



Tourism Outlook: USA





Tourism is an important factor to economic growth, job creation and the stimulation of infrastructure development. In the United States, the \$1.3 trillion travel and tourism industry generates \$116 billion in tax revenue for state, local and federal governments and an estimated 7.7 million direct travel-generated jobs¹.

The one-two punch of the global economic downturn and the recent H1N1 swine flu outbreak are taking a toll on the tourism industry.

As the world's largest retail electronic payments network, Visa is in a unique position to foster a better understanding of travelers' mind-sets, their motivation for traveling (or not traveling) and where and how they are spending their money. Turning Visa transaction data into actionable information is one of the ways Visa delivers value to businesses and countries that rely on tourism revenues. For businesses that rely on tourism, this data is vital, particularly considering the current economic climate and external events that have an impact on tourism. This data enables businesses to improve product offerings and optimize marketing strategies aimed at attracting a sustainable flow of visitors.

Visa is a network that connects 1.7 billion Visa cards and the people who carry them with 30 million merchant outlets and 1.4 million ATMs around the world². Given that in 2008, Visa processed 57 billion transactions totaling more than \$4.3 trillion in volume, it is clear that Visa payment cards and services help power the global economy and make payments faster, more convenient, more reliable and more secure.

Our proprietary processing network allows us to analyze Visa data to identify global tourism spending insights that can be used to determine how best to attract visitors and strengthen tourism competitiveness. As part of Visa's commitment to a vibrant global tourism industry, I am very pleased to present *Tourism Outlook: USA*, a publication that details spending on Visa cards by international visitors to the United States and the spending on Visa cards by Americans traveling abroad. This report uses actual Visa card spend data to aggregate information about visitors - where they are coming from, how much they spend and what they are buying.

To provide additional insight, we have paired spend data with a global survey of potential visitors to the U.S. from key source countries. It provides some interesting insight into what potential travelers were thinking at year's end. The combination of this actual spend data with survey results provides a compelling glimpse into America's key visitor demographics, rather than relying solely on sampling techniques or poll data.

In 2008, international arrivals in the U.S. surpassed 58 million, including 25.3 million overseas visitors, and represented a 4 percent increase over 2007³. Concurrently, overall Visa spending by international visitors to the U.S. was up 16 percent, reaching \$52 billion⁴. While international arrivals have increased 41 percent since the lows following the Sept. 11, 2001, tragedy, they are still well below 2000 levels, indicating opportunities for continued growth.

Visa is committed to providing the U.S. and global tourism industries with accurate, comprehensive and current information that can help sharpen tourism marketing efforts and grow related revenues.

As the use of electronic payments continues to increase, Visa will work with our partners in the tourism industry as well as our financial institutions and merchant clients to ensure that both residents and visitors to the U.S. enjoy the benefits of electronic payments.

Bill Sheedy
President, North America
Visa Inc.

Note: All figures included throughout this publication are in U.S. dollars.

¹ U.S. Travel Association

² Merchant outlets and ATMs as reported by Visa Inc. client financial institutions

³ U.S. Department of Commerce, March 2009. Overseas visitors figure does not include visitors from Canada and Mexico

⁴ Source: VisaVue Travel Data, 2007-08

Overview



As the world's largest retail electronic payments network, Visa has unique insight into how and where tourists spend their money. This report provides perspective on U.S. inbound international tourism and Americans traveling abroad based on an evaluation of travel-related spending on Visa-branded payment cards in 2007 and 2008. It also includes consumer research findings based on a survey fielded in 11 major source countries for cross-border tourism. Respondents include adults who plan to travel internationally in the next two years and have a payment (i.e., debit or credit) card.

Visa has been a long-time supporter of tourism industries around the world, and this report is intended to provide insight into tourism's contribution to the U.S. and global tourism economies and identify valuable trends for businesses touched by travel and tourism.

