand USA in Q2 and reported in June (first administered in Q2-FY2015)



Item 8: FY2018 Planning Process

Timing	Planning Step
January	Partner Roundtables
February-April	 Topline Positioning and Messaging Strategic Questions and Process Charting Market Structure and Prioritization Balanced Score Card and Research Plan Finalized ROI & Partner Survey Results (March 22) Executive-Level Objectives, Goals, Strategies, Measures Charting
April	 ROI Study and Partner Survey Results Announced Market-by-market SWOT Analysis Partner Programs Finalized FY2018 Preliminary Budget Established
May	Market Structure and Allocation (including International Representation Approach)Annual Report FY2016 Released
June	 Board Meeting Presentation of Preliminary Plan and FY2018 Objectives and Budget (June 28) Editorial Calendar, Department Dashboards, and FY2018 Performance Goals
July	 Partner Development Plan Finalized Objectives and Budget Finalized/Approved (if not already approved at June 28 meeting)
August	Submit FY2018 Objectives, Summary Marketing Plan, and Budget to Commerce
September	Complete Full Business Plan for October 1 Publication

Items 9-15: Marketing Committee Report



Barbara RichardsonChair, Marketing Committee



Marketing Committee Report



Barbara Richardson Chair, Marketing Committee







Marketing Committee Report



Thomas Garzilli Chief Marketing Officer



Item 9: Research / Tracking Results: Market Update



