

DISCOVER *Los Angeles*TM

SIX TRAVEL & TOURISM TRENDS THAT MATTER

A young child is seen from behind, looking out a window. The child's hands are pressed against the window frame, and they appear to be looking out at something with interest. The lighting is soft, suggesting a bright day outside.

1. MILLENNIAL FAMILIES ON THE RISE

- 9.6 million American Millennial family households
- Travel more often and further than any generation of families and spend more
 - 44% are hitting the road with their kids
 - 62% are traveling with kids under the age of five
- 41% visit beach locations followed closely by cities (36%)



2. GOING SOLO ‘CUZ YOLO

- 25% of Millennial travelers plan to take a solo trip in the next 12-24 months
- Not just Millennials American women rank 1st in solo travel and are likely to take 3+ trips each year
- What’s driving solo travel?
 - Partner doesn’t share same travel interest
 - Scheduling conflicts with family/friends
 - Desire to pursue a personal passion
 - Looking to travel at own pace

3. LUXURY TRAVEL.. BUT NOT AS WE KNOW IT

- Shift from expensive ‘things’ to “experiences”
 - Exclusive and customized
 - Unique and authentic over opulent and ostentatious
 - Promotes physical and emotional well-being
 - And most of all, is enviable
- “Laid-Back Luxury”... delivered in a relaxed, informal manner
- Three profiles of luxury travelers....
 1. Ultra luxury traveler seeking the best of everything
 2. Luxury traveler who “mix ‘n match”
i.e. enjoy fine dining and taco food trucks
 3. Aspirational travelers splurging for special occasions or reward for hard work
- Luxury hotels are investing in family friendly programs
i.e. Four Seasons’ “Ultimate Family Escape Package”



4. BLURRING BUSINESS AND LEISURE

- Employees are taking control over their business travel including stepping outside of company travel policies
- Business trips two+ nights and far away from home are most likely to convert to bleisure
- 43% of L.A. business trips include bleisure adding 2.3 days to the trip
- Purpose of business portion
 - Conference/Convention 43%
 - Business Meeting 34%
- Typical Bleisure trip accommodations
 - Same hotel 84%
 - Different hotel 34%
 - With friends/family 32%
 - Home rental 16%



Source: Profile of the American Bleisure Traveler; Expedia MediaSolutions; Destination Analysts "L.A. Active Leisure Visitor Profile 2016-2017"; Expedia Group "Unpacking Bleisure Traveler Trends"

5. EVERYONE WANTS A PIECE OF CHINA

- 145m Chinese outbound travelers in 2017, 10% of the population, shows how underpenetrated the market is
 - 25m traveled outside of Asia
 - 3m traveled to the US and 1.1m to L.A.
- Millennials are leading the growth
 - 87% of Chinese travelers are under 40
 - Mobile users, social media addicts, cashless, and adventurous
- “Unpackaging” the package...rising independent or PIT (Partially Independent Travelers) Chinese travelers
- However, tourism is in the crosshairs of a China-American trade war. Can this hurt?.....ask South Korea
 - Chinese arrivals dropped over 40% after travel agencies were ordered to stop tour groups when S. Korea deployed the U.S. missile-defense system THAAD





6. THE RISE OF THE INDIA TRAVELER

- By 2022, India's population will have the world's largest and youngest population with a median age of 28 years
- India has the world's most dynamic emerging economy
- Expanding desire among Indians, particularly Millennials, to travel
- On average, Indian travelers took three leisure trips in the last 12 months of which 44% were overseas
- Business, solo and multi-generational family travel are prominent types of Indian travel