The U.S. is a strong contributor to the global tourism economy - both as a destination and as a source of outbound travel. In 2008, Americans who ventured outside U.S. borders spent \$42.4 billion on their Visa payment cards in more than 170 destination countries and territories. This represents a 3 percent increase in spending by U.S. travelers on Visa payment cards despite a challenging economic climate.

At the same time, the U.S. holds strong appeal as a destination for a wide range of international tourists. Analysis of Visa cardholder spending indicates that in 2008, Visa cardholders (originating from outside the U.S.) spent more than \$52 billion on their Visa payment cards while visiting the U.S., up 15 percent from \$45 billion in 2007. Leading contributors to U.S. inbound arrivals, as measured by Visa card spending, include the United Kingdom, Canada and Japan.

Beyond current socio-economic headwinds, interest in visiting the U.S. remains strong. According to an international tourism survey commissioned by Visa in 11 major source countries, three out of four survey respondents are likely to visit the U.S. sometime in the future, with particular appeal to respondents in Canada, Mexico, South Korea and Japan.

U.S.-based travelers are also showing surprising resilience as measured by the likelihood of international travel in the next two years. Of respondents who have traveled abroad in the past two years, 40 percent report they are likely to take one international trip in the next two years. In addition, nearly half (47 percent) report that the socio-political and economic climate over the past 12 months has not affected their willingness to travel internationally.

U.S. Inbound Tourism Visa Spending: 2008 Trends

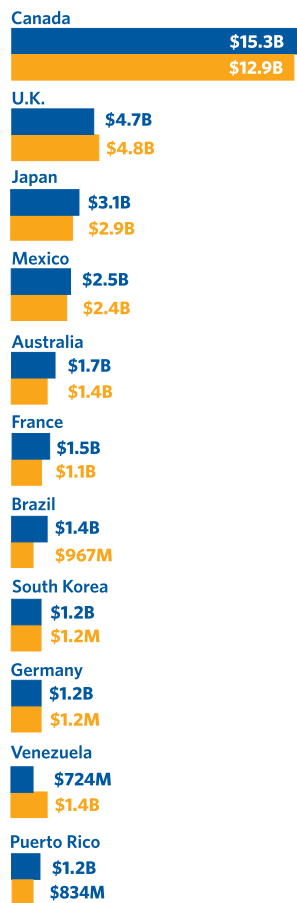


The U.S. continued to be a popular tourist destination in 2008, with visitors from Canada, the United Kingdom, Japan and Mexico making the largest contribution to U.S. tourism spending. Some \$20 billion in spending came from two predominantly English-speaking countries alone: Canada and the U.K. America's neighbor to the south, Mexico, remained another significant contributor to U.S. inbound tourism in 2008, falling just behind Japan - which is consistent with 2007 spending.

Visitors from Mexico, Canada and Western Europe remain key constituents for the U.S. tourism industry, as measured by both Visa card spending and tourism arrivals. According to the Office of Tourism and Travel Industries, in 2008 more than 18.9 million international arrivals originated from Canada (up 7 percent), 13.8 million from Mexico (down 4 percent) and 12.2 million from Western Europe (up 12 percent)⁵.

While visitors from North America and Western Europe continue to compose the greatest share of international arrivals, interest in visiting the U.S. remains high throughout every corner of the world.

2007-2008 Top Contributors to U.S. Inbound Tourism Spending⁵



Source: VisaVue Travel Data, 2007-08 ■ 2008 ■ 2007

⁵ Refers to the 50 states of the United States



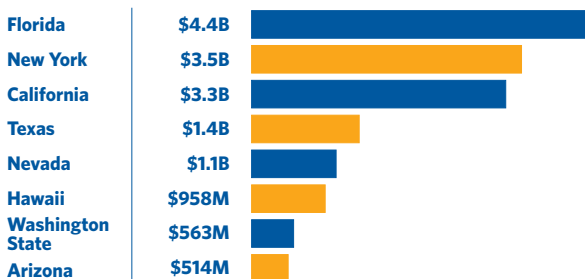
2008 saw significant year-over-year growth in spending on Visa cards by tourists from countries including Russia (66 percent), China (64 percent), Brazil (43 percent) and Norway (38 percent). This year-over-year growth underscores the continued appeal of the U.S. as a destination for world travelers.