Carroll Rheem

Vice President, Research & Analytics

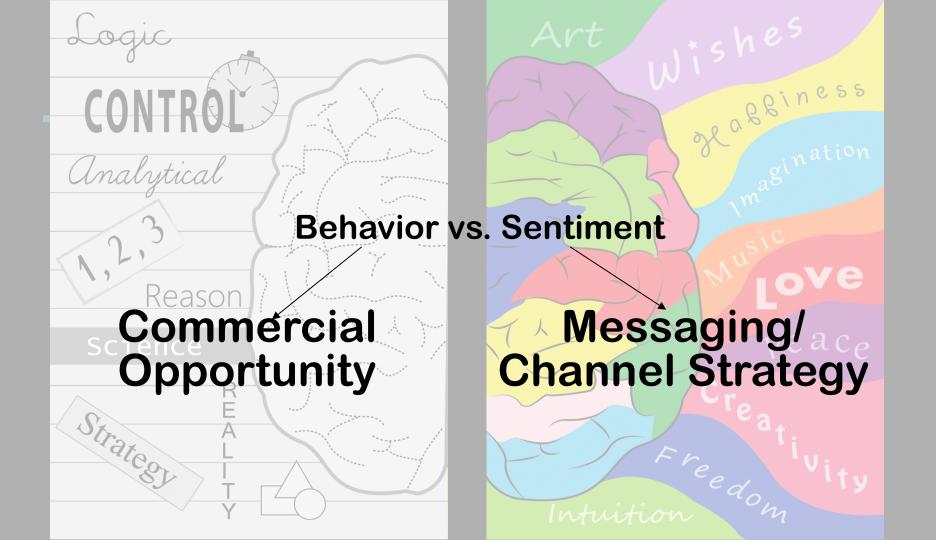




Market Update

Carroll Rheem – VP, Research & Analytics

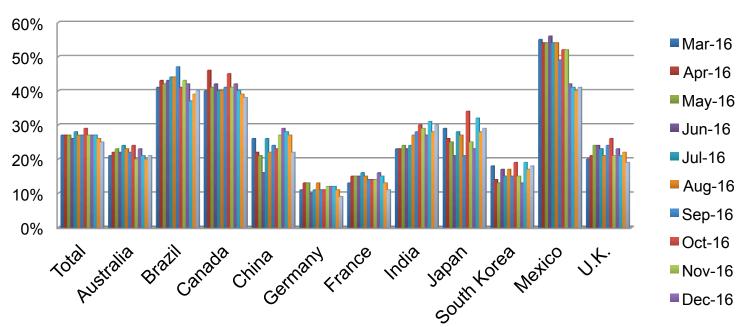






Intent to Visit in Next 12 Months

Likely to visit the US in the next 12 months

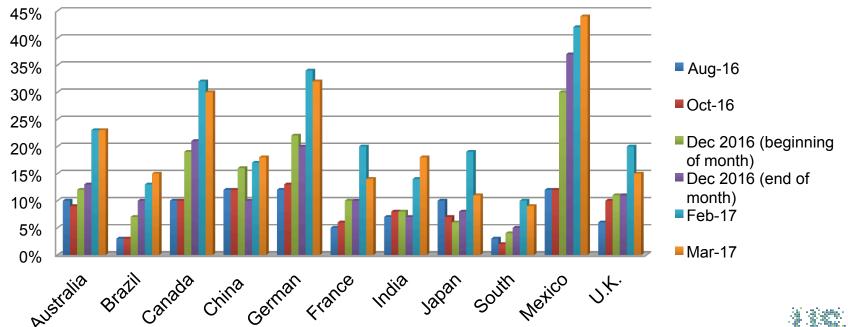


Base: General Population



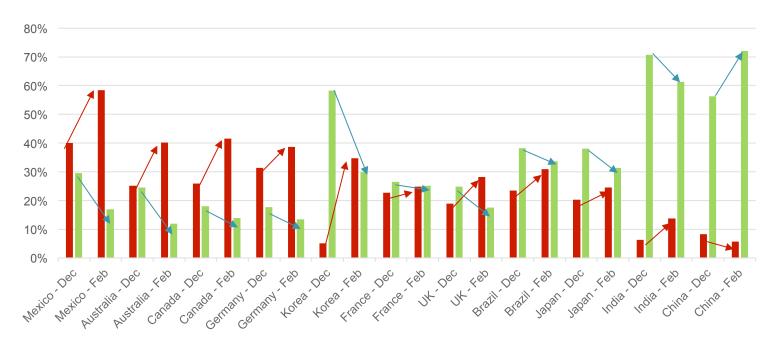
Political Climate Across Markets

Brand USA surveyed international travelers and asked them if the USA was likely to be one of their holiday destinations in the next 12 months. Of those that responded that it was NOT a likely destination they would visit, the following percentages state the current political climate in the USA was a reason they would not visit.





Influence of U.S. Political Climate on Likelihood to Visit December 2016 and February 2017



■ Less Likely ■ More Likely

Base: International Travelers



Political Sensitivity Spectrum

Highly Sensitive

Mexico

Moderately Sensitive

- Canada
- Germany
- Australia
- UK
- France

Lightly Sensitive

- China
- India
- Korea
- Japan
- Brazil



Campaign Tactical Options

Targeting

- Trip Persona
- Demographics
- Contextual Behavior
- Product Behavior

Channel

- Social
- Display
- Search
- TV
- OOH

Voice

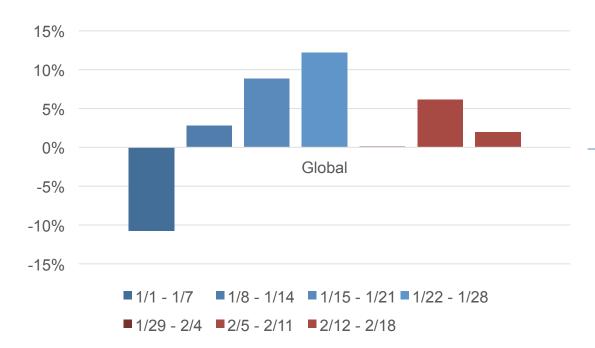
- VisitTheUSA.com/ GoUSA.com
- State/City Destination
- Activation Partner
- Influencer