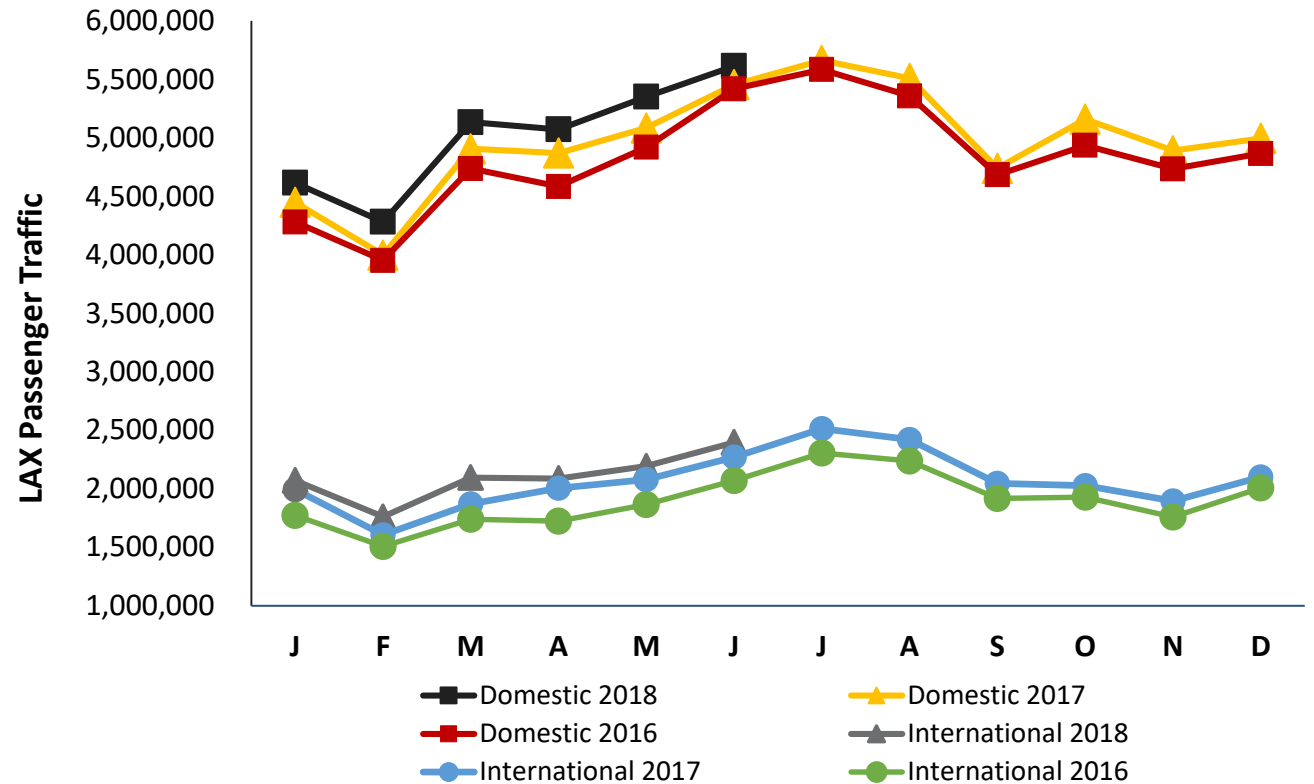
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OUTLOOK FOR 2019 -THE UPSIDES

