

# Travel Insights Newsletter

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Mikaela Shiffrin, Team Visa

## Visa data offers insight into economic impact of the Olympic Winter Games PyeongChang 2018 Strong North America showing expected at The Winter Olympics

The Olympic Winter Games are fast approaching, and South Koreans are hoping for a major tourism boost in the months ahead. Visa projects a strong showing from North America, with as many as 85,000 visitors from Canada and the United States. Total foreign arrivals could be 5-10 percent higher than South Korea would get in a typical February, absent The Winter Olympics. The event should give a lift to spending, too. Visitors could spend up to 50 percent more on their Visa cards than regular visitors do.

Measuring the economic impact of The Winter Olympics is complicated by a lack of data on the host country's inbound tourism, since many studies rely on aggregated quarterly or annual data. With sponsors spending more than \$60 billion annually on events globally,<sup>1</sup> host countries stand to benefit significantly. The Visa International Travel (VISIT) platform provides more precise estimates. Combining official data with billions of transactions flowing over Visa's network, VISIT tracks cross-border travel at a higher monthly frequency for more than 80 source and destination countries globally.

The tourism boost is unlikely to fully reverse the current slowdown in cross-border tourism, especially from China. Foreign travel to South Korea next February—depending on progress in Chinese tourism—could reach one million arrivals. This is down 5 percent year-over-year (YoY), but the decline would be deeper without the expected lift of 60,000 arrivals from The Winter Olympics added to the baseline.

In this issue:

**North American attendance at PyeongChang 2018 should contribute to the lift in visitor totals**

**Favorable economic trends should reinforce the tourism boost**

**The Winter Olympics is expected to give a lift to spending too**

<sup>1</sup> IEG, Sponsorship Spending Forecast: Continued Growth Around the World, Jan. 4, 2017, [www.sponsorship.com](http://www.sponsorship.com)

# Visa data offers insight into impact of The Winter Olympics (contd.)

Travel from Canada and the U.S. to South Korea during The Winter Olympics could rise 30 percent relative to a typical February, when fewer than 70,000 tourists from N. America visit South Korea. February is usually the slowest month of the year.

To estimate arrivals for The Winter Olympics, Visa uses a macro-economic model to calculate a baseline of cross-border arrivals to South Korea, leveraging comparative host country data from the past four Olympic Winter Games (Nagano, Salt Lake City, Vancouver, Sochi) and isolating factors other than the games that might impact travel. These include:

**Economic "gravity" effect.** Cross-border travel between countries tends to grow stronger with the size of their respective economies and weaker with the distance between them. While the distance between North America and Korea impedes travel, this is partially offset by the fact that the U.S., Canada and Korea are among the world's top twenty largest economies.

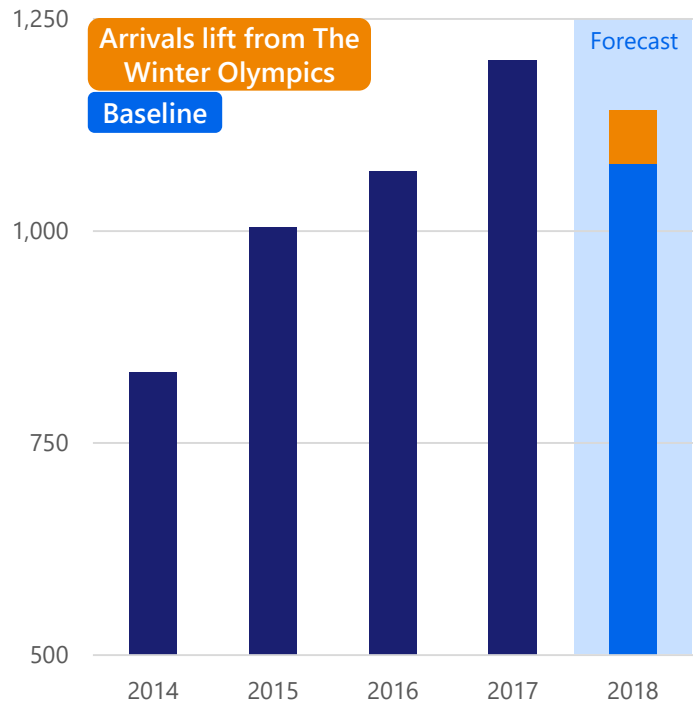
**Income growth.** When incomes rise, households can afford to travel abroad more, leading to increased cross-border tourism. Household incomes in Canada and the United States have been growing at a healthy annual rate of 3 percent for much of this year.

**Currency.** Travel to a host country is more likely with a weaker destination currency, making the trip more affordable. For most of this year the won has been rising against the loonie and U.S. dollar, but recently started to depreciate against both. The shift in the won's relative value should provide a slight boost to travel, especially from Canada.

The Visa model also compares the baseline estimates for February travel to actual visitor arrivals during the past four Olympic Winter Games, and averages the lifts across those events for the projected arrivals at PyeongChang 2018.

