



An Roinn Iompair,  
Turasóireachta agus Spóirt  
Department of Transport,  
Tourism and Sport

# Tourism Marketing Fund

## Value for Money and Policy Review

Final Report

June 2019

## Contents

List of Abbreviations.....	ii
List of Tables .....	iii
List of Figures.....	iv
Executive Summary .....	v
Balanced Scorecard.....	xi
1. Introduction.....	1
2. Overview of the Tourism Marketing Fund .....	8
3. Methodology.....	16
4. Objectives, Rationale and Continued Relevance .....	23
5. Cost and Efficiency .....	30
6. Effectiveness.....	41
7. Policy and Management Issues .....	57
8. Conclusions and Recommendations.....	62

## List of Abbreviations

<b>CEEU</b>	Central Expenditure Evaluation Unit
<b>CERT</b>	Council for Education, Recruitment and Training
<b>CSO</b>	Central Statistics Office
<b>DfE</b>	Department for the Economy (Northern Ireland)
<b>DMO</b>	Destination Marketing Organisation
<b>DPER</b>	Department of Public Expenditure and Reform
<b>DTTAS</b>	Department of Transport, Tourism and Sport
<b>EAV</b>	Equivalent Advertising Value
<b>ERI</b>	Expenditure Review Initiative
<b>FI</b>	Fáilte Ireland
<b>IGEES</b>	Irish Government Economic and Evaluation Service
<b>KPI</b>	Key Performance Indicator
<b>NI</b>	Northern Ireland
<b>NIE</b>	Northern Ireland Executive
<b>NISRA</b>	Northern Ireland Statistics and Research Agency
<b>NITB</b>	Northern Ireland Tourist Board
<b>NSMC</b>	North-South Ministerial Council
<b>ODM</b>	Overseas Destination Marketing
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PSC</b>	Public Spending Code
<b>RoI</b>	Return on Investment
<b>RoMI</b>	Return on Marketing Investment
<b>RSM</b>	RSM Ireland
<b>SRAD</b>	Strategic Research and Analysis Division
<b>TI</b>	Tourism Ireland
<b>TMF</b>	Tourism Marketing Fund
<b>TMPIAD</b>	Tourism Marketing Policy and Impact Assessment Division
<b>TNI</b>	Tourism Northern Ireland
<b>ToR</b>	Terms of Reference
<b>TSA</b>	Tourism Satellite Account
<b>UNWTO</b>	United Nations World Tourism Organisation
<b>VFM</b>	Value for Money and Policy Review
<b>VFR</b>	Visits to Friends and Relatives

## List of Tables

Table 0.1: Tourism Marketing Fund – Balanced Scorecard .....	xi
Table 1.1: Steering Committee .....	4
Table 1.2: Summary of Review Scope.....	5
Table 2.1: Tourism Volume by Market, 2016.....	9
Table 2.2: Purpose of Visit, 2016.....	9
Table 2.3: Tourism Value by Market, 2016.....	10
Table 3.1: Tourism Marketing Fund – Programme Logic Model .....	19
Table 3.2: Examining Efficiency.....	20
Table 3.3: Examining Effectiveness .....	21
Table 5.1: Tourism Marketing Fund Budgetary Allocations, 2006 to 2016.....	31
Table 5.2: Marketing Activity Expenditure, 2006 to 2016 .....	31
Table 5.3: Costs of Delivery, Tourism Ireland, 2006, 2011 and 2016 .....	32
Table 5.4: Costs of Delivery by Market Office, Tourism Ireland, 2006, 2011 and 2016 .....	33
Table 5.5: Costs of Delivery, Tourism Ireland, 2006, 2011 and 2016 – by Staffing Headcount.....	34
Table 5.6: Staffing Costs of Delivery, Fáilte Ireland, 2013 to 2016.....	36
Table 5.7: Staffing Costs of Delivery, Fáilte Ireland, 2013 to 2016 – by Staffing Headcount.....	37
Table 5.8: Summary of Programme Costs .....	38
Table 6.1: Overnight Overseas Visitor Numbers to Ireland, 2006 to 2016 .....	41
Table 6.2: Overseas Tourism Revenue to Ireland, 2006 to 2016 .....	42
Table 6.3: TMF Allocation and Tourism Performance, 2006, 2011 and 2016 .....	45
Table 6.4: Spontaneous Advertising Awareness Recall (%), 2006 to 2016.....	46
Table 6.5: Prompted Advertising Awareness Recall (%), 2006 to 2016 .....	47
Table 6.6: Advertising Expenditure and EAV, Tourism Ireland, 2006 to 2016.....	49
Table 6.7: Advertising Expenditure and EAV, Fáilte Ireland, 2007 to 2016 .....	50
Table 6.8: Advertising Influence, 2011, 2012, 2013 and 2016 .....	52
Table 6.9: Summary of RoMI Ratios, 2011, 2012, 2013 and 2016 .....	53
Table 8.1: Indicative Implementation Plan .....	66

## List of Figures

Figure 2.1: TMF Budget Allocations, 2006 to 2016 .....	12
Figure 2.2: Overview of the TMF Allocation and Activity Delivery Process .....	14
Figure 3.1: Programme Logic Model .....	17
Figure 4.1: The Tourism Ireland Holiday Purchase Model.....	27
Figure 6.1: Comparison of Overseas Visitor Numbers and Tourism Revenue, 2006 to 2016 .....	43
Figure 6.2: Accommodation and Food Services Employees in Ireland, 2006 to 2016 .....	43
Figure 6.3: Tourism Ireland's Return on Marketing Investment Model .....	51
Figure 6.4: International Ranking of Ireland's Tourism Marketing Competitiveness, 2007 to 2015 .....	54
Figure 7.1: Tourism Ireland's Core Funding Allocation by Jurisdiction, 2006 to 2016.....	58

## Executive Summary

This Value for Money and Policy Review (VFM) was carried out by the Department of Transport, Tourism and Sport (DTTAS) as part of its ongoing compliance with the Public Spending Code (PSC). The purpose of the review was to examine the continuing relevance, rationale, efficiency and effectiveness of the Tourism Marketing Fund (TMF).

### Policy Context

The TMF has the primary objective of attracting a greater number of overseas visitors to Ireland, thereby increasing revenue from the tourism sector and its contribution to the Irish economy. This objective is aligned to DTTAS's Statement of Strategy 2015-2017, which identifies the effective marketing of Ireland as a tourism destination, both overseas and domestically, as a priority.

Tourism was designated as an area for North-South cooperation in the Good Friday Agreement. Tourism Ireland was subsequently incorporated in December 2000 and is responsible for the overseas marketing of the island of Ireland as a tourist destination. By combining marketing investment from DTTAS with investment from the Department for the Economy (DfE) in Northern Ireland, Tourism Ireland gains purchasing power and voice in the international marketplace. It is accountable to the North-South Ministerial Council

### Fund Allocations

Over the VFM period from 2006 to 2016, a total of €453.5m was allocated to the TMF. Of this total, €325.3m (71.7%) was allocated to Tourism Ireland for all-island overseas destination marketing and €128.2m (28.3%) was allocated between Tourism Ireland and Fáilte Ireland for Ireland-specific niche, product and regional marketing. Generally, there was a steady decline in the amount allocated to the TMF over the review period from a peak of €50m in 2008, and, by extension, in the level of overseas marketing expenditure. The total Fund budget was €5.0m less in 2016 than in 2006.

### Tourism Performance

In 2016, there were over 8.7m overseas visitors to Ireland and tourism was responsible for overseas visitor revenue generation of €4.6bn. These figures represent an 8.8% increase in overseas visitor numbers and an 8.7% increase in visitor revenue from 2015. It is estimated that in 2016, the tourism industry supported 225,000 jobs. It is also estimated that every €1m of visitor expenditure helps to support 27 jobs in the tourism sector and that every 1,000 additional overseas visitors support 19 jobs.

### Rationale and Relevance

Domestic tourism sustains a level of investment in the sector that is of considerable benefit to Ireland's attractiveness as a destination and helps to maintain revenue during non-peak periods. However, given the small size of the domestic market and a high level of existing domestic tourism consumption, there is limited potential for further growth from domestic demand. Therefore, it is considered that the

tourism sector's growth potential rests with generating increased levels of overseas tourism numbers and revenue. This rationale for overseas destination marketing is emphasised by *People, Place and Policy*, the Government's 2015 policy statement for the tourism sector.

The review highlights the wider economic and social rationale for the TMF. There is a market failure in the tourism sector whereby individual, competing businesses are unlikely to market Ireland as a destination to visit due to the potential for other businesses to act as free riders. As such, the TMF is a public good, delivering a service that would otherwise not exist. Moreover, successful tourism performance generates employment, foreign exchange earnings and the domestic purchase of goods and services and associated tax revenue. It supports and encourages investment in tourism products and services and related infrastructure, encourages air access and air route development, helps to safeguard national traditions and customs, and engenders a sense of national pride. It also helps to improve communication and understanding between visitors and residents.

In addition, the review highlights the North-South cooperation rationale for the TMF, with Tourism Ireland established to encourage cross-border cooperation, coordination and common policies and approaches with regard to tourism between the two jurisdictions.

On the basis of the above, the review concludes that there is strong rationale supporting the need for a publicly-funded overseas destination marketing fund for Ireland and that the TMF continues to be valid and relevant.

#### Efficiency

Despite the constraints on the availability of relevant data across the entirety of the VFM period, the review has found evidence that the TMF has been implemented in an efficient manner. This is particularly evident in the second half of the VFM period for which a greater amount of data is available. This conclusion is informed by:

- The decline in annual Fund allocations from €50.0m in 2008 to €35.1m in 2016 alongside improving tourism performance;
- The 14.8% decline from €17.0m to €14.5m in Tourism Ireland delivery costs from 2006 to 2016;
- The 10.7% decline from €3.0m to €2.7m in Fáilte Ireland staffing costs from 2013 to 2016; and,
- The decline in costs of delivery per staff member for both organisations over the two sample periods.

Aside from these quantitative measures of efficiency, the review has found that expenditure by market and on different types of marketing activity and media has evolved over the course of the VFM period in response to market and technological developments. It is considered that this evolution also demonstrates efficiency in how the TMF has been delivered and implemented.

## Effectiveness

Due to a lack of measureable inputs-to-outputs activities and processes and limitations in the available data regarding the consistency, uniformity and regularity of research and evaluation activities, the review is unable to directly link TMF-supported activities delivered by Tourism Ireland and Fáilte Ireland with tourism visitor numbers, expenditure and sectoral employment. It should be noted, however, that such attribution difficulties are well documented in the tourism marketing literature.

Based on the information available, the review has concluded that the TMF has been implemented and delivered in an effective manner. Considering visitor numbers, revenue and sectoral employment, over the course of the VFM period from 2006 to 2016:

- The number of overseas visitors increased by 17.9% from 7.4m to 8.7m;
- Overseas tourism revenue increased by 21.8%, from €3.8bn to €4.6bn; and,
- The number of employees in the accommodation and food services sector<sup>1</sup> increased by 16.4%, from 133,400 to 155,300.

While the above results cannot be directly attributed to investment in the Tourism Marketing Fund, it seems highly likely that overseas destination marketing activities to attract visitors will have contributed to tourism performance. This conclusion is supported by the fact that Ireland's international ranking of tourism marketing and branding performance rose from ninth in 2007 to fifth in 2015. For 2016, furthermore, Tourism Ireland estimates that the return on marketing investment ratio was 42:1 and that 28% of people exposed to their advertising took some action with regard to visiting Ireland, with 3% booking a holiday break directly.

While these measures demonstrate that the TMF has been delivered effectively, the review does highlight that advertising awareness in the four largest markets of Great Britain, the USA, France and Germany has declined over the VFM period, by an average of 51.2% for unprompted awareness and 36.4% for prompted awareness.

## Evaluation Limitations

Overall, the review has established a strong continued rationale for the TMF. Furthermore, the review has found evidence that the programme has been delivered efficiently and effectively, insofar as these conclusions are supported by the data available. In considering these findings, however, it is important to be clear about the limitations of the evaluation. These limitations relate to data gaps that exist across the VFM period and also to the more general difficulties around attributing impact in the area of overseas destination marketing, an issue discussed in greater detail in the Literature Review.

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<sup>1</sup> Accommodation and food services sector is a subset of the broader tourism sector for which employment targets are set. In 2014, it is estimated that 74% of tourism sector employment was captured by the accommodation and food service sector.

While the review finds that the TMF has had a likely positive impact on visitor numbers, tourism revenue and sectoral employment, factors outside the control of the programme such as the global economic downturn and subsequent upturn and policy developments in other areas, such as the reduction in the tourism VAT rate from 13.5% to 9% in the second half of the review period from May 2011, are also likely to have independently impacted visitor numbers. Finally, though the review confined itself to Ireland-only figures as far as possible, it should be noted that Tourism Ireland's status as an all-island body meant that certain analyses within the report had to consider all-Ireland figures.

#### Policy and Management Issues

The review has found that the Government targets for annual visitor numbers and revenue by 2025 will likely be achieved ahead of time based on current performance and recent trends. Therefore, there is scope to recalibrate existing strategic targets and introduce new operational aims, objectives and targets specific to particular programmes of overseas marketing activities. Due to the evaluation limitations discussed above. It is proposed that any such new targets/objectives should facilitate the appropriate and reliable measurement of input-to-output processes and activities.

The review considers that there is scope for DTTAS to consider the formulation and establishment of an appropriate TMF-specific research and evaluation framework, tailored to measure the outcomes and impacts of activities delivered through the TMF as opposed to the more general tourism research undertaken currently. The framework would apply to and be adhered to by both agencies. Furthermore, the review recommends the establishment of a Tourism Satellite Account for Ireland to enable the harmonisation and reconciliation of tourism statistics from an economic perspective.