For many, the U.S. is a perennial favorite destination. According to a Visa survey of international travelers, the vast majority of respondents who have been to the U.S. – 79 percent – have visited multiple times. And they plan to come back. Three out of four survey

respondents believe they are likely to visit the U.S. in the next two years, with strong interest from potential travelers from Canada, Mexico, South Korea and Japan.

Spending on Visa cards by international travelers tended to be concentrated in a few states where tourism is a major industry: Florida, New York, California, Texas, Nevada and Hawaii.

International Tourist Spending by State



Source: VisaVue Travel Data, 2008

International Tourist Spend Per Transaction



Source: VisaVue Travel Data, 2008

2008 Tourism Visa Spending by Market Segment

Retail Purchases Lead U.S. Inbound Tourism Spending

Over the past two years, retail purchases continued to account for the largest share of tourism spending on Visa cards in the U.S. In 2008, the largest merchant segments for U.S. inbound tourist spending, based on transaction volume, included general retail and lodging.

Transaction Volume in Top Tourism-Related Merchant Categories

General Retail



Lodging



Airlines



Restaurants



Specialty Retail



Other Travel and Entertainment



Source: VisaVue Travel Data, 2007-08 ■ 2008 ■ 2007

General retail purchases, such as clothing and food, represented 36 percent of Visa transactions by international visitors in the U.S. in 2008, totaling more than \$18.8 billion. In the general retail category, men's and women's clothing stores brought in the largest portion of spending, \$821 million. Lodging also continues to be a major expenditure for U.S. visitors, representing 11 percent of Visa transaction volume in 2008.



Quick service restaurants (QSRs), within the broad "restaurants" merchant category, saw the biggest year-over-year gains (30 percent), potentially because of wider card use and increased acceptance of payment cards at the point of sale. Other merchant segments that saw notable increases in spending from 2007 include steamship/cruise lines (29 percent), oil (28 percent), toll and bridge fees (27 percent) and airlines (23 percent).

American Visa Spending Abroad



U.S. travelers who ventured abroad spent \$42.4 billion in nearly 200 destination countries and territories in 2008, up almost 3 percent from 2007. According to the United Nations World Tourism Organization, total spending by U.S. residents abroad on local currencies was up 6 percent in 2008 over 2007⁶. Canada, the U.K., Mexico, Germany, France and Italy continue to be the most popular destinations for Americans, as measured by spending on Visa payment cards.

Mexico and Canada saw increased spending by U.S.-based Visa cardholders in 2008 – up 7 percent and 2 percent, respectively – indicating the continued appeal of traveling closer to home among Americans. Signs indicate that Mexico and Canada will continue to be the leading destinations for U.S. travelers in the near future. In the Visa tourism survey, 29 percent of U.S. respondents said they were likely to adjust their international travel plans by traveling closer to home in the next two years because of the economic environment.

Spending on Visa Cards in Top Travel Destinations

	2007	2008
Canada	\$5.4B	\$5.5B
U.K.	\$4.1B	\$4.4B
Mexico	\$3.3B	\$3.5B
Germany	\$1.7B	\$1.6B
France	\$1.7B	\$1.6B
Italy	\$1.8B	\$1.5B
Republic of Ireland	\$1.1B	\$1.1B
Puerto Rico	\$941M	\$1.0B
Spain	\$852M	\$881M
Australia	\$867M	\$878M
China	\$688M	\$765M

Source: VisaVue Travel Data, 2007-08

In 2008, the United Arab Emirates recorded standout year-over-year growth in U.S. tourism spending, with American Visa cardholders spending \$732.6 million on their cards during 2008. The number of transactions by U.S. travelers in the United Arab Emirates increased by 136 percent year over year and spending jumped 85 percent. Year-over-year spending also grew significantly in Japan and China (11 percent), while spending decreased in Israel and Italy (29 and 16 percent, respectively).