LAX PASSENGER TRAFFIC

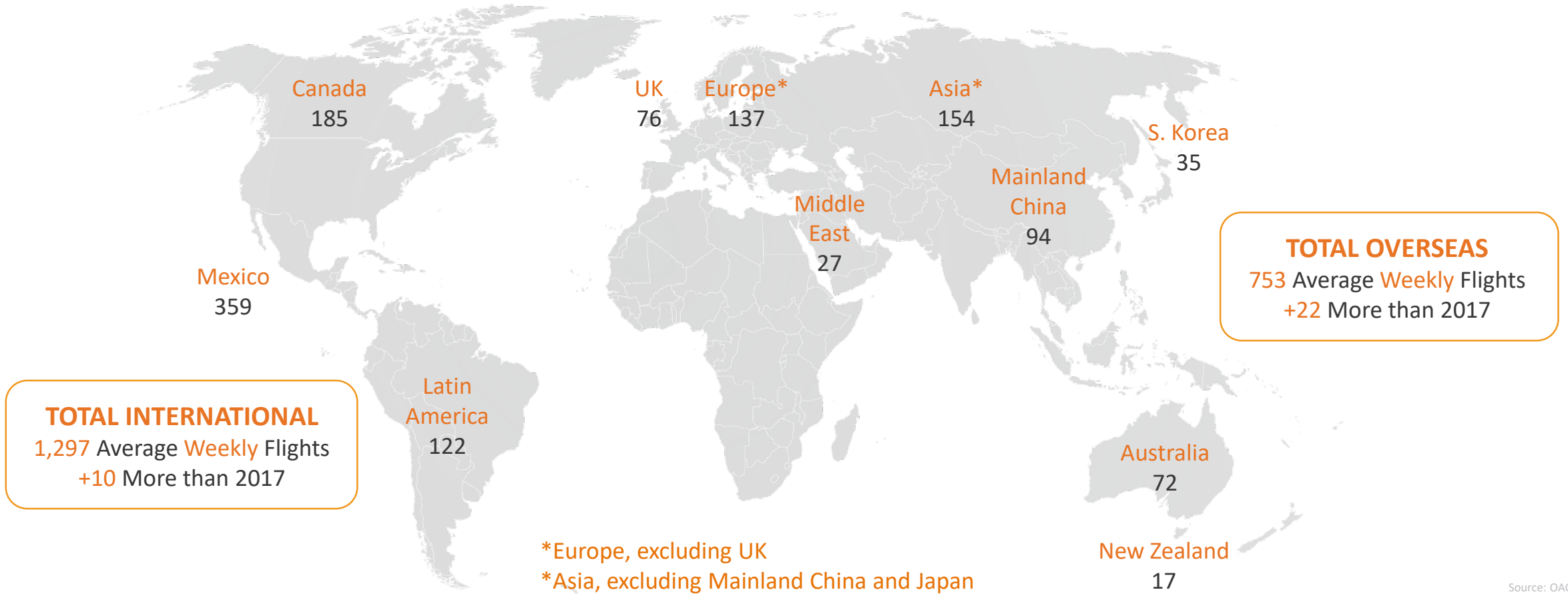
Air Traffic Growth	2017	H1 2018
Domestic	2.9%	4.5%
International	8.7%	6.5%

- Non-stop service from LAX
 - 110 Domestic markets
 - 92 International markets in 46 countries