The review highlights the positive collaboration that currently exists between Tourism Ireland and Fáilte Ireland and recommends that this is deepened through the introduction of an annual programme delivery statement for the TMF as a whole.

Finally, the review found that there is scope to improve governance arrangements by aligning responsibility and accountability for all TMF-supported activity where alignment does not presently exist, such as for Ireland-specific overseas marketing.

#### Recommendations

The Review makes seven recommendations for the future delivery of the TMF:

##### **1. An Annual TMF Programme Delivery Plan**

The review has found that, at present, the two agencies plan their activities under the TMF separately, with interaction generally confined to the Ireland-specific marketing that is the responsibility of Fáilte Ireland but delivered by Tourism Ireland and which is an element of wider programmes carried out by both agencies. To ensure alignment and coordination across all TMF-supported activities, as well as giving DTTAS greater oversight than at present, the

review recommends the introduction of an annual programme delivery plan. This plan would be prepared and co-ordinated by both agencies in Q1 of each year, identifying how the programme is aligned to each agency business plan, how all programme funding will be spent, and which agency has responsibility for specific activity.

## **2. Introduction of Specific Key Performance Indicators**

Due to the difficulties of causally linking investment in overseas destination marketing with tourism performance impacts, the review recommends the introduction of new KPIs that focus on the measureable impacts of the TMF. These KPIs would underpin the delivery plan set out in Recommendation 1 and could include measures such as brand affinity and international rankings of Ireland's overseas destination marketing performance.

## **3. A TMF Research and Evaluation Framework**

Arising from the difficulties in assessing efficiency and effectiveness given available data, the review recommends the development of a regular and consistent research programme tailored to the TMF and its supported activities, as distinct from the general research currently undertaken.

## **4. A Tourism Satellite Account**

To more comprehensively capture the economic contribution of the tourism sector and TMF, the review recommends the establishment of a Tourism Satellite Account. The review notes that this recommendation is consistent with Action 13 of the Tourism Action Plan 2019-2021.

## **5. Recalibration of Targets**

Given the strong performance of the tourism sector in recent years, 2025 targets are on trend to be surpassed in the coming years. To ensure their continued relevance, the review recommends the recalibration of these strategic targets on an ongoing basis which, alongside Recommendation 2, would provide the basis to monitor and track the delivery of Fund-supported activities and resulting impacts and outcomes between now and 2025. The review notes that this recommendation is consistent with Action 1 of the Tourism Action Plan 2019-2021.

## **6. Alignment of Responsibility and Accountability for all TMF Activity**

To improve the programme's governance structures, the review recommends that accountability for all activities delivered under the Tourism Marketing Fund rests with the body responsible for delivery. This would apply, for example to Ireland-specific overseas destination marketing activity, which is currently carried out by Tourism Ireland but for which Fáilte Ireland is accountable. This recommendation does not suggest any reassignment of activity delivered by the two agencies but will ensure that responsibility and accountability for this activity rests with one body and will also improve Departmental oversight.

## **7. Linkages between the Tourism Marketing Fund and Tourism Policy**

While the review was focused on tourism marketing, the review recommends that this be closely aligned with broader tourism policy. Through the bespoke research framework arising from these recommendations, there is an opportunity to inform product development and industry supports to further enhance and improve the Irish tourism offering.

## Balanced Scorecard

As highlighted in the 2011 Comprehensive Expenditure Report, in order to bring greater uniformity and standardisation to the evaluation process, each VFM will include a 'Balanced Scorecard' which will be used to assess the programme against a range of criteria useful to decision makers. This standard approach will represent one key, recognisable output of reviews for all programmes, and will to some extent facilitate performance comparisons across programmes and across Departments.

Tourism Marketing Fund – Balanced Scorecard

Table 0.1 below sets out the completed Balanced Scorecard based on the findings of the VFM.

Table 0.1: Tourism Marketing Fund – Balanced Scorecard

Criteria Details	Review of Criteria
<b>Quality of Programme Design</b>	
<p>Are the programme objectives clearly specified?</p>	<p>Yes. The objectives are:</p> <ol style="list-style-type: none"> <li>1. Overseas visitor numbers: “There will be 10 million overseas visitors to Ireland, by 2025, compared to 7.6 million in 2014”; and,</li> <li>2. Overseas visitor revenue: “Revenue from overseas tourism (excluding air fares and ferry charges) will rise from €3.5 billion in 2014 to €5 billion per year by 2025, net of inflation”; and,</li> <li>3. Employment: The number of employees in the tourism sector will increase to 250,000 by 2025 compared to 200,000 in 2014.</li> </ol>
<p>Are the objectives consistent with stated Government priorities? Is there a clear rationale for the policy approach being pursued?</p>	<p>The objectives are consistent with overall Government policy and there is clear social, economic, financial and North-South collaboration rationale for the programme. It is also consistent with DTTAS’s Statement of Strategy 2015-2017 which sets out the “effective marketing of Ireland as a tourism destination in the overseas and domestic markets as a priority”.</p>
<p>Are performance indicators and sufficient data collection mechanisms in place from the outset? If not, how can this be remedied, and can such success/failure indicators be constructed ex post?</p>	<p>There are appropriate indicators and data collection mechanisms in place at the CSO to monitor and measure performance generally in relation to tourism volume and value, against the DTTAS Policy Statement objectives. However, the VFM identifies that there are inconsistencies between Tourism</p>

	<p>Ireland and Fáilte Ireland in relation to research activities and data collation and analysis regarding the frequency, regularity, uniformity, and the breadth and depth of information gathered. As a result, complete datasets for the full eleven-year VFM period were not available. The VFM has identified a need for further specific research methods and analysis techniques to more appropriately monitor, measure and quantify the actual impacts (tourism volume and value) derived from the implementation and delivery of TMF-supported overseas destination marketing activity, perhaps supported by new KPIs around brand affinity and rankings of marketing effectiveness, for example.</p>
<p>Have alternative approaches been considered and costed through cost-benefit analysis or other appropriate methodology?</p>	<p>The VFM included a literature review of other Destination Marketing Organisations' (DMO) approach to measuring and evaluating the delivery of destination-based marketing activities and draws from this research to inform the study at a high level. However, the VFM did not consider or cost alternative approaches through cost-benefit analysis or other appropriate methodology as it is difficult to envisage a non-publicly funded alternative to the TMF due to market failures discussed in the report.</p>
<p>Are resources (financial, staffing) clearly specified? Are current funding arrangements appropriate?</p>	<p>Financial resources are clearly specified across the VFM period but the review was only able to analyse staffing for a sample of years for each of the two agencies on the understanding that these samples reflect the period as a whole. The VFM recommends that funding arrangements are modified so that accountability for all money spent under the TMF rests with the agency responsible for activity delivery.</p>
<p><b>Implementation of Programme</b></p>	
<p>To what extent have programme objectives been met and is the programme generally effective?</p>	<p>Based on available evidence and analysis, the objectives as set out in the DTTAS Tourism Policy Statement 2025 appear likely to be met ahead of time. As such, the VFM considers the programme to be generally effective. However, the well-</p>

	documented difficulties around attribution in the area of overseas destination marketing are noted.
<p>Is the programme efficient in terms of:</p> <ul style="list-style-type: none"> <li>• Maximising output for a given input</li> <li>• Administration</li> </ul>	Assessing the programme's efficiency proved difficult due to limitations in data availability for both agencies for the full VFM period. Based on available evidence and analysis, the VFM concludes that the TMF has been delivered efficiently in terms of costs of delivery and delivery resources when assessed against the breadth and extent of overseas destination marketing activity delivered under the TMF. This conclusion mainly relates to the second half of the VFM period where greater data was available for assessment.
<p>Is there evidence of variation of efficiency across different locations and/or different delivery mechanisms?</p>	Based on available evidence and analysis, there is no indication of variance in efficiency across different locations: all programme-supported activity is planned and managed centrally within the two agencies through established mechanisms, albeit with in-market support from overseas offices. A comparison of different delivery mechanisms was not within the scope of the VFM, although the research drew from a literature review of other DMOs' approaches to measuring and evaluating destination marketing activities.
<p>Have the views of stakeholders relevant to the review been taken into account?</p>	A Steering Group consisting of DTTAS, DPER and an independent chairperson was responsible for oversight of the VFM and provided guidance to the evaluation team. In addition, consultation was undertaken with Tourism Ireland and Fáilte Ireland throughout the study process, and both agencies provided the majority of data and information used in the research.
<b>Cross-Cutting Aspects</b>	
<p>Is there overlap/duplication with other programmes?</p>	There is no overlap or duplication with other programmes.
<p>What scope is there for an integrated cross-departmental/agency approach?</p>	There is considerable scope for continued collaboration between DTTAS and the two agencies. The study identifies that there is a need for greater focus on directly measuring and evaluating

	<p>programme-supported overseas destination marketing activities and resulting impacts on tourism performance in Ireland. The VFM makes recommendations to this effect. This will require collaboration with the CSO, and also potentially with NISRA in Northern Ireland.</p>
<p>Are shared services/e-Govt channels being used to the fullest extent?</p>	<p>Not applicable.</p>
<p>Can services be delivered more cost-effectively by external service providers?</p>	<p>Based on available evidence and analysis, it is not possible to analyse cost-effectiveness of external services delivery. The rationale for the programme and current delivery structures via Tourism Ireland support the need for a DMO as the implementation and delivery mechanism for overseas destination marketing. However, the VFM recommends further, continued and enhanced monitoring and evaluation of the impacts and outcomes from programme-supported activities delivered by both agencies.</p>

## 1. Introduction

This section describes the Value for Money and Policy Review process, setting out the terms of reference and scope within which this review was completed. In so doing, it provides the context of the review and describes the process of undertaking the review and preparing the report.

### 1.1 Key Questions

The following key questions are addressed in this section:

- What is a Value for Money and Policy Review?
- What is the purpose of this Review?
- What are the Terms of Reference for this Review?

### 1.2 The Value for Money and Policy Review Process

The Value for Money and Policy Review process has been firmly established as a key part of the policy cycle over the last number of years. The Government sets out a three-year VFM programme which lists the specific programmes/policies that are to be analysed. A VFM is then carried out by the relevant Government department in conjunction with the Department of Public Expenditure and Reform (DPER).

This method of ex-post evaluation was established in 1996 under the Expenditure Review Initiative (ERI). The ERI had two aims:

- To provide a systematic analysis of what is actually being achieved by expenditure in each spending programme; and,
- To formulate a basis on which more informed decisions can be made on priorities within and between expenditure programmes.

In 2006, the ERI process was reviewed by the Department of Finance to analyse the efficiency and effectiveness of the programme. Furthermore, the Organisation for Economic Cooperation and Development (OECD) produced a review of the system and identified specific concerns in relation to the independence of the process, evaluation capacity within Departments, the contribution of reviews to the estimates and budgeting process, and the lack of follow-up of review recommendations. In 2008, Government decided that the process should be refocused to take account of the identified issues. This streamlined the process and ensured that the policy programmes under consideration were correctly chosen.

The updated process was published in the 2007 Value for Money and Policy Review Initiative Guidance Manual, which set out a thorough guide informing all VFM reports. The publication of the Public Spending Code in 2013 introduced further reforms to the VFM process. These included focusing topic selection on major and, where possible, discretionary areas of expenditure, further streamlining of the process with the aim of ensuring that reports were completed within 6-9 months,

and the publication of a three-year VFM cycle by the Minister for Public Expenditure and Reform. In addition, steps have been taken to increase capacity within Departments through the creation of the Irish Government Economic and Evaluation Service (IGEES).

It is within this framework that this VFM has been conducted and the review has endeavoured to adhere to all guidelines contained in the relevant publications.

### 1.3 Purpose of this Review

This review is being carried out as part of the Department of Transport, Tourism and Sport's ongoing compliance with the Public Spending Code (PSC). The PSC is a set of rules and procedures that apply to ensure that high standards are upheld across the public service in the area of expenditure. All public bodies are obliged to treat public funds with care, and to ensure that the best possible value-for-money is obtained whenever public money is being spent or invested.

The primary purpose of this review is to examine the continuing relevance, rationale, efficiency and effectiveness of the Tourism Marketing Fund. It is intended that this review will act as a means of improving programme delivery and the quality of this public service.

The Tourism Marketing Fund was selected for review for a number of reasons:

1. The TMF entails substantial annual cost (€35.1m in 2016) as well as a considerable cumulative cost (€453.5m) over the period of the review. Given that the TMF has not been subject to a review previously, there is an onus on the Department to assess its value for money to the Exchequer and the potential scope to improve the efficiency and effectiveness of aspects of the programme.
2. Tourism is one of Ireland's most important economic sectors and has played a central role in Ireland's economic recovery. Demonstrating this, the 2011 Programme for Government stated, "We will prioritise the Tourism Marketing Fund as an essential pillar of our tourism strategy and will ensure the best return on Exchequer spending" and the Jobs Initiative in May of that year reduced the rate of VAT on tourism products from 13.5% to 9%. In 2016, tourism was responsible for overseas earnings of €4.6bn (excluding fare receipts for Irish carriers). Following the 2015 publication of the Government's tourism policy statement, *People, Place and Policy - Growing Tourism to 2025*, it is timely to assess the role of the TMF in achieving the headline targets of the Policy Statement, particularly:
  - There will be 10m overseas visits to Ireland, by 2025, compared to 7.6m in 2014.
  - Revenue from overseas tourism, excluding air fares and ferry charges, will rise from €3.5bn in 2014 to €5bn per year by 2025, net of inflation; and,
  - Tourism sectoral employment will rise from 200,000 in 2014 to 250,000 by 2025.
3. One of the key actions in the Tourism Action Plan 2016-2018 is for the Department to "arrange for an independent evaluation of Ireland's overseas tourism marketing expenditure".