One in Four U.S. Travelers Likely to Attend Vancouver 2010 Olympic and Paralympic Winter Games

Looking ahead, U.S. travelers have a strong interest in attending major sporting events, with the Vancouver 2010 Olympic and Paralympic Winter Games. According to the Visa international traveler survey, 24 percent of U.S. respondents report they are likely to travel north of the border to attend the 2010 Winter Games.

Among those respondents planning to attend the 2010 Winter Games, 92 percent are likely to visit other cities in British Columbia, including Victoria (59 percent) and Whistler (32 percent). Interest is also high for visiting Canadian destinations outside of British Columbia – with 83 percent indicating they are likely to experience the hospitality of other provinces. The most popular destinations among survey respondents include Montreal (43 percent), Toronto (38 percent) and Calgary (33 percent).

⁶ UNWTO World Tourism Barometer, Volume 7, No. 1, January 2009

2008 Inbound/Outbound Tourism Visa Spending by Market Segment *continued*

Top Tourism-Related Merchant Categories for U.S. Inbound Transactions, Measured by Average Ticket

	2007	2008
Steamships/Cruise Lines	\$990.01	\$1001.65
Furniture/Equip. Stores	\$552.56	\$581.52
Travel Agencies	\$379.01	\$374.39
Airlines	\$363.54	\$361.28
Lodging	\$351.65	\$357.93
Auto Rental	\$332.20	\$340.50
Radio, TV & Stereo Stores	\$256.60	\$268.29
Wholesale Clubs	\$249.42	\$227.40

Source: VisaVue Travel Data, 2007-08

U.S. International Travelers' Outbound Visa Spending

Similar to inbound tourism spending among international travelers, retail purchases accounted for the largest spending on Visa cards for U.S. travelers while traveling abroad. In 2008, the largest merchant segments for U.S. outbound tourist spending, based on transaction volume, were general retail, lodging, airlines, restaurants and other travel and entertainment.

2007 and 2008 Visa Transaction Volume in Top Tourism-Related Merchant Categories

General Retail



Lodging



Airlines



Restaurants



Other Travel & Entertainment



Travel Agencies



Source: VisaVue Travel Data, 2007-08 ■ 2008 ■ 2007

General retail purchases represented nearly half (45 percent) of Visa transactions by U.S. international travelers in 2008, totaling more than \$19.1 billion. Consistent with international travelers visiting the U.S., lodging was also a big expenditure for U.S. international travelers, representing 15 percent of transactions volume. Other merchant segments that saw notable increases from 2007 include steamship/cruise lines (19 percent), QSRs (19 percent) and airlines (16 percent).

Highest Average Ticket by Tourism-Related Merchant Category for U.S. Outbound Transactions

	2007	2008
Steamships/Cruise Lines	\$894.27	\$1150.51
Airlines	\$468.53	\$501.06
Travel Agencies	\$429.51	\$422.43
Auto Rental	\$353.11	\$359.13
Lodging	\$332.28	\$347.76
Furniture/Equip. Stores	\$293.07	\$262.24
Radio, TV & Stereo Stores	\$162.40	\$151.37
Sporting Goods	\$129.00	\$127.31

Source: VisaVue Travel Data, 2007-08

Top International Destinations Among U.S. Respondents

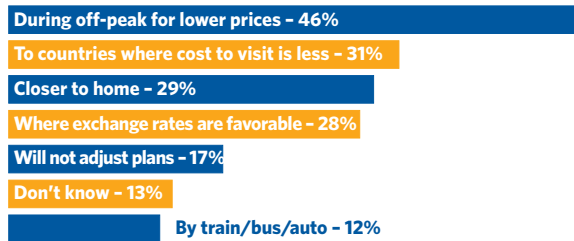
U.S. international survey respondents have mixed feelings on whether the economic environment would affect their willingness to travel beyond the 50 states. Nearly half of survey respondents stated that the political and economic climate over the past 12 months has not affected their willingness to travel internationally (47 percent), and 18 percent are more willing to travel internationally.