Agency Air Bookings – YOY Growth

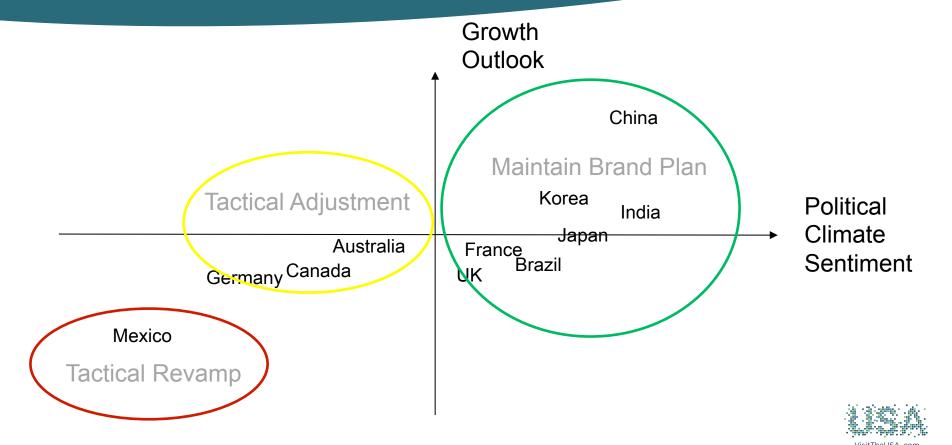


2016	2017	YOY
000 005		
696,995	621,744	-11%
754,969	776,254	3%
740,131	805,392	9%
714,418	801,453	12%
726,423	727,113	0%
670,585	711,674	6%
717,840	731,810	2%
	754,969 740,131 714,418 726,423 670,585	754,969 776,254 740,131 805,392 714,418 801,453 726,423 727,113 670,585 711,674

Source: Global Agency Pro (ARC)



Political/Commercial Spectrum



Item 10: Brand USA Annual Partner Study

- Objective measure partner satisfaction across important facets of our operations including:
 - Clarity in communications
 - Responsiveness
 - Marketing effectiveness

Sample

- 45 surveys completed
- Representative sample of partners across verticals and contribution levels

Results Highlights

- 96% agree that partnering with Brand USA adds value to their organization (92% the prior year)
- 100% intend to partner with Brand USA again in the future (96% the prior year)
- Key Takeaways



Partner Comments

Brand USA is working hard to meet many stakeholders' needs and expectations so we understand those challenges. We hope to see **better alignment of programs to demand drivers, improved communication and reporting**.

Each year the organization gets better and better bringing programs of value.

I always look to Brand USA's markets and programs to see where I can align [company]'s objectives. In addition, I highly value Brand USA's research.

My challenge is the **extreme amount of time** that is required to participate and deliver creative assets. Better **tracking of results** and value is needed.

Opportunities offered are **expensive for a smaller budget** like ours to participate in. I would appreciate some programs that are more economical - possibly a **regional or "theme" approach that would include multiple partners**.

Our partnership direct with Brand USA staff is **terrific, timely and strong**. The communications with [program vendor] has been frustrating at times, **unclear, and very much reactive**.

The opportunity to have content translated to multiple languages included in the pricing--very reasonable--of programs allows us to **reach markets we could not otherwise afford to reach**.

This year's program was very strong and it's clear that the **marketing efforts are taking hold and gaining momentum**. Congrats!



Item 11: Brand USA Annual ROI Study Project Plan

- March 30 complete compilation of all data inputs and monthly market share analysis
- April 28 complete modeling
- May 15 draft report
- May 22 final report



Item 12: The USA Campaign

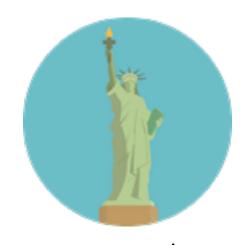


Tracy Lanza

Vice President, Integrated Marketing



Strategic Framework: The 3 Ps



possibility



PERSONA



Proximity



Operating Principles

The 3Ps have been built into the fabric of our new site, campaign and content approach to deliver...