This review, undertaken by externally appointed consultants in the form of RSM Ireland and overseen by the Strategic Research and Analysis Division (SRAD) of the Department, fulfils this requirement.

Finally, this review aims to develop an appropriate benchmark for future evaluation of the TMF. In the context of data limitations, the review will set out currently available information while also highlighting areas where data and information recording and management should be improved. It is also anticipated that the study will contribute to international research on this topic.

#### 1.4 Parameters of the Review

The status of Tourism Ireland as a North-South body is an important factor in the context of this review. Insofar as Tourism Ireland's all-island marketing activities are considered, this VFM relates only to the contribution of the Irish government via subhead E.5 of the Department of Transport, Tourism and Sport's expenditure profile. Given the cross-border nature of Tourism Ireland and its all-island remit, the report may on occasion make reference to island of Ireland figures or contributions from the NI Executive; however, it is not the intention of this review to assess the value for money of the NI Executive's investment.

The Programme Logic Model outlined for this VFM (presented in Section 3) details the inputs, activities, outputs and outcomes from the programme. It details the process of the programme in a theoretical construct and the VFM will endeavour to examine the practical relationship between inputs, outputs, results and impacts in terms of efficiency and effectiveness.

The programme's objectives include supporting growth in overseas tourism visitors, revenue and sectoral employment. The inputs to the programme are the overall programme funding and the staff costs at Tourism Ireland, Fáilte Ireland and DTTAS. The activities that go into the programme include planning the programme, the analysis of how to allocate funds based on the potential of each market segment, implementation of marketing activities, and the ongoing oversight and monitoring of the programme.

#### 1.5 Steering Committee

As part of the VFM process a Steering Committee was established to guide the work of the evaluation team. The members of the committee are set out in Table 1.1.

Table 1.1: Steering Committee

Member	Role
Elizabeth Higgins	Independent Chairperson (Formerly Department of Foreign Affairs and Trade)
Maria Melia	Department of Transport, Tourism and Sport (Tourism Marketing Policy and Impact Assessment Division)
Tomás Campbell	Department of Transport, Tourism and Sport (Strategic Research and Analysis Division)
Philip Maher	Department of Public Expenditure and Reform (Transport, Tourism and Sport Vote)

### 1.6 Terms of Reference

The terms of reference for the review were agreed by the Steering Committee on 17 October 2017. They were subsequently approved by the Secretary General of DTTAS and the Assistant Secretary of DPER with responsibility for the Transport, Tourism and Sport Vote.

The following six areas of study formed the basis of this VFM:

1. Identify the rationale and overall policy objectives of the Tourism Marketing Fund and examine their continuing relevance.
2. Define the inputs and outputs associated with the Tourism Marketing Fund and identify the level, cost and trend of outputs.
3. Identify the level and trend of Tourism Marketing Fund inputs and determine the efficiency with which objectives are being achieved, i.e.:
  - a. Efficiency with which inputs produce outputs; and
  - b. Efficiency with which outputs achieve objectives.
4. Examine the extent to which the objectives, results and impacts have been achieved and review the Tourism Marketing Fund's overall effectiveness. Compare the efficiency and effectiveness of the TMF across contexts relevant to the programme, including international best standards and comparable delivery methods.
5. Examine the scope for alternative policy or organisational approaches to achieve objectives in a more efficient and effective manner in order to improve delivery and impact.
6. Specify potential future performance indicators which could be used to better monitor the programme.

### 1.7 Scope of the Report

DPER guidelines set out the headings under which the scope of a VFM should be defined. The scope of this review is the expenditure and performance of the TMF over the 2006 to 2016 period. The stakeholders involved are DTTAS, Tourism Ireland, and Fáilte Ireland. The tourism portfolio transferred

to DTTAS in March 2011. The specific item of expenditure is DTTAS's budget subhead E.5. In 2016, a total of €35.1m was allocated to the TMF.

The majority of the TMF forms the State's share of North-South co-funding for Tourism Ireland's destination marketing of the island of Ireland overseas. As Tourism Ireland is a North-South body, it also receives funding from the Northern Ireland Exchequer for its core overseas marketing activity. The agreed funding ratio for all-island marketing activity is 2:1 South-North. The remainder of the TMF is used to support Ireland-specific niche, product and regional marketing, which is led by Fáilte Ireland but delivered by both agencies.

Table 1.2 presents a summary of the scope of the VFM.

Table 1.2: Summary of Review Scope

Tourism Marketing Fund				
Programme/ Activity	Tourism Marketing Fund			
Temporal	2006 to 2016 (11 years)			
Financial		Tourism Ireland	Fáilte Ireland	Total TMF
	2006	€26,685,000	€13,315,000	€40,000,000
	2007	€30,320,000	€13,315,000	€43,635,000
	2008	€33,685,000	€16,315,000	€50,000,000
	2009	€32,185,000	€15,065,000	€47,250,000
	2010	€30,242,000	€14,008,000	€44,250,000
	2011	€34,942,000	€11,141,000	€46,083,000
	2012	€29,335,000	€10,019,000	€39,354,000
	2013	€28,445,000	€8,800,000	€37,245,000
	2014	€28,363,000	€8,213,000	€36,576,000
	2015	€25,992,000	€8,061,000	€34,053,000
	2016	€25,106,000	€9,947,000	€35,053,000
	Total	€325,300,000	€128,199,000	€453,499,000
Organisational	<ul style="list-style-type: none"> <li>• DTTAS</li> <li>• Tourism Ireland</li> <li>• Fáilte Ireland</li> </ul>			
Legislative	<ul style="list-style-type: none"> <li>• Good Friday Agreement (1998)</li> <li>• National Tourism Development Authority Act (2003)</li> </ul>			
Data/Systems	Reference data is expected to include, but is not limited to: <ul style="list-style-type: none"> <li>• The level of funding given to Tourism Ireland and Fáilte Ireland in respect of this programme;</li> <li>• Expenditure breakdown by Tourism Ireland on specific marketing projects by market;</li> <li>• Expenditure breakdown by Fáilte Ireland on specific marketing projects by market;</li> <li>• Costs for advertising/marketing expenditures and level/type of outputs linked to corporate strategy;</li> <li>• Statistics relating to the following metrics:</li> </ul>			

- Number of visitors, with a particular focus on ‘promotable visitors’;
- Visitor origin;
- Overseas revenue;
- Average expenditure;
- Length of stay;
- Purpose of visit; and
- ‘Ireland’ brand development data (Global Brand Tracker reports).
- World Economic Forum – Travel and Tourism Competitiveness Reports; and,
- Return on Marketing Investment Reports.

Additional Data/KPIs that may inform the VFM review:

- Surveys or quantitative/qualitative research undertaken on behalf of Tourism Ireland/Fáilte Ireland linked to marketing awareness/impact:
  - Pre/post monitoring; and,
  - Attitudinal impacts.
- Selected post campaign analysis reports looking at:
  - Awareness/reach;
  - Persuasion; and,
  - Impact.
- Website usage:
  - Unique visitors and total number of hits (including breakdown by geography);
  - Number of natural searches<sup>2</sup>;
  - User sessions (length of browsing time); and,
  - Qualitative online feedback.
- Currency data
- Case studies with other countries

Requirements	Public Spending Code Compliance
Other Relevant Scope Dimensions	<ul style="list-style-type: none"> <li>● Coherence with expenditure on tourism product development.</li> <li>● Relationship with Subhead E.4 (i.e., State’s contribution to Tourism Ireland’s payroll and staff expenses).</li> </ul>

### 1.8 Format of the Report

Chapter 1 of the report provides an overview of the VFM process and details the terms of reference and scope within which the review was undertaken.

Chapter 2 provides an overview of the tourism sector in Ireland and presents a summary of the performance of the Irish tourism sector. It also provides an overview of each of the main bodies involved in overseas destination marketing on the island of Ireland, the TMF governance model and detailed information on the TMF and its allocations over the VFM period.

Chapter 3 provides an overview of the methodology employed in undertaking this review.

Chapter 4 provides an overview of the TMF’s objectives, the rationale for the TMF and discusses the supporting evidence for an overseas destination marketing fund.

<sup>2</sup> In search engines a natural or organic search is one where results are returned based on the natural indexing of the website, as opposed to those that are returned based on paid advertising and editorial changes made by the search engine itself.

Chapter 5 provides an assessment of the cost and efficiency of the TMF. It considers the cost and delivery resources associated with the TMF for both Tourism Ireland and Fáilte Ireland.

Chapter 6 provides an assessment of the effectiveness of the TMF. It considers tourism performance impacts and the extent to which, if at all, Fund-supported overseas destination marketing has contributed to tourism performance over the review period.

Chapter 7 provides an assessment of policy and management issues relating to the efficiency and effectiveness of the operation of the TMF, and considers the future delivery of the programme.

Chapter 8 presents the conclusions and recommendations arising from the VFM and sets out an indicative implementation plan.

This main report is also accompanied by two appendices. Appendix 1 presents extensive background data and detailed analyses that support the content and findings within the main report, only summaries of which have been included in this document. The detailed analyses presented in Appendix 1 should therefore be read in conjunction with the report.

Appendix 2 is a literature review of material that informed the report.

## 2. Overview of the Tourism Marketing Fund

The purpose of this section is to provide a comprehensive overview of the Tourism Marketing Fund and Irish tourism sector more generally. This includes an historical account of the funding programme and an overview of current budget flows and management processes. It also outlines how the TMF relates to the activities of Tourism Ireland and Fáilte Ireland, taking into particular account the cross-border funding arrangements for Tourism Ireland.

### 2.1 Key Questions

The following key questions are addressed in this section:

- What is tourism?
- What is the value of the tourism sector to the Irish economy?
- What is the governance model for tourism marketing?
- How is the Tourism Marketing Fund administered?

### 2.2 Defining Tourism

The United Nations World Tourism Organisation (UNWTO) defines tourism as:

*...the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.*

Deciding whether an individual is or is not a tourist can, at times, be difficult. It is widely accepted that all tourists are visitors, but not all visitors are tourists. The focus of this VFM is primarily on the tourism economy. However, in certain instances, it will reference the wider visitor economy which also encapsulates business visitors and people visiting friends and family. Both business visitors and those visiting friends and family are tourists, even if they are not holidaymakers, and as such are included in the visitor numbers referenced in this VFM.

### 2.3 Value of Tourism to the Irish Economy

Tourism is one of Ireland's most important economic sectors and has significant potential to play a further role in Ireland's economic renewal. It also helps shape Ireland's image and attractiveness as a place to live, work and invest. In 2016, there were over 8.7m overseas visitors to Ireland and tourism was responsible for overseas visitor earnings of €4.6bn. Combining expenditure by overseas visitors with expenditure by domestic (Ireland) and other out-of-state visitors (Northern Ireland), total tourism revenue in 2016 was estimated at around €8.4 billion.

It is estimated that the tourism industry supported 225,000 jobs in 2016<sup>3</sup> (7.2% of total employment), of which 155,300 were in the accommodation and food services sector. These jobs are supported by around 20,000 businesses. It is also estimated that every €1m of tourist expenditure helps to support 27 tourism jobs, and 1,000 additional overseas tourists supports 19 jobs in the tourism industry<sup>4</sup>.

It is estimated that revenue of €1.9bn was generated by the Government in 2016 through the taxation of tourism, of which €1.5bn (79%) was attributable to overseas tourism. The tourism industry accounted for 4% of all tax revenue in 2016. For every €1 spent by tourists (overseas and domestic), it is estimated that 23 cents are generated in tax revenue<sup>4</sup>.

### 2.3.1 Overseas Tourism Performance, 2016

In 2016, overseas visits to Ireland increased by 8.8% to 8.7m trips. The performance of each of the top four markets for tourism to Ireland is summarised in Table 2.1. In addition, core<sup>5</sup> tourism trips by overseas visitors to Ireland also increased, as summarised in Table 2.2.

Table 2.1: Tourism Volume by Market, 2016

	Number of Trips	% Difference to 2015
Great Britain	3.6m	8.5
Mainland Europe	3.1m	7.7
North America <sup>6</sup>	1.5m	14.1
Other	531,000	2.9

Source: CSO

Table 2.2: Purpose of Visit, 2016

	Number of Trips	% Difference to 2015
Holiday	4.4m	9.2
Business	1.3m	5.1
Visiting Friends or Relatives	2.6m	10.1

Source: CSO

In 2016, expenditure by overseas visitors to Ireland increased by 8.7% to €4.6bn. Including carrier receipts, expenditure by overseas visitors increased by 8.5% to €6.1bn. Expenditure by visitors from each of the main markets for tourism to Ireland is summarised in Table 2.3.

<sup>3</sup> Fáilte Ireland calculation

<sup>4</sup> Fáilte Ireland

<sup>5</sup> Core trips relate to the three staple purposes of visit: holiday, business, and visiting friends or relatives

<sup>6</sup> USA and Canada

It is estimated that overseas tourists spend an average of approximately €68 per day, and this rises to €89 per day for the holidaymaker subset within that group<sup>7</sup>.

Table 2.3: Tourism Value by Market, 2016

	Expenditure (€)	% Difference to 2015
Great Britain	1.1bn	9.0
Mainland Europe	1.7bn	6.6
North America	1.3bn	11.5
Other	533m	8.3

Source: CSO

#### 2.4 Department of Transport, Tourism and Sport

The Department of Transport, Tourism and Sport sets national tourism policy, providing the strategic direction required to support the growth of a competitive and sustainable tourism industry. Two tourism agencies, Tourism Ireland and Fáilte Ireland, operate under the aegis of the Department and have been established to deal with the administration of that policy.