However, 83 percent plan to modify their travel plans in response to the economic environment. Nearly half – 46 percent – of American respondents are intending to look to travel during the off-peak season over the next two years, while 31 percent plan on traveling to countries where the cost of visiting is less.

According to those surveyed, Americans may be increasingly price sensitive as the cost of travel is the top factor that would make them less likely to travel (65 percent).

83 Percent of U.S. Travelers Plan to Modify Their International Travel in Response to Economy

In the next two years, respondents plan to travel:



Source: Global Market Insite, 2009.

In 2007, the tendency of American international travelers' was to stay close to home. Looking ahead to 2009 and 2010, Canada and Mexico were still among the top destinations reported by U.S. respondents, but those countries fell to the bottom of the top five while the U.K., the Caribbean and Italy topped the list.

Top Destinations Cited by Respondents for the Next 24 Months

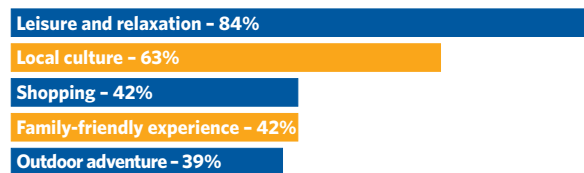
U.K.	26%	France	17%
Caribbean	26%	Spain	15%
Italy	24%	Germany	15%
Mexico	23%	Australia	14%
Canada	23%	Greece	12%

Source: Global Market Insite, 2009.



With the fast pace of the typical American lifestyle, it's natural that American travelers are often looking to slow down during vacation. According to Visa's survey, 84 percent of U.S. respondents are looking for leisure and relaxation on their next vacation. This could also be a factor in Americans' destination picks as they might look for relaxation in the Caribbean and a cultural experience in the U.K.

Desires of Americans When Choosing Destinations



Source: Global Market Insite, 2009.

Americans Plan and Pay for Travel Electronically

When planning their international trips, American respondents will likely rely on a steady mix of new and traditional resources. Seventy-four percent intend to go online to research, 52 percent rely on advice from friends and family and 46 percent plan to scour books or travel guides, and the majority (62 percent) will use an online travel agency such as Travelocity, Expedia or Orbitz to book their travel. Sixty-two percent plan to use their credit card for purchases while traveling because it offers convenience (71 percent), security (56 percent) and easy access to funds (54 percent).

Summary of International Traveler Intentions and Attitudes



Overall, Visa's survey findings indicate that American respondents are not planning to travel as frequently in the next two years as those in the remaining 10 countries surveyed. American respondents report that they are likely to take one international trip (40 percent), while travelers in other countries are planning to enjoy on average two international getaways. In the next two years, the U.S., France, Italy, Spain, the U.K. and Canada will be the most popular destination countries for all international tourists surveyed.

Top Destinations Cited by Respondents Likely to Travel Abroad in Next 24 Months

U.S. - 34%

France - 21%

Italy - 20%

Spain - 19%

U.K. - 17%

Canada - 15%

Source: Global Market Insite, 2009.

The global socio-political and economic uncertainty has not diminished the willingness for most survey respondents to travel internationally. Just 24 percent report they are less willing to travel because of global insecurity.

As they evaluate trip destinations, survey respondents will be looking for relaxation (79 percent), local culture (58 percent), shopping (42 percent), family-friendly experiences (40 percent), outdoor adventure (26 percent) and nightlife (20 percent).

However, in response to the economic environment, 52 percent of respondents plan to travel during the off-peak season to take advantage of lower prices.

Planning for International Travel

Survey respondents rely primarily on Internet research and recommendations from friends and family when planning upcoming trips. When it comes time for booking, the personal touch of a travel agency remains the preferred method (43 percent), followed by online travel agencies (41 percent) and hotel/airline web sites (40 percent).