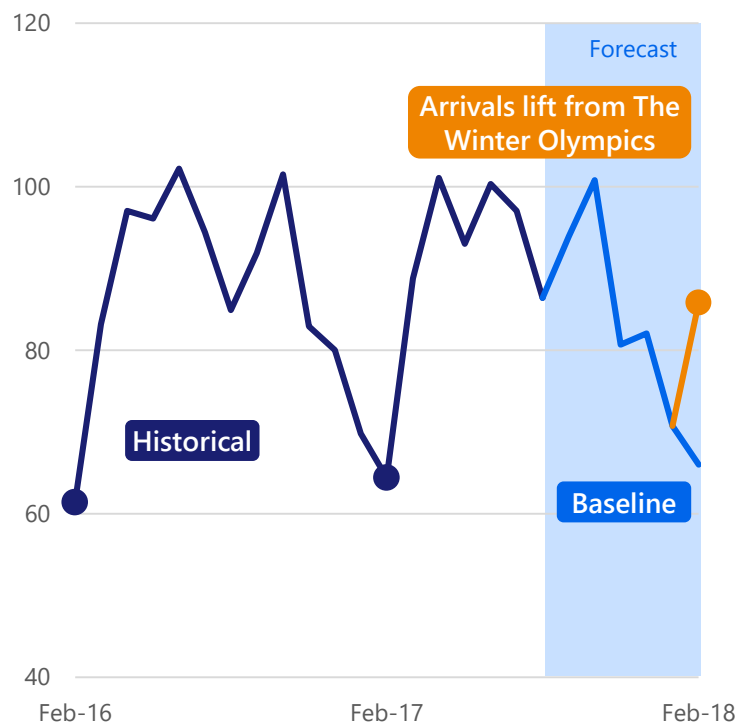
One key non-economic factor in the model is the relative popularity of winter sports by country of origin, which factors into visitor numbers for The Winter Olympics (this was proxied in the projections by a country's medal wins). Based on the past four Olympic Winter Games, visits from the top 15 medal-winning countries are 26 percent higher during the event month, compared to just 5 percent lift for other visitors.

Foreign arrivals in South Korea and expected lift due to The Winter Olympics (Feb., thousands)



Source: Korea National Tourism Agency/Haver Analytics, Oxford Economics, VISIT, Visa Business and Economic Insights calculations

North American arrivals in South Korea (thousands)



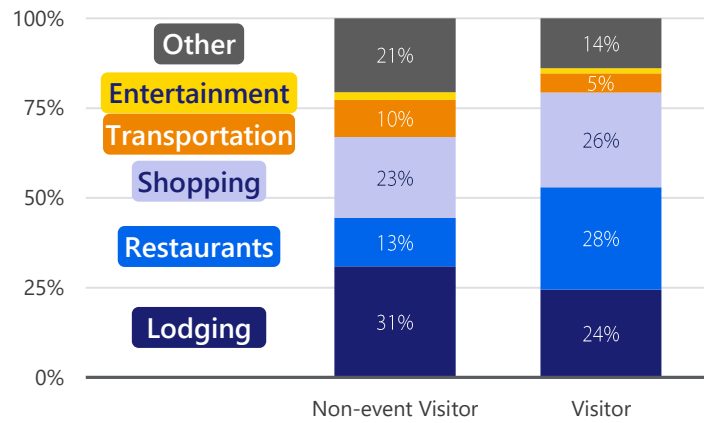
Source: Korea National Tourism Agency/Haver Analytics, Oxford Economics, VISIT, Visa Business and Economic Insights calculations



# Visitors at The Winter Olympics spend 50 percent more per card

The Winter Olympics can be a boon to local merchants, with not only more visitors than usual patronizing their businesses, but also spending more than regular visitors. According to a Visa analysis of the Sochi 2014 Olympic Winter Games, foreign tourists who attended and used their Visa-branded cards there spent \$634 per card on average, compared to \$418 for those who did not. The event also tends to have a halo effect on business outside The Winter Olympics venue, with visitors spending \$1.40 more at merchants outside the event venue for every dollar spent inside. In addition, event visitors spent a larger share on restaurants/shopping than other visitors.\*

Distribution of cardholder spend at merchants outside the event venues (Sochi 2014)\*



\*Excluding spend at merchants affiliated with The Winter Olympics for comparability. Sources: Visa Business and Economic Insights; VisaNet February 2014.



Jamie Anderson, Team Visa



## Sources

IEG, Sponsorship Spending Forecast: Continued Growth Around the World, Jan. 4, 2017, [www.sponsorship.com](http://www.sponsorship.com)

Korea National Tourism Agency/Haver Analytics

Oxford Economics

Visa International Travel (VISIT)

Visa Business and Economic Insights

VisaNet February 2014

## Methodology

Visa International Travel (VISIT) database is a proprietary model that combines Visa's cardholder data with publicly-available cross-border arrival statistics. The database provides a comprehensive view into high-frequency cross-border travel flows, currently encompassing the top 82 origin and destination countries, which collectively account for more than 80 percent of global travel. VISIT combines unique counts of Visa cardholders that register a face-to-face transaction at a merchant outside their home country in a given calendar month with other transaction data such as average spend per cardholder, card usage patterns at lodging merchants and others. Visa uses this data to econometrically model official arrival statistics compiled by various government sources and to generate estimates that fill in the large gaps existing in the cross-border travel data.

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