#### 2.5 Tourism Ireland

As part of the Good Friday Agreement, tourism was specifically designated as an area for North-South cooperation. The parties to the Agreement decided that a limited company would be established to carry out functions aimed at promoting tourism to the island of Ireland.

Tourism Ireland was incorporated in December 2000 and is responsible for the overseas marketing of the island of Ireland as a tourist destination. Its Memorandum and Articles of Association govern its operations and it is accountable to the North-South Ministerial Council. It operates in key overseas tourism markets such as Great Britain, the USA and Canada, and mainland Europe. It has also extended its reach to include emerging tourist markets such as China, India, and the Middle East. By adding investment from DTTAS with investment from the NI Department for the Economy, Tourism Ireland gains purchasing power and voice in the overseas markets.

The status of Tourism Ireland as a North-South body is an important factor in the context of this review. Tourism Ireland operates under annual Business Plans and three-year Corporate Plans that set out targets, plans and agreed funding levels. These Plans are approved by sponsor Ministers at the North-South Ministerial Council with input from the Finance Department in each jurisdiction. It should be noted that all decisions in relation to programme and administration funding of North-South bodies are subject to agreement between the relevant sponsor and Finance Departments, north and south.

<sup>7</sup> Overseas holidaymakers are defined as tourists whose primary purpose for visiting is a holiday. Overseas tourists include those with a more defined purpose of visit such as visits to friends and relatives, business, or other specific activities.

One of the core areas of focus for Tourism Ireland in recent years has been to “Put Northern Ireland at the heart of our strategy and operational programmes” in order to help it achieve its tourism potential. This VFM is concerned with the Irish Government’s contribution to all-island overseas destination marketing via the Tourism Marketing Fund; however, it will be cognisant of Tourism Ireland’s wider focus and remit.

On establishment, Tourism Ireland subsumed the activities previously carried out by the Overseas Tourism Marketing Initiative. One of its original functions was also to carry out overseas marketing and promotion activity for products and regions on behalf of Bord Fáilte and the Northern Ireland Tourist Board (NITB).

## 2.6 Fáilte Ireland

Fáilte Ireland was established under the National Tourism Development Authority Act 2003, following the amalgamation of Bord Fáilte Éireann and CERT, to promote and support the sustainable development of tourism as a key indigenous driver of the Irish economy. Its principal functions include the development and promotion of regional experience brands, domestic tourism marketing, tourism standards, tourist information, enterprise supports and support for skills development.

## 2.7 Tourism NI

Tourism NI is responsible for the development of tourism and the marketing of Northern Ireland as a tourist destination to domestic tourists, from within Northern Ireland, and to visitors from the Republic of Ireland. Tourism NI is a non-departmental public body of the Department for the Economy and it works closely with other tourism bodies to help develop the visitor economy and to market Northern Ireland to incoming visitors. While Tourism NI funds specific Tourism Ireland campaigns, the activities of Tourism NI, insofar as they relate exclusively to Northern Ireland, are not considered in this review.

## 2.8 Tourism Marketing Fund

The Tourism Marketing Fund has the primary objective of attracting a greater number of overseas visitors to Ireland as a destination market. This objective is aligned with DTTAS’s Statement of Strategy 2015-2017 which sets out the effective marketing of Ireland as a tourism destination in the overseas and domestic markets as a priority. The primary objectives of the TMF have broadly remained the same from 2006 to 2016.

### 2.8.1 Funding Structure

Current expenditure for the TMF is provided for under subhead E.5 in DTTAS’s expenditure profile. In 2016, €35.1m was allocated to the TMF. The TMF can be divided into two parts, with the majority of spending going towards Tourism Ireland’s ‘core’ funding for all-island overseas marketing activity. The North-South funding ratio for all-island overseas marketing activity was agreed on the establishment of Tourism Ireland in 2000 and currently stands at 2:1, i.e., for every €2 of funding from the Irish

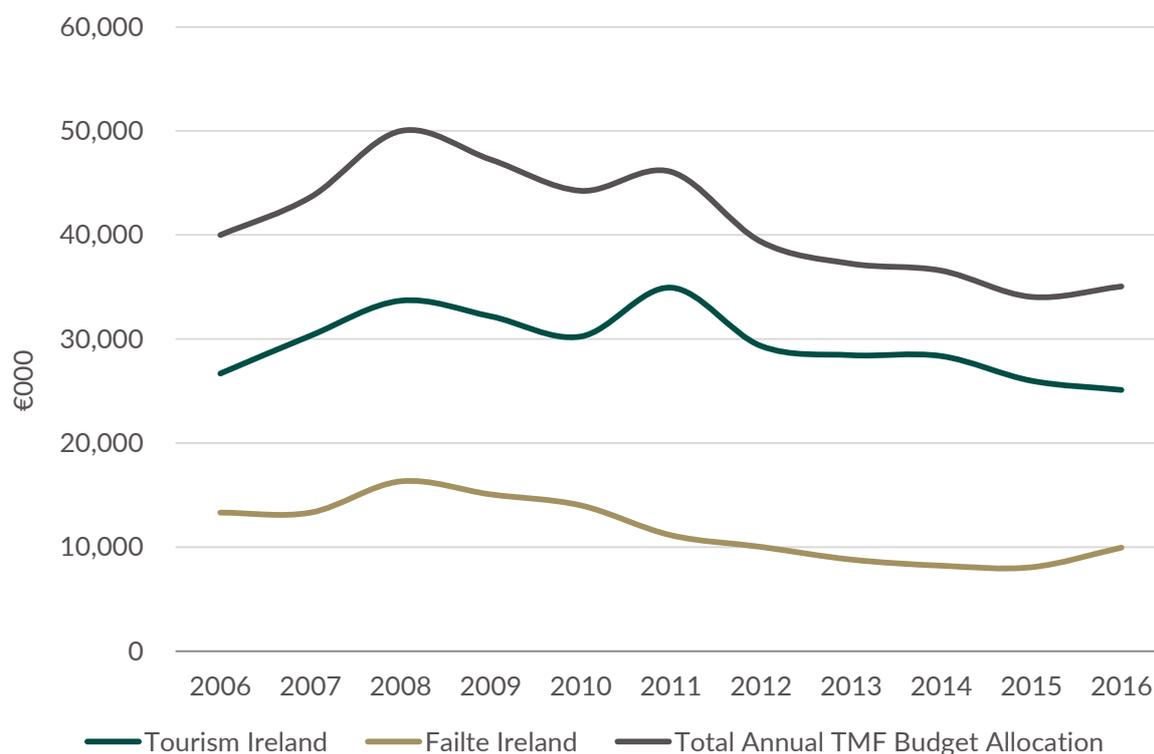
Exchequer, the Northern Irish Executive invests €1. In 2016, funding for Tourism Ireland from subhead E.5 was €25.1m.

The remainder of the subhead allocation is allocated to Fáilte Ireland to support niche, product and regional marketing relating to Ireland only, which is the responsibility of Fáilte Ireland but also delivered in part by Tourism Ireland as its overseas agent. This includes specific regional or product-based campaigns and funds to support direct engagement by the industry with overseas buyers (especially tour operators and other trade entities), and to generate publicity through overseas media. In 2016, funding for Fáilte Ireland from Subhead E.5 was €9.9m.

### 2.8.2 Funding Allocations

A total of €453m was allocated to the TMF over the period from 2006 to 2016. Of this total, €325m (71.7%) was allocated to Tourism Ireland for all-island overseas marketing activities and the remaining €128m (28.3%) was allocated to Fáilte Ireland for Ireland-specific regional, product and niche marketing activities.

Figure 2.1: TMF Budget Allocations, 2006 to 2016



Source: DTTAS

Figure 2.1 presents the trends associated with TMF allocations over the VFM period. The analysis shows that, generally, there was a steady decline in the total amount allocated to the TMF, and therefore the level of overseas marketing expenditure, from a peak of €50 million in 2008.

The allocation to Tourism Ireland increased from 2006 to 2008 before decreasing each year to 2011. It increased by 15.5% that year but then decreased each year for the remainder of the VFM period. The allocation to Tourism Ireland in 2016 was 5.9% (€1.6m) lower than its allocation in 2006, and 25% less (€8.6m) than the peak allocation in 2008.

The allocation to Fáilte Ireland remained the same in 2006 and 2007 before increasing in 2008 (by 22.5%, €3m). However, it then decreased each year to 2015 before a 23.4% (€1.9m) increase in 2016. The allocation to Fáilte Ireland in 2016 was 25.3% (€3.4m) lower than in 2006, and this allocation was 39% lower than the peak allocation in 2008.

### 2.8.3 Administration and Governance of the TMF

When establishing Tourism Ireland, it was agreed that the agency would be funded jointly by the Departments in Ireland and Northern Ireland with policy responsibility for tourism. Both Departments provide funding for overseas marketing costs and general administration costs. This funding is described as Tourism Ireland's 'core' funding. Funding for Ireland-specific tourism marketing is also provided by DTTAS to Fáilte Ireland. Similar funding is provided by DfE in Northern Ireland for northern-specific activities.

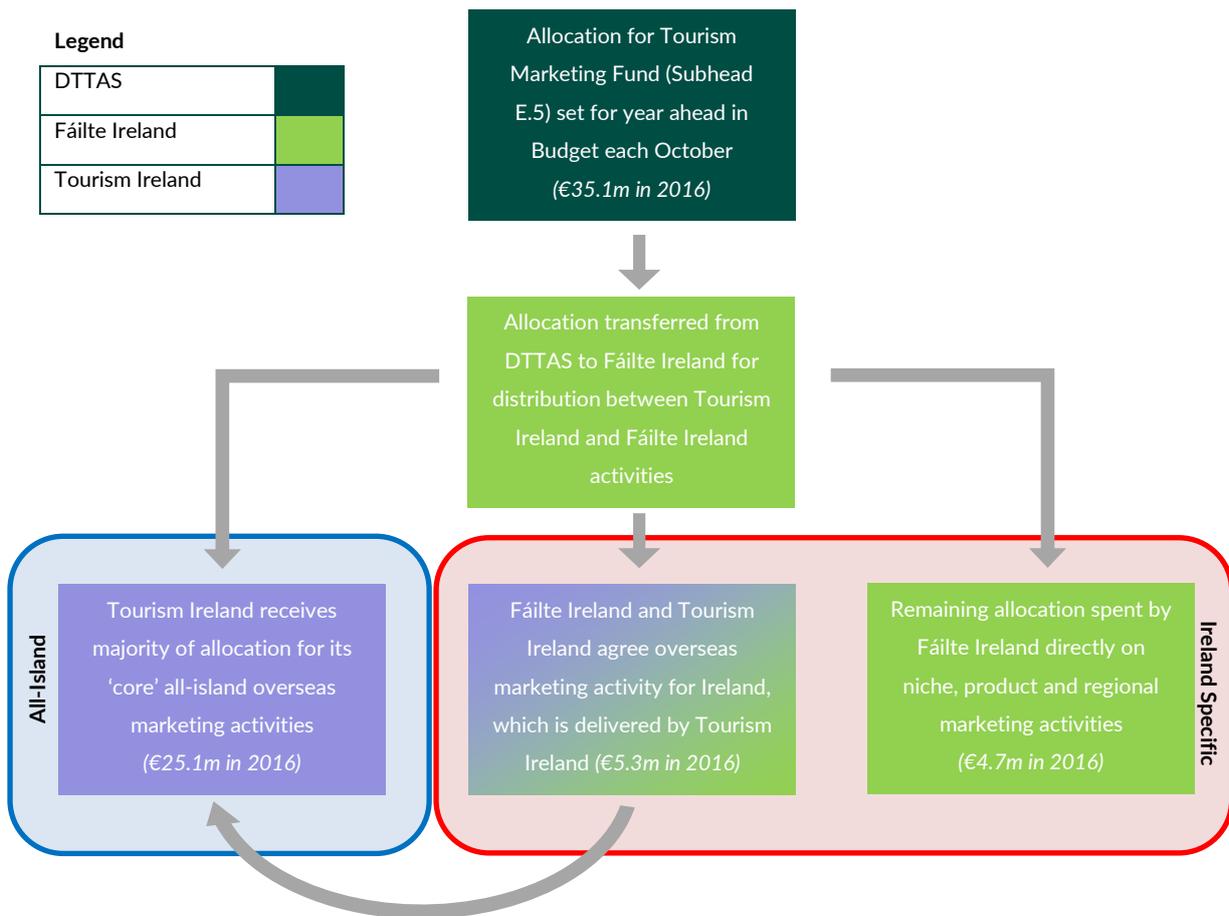
In accordance with its Financial Memorandum, Irish Exchequer funding for Tourism Ireland is issued to it via Fáilte Ireland. All TMF funding is initially allocated to Fáilte Ireland, which then channels the appropriate amount to Tourism Ireland. A similar request for the Northern Ireland proportion of Tourism Ireland's core funding is made to the DfE.

In relation to the Tourism Ireland's Ireland-specific activities, the same process is followed: funding is drawn down via the Fáilte Ireland, the only difference being that 100% of funding for such activity is from Ireland with no Northern Irish co-funding.

The TMF allocation to Tourism Ireland and Fáilte Ireland is set in each agency letter from DTTAS. Tourism Ireland's receipt of funds from Fáilte Ireland is simply a procedural matter. Both agencies collaborate in Quarter 4 each year to agree overseas marketing plans and activity for the following year, with particular focus on the part of the allocation that is transferred to Tourism Ireland for Ireland-specific overseas marketing activity.