Preferred Payment Methods

According to the Visa survey, respondents across the 11 countries surveyed are likely to have a credit card handy while traveling during the next 24 months. Fifty-five percent indicated they prefer to use a credit card while traveling, with the next most popular form of payment being cash (20 percent). The reason for their choice of payment includes convenience (69 percent), security (53 percent) and ease of access to funds (46 percent).

Opportunities Ahead



Despite global economic uncertainty, opportunities exist for the U.S. tourism economy in 2009-2010 and beyond. The U.S. is consistently cited as the most desired international destination for travelers to experience relaxation, culture, shopping and adventure. The diverse land and cityscapes of the country motivate repeat visits by travelers from Canada and the U.K., while also inspiring maiden voyages from visitors from countries with emerging economies such as Russia, China and Brazil.

Visa is committed to partnering with national and local tourism authorities and visitors bureaus to support continued growth, by providing not only the currency for cross-border transactions but also access to millions of cardholders around the globe.

For more information regarding *Tourism Outlook: USA* and Visa's initiatives focused on the tourism industry, please contact globalmedia@visa.com.

Methodology

For the Visa international tourism survey, 5,539 consumers 18 and older were interviewed as part of an online panel survey hosted by GMI (Global Market Insite, Inc.). Fieldwork took place between Dec. 11, 2008, and Jan. 8, 2009. During the research process, questions are posed to a panel of consumers and data is collected until various predefined sampling quotas are reached. The results are then analyzed and sig-tested at a 95 percent confidence level. For this summary, the main differences that are interesting and statistically significant have been described accordingly.

Visa cardholder spending data cited is based upon a review of cross-boarder spending on Visa-branded payment cards by cardholders from key source countries while in the U.S. during the calendar years 2008 (Jan. 1-Dec. 31, 2008) and 2007 (Jan. 1-Dec. 31, 2007). These findings are based upon VisaVue® Travel data. Visa introduced the VisaVue® Travel tourism reports to a pilot group of U.S. tourism organizations in 2008 and plans to roll out the product to a broader audience of state and convention and visitors bureau destination marketing entities this year.

Appendix



U.S. Inbound Visa Transaction Volume

	TOP 2008 SOURCE COUNTRIES	TOTAL TRANSACTION VOLUME	AVERAGE TICKET
01	Canada	\$15.3B	\$139.68
02	United Kingdom	\$4.7B	\$133.18
03	Japan	\$3.1B	\$153.07
04	Mexico	\$2.5B	\$123.92
05	Australia	\$1.7B	\$124.60
06	France	\$1.5B	\$133.86
07	Brazil	\$1.4B	\$146.55
08	South Korea	\$1.2B	\$152.24
09	Germany	\$1.2B	\$109.56
10	Puerto Rico	\$1.2B	\$110.85

Source: VisaVue Travel Data, 2007-08.

	TOP 2007 SOURCE COUNTRIES	TOTAL TRANSACTION VOLUME	AVERAGE TICKET
01	Canada	\$12.9B	\$136.15
02	United Kingdom	\$4.8B	\$133.56
03	Japan	\$2.9B	\$141.64
04	Mexico	\$2.4B	\$121.88
05	Venezuela	\$1.4B	\$215.77
06	Australia	\$1.4B	\$119.92
07	Germany	\$1.2B	\$115.68
08	South Korea	\$1.2B	\$155.50
09	France	\$1.1B	\$128.02
10	Brazil	\$967M	\$143.09

Source: VisaVue Travel Data, 2007-08.