Authentic Storytelling



Relatable, experiential, informational & shopable content is key

Partner Value



Modular formats across platforms help showcase unique destination and partner stories

Social First

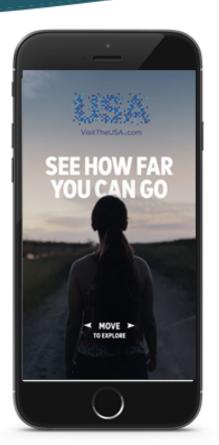


Travelers are inspired by and influenced through friends and family; be there in the moment.



Facebook Canvas







Canvas Ad: Panoramic Image Close-up







Canvas Ad: Panoramic Image Close-up







Canvas Ad: Stories









Canvas Ad: Full View



















Carousel: Escape





Alpha Test: Facebook Visitation Study

People are now cross-device, browser, publisher...cross-everything.

Measurement needs to catch up



Reach

 How many people have you reached with your message, how many times?



Resonance

 How have brand perceptions changed as a result of media exposure?



Reaction

 How have visits increased as a result of media exposure?



FY2017-FY2018 Editorial Calendar

Month	October	November	December	January	February	March	April	May	June	July	August	September
Brand Campaign	See How Far You Can Go											
Tone	Discovery			Go		Possibility			Freedom			
Theme	Neighborhoods, Cities, Towns			Arts & Entertainment		Road Trips		Great Outdoors				
Objective	Promote hidden gems to demonstrate that there is more available in the USA that you might have thought			Leverage the pop culture strength of the USA to generate interest		Showcase a broad range of travel possibilities (destinations/experiences) accessible via car		Use iconic destinations to spark traveler curiosity to want to see live				
SHFYCG	Invite travelers to discover their own unique finds in off-the-beaten-path locations			Emphasize the spiritual/emotional journey associated with experiencing art and culture		Encourage travelers to fully explore the areas they visit ("far" isn't only about distance)			Highlight the spiritual aspect of connecting with nature			
Partner Value	Work with partners to show experiences outside of the obvious ones they are known for			tners with highly recognizable entertainment/cultural events		Drive visitation to proximate locations outside major hub destinations		Create content that features unique USA landmarks/geographies and experiences to be had				



China: Optimized Resources



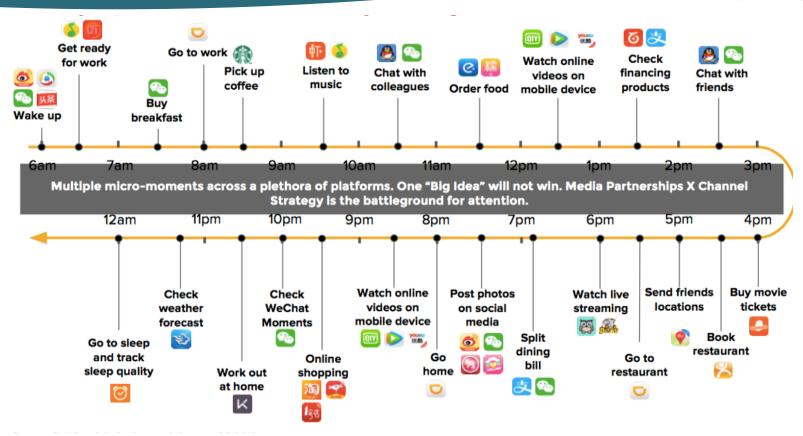
- ✓ 2016 Best Digital Agency of the Year (ROI Festival)
- ✓ 2016 Best Ad Agency of the Year (Great Wall Award)
- ✓ 2016 Best Internet Advertising Company (CI Week)



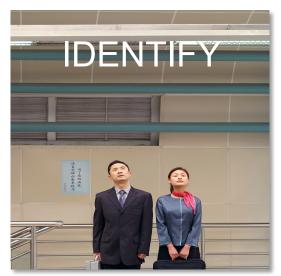


Streamline the BAT* landscape...