Figure 2.2 presents an overview of the TMF allocation process and subsequent delivery of TMF activity.

Figure 2.2: Overview of the TMF Allocation and Activity Delivery Process



Oversight of expenditure under the TMF is the responsibility of DTTAS, specifically the Tourism Marketing Policy and Impact Assessment Division (TMPIAD), which has full oversight of Tourism Ireland and the TMF. Oversight of Fáilte Ireland, however, is exercised by the Tourism Development Division of DTTAS.

TMPIAD, along with representatives from the Northern Irish DfE, monitor Tourism Ireland's compliance with its Financial Memorandum. This process covers a wide range of areas including, e.g., the vouching of invoices, financial procedures and policies, guidance to Directors, and the maintenance of a Register of Interests.

With regard to the planning of marketing activity for the island of Ireland, annual business and strategic plans are submitted to both sponsor Departments (North and South) and formally approved by the North-South Ministerial Council (NSMC). Tourism Ireland produces a corporate plan every three-years and this is prepared for agreement with the two sponsor Departments and for formal approval by the NSMC.

## 2.9 Concluding Comments

Tourism is one of Ireland's most important economic sectors. In 2016, there were over 8.7m overseas visitors to Ireland, spending €4.6bn and helping to support an estimated 225,000 jobs – 7.4% of all employment.

Tourism policy in Ireland is set by the Department of Transport, Tourism and Sport and delivered by two agencies under its aegis: Tourism Ireland and Fáilte Ireland. The Tourism Marketing Fund, Subhead E.5 of DTTAS's expenditure profile, supports the marketing of Ireland overseas with the objective of attracting visitors to Ireland.

Tourism Ireland is a cross-border body established in 2000 following the Good Friday Agreement, which designated tourism as an area for North-South cooperation. As a cross-border body, the annual business plans and three-yearly corporate plans for Tourism Ireland must be agreed at the North-South Ministerial Council by the relevant sponsor and finance departments in each jurisdiction. The core function of Tourism Ireland is to market the island of Ireland overseas, and the majority of the TMF allocation each year goes towards this activity. In 2016, the value of this funding was €25.1m. Over the review period as a whole, DTTAS invested €325.3m in Tourism Ireland's all-island marketing.

Fáilte Ireland was established by the National Tourism Development Authority Act 2003 and is accountable for the remainder of the annual TMF allocation. It uses this funding for Ireland-specific marketing and niche activities such as business tourism. However, while Fáilte Ireland is accountable for this funding, any overseas marketing of Ireland specifically is still delivered by Tourism Ireland in line with a plan agreed each year with Fáilte Ireland. The only difference with all-island marketing activity discussed in the previous paragraph is that Ireland-specific marketing will not receive Northern Irish co-funding. In 2016, Fáilte Ireland was accountable for €9.9m of TMF allocation - €5.3m of which was delivered by Tourism Ireland for overseas destination marketing and €4.7m of which was delivered by Fáilte Ireland directly. Over the VFM period as a whole, €128.2m was invested in Ireland-specific marketing and niche activities.

In 2016, the total allocation to the TMF was €35.1m. Over the eleven-year VFM period, the aggregate TMF allocation was €453.5.

### 3. Methodology

This section outlines the methodology and research questions developed by the review team at the outset of this VFM. The expected sources of data and quantitative and qualitative methods to be utilised are set out.

#### 3.1 Key Questions

The following key questions are addressed in this section:

- What is the proposed methodology for the review?
- What are the expected data and information sources?

#### 3.2 Methodology Overview

This VFM was undertaken by DTTAS's Strategic Research and Analysis Division (SRAD) with a Steering Group comprising representatives from SRAD and TMPIAD, DPER and an independent chairperson. The review was led by an externally-appointed consultant from RSM Ireland.

The review was guided by the Value for Money and Policy Review Initiative Guidance Manual (2007) and the Public Spending Code (2013). The review was completed in a series of phases:

1. Scoping of review and approval of terms of reference by the Steering Group, the Secretary General of DTTAS and by DPER;
2. Gathering of quantitative data;
3. Gathering of qualitative information;
4. Analysis of all data and metrics;
5. Literature review of destination marketing delivery and evaluation elsewhere;
6. Stakeholder engagement and consultation with Tourism Ireland and Fáilte Ireland;
7. Ongoing Steering Group liaison and feedback;
8. Report writing based on evidence; and
9. Review and amendment by Steering Group.

#### 3.3 Programme Logic Model

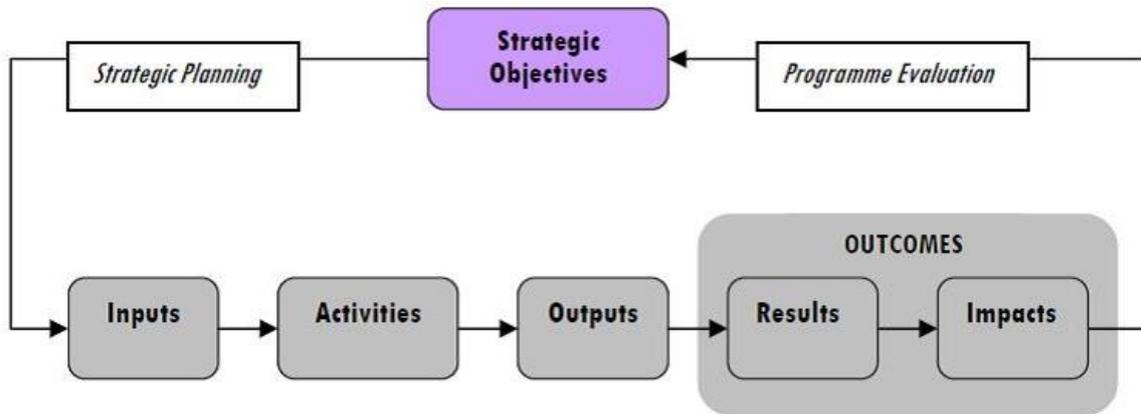
As part of the review, the review team mapped the programme on to a Programme Logic Model. Guidance on the completion of a Programme Logic Model is contained in the Central Expenditure Evaluation Unit's (CEEU) Guidance Manual and in the Public Spending Code. The purpose of the Programme Logic Model is to map out the shape and logical linkages of the programme.

There are a number of different steps in the model including objectives, inputs, activities, outputs, results and impacts:

- **Objectives:** Desired outcomes at the end of the programme;
- **Inputs:** Resources committed to implementing the programme;

- **Activities:** The actions that transform inputs into outputs;
- **Outputs:** What is produced by the programme; and,
- **Outcomes:** The direct and wider impacts of the programme.

Figure 3.1: Programme Logic Model



Source: Value for Money and Policy Review Initiative Guidance Manual, CEEU, 2007

In the following sections the Tourism Marketing Fund will be considered under these headings. The objective of this exercise is to map out the rationale, actions and results of the programme at the initial stages of the VFM.

### 3.3.1 Objectives

The Tourism Marketing Fund has the primary objective of attracting a greater number of overseas tourists to Ireland as a destination market, as well as increasing revenue from overseas tourism and tourism sectoral employment. These objectives are aligned with DTTAS's Statement of Strategy 2015-2017, which identifies the effective marketing of Ireland as a tourism destination in the overseas and domestic markets as a priority.

### 3.3.2 Inputs

The sole input to this model is the ongoing current expenditure of the programme. The funding is distributed to Tourism Ireland and Fáilte Ireland. Beyond the TMF, however, there is also additional cost in terms of the staffing, office costs and other overheads that Tourism Ireland and Fáilte Ireland assign to overseas destination marketing and TMF activities.

### 3.3.3 Activities

All activities associated with Overseas Destination Marketing are included. These activities include, but are not limited to:

- Creation of promotional/marketing material;
- Acquisition of advertising space/time;

- Distribution of promotional material;
- Promotional activity/events; and,
- Overall programme/strategy management.

#### 3.3.4 Outputs

The direct outputs from the programme include:

- Advertising campaigns;
- Promotional material/activities in a variety of media (radio, TV, internet, print, etc.);
- Promotional events and activities; and,
- Trade shows and consumer exhibitions, etc.

#### 3.3.5 Outcomes

Results from the programme include:

- Heightened brand awareness and familiarity of 'Ireland';
- Awareness of what Ireland can offer as a holiday destination; and,
- An Increased likelihood of a tourist choosing Ireland as a holiday destination.

Impacts from the programme include:

- Increased visitor numbers;
- Increased tourism revenue; and,
- Increased tourism sector employment.

Table 3.1 below summarises the Programme Logic Model for the Tourism Marketing Fund.

Table 3.1: Tourism Marketing Fund – Programme Logic Model

Objectives	Inputs	Activities	Outputs	Outcomes
<p>To attract overseas visitors to the island of Ireland as a tourist destination and, in doing so:</p> <ul style="list-style-type: none"> <li>• Increase tourism revenue; and,</li> <li>• Support tourism sectoral employment.</li> </ul>	<p>Overall funding for the Programme, (€35.1m in 2016) broken down as:</p> <ul style="list-style-type: none"> <li>• The State's share of North-South co-funding for Tourism Ireland's destination marketing of the island of Ireland overseas (€25.1m in 2016); and,</li> <li>• Niche, product and regional marketing led by Fáilte Ireland (€9.9m in 2016).</li> </ul>	<p>Activities associated with the programme include:</p> <ul style="list-style-type: none"> <li>• Creation of promotional/marketing material;</li> <li>• Acquisition of advertising space/time;</li> <li>• Distribution of promotional material;</li> <li>• Promotional activity/events; and,</li> <li>• Overall programme/strategy management.</li> </ul>	<p>The direct outputs from the programme include:</p> <ul style="list-style-type: none"> <li>• Advertising campaigns;</li> <li>• Promotional material/activities in a variety of media (radio, TV, internet, print, etc.);</li> <li>• Promotional events and activities; and,</li> <li>• Trade shows and consumer exhibitions, etc.</li> </ul>	<p><b>Results</b></p> <ul style="list-style-type: none"> <li>• Overseas visitors move through the 'purchase funnel' from initial interest to decision to visit Ireland;</li> <li>• Heightened brand awareness and familiarity of 'Ireland';</li> <li>• Awareness of what Ireland can offer as a visitor destination;</li> <li>• Increased likelihood of tourists selecting Ireland as a holiday destination; and,</li> <li>• Research underpinning the characteristics of effective marketing.</li> </ul> <p><b>Impacts</b></p> <ul style="list-style-type: none"> <li>• Increased visitor numbers;</li> <li>• Increased tourism revenue; and,</li> <li>• Increased tourism sector employment</li> </ul>

### 3.4 Examining Relevance

The review will assess the continued relevance of the TMF by comparing the programme's aims with current government policy. This will necessitate the identification of the programme's overall rationale. Once this has been identified it can be compared to broader national policy objectives to assess whether the TMF is still relevant. The aims of the TMF will be compared with the aims of other policy areas both directly and indirectly, including transport, infrastructure investment (specifically tourism product development) and enterprise.

The VFM will also consider potential alternative approaches that could realise the programme's objective by looking at international good practice. This literature review is presented in Appendix 2 and highlights learning from other jurisdictions and how they assess marketing efficiency and effectiveness, particularly the types of KPIs used.

### 3.5 Examining Efficiency

Efficiency will be measured quantitatively where feasible and where data availability permits. In addition to the quantitative metrics detailed below, the VFM will analyse the efficiency of all management, implementation and delivery processes associated with the marketing activities. This will be conducted qualitatively using methods such as process evaluation, budget flow analysis and policy implementation analysis.

Table 3.2: Examining Efficiency

Efficiency Metric	Details
1. Delivery costs and resources linked to TMF allocation	As well as TMF expenditure, the review will examine delivery costs and resources for each of the two agencies to assess the efficiency with which the TMF is implemented.
2. Rates received on advertising purchases.	This metric will be used to examine the rates received for advertising purchases across different media and in different geographic locations.
3. Type of advertising medium used to promote Ireland/individual campaigns and associated impacts (visits, revenue, duration of stay, attitudes, etc.).	Based on the availability of campaign diagnostic data the review will attempt to assess the impacts of different advertising media (radio, TV, internet, etc.) and the impacts from each investment.

### 3.6 Examining Effectiveness

The Government's Tourism Policy Statement (DTTAS, 2015) provides three goals applicable to tourism:

1. To grow overseas visits from 7.6m in 2014 to 10m by 2025;
  2. To grow overseas tourism revenue to from €3.5bn in 2014 to €5bn by 2025, in real terms;
- and,

3. To grow tourism sectoral employment from around 200,000 in 2014 to 250,000 by 2025.

Based on these three goals, effectiveness will be analysed quantitatively, where feasible, and qualitatively through case study and interview analysis with Tourism Ireland and Fáilte Ireland staff. The review will also consider additional metrics relating to effectiveness such as international rankings of Ireland’s tourism marketing, advertising awareness and impact, equivalent advertising value and return on marketing investment.