Top Source Countries, Ranked by Number of Transactions

▶ 2008: TOP INBOUND SOURCE COUNTRIES, BY TRANSACTION COUNT		
01	Canada	109.7M
02	United Kingdom	35.2M
03	Japan	20.2M
04	Mexico	20.2M
05	Australia	13.7M
06	France	11.3M
07	Germany	11.2M
08	Puerto Rico	10.4M
09	Brazil	9.5M
10	South Korea	8.2M

▶ 2007: TOP INBOUND SOURCE COUNTRIES, BY TRANSACTION COUNT		
01	Canada	94.5M
02	United Kingdom	35.7M
03	Japan	20.7M
04	Mexico	19.4M
05	Australia	11.8M
06	Germany	10.6M
07	France	8.8M
08	South Korea	7.8M
09	Brazil	6.8M
10	Venezuela	6.6M

Source: VisaVue Travel Data, 2007-08.

Top U.S. Destination Countries, Ranked by Visa Transaction Volume

	TOP 2008 DESTINATION COUNTRIES	TOTAL TRANSACTION VOLUME	AVERAGE TICKET
01	Canada	\$5.5B	\$113.80
02	United Kingdom	\$4.4B	\$92.25
03	Mexico	\$3.5B	\$154.36
04	Germany	\$1.6B	\$165.66
05	France	\$1.6B	\$171.16
06	Italy	\$1.5B	\$194.17
07	Ireland	\$1.1B	\$148.03
08	Puerto Rico	\$1.0B	\$100.48
09	Spain	\$881M	\$111.34
10	Australia	\$878M	\$127.47

Source: VisaVue Travel Data, 2007-08.

	TOP 2007 DESTINATION COUNTRIES	TOTAL TRANSACTION VOLUME	AVERAGE TICKET
01	Canada	\$5.4B	\$109.12
02	United Kingdom	\$4.1B	\$104.73
03	Mexico	\$3.3B	\$152.74
04	Italy	\$1.8B	\$186.19
05	France	\$1.7B	\$164.12
06	Germany	\$1.7B	\$149.30
07	Ireland	\$1.1B	\$139.26
08	Puerto Rico	\$941M	\$99.38
09	Australia	\$867M	\$126.74
10	Spain	\$852M	\$132.74

Source: VisaVue Travel Data, 2007-08.

Top Outbound Destination Countries, Ranked by Number of Transactions

▶ 2008: TOP DESTINATION COUNTRIES, BY TRANSACTION COUNT		
01	Canada	48.1M
02	United Kingdom	47.8M
03	Mexico	22.9M
04	Puerto Rico	10.4M
05	Germany	9.7M
06	France	9.3M
07	St. Kitts-Nevis	8.0M
08	Spain	7.9M
09	Italy	7.9M
10	Ireland	7.6M

▶ 2007: TOP DESTINATION COUNTRIES, BY TRANSACTION COUNT		
01	Canada	49.2M
02	United Kingdom	39.4M
03	Mexico	21.5M
04	Germany	11.3M
05	France	10.4M
06	Italy	9.9M
07	Puerto Rico	9.5M
08	St. Kitts-Nevis	8.8M
09	Ireland	7.6M
10	Israel	7.3M

Source: VisaVue Travel Data, 2007-08.

United States' Travel Intentions

▶ Americans' Willingness to Travel Internationally Compared to 12 Months Ago, Based on the Global Socio-Political and Economic Climate	
▪ The last 12 months have not affected my willingness to travel internationally	47%
▪ Less willing to travel internationally	23%
▪ More willing to travel internationally	18%

▶ How Americans Will Adjust International Travel Plans Over the Next Two Years in Response to the Economic Environment	
▪ Traveling during off-peak seasons for lower prices	46%
▪ Traveling to countries where the cost of visiting is less	31%
▪ Traveling closer to home	29%
▪ Traveling to countries where the exchange rate is more favorable	28%
▪ Will not adjust international travel plans due to economic environment	17%
▪ Using the train, bus or automobile instead of air travel	12%

Source: Global Market Insight, 2009

▶ International Travelers Likely to Visit the U.S. in the Next Two Years		
01	Canada	65%
02	Mexico	64%
03	Japan	43%
04	China	36%
05	Brazil	35%
06	United Kingdom	35%
07	Australia	28%
08	South Korea	27%
09	Germany	25%
10	Russia	12%

Source: Global Market Insight, 2009