Source: LAWA

2018 AVERAGE WEEKLY INTERNATIONAL NON-STOP FLIGHTS TO LAX



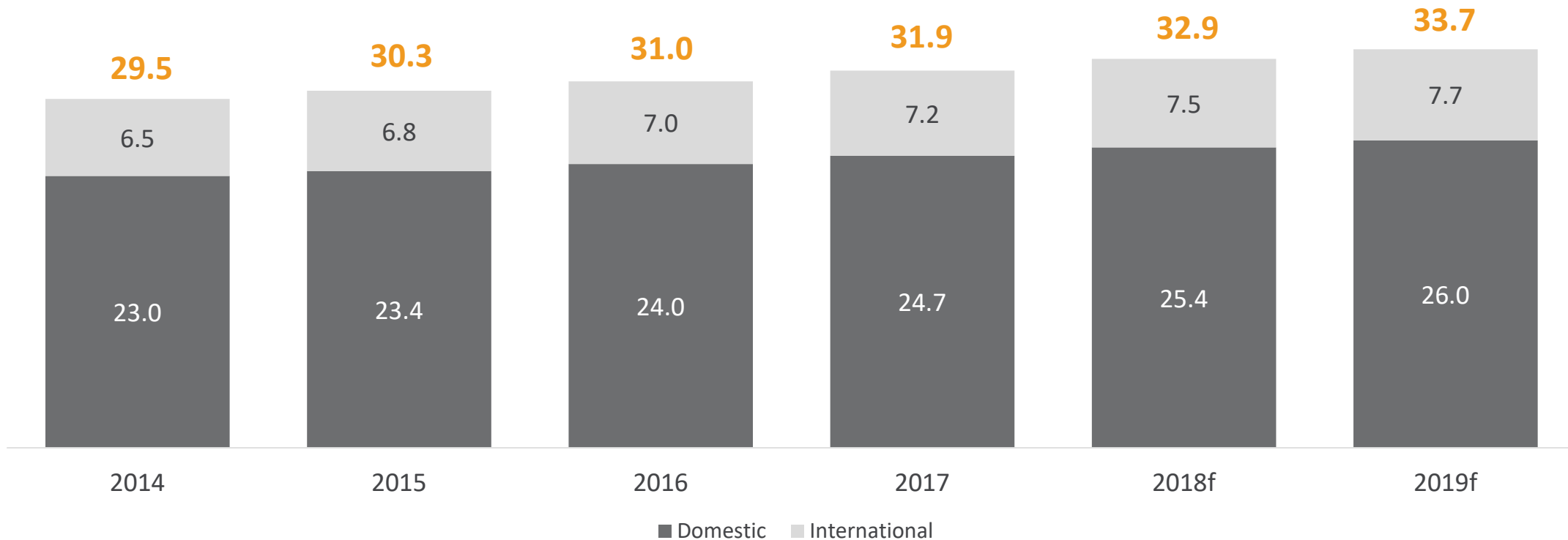
Source: OAG, June 2018

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2019 FORECAST

L.A. OVERNIGHT VISITOR FORECAST

Domestic and Overnight Visitors to L.A. (in millions)



Source: Tourism Economics



2018 AND 2019 LODGING FORECAST

2018 Forecast	L.A. County Hotel Industry	U.S. Hotel Industry
Supply	+2.9%	+2.0%
Demand (Rm Nights)	+2.3%	+2.6%
Occupancy	-0.5%	+0.6%
ADR	+3.4%	+2.6%
RevPar	+2.3%	+3.2%
2019 Forecast	L.A. County Hotel Industry	U.S. Hotel Industry
Supply	+2.6%	+1.9%
Demand (Rm Nights)	+2.2%	+2.1%
Occupancy	-0.4%	+0.2%
ADR	+2.6%	+2.4%
RevPar	+2.2%	+2.6%

Source: Smith Travel Research;
Tourism Economics August 2018

CONCLUSIONS

- U.S. economy is on good footing to continue to support increases in domestic travel, especially leisure
- Private sector confidence remains upbeat which is positive for the corporate and group travel
- Global economy is accelerating with emerging markets leading the way to moderate growth in International visitors
- The greatest uncertainty relates to U.S. policy and its impact on International visitation

All in all, the outlook in the near term is still looking good

CONNECTING OUR PRODUCT TO OUR PURPOSE

BRAND PURPOSE

LOS ANGELES INSPIRES PEOPLE AROUND THE WORLD TO OPEN THEIR HEARTS AND MINDS. WE BELIEVE THAT WELCOMING ALL CULTURES, IDEAS, CREATIVE AND PERSONAL PURSUITS CREATES A FREEDOM THAT NOURISHES THE SPIRIT OF OUR VISITORS, OUR CITY, AND THE WORLD WE SHARE.

BRAND PILLARS

INDIVIDUALITY | IMAGINATION | OPTIMISM | DYNAMISM

MARKETING PRODUCT PILLARS

ARTS & CULTURE | CULINARY | OUTDOORS & WELLNESS | ENTERTAINMENT



“EVERYONE IS WELCOME” CAMPAIGN

A quick recap...

- The travel bans began in late January 2017
- Our “Everyone is Welcome” response launched April 2017
- We were the first tourism board in the country to respond to the rhetoric
- Our board approved \$500k in incremental funding for the initiative

The results...

- No impact to international attendance (we expected a loss of 240,000)
- A 10 to 1 ROI on the advertising spend
- Numerous advertising awards... Addies, Shorties, Webbies, Poppies, LA Business Council



FY19 CHANGE IN STRATEGIC DIRECTION

In FY19, we moved to a “market based” approach in our Marketing planning:

1. Three filters by country for forecasted Visitation, Direct Spending, and Hotel Revenue
2. Allocation of funding based on both Tourism Economics model and market growth potential
3. Specifics objectives established in each selected country based on its market specifics
4. Ratio of “Branding” vs. “Retail” determined
5. Integrated cross-functional P.O.E.T. plans developed (paid, owned, earned, trade)



FY19 STRATEGIC LEVERS

1. Continue to add Domestic, Long Haul Markets (DMAs)
2. Achieve an All-Time High in Mexico Visitation
3. Increase our investment in High Growth, Long Term International Markets
4. Shift Communication Plans to Reflect Changing Media Consumption
5. Determine our Brand Purpose and Evolve the “Everyone is Welcome” Campaign
6. Exploit Channels of Business That Drive Stakeholder Value