**Table 3.3: Examining Effectiveness**

	Effectiveness Metric	Details
1.	Overseas visitor numbers linked to marketing budget	This metric will assess the number of overseas visitors linked to the marketing budget for their country of origin.
2.	Overseas visitor revenue linked to marketing budget	This metric will highlight the correlation between marketing spend and the overseas visitor revenues generated.
3.	Sectoral tourism employment numbers linked to marketing spend	This metric will examine the relationship between tourism sector employment and marketing spend.
4.	Additional Metrics	<p>It is also proposed to measure the programme’s success in achieving the objectives above using a range of additional quantitative and qualitative metrics, such as:</p> <ul style="list-style-type: none"> <li>• Surveys or quantitative research undertaken on behalf of Tourism Ireland looking at return on investment from advertising in different markets;</li> <li>• Other research by external stakeholders</li> <li>• Advertising awareness/impact;</li> <li>• Campaign diagnostics (specific research/feedback collected for individual campaigns at a micro level);</li> <li>• Equivalent advertising value;</li> <li>• Return on marketing investment;</li> <li>• Website usage; and,</li> <li>• ‘Ireland’ brand development.</li> </ul>

### 3.7 Data and Information Sources

The expected reference data includes, but is not limited to:

- The level of funding given to Tourism Ireland and Fáilte Ireland in respect of the programme;
- Expenditure breakdown by Tourism Ireland on specific marketing projects by market;
- Expenditure breakdown by Fáilte Ireland on specific marketing projects by market;
- Costs for advertising/marketing expenditures and level/type of outputs linked to corporate strategy;
- The impact of tourism on the Irish economy;
- Statistics relating to the following metrics:

- Number of visitors, with a particular focus on 'promotable visitors'<sup>8</sup>;
- Visitor origin;
- Overseas revenue;
- Average expenditure; and,
- Length of stay;
- Purpose of visit; and,
- Surveys or quantitative research undertaken on behalf of Tourism Ireland and Fáilte Ireland looking at Ireland brand awareness and the return on marketing investment across different strands of activity.

### 3.8 Concluding Comments on Methodology

This section has set out the programme logic model for the Tourism Marketing Fund and the methodology with which the review will seek to assess the three key VFM questions of relevance, efficiency and effectiveness. It should be noted, however, that this methodology represents a best-case scenario. Where data limitations mean the analysis was not able to be conducted fully in accordance with this methodology, this will be reflected in the relevant analysis chapters later in the report.

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<sup>8</sup> Promotable visitors are defined as those who come to the island of Ireland for a holiday, English Language Training (ELT) or for a conference and corporate incentive trip (Source: Tourism Ireland Corporate Plan 2014 to 2016).

## 4. Objectives, Rationale and Continued Relevance

This section sets out the rationale for the Tourism Marketing Fund and the key objectives it seeks to achieve. It then presents an analysis of the continued relevance of the TMF and those objectives. This is necessary to identify whether there is a continuing need for expenditure in this area. In addition, the identified objectives are used to judge the programme's effectiveness later in the review.

### 4.1 Key Questions

The following key questions are addressed in this section:

- What is the economic and social rationale for the Tourism Marketing Fund?
- What are the wider support requirements for overseas destination marketing?
- What are the objectives of the Tourism Marketing Fund?
- Are the objectives and rationale still valid?

### 4.2 Rationale for the Tourism Marketing Fund

When considering the rationale for the Fund, the review is investigating if the objectives are consistent with stated Government priorities, whether there is a clear rationale for the policy approach being pursued, and if there is a need for a Government role in destination marketing.

*People, Place and Policy - Growing Tourism to 2025* highlights the rationale for prioritising overseas tourism. It notes that the domestic tourism market sustains a level of investment in tourism product that is of considerable benefit to Ireland's attractiveness as a destination and maintains sector revenue during non-peak periods. However, the small size of the domestic market, and the high existing level of domestic tourism consumption by Irish residents, limits the potential for further growth from domestic demand. Therefore, the policy considers that the tourism sector's best prospects for growth are in generating increased levels of overseas tourism numbers and revenue.

The policy statement notes that promotion of Ireland as a tourism destination in overseas markets has additional significance beyond its direct purpose of generating additional visitor numbers and revenue. The positive images of Ireland that are highlighted in tourism marketing, such as its high quality natural environment and friendly and welcoming people, support the Government's activities in other areas of economic development, such as the promotion of foreign direct investment into Ireland.

The policy statement considers the future of destination marketing. It notes that the extent to which the potential visitor is aware of, or is positively disposed towards, Ireland as a destination varies between markets. It highlights that higher levels of familiarity are found in some markets due to, for example, historic links and the cumulative effect of past and current marketing activity. In contrast, the level of familiarity with Ireland in long-haul or developing markets is likely to be limited, with a greater need for destination marketing activity to build awareness.

It also notes that there may be new market segments within established geographies which have high growth potential. Factors to be considered when deciding where to focus marketing activity include:

- Economic conditions and consumer sentiment in key overseas tourism markets;
- Product fit to the market or segments of the market, looking at what types of tourists (particular age-groups, backgrounds, interests, etc.) would be most interested in Ireland's offering;
- Marketing leverage and share of voice (overall or in key segments); and,
- Air and sea access trends and growth prospects for passenger transport and global tourism generally.

It is important that marketing activity gives an accurate picture of what Ireland has to offer. A balance must be struck between short-term "quick wins" and markets and segments requiring longer term investment. There is a need to distinguish between those areas (geographical and segmental) where the State may be substituting for investment that the private sector could make given the short-term return available, and those where the State must invest in order to build brand awareness in a market over the longer term.

For long-haul and developing markets, the statement suggests that marketing efforts should recognise that Ireland may not be the sole destination for prospective travellers but may be included in a wider trip also taking in, e.g., Great Britain or continental Europe. These markets can be a particular challenge due to their size, with a consequent risk of ineffective expenditure. Furthermore, it may take considerable time to effectively establish the profile of Ireland as a visitor destination in a developing market.

#### 4.2.1 Economic and Social Rationale

The Public Spending Code states that, when considering the rationale for a programme, evaluation should ask, "What is the underlying market failure justification for Government intervention?"

Market failure occurs when a market, left to itself, does not allocate resources efficiently. There are four main types/causes of market failure:

- Market power;
- Lack of provision (public goods);
- Externalities; and
- Asymmetries (information gaps/uncertainty).

The main market failure relevant to the provision of the TMF is second in the list above, the lack of provision of a public good. The visitor economy is a fragmented and competitive industry. Businesses in the sector are likely to consider fellow businesses as a substitute rather than a complement. For

example, two hotels on opposite sides of the street are likely to view each other as competitors for business, rather than as complementary suppliers to a global tourism market. Operators in the visitor economy in Ireland are more likely to see other domestic suppliers as a threat than the tourism offering of foreign countries in general.

As a result, businesses (individually or as a group) are unlikely to market a place (country, city, region, etc.) to international or domestic visitors; rather, they market their own business within that country, city or region. The reason for this is that there is little or no incentive for individual firms to join-up and market collectively for the common good if others benefit for free from those actions. The lack of provision can be traced to the incentives of those that potentially benefit from the existence of tourism information, marketing and coordination, and is referred to as the free rider problem, which requires the provision of a public good.

It is therefore a major market failure within the visitor economy that marketing and coordination by the private sector would be hindered due to the free rider problem. The outcome in this situation is for no coordinated provision of information, and without intervention from government to correct the market failure sub-optimal outcomes are likely to be the result.

There is also an international dimension to the problem in that many other countries devote some degree of resourcing to tourism marketing and coordination, with many devoting a larger share of government expenditure to the industry. When this is the case, it is difficult to see how any non-publicly funded alternative could be arrived at.

#### 4.2.1.1 The Holiday Purchase Funnel

Tourism Ireland delivers overseas marketing activity to promote the island of Ireland in the international marketplace. There is extensive international evidence that, because tourists as consumers choose destinations rather than specific tourist service providers (such as accommodation, attractions, activities, etc.) in the first instance, there is a fundamental market failure as noted above. Before a hotel, attraction or activity can promote itself to a customer, the customer has to have first chosen that destination. Therefore, a critical need for tourism marketing at the country/city/region level exists, and in the absence of this activity, a niche destination like Ireland is significantly disadvantaged.

The argument for continued overseas funding is framed around the so-called “holiday purchase funnel”. The holiday purchase funnel is a consumer-focused marketing model that illustrates the theoretical customer journey towards the purchase of a product or a service. The purchase funnel concept is used in marketing to guide promotional campaigns targeting different stages of the customer journey.

The Tourism Ireland holiday purchase funnel is a high-level change management tool that identifies areas of focus for marketing. It enables an understanding of what inspires and motivates a customer, and the steps they take to make a holiday purchase<sup>9</sup>. The role of Tourism Ireland is to gather potential overseas customers into the funnel and move them along through 'awareness' and 'interest' to 'intent' and 'active planning' and finally to 'purchase' of a product or service, i.e., booking a holiday break to the island of Ireland.

The primary stages of the funnel are Awareness, Interest, Intent and Active Planning. The Purchase stage at the top of the funnel indicates that a consumer has booked a holiday. A further Loyalty stage exists beyond Purchase and refers to those holidaymakers that are revisiting Ireland. However, the focus of the analysis of the purchase funnel in this VFM is on the Interest, Intent and Active Planning stages.

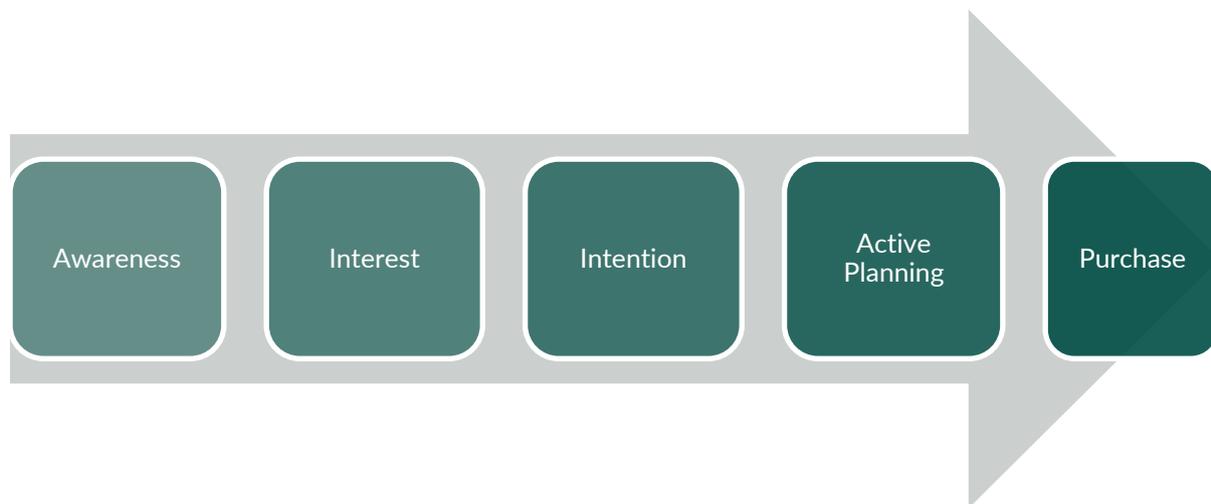
Tourism Ireland views the purchase funnel as a collaborative resource between Tourism Ireland and the private sector. The 'top' of the funnel is primarily the domain of Tourism Ireland, i.e. to stimulate market awareness and generate interest and intent by consumers to book a holiday visit to the island of Ireland. However, very few (or no) private sector enterprises are active in trying to drive interest in the destination of Ireland/island of Ireland as a whole. Therefore, the active planning and, in particular, the booking phases are those stages of the funnel where the private sector has the lead role to convert the interest that Tourism Ireland has helped to generate into bookings and sales. At these stages, Tourism Ireland has more of a supporting role and can help provide additional platforms for industry to promote their products and services. However, Tourism Ireland's platforms have never been primary sales channels for hotel accommodation, attractions or flights, which consumers purchase directly. Thus, Tourism Ireland considers generating awareness, interest and intent as the primary metrics that it can influence as an overseas destination marketing organisation.

The Tourism Ireland holiday purchase funnel model is presented in Figure 4.1.

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<sup>9</sup> Definition: Tourism Ireland - Global Brand Tracker Reports; and Fáilte Ireland - 'Results of Global Travel Insights Survey 2017.

Figure 4.1: The Tourism Ireland Holiday Purchase Model



**Key:**

- **Awareness:** A destination that the consumer might consider in the future.
- **Interest:** Consumer intends to travel to that destination at some time in the future.
- **Intention:** Consumer intends to travel to that destination in the next 3 years.
- **Active Planning:** Consumer intends to that destination in the next 12 months.
- **Purchase:** Consumer has purchased a holiday in Ireland.

Source: Tourism Ireland

#### 4.2.2 Spatial Dimension of Market Failures

It may be argued that the market functions efficiently by directing tourists to the destination that they most wish to visit: the busiest tourist destinations such as Dublin and Galway, and the most prominent visitor experiences such as the Wild Atlantic Way or Ireland's Ancient East. However, this 'honeypot' effect can create negative externalities as the impact of this concentration of tourists may create destination management issues such as congestion and environmental degradation.

Moreover, it is not clear whether these destinations are favoured because they are the default 'places to go' and because visitors are less aware of other destinations in Ireland, rather than being based on informed decisions. The wider distribution of tourists could therefore be a marketing strategy if a lack of information on alternative destinations precludes tourists from going beyond the high profile destinations in Ireland.

#### 4.2.3 North-South Cooperation

Tourism Ireland was established as a North-South body to encourage cross-border cooperation and common policies and approaches in the area of tourism between Ireland and Northern Ireland. Tourism Ireland's provenance comes under the policy cooperation area of the 1998 Good Friday Agreement. Its initial work programme included the following range of North-South-specific collaboration and mutually-beneficial arrangements:

- Planning and delivering international tourism marketing programmes, including programmes in partnership with the industry North and South;
- Publication and dissemination in overseas markets of information of a balanced and comprehensive nature on the island of Ireland as a tourist destination, which must reflect the diverse traditions, forms of cultural expression, and identities within the island;
- Market research, provision of information and other appropriate assistance to help the industry develop international marketing expertise;
- Cooperation with, consulting, and assisting other bodies or associations in carrying out such activities; and,
- Carrying out surveys and collecting relevant statistics and information.