*Baidu, Alibaba, Tencent



...Drive Travel Affinity for the USA



Understand China's market and landscape, landing on specific target groups



Map our target's booking journey, and leverage their favorite channels and platforms to create connections.



How will we bring differentiating experiences to life with best-in-class creative expression and innovative execution?



...By Building On Our Strength

USA on the go. #RoadTripUSA





Items 13-14: Global Trade Development Update



Cathy Domanico

Vice President, Global Trade Development



Item 13: Product Development Update

- Product developed for:
 - Films and Promotions
 - Fams and MegaFams
 - Opportunities with Receptive Operators
 - Marketing Partnership Agreements



Product Development Update (continued)

- Current Projects:
 - MegaFams
 - Mexico: May 2 9
 - United Kingdom and Ireland: May 11 18
 - Focused Fams
 - China: April 24 May 8
 - Australia/New Zealand: April 21 28
 - Partner Webinars
 - April
 - May



Item 14: RFP Timeline

Market	Contract Award Date	Re-compete (RFP) Date			
Brazil	April	2019			
India	April	2020			
UK	May	2019			
Japan	May	2020			
Germany	June	2020			
Canada	July	2019			
Australia/NZ	August	2020			
Mexico	August	2019			
Korea	September	2021			
Hong Kong, Taiwan, Singapore	November	2021			
China	November	2021			



Item 15: Partner Programs Update



Karyn Gruenberg

Senior Vice President, Partner Marketing and Strategic Alliances



Participation in Co-op Programs

FY2016* Participation:

Inspiration Guide: 153 Partners

Multi-Channel: 103 partners

VisitTheUSA.com: 94 Partners

Video Services: 59 Partners

*Based on program commitment dates; not program in-market dates





VisitTheUSA.com – New Opportunities for Partners

- Significantly enhanced content features on new website
 - Must Sees, Events, TripAdvisor content
- New "Trips" pages promoting multi-destination itinerary and road trip content
- Ability to connect consumers to activation partners
- Built in marketing on and off the site
 - Featured sorting/placement for website participants
 - Dedicated traffic generation campaigns with all programs
- New Microsite offering will allow destinations to leverage Brand USA's digital platform to market their regions/states
- New options will attract even more partners
- FY2016: 94 Partners



Inspiration Guide

- 2017 13 language versions, distributed in 55+ countries
- 30 million-plus impressions of digital guide guaranteed
- Includes new distribution opportunities with leading travel trade partners
- Extension of content assets through newly launched MyUSA Digital Magazine pilot
- Increased customization of partner content to create magazine feel
- Refined distribution in mature markets
- FY2016: 153 Partners





Video = Story Telling

- Destination-At-Glance Videos
- International Storyteller (Thematic) Videos
- Native Traveler Videos
- Destination Videos produced by Matador
- Special/custom options:
 - 360 Videos
 - Animated Reality Videos
- FY2016: 59 Partners





2016 Multi-Channel Program Overview

2016 MULTI-CHANNEL PROGRAM OVERVIEW



(Measurement period: Jan. 2016 - Dec. 2016 excluding China)







Discussion and Q & A





Closing Remarks and Adjourn Meeting





Thank you for Attending the March 22, 2017 Board of Directors Meeting

Next Meeting: June 28, 2017



Thank you for joining us

You Tube

Travel Industry

TheBrandUSA.com

Twitter: @BrandUSA

YouTube: YouTube.com/BrandUSAtv

in LinkedIn. LinkedIn.com/Company/BrandUSA

Consumer

VisitTheUSA.com

Twitter: @VisitTheUSA

Facebook: Facebook.com/VisitTheUSA

YouTube: YouTube.com/VisitTheUSA

Instagram: VisitTheUSA

Google+ Google.com/VisitTheUSA

Next Board Meeting: June 28, 2017