The VFM considers that this rationale remains valid and relevant in the present day.

#### 4.3 Concluding Comments on Rationale and Relevance

Due to the limited growth potential from domestic tourism given the high level of existing consumption, the Government's tourism policy statement considers that the Irish tourism sector's growth potential rests with generating increased levels of overseas tourism numbers and revenue. Beyond the direct purpose of generating additional visitor numbers and revenue, the positive images of Ireland that are presented in tourism marketing support the Government's activities in other areas, such as the promotion of foreign direct investment into Ireland, and raise the awareness and perception of Ireland in the international marketplace.

The need for a publicly- rather than privately-funded overseas destination marketing function is supported by the market failure that exists with regard to tourism promotion. The tourism sector and visitor economy are a fragmented and competitive industry. Tourism businesses tend to promote their own business rather than the wider destination as there is little incentive to implement marketing on a collective basis for the common good if others benefit from that activity for free. Without intervention from Government to correct this market failure, the result is no coordinated provision of information or delivery of marketing activity, resulting in sub-optimal outcomes. Therefore, the provision of the TMF is a public good whereby the outcomes that are delivered are unlikely to materialise in the absence of Government intervention.

The Tourism Ireland holiday purchase funnel demonstrates the relationship between the public and private sector in the tourism sector. The role of overseas destination marketing is to create awareness of a destination and generate interest and intent to visit among potential tourists at the top of the funnel. As a consumer moves towards the end of the funnel, private enterprises then aim to convert this interest into hotel bookings, restaurant reservations, and so on.

Additional support for the TMF can be found in the North-South cooperation that it facilitates. Tourism Ireland was established to encourage cross-border cooperation and common policies and approaches in the area of tourism between Ireland and Northern Ireland, with both jurisdictions benefitting from increased tourism to the island as a whole.

Given the above, the review concludes that there is a need for a publicly-funded, centralised overseas destination marketing programme and that the objectives of the TMF remain valid and relevant.

## 5. Cost and Efficiency

This chapter seeks to assess the level of efficiency of the Tourism Marketing Fund. A full evaluation of the Fund's efficiency requires detailed analysis of several metrics relating to the cost of operating the TMF as well as the performance of the associated implementation and delivery processes.

### 5.1 Key Questions

The following key questions are addressed in this section:

- What is the cost of the Programme?
- How has this cost varied over time?
- How efficient is the Programme?

### 5.2 Cost and Composition of the Programme

The Tourism Marketing Fund allocation comprises two main elements:

1. The majority of the allocation goes to Tourism Ireland to support overseas destination marketing. Tourism Ireland activities are co-funded by the Northern Ireland Executive. Tourism Ireland uses this investment to market the island of Ireland as a holiday destination overseas. In 2016, funding for Tourism Ireland from Subhead E.5 was €25.1m.
2. The remainder of the allocation is used to support Ireland-specific niche, product and regional marketing, which is led by Fáilte Ireland. This includes specific regional or product-based campaigns and funds to support direct engagement by the industry with overseas buyers (especially tour operators and other trade entities), and to generate publicity through overseas media. In 2016, funding for Ireland-specific activity from Subhead E.5 was €9.9m.

Beyond the Fund, there are also salary and staff costs that Tourism Ireland and Fáilte Ireland incur to deliver the marketing activities supported by the Fund.

#### 5.2.1 TMF Budget Allocations and Overseas Marketing Expenditure

Table 5.1 summarises the annual allocations of the TMF budget over the eleven-year period of the review. The total allocation to the TMF over the eleven-year period was €453.5m. €325.3m (71.7%) of this total was allocated to Tourism Ireland to support overseas marketing of the island of Ireland, and the remaining €128.2m (28.3%) was allocated to Fáilte Ireland to support Ireland-specific niche, product and regional marketing.

Table 5.2 summarises the total annual overseas marketing expenditure by Tourism Ireland and Fáilte Ireland over the eleven-year period of the VFM review. In contrast with Figure 5.1, it should be noted that the expenditure figures for Tourism Ireland in Table 5.2 below represent the total pooled monies for the overseas marketing of the island of Ireland, including the contribution from the DfE in Northern Ireland. As noted previously, it is not possible to disentangle this pooled resource to determine exact

expenditure on overseas marketing activities that are specific to Ireland from the all-island marketing budget.

Table 5.1: Tourism Marketing Fund Budgetary Allocations, 2006 to 2016

	Tourism Ireland (€)	% of Allocation	Fáilte Ireland (€)	% of Allocation	Total Allocation (€)
2006	26,685,000	66.7	13,315,000	33.3	40,000,000
2007	30,320,000	69.5	13,315,000	30.5	43,635,000
2008	33,685,000	67.4	16,315,000	32.6	50,000,000
2009	32,185,000	68.1	15,065,000	31.2	47,250,000
2010	30,242,000	68.3	14,008,000	31.7	44,250,000
2011	34,942,000	75.8	11,141,000	24.2	46,083,000
2012	29,335,000	74.5	10,019,000	25.5	39,354,000
2013	28,445,000	76.4	8,800,000	23.6	37,245,000
2014	28,363,000	77.5	8,213,000	22.5	36,576,000
2015	25,992,000	76.3	8,061,000	23.7	34,053,000
2016	25,106,000	71.6	9,947,000	28.4	35,053,000
<b>Total</b>	<b>325,300,000</b>	<b>71.7</b>	<b>128,199,000</b>	<b>28.3</b>	<b>453,499,000</b>

Source: DTTAS

Table 5.2: Marketing Activity Expenditure, 2006 to 2016

(€000)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tourism Ireland	45,005	48,497	55,886	47,593	44,322	47,040	43,382	40,380	37,811	35,256	34,149
Fáilte Ireland	13,315	13,315	13,315	13,015	14,008	11,141	10,019	8,800	8,213	8,061	9,947
<b>Total</b>	<b>58,320</b>	<b>61,812</b>	<b>69,201</b>	<b>60,608</b>	<b>58,330</b>	<b>58,181</b>	<b>53,401</b>	<b>49,180</b>	<b>46,024</b>	<b>43,317</b>	<b>44,096</b>

Source: Tourism Ireland; Fáilte Ireland

Table 5.2 highlights that a total of €58.3m was expended on marketing the island of Ireland overseas in 2006, which decreased to €44.1m in 2016 (a decrease of €14.2m, 24.4%). Furthermore, 2016 expenditure was €25.1m (36.3%) lower the peak expenditure in 2008. Over the eleven years of the VFM period, a total of €591.5 million was expended on overseas marketing activity.

#### 5.2.2 Tourism Ireland Costs of Delivery

Table 5.3 summarises the total costs involved in the operation and delivery of the TMF by Tourism Ireland for three sample years: 2006, 2011 and 2016. Due to the extent and complexity of this information over an eleven-year period, and in light of the continuously evolving international tourism climate within which Tourism Ireland operated, it was considered impractical to review these costs for the entirety of the VFM period. The three sample years, however, represent the beginning, mid and end points for the review and thereby provide a picture of how costs have evolved over time.

Table 5.3: Costs of Delivery, Tourism Ireland, 2006, 2011 and 2016

	2006		2011		2016	
	€	%	€	%	€	%
Operating Expenses	7,147,000	42.0%	4,761,000	32.6%	4,896,000	33.7%
Office Costs	2,405,000	14.1%	2,222,000	15.2%	2,536,000	17.5%
Professional Fees	786,000	4.6%	1,031,000	7.1%	962,000	6.6%
Information Technology	954,000	5.6%	298,000	2.0%	212,000	1.5%
Assets	928,000	5.5%	65,000	0.4%	25,000	0.2%
Hospitality	122,000	0.7%	45,000	0.3%	29,000	0.2%
Staff Welfare	206,000	1.2%	110,000	0.8%	110,000	0.8%
Financing Costs	158,000	0.9%	30,000	0.2%	19,000	0.1%
Travel and Subsistence	1,588,000	9.3%	960,000	6.6%	1,003,000	6.9%
Strategy Development and Insights*	0	0.0%	0	0.0%	0	0.0%
Payroll	9,877,000	58.0%	9,822,000	67.4%	9,612,000	66.3%
<b>Total</b>	<b>17,024,000</b>	<b>100</b>	<b>14,583,000</b>	<b>100</b>	<b>14,508,000</b>	<b>100</b>

Source: Tourism Ireland

\*No costs were incurred for Strategy Development and Insights in the three sample years but it is a specific cost category provided by Tourism Ireland and is included here for completeness.

Note: These costs relate to the delivery of *all* Tourism Ireland marketing activity, including NI contributions.

Tourism Ireland delivery costs are funded through DTTAS subhead E.4, i.e., Administration and General Expenses, and are therefore not the focus of the VFM. Nonetheless, the review must consider these costs to obtain a holistic view of the resources involved in the administration and delivery of the TMF. Table 5.3 comprises the relevant costs of marketing departments only and does not include other departments such as finance, human resources or corporate services. Finally, Tourism Ireland noted that there were some changes over the VFM period relating to, e.g., restructuring activities where the associated costs were moved out of marketing cost categories into Head Office costs. As such, these costs are not included in the analysis.

Total costs associated with the delivery of overseas marketing by Tourism Ireland were €17.0m in 2006, €14.6m in 2011, and €14.5m in 2016. Overall, the analysis shows that the total cost of delivery in 2016 was €2.5m (14.8%) less than in 2006. It also shows that the percentage share of total expenditure for each cost category remained roughly the same in each period.

#### 5.2.2.1 Tourism Ireland Costs of Delivery – Cost Category

The analysis highlights that:

- The largest proportion of delivery costs were attributable to payroll (58%, 67% and 66% in 2006, 2011 and 2016 respectively);
- The second largest proportion were attributable to office costs (14%, 15% and 18%); and,
- The third largest proportion were attributable to travel and subsistence (9%, 7% and 7%).

Comparing costs of delivery in 2006 to 2016, the most significant percentage share increase occurred in the professional fees<sup>10</sup> category. The most significant percentage share decreases occurred in the information technology, assets and travel and subsistence categories. The staff welfare<sup>11</sup> and financing costs categories remained reasonably constant, although the payroll category increased by 9 percentage points.

It is worth highlighting that significant cost reductions occurred in some categories over the VFM period. For example, from 2006 to 2016 the costs associated with information technology have decreased by 77.8% (€742,000); costs of assets decreased by 97.3% (€903,000); costs of hospitality decreased by 84.4% (€103,000); and costs of travel and subsistence decreased by 36.8% (€585,000).

The VFM considers that this shows that delivery operations by Tourism Ireland have evolved over the period of the review and demonstrates an efficient use of available resources.

#### 5.2.2.2 Tourism Ireland Costs of Delivery – Market Location

Table 5.4 shows that the largest change in delivery costs over the VFM period occurred at Head Office between 2006 and 2011: expenditure decreased by 49.9% (€2.1m) and its percentage share of total costs of delivery decreased by 9.3 percentage points. Head Office costs then remained roughly the same in 2016 as in 2011.

Table 5.4: Costs of Delivery by Market Office, Tourism Ireland, 2006, 2011 and 2016

	2006		2011		2016	
	€	%	€	%	€	%
Head Office	4,121,000	24.2	2,065,000	14.2	2,160,000	14.9
Great Britain	2,710,000	15.9	2,212,000	15.2	2,478,000	17.1
Europe	5,385,000	31.6	4,926,000	33.8	4,484,000	30.9
North America	3,673,000	21.6	3,703,000	25.4	3,812,000	26.3
Australia and Developing Markets	1,135,000	6.7	1,675,000	11.5	1,573,000	10.8
<b>Total</b>	<b>17,024,000</b>	<b>100</b>	<b>14,583,000</b>	<b>100</b>	<b>14,508,000</b>	<b>100</b>

Source: Tourism Ireland

Aside from Head Office costs, the largest proportion of delivery costs was incurred in Europe, followed by North America and Great Britain, with the remainder of costs incurred in Australia and Developing Markets. When comparing the level of expenditure and the percentage share of total expenditure between 2006 and 2016 for each of the market locations:

<sup>10</sup> Tourism Ireland noted to the VFM that approximately 70% of Professional Fees costs relate to the cost for representation services in overseas markets.

<sup>11</sup> Staff Welfare refers to, e.g., memberships and subscriptions, training and development, medical, meetings, and sundry items.

- Europe: expenditure decreased by 17% (€901,000) and percentage share decreased by 0.7 percentage points;
- North America: expenditure increased by 3.8% (€139,000) and percentage share increased by 4.7 percentage points;
- Great Britain: expenditure decreased by 8.6% (€232,000) and percentage share increased by 1.2 percentage points; and,
- Australia and Developing Markets: expenditure increased by 38.6% (€438,000) and percentage share increased by 4.1 percentage points.

### 5.2.2.3 Tourism Ireland Costs of Delivery – Staffing

In addition to information on the costs of delivery of overseas marketing activity, Tourism Ireland supplied staffing headcount data for 2006, 2011 and 2016 for all of its worldwide operations.

Tourism Ireland staffing levels remained largely unchanged over the course of the VFM period. Overall, there was an increase of 0.9 persons (0.8% of total workforce) from 115.7 in 2006 to 116.6 persons in 2011, and then a decrease of 5.6 persons (4.8% of total workforce) to 111 persons in 2016. In 2016 Great Britain had the highest headcount with 20.8 persons (18.3% of all staff), followed by the USA office with 18 persons (16.2%), and then the German office with 12.0 persons (10.1%). Combining the USA office figure with Canada, the North America headcount is 21.0 persons.

Table 5.5: Costs of Delivery, Tourism Ireland, 2006, 2011 and 2016 – by Staffing Headcount

	2006	2011	2016
TMF Allocation (€)	26,685,000	34,942,000	25,106,000
Total Costs of Delivery (€)	17,024,000	14,583,000	14,508,000
Staffing Headcount	115.7	116.6	111.0
Number of Staff – per €1m of TMF Allocated	4.3	3.3	4.4
Cost of Delivery (€) – per Staff Member	147,139	125,069	130,703
Cost of Delivery (€) – per €1m of TMF Allocation	637,961	417,349	577,870
Ratio of TMF Allocation to Costs of Delivery	1.6	2.4	1.7

Source: Tourism Ireland; author's calculations

Table 5.5 summarises the costs of delivery by staffing numbers, and costs of delivery per €1m of TMF allocation for Tourism Ireland for 2006, 2011 and 2016. The analysis highlights the following key findings:

- In 2006, Tourism Ireland employed approximately 4.3 members of staff for every €1m of TMF allocation. This decreased to 3.3 members of staff in 2011, and then increased to 4.4 members of staff in 2016;
- Over the VFM period, the number of staff members employed by Tourism Ireland per €1m of TMF allocation increased by 0.1 FTEs (2.0%);

- In 2006, Tourism Ireland's costs of delivery per staff member were €147,139. Costs of delivery per staff member were then €125,069 in 2011 and €130,703 in 2016;
- Over the VFM period, the costs per staff member have decreased by €16,436 (11.2%);
- In 2006, Tourism Ireland's costs of delivery per €1m of TMF allocation were €637,961. Costs of delivery per €1m TMF allocation were then €417,349 in 2011 and €577,870 in 2016;
- Over the VFM period, the costs of delivery per €1m of TMF allocation have decreased by €60,092 (9.4%).

The review has found that Tourism Ireland retained a steady rate of staff employment in the delivery of the TMF over the VFM period, and the analysis of delivery costs per staff member shows a decrease of over 11% from 2006 to 2016. The review considers that this is an efficient use of delivery resources.

In addition, the review has found that the costs of delivery per €1m of TMF allocation decreased over the VFM period by 9.4%, while the overall the annual allocation to the TMF decreased by 5.9% (€1.6m) when comparing 2016 to 2006.

### 5.2.3 Fáilte Ireland Costs of Delivery

Table 5.6 summarises the high-level staffing costs involved in the operation and delivery of the TMF by Fáilte Ireland from 2013 to 2016. Fáilte Ireland noted that prior to 2013 the structure of the organisation was different and it was not possible to separate out specific staff costs related to TMF activities. In relation to costs associated with Super Regions<sup>12</sup> marketing, Fáilte Ireland noted that these costs are not easily identifiable as they are merged with a range of brands and across the agency.

The total staffing costs of delivering TMF-supported overseas marketing activity were €2.8m in 2013, €2.9m in 2014, €2.5m in 2015, and €2.7m in 2016. Overall, the total cost of delivery in 2016 was €67,000 (2.4%) less than in 2013.

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<sup>12</sup> Super Regions were a marketing initiative aimed to provide overseas consumers with compelling reasons to explore the regions of Ireland. The Super Regions campaign themes included Ireland East and Dublin ('Discover Ancient Sites and City Lights'); Ireland South ('Discover Where the Irish Go on Holidays'); and Ireland West ('Rich in History, Wild in Spirit').

Table 5.6: Staffing Costs of Delivery, Fáilte Ireland, 2013 to 2016

	2013 (€)	%	2014 (€)	%	2015 (€)	%	2016 (€)	%
Trade Engagement and International Publicity	983,927	36	1,542,947	52	1,056,165	42	1,207,088	45
Business Development	-	-	-	-	69,886	3	81,245	3
Business Tourism	857,644	31	589,158	20	555,286	22	531,742	20
eBusiness	241,553	9	181,928	6	117,642	5	143,514	5
Research	422,139	15	412,598	14	445,388	18	467,640	17
Web Internationalisation & Supports	256,238	9	255,757	9	247,383	10	263,242	10
<b>Total</b>	<b>2,761,502</b>	<b>100</b>	<b>2,982,287</b>	<b>100</b>	<b>2,491,749</b>	<b>100</b>	<b>2,694,471</b>	<b>100</b>

Source: Fáilte Ireland

#### 5.2.3.1 Fáilte Ireland Costs of Delivery – Function

When comparing the four years, the percentage share of overall staff expenditure for each function remained broadly similar. There was a significant increase in Trade Engagement and International Publicity expenditure between 2013 and 2014 of 57% (€559,020). However, it then decreased by 32% (€486,782) between 2014 and 2015. There was also a reasonably significant decrease in Business Tourism expenditure between 2013 and 2014 of 31% (€268,486). Expenditure on Business Tourism then remained similar in 2015 and 2016.

The analysis shows that:

- The largest proportion of delivery costs was attributable to Trade Engagement and International Publicity (35.6%, 51.7%, 42.4% and 44.8% respectively);
- The second largest proportion of delivery costs was attributable to Business Tourism (31.1%, 19.8%, 22.3% and 19.7%); and,
- The third largest proportion of delivery costs was attributable to Research (15.3%, 13.8%, 17.9% and 17.4%).

#### 5.2.3.2 Fáilte Ireland Costs of Delivery – Market Location

The costs of delivery for Fáilte Ireland set out above were all incurred at its head office in Dublin.

#### 5.2.3.3 Fáilte Ireland Costs of Delivery – Staffing

In addition to information on the staffing costs of delivery for TMF activity from 2013 to 2016, Fáilte Ireland supplied full time equivalent (FTE) staff numbers and payroll data for 2017. While this falls outside the period of the VFM review proper, Fáilte indicated that it would be representative of staff levels in earlier years. Assuming that 2017 staffing levels reflect the 2013 to 2016 period, Table 5.7 below estimates the staffing costs of delivery per staff member employed.

Table 5.7: Staffing Costs of Delivery, Fáilte Ireland, 2013 to 2016 – by Staffing Headcount

	2013	2014	2015	2016
TMF Allocation (€)	8,800,000	8,213,000	8,061,000	9,947,000
Staffing Costs of Delivery (€)	2,761,502	2,982,287	2,491,749	2,694,471
Staffing Headcount*	62.4	62.4	62.4	62.4
Number of Staff – per €1m of TMF Allocated	7.1	7.6	7.7	6.3
Staffing Cost of Delivery (€) – per Staff Member	44,255	47,793	39,932	43,181
Staffing Cost of Delivery (€) – per €1m of TMF Allocation	313,807	363,118	309,112	270,883
Ratio of TMF Allocation to Staffing Costs of Delivery	3.2	2.8	3.2	3.7

Source: Fáilte Ireland; author's calculations

\*2017 staffing headcount

Overall, delivery costs per staff member are assumed to have decreased by 2.4% from €44,255 to €43,181 between 2013 and 2016. The review considers that this indicates an efficient use of delivery resources. Table 5.7 also highlights the following key findings:

- In 2013, Fáilte Ireland employed approximately 7.1 members of staff for every €1m of TMF allocation. This decreased to 6.3 members of staff in 2016;
- Over the 2013 to 2016 period, the number of staff members employed by Fáilte Ireland per €1m of TMF allocation decreased by 0.8 FTEs;
- In 2013, Fáilte Ireland's staffing costs of delivery per €1m of TMF allocation were €313,807. This declined by €42,924 (13.7%) to €270,883 in 2016;
- Over the 2014 to 2016 period, the costs of delivery per €1m of TMF allocation increased by 25.4% (€92,235); and,
- The ratio of annual TMF allocation to staffing delivery costs increased from 3.2 in 2013 to 3.7 in 2016.

#### 5.2.4 Costs Summary

Table 5.8 summarises the total Fund allocation, total island of Ireland and Ireland-specific marketing expenditure, and total costs of delivery for the TMF for three sample years over the VFM period: 2006, 2011 and 2016.

The review found that a total of €40m was allocated to the TMF in 2006 and a total of €35.1m was allocated in 2016: this represents a decrease of €4.9m (12.4%) over the VFM period. The highest allocation to the TMF was €50m in 2008.

Including the NI contribution to Tourism Ireland’s core funding, a total of €58.3m was expended on overseas marketing of the island of Ireland and Ireland in 2006 and a total of €44.1m was expended in 2016: this represents a decrease of €14.2m (24.4%) over the VFM period. The highest level of annual expenditure was €69.2m in 2008.

Tourism Ireland incurred delivery costs of €17.0m in 2006 and €14.5m in 2016, which represents a decrease of €2.5m (14.8%) over the VFM period. Aside from Head Office, the highest proportion of these costs was incurred in Europe, followed by North America and then Great Britain.

Table 5.8: Summary of Programme Costs

	2006	2011	2016
Tourism Marketing Fund Allocation (€)	40,000,000	46,083,000	35,053,000
Total Island of Ireland and Ireland-specific Overseas Marketing Expenditure (€)*	58,320,000	58,181,000	44,096,000
Tourism Ireland Costs of Delivery (€)	17,024,000	14,583,000	14,508,000
Fáilte Ireland Staffing Costs of Delivery (€)	N/A	N/A	2,694,471*
Tourism Ireland Delivery Resources (FTEs)	115.7	116.6	111.0
Fáilte Ireland Delivery Resources (FTEs)	N/A	N/A	62.4**

Source: Tourism Ireland; Fáilte Ireland

\*Includes NI contributions to Tourism Ireland’s core funding for island of Ireland overseas marketing, but excludes any NI-specific campaigns and activities.

\*\*2017 figure

Fáilte Ireland incurred staffing delivery costs of €2.8m in 2013, €3.0m in 2014, €2.5m in 2015, and €2.7m in 2016, representing a decrease €67,000 (2.4%) over the four-year period. By function, the highest proportion of costs was incurred on ‘Trade Engagement and International Publicity’, followed by ‘Business Tourism’ and then by ‘Research’. As all costs are incurred in Ireland, Fáilte Ireland did not provide a geographical breakdown of expenditure.

Tourism Ireland employed 115.7 persons in 2006 and 111.0 persons in 2016, representing a decrease of 4.7 persons (4.1%). Payroll costs were €9.9m in 2006 and €9.6m in 2016, a decrease of €265,000 (2.7%). Fáilte Ireland employed 62.4 FTEs in 2017. Due to unavailability of data, it has not been possible to compare staff resources for Fáilte Ireland across the VFM period.

### 5.3 Limitations in Assessing Efficiency

As set out in Table 3.2 of the Section 3, the three core metrics the review sought to analyse with regard to efficiency were:

1. Delivery costs and resources for the two agencies;
2. The rates received on advertising purchases; and,

### 3. The types of advertising medium used to promote Ireland and the associated impacts.

In the early stages of the VFM, it became clear that level of detail required to enable an appropriate evaluation of metrics 2 and 3 would be excessive, with expenditure breakdowns for both agencies on specific marketing activities and campaigns involving a vast array of individual activities and functions each year. Moreover, the rates received on advertising purchases across the VFM period are not a particularly meaningful measure as both agencies availed of many different rates in accordance with an evolving media mix, as traditional advertising platforms have increasingly made way for online marketing. Furthermore, the VFM found that it was not possible to link specific marketing expenditure (by type or otherwise) to subsequent visitor numbers and revenue in an accurate or reliable way.

As such, the VFM assessment of efficiency has focused on the first metric, looking at delivery costs and resources. Even here, however, the assessment is only partial. Rather than analysing the full eleven-year review period, the review looked at a sample of years provided by Tourism Ireland and Fáilte Ireland. Although it was decided that information for sample periods would provide a suitable basis for assessment, this did limit the ability of the review to compare and contrast information either on a year-to-year basis over the VFM period or between the two agencies. This was further exacerbated by the fact the two samples are not equivalent, with Tourism Ireland providing information for the beginning, midpoint and end of the review period and Fáilte Ireland for the most recent four years. Furthermore, the delivery costs provided by Fáilte Ireland focused only on staffing costs while Tourism Ireland provided a broader breakdown of all delivery costs. Finally, as the staffing figures provided by Fáilte Ireland relate to 2017, the review had to assume that this staffing level was an accurate reflection of previous years.

#### 5.4 Conclusions on Efficiency

Based on available information regarding delivery costs and resources, there is evidence that the TMF has been delivered in an efficient manner – although this conclusion must be caveated by the limitations set out above.

At an overall level, this efficiency is demonstrated by the fact that although annual TMF allocations generally declined over the VFM period, tourism performance with regard to visitors, revenue and sectoral employment have all grown robustly since 2011 or 2012, suggesting that the two agencies may be achieving more with less.

In terms of delivery costs and resources, the 14.8% decline from €17.0m to €14.5m in Tourism Ireland delivery costs between 2006 and 2016 also support the conclusion that the TMF has been delivered efficiently, particularly the 31.5% decline in operating expenses and 36.8% decline in staff travel and subsistence underpinning this.

Although covering only staffing costs, there is evidence of efficiency in the implementation of the TMF for Fáilte Ireland also, with costs declining by 2.4% from €2.8m to €2.7m between 2013 and 2016, and by 10.7% from 2014 when staff costs were €3.0m.

Finally, the VFM highlights that Tourism Ireland's marketing has evolved over time and in line with market and consumer trends, as demonstrated by the fall in location costs for Great Britain and Europe and increase for North America and Australia and Emerging Markets. It is perceived that this is a result of experience and expertise Tourism Ireland has gained as it has developed as an organisation, improved marketing and promotional techniques, better market intelligence, and improved monitoring and review tools and techniques. The VFM suggests that this shows efficiencies in Tourism Ireland's approach to and delivery of overseas destination marketing.

## 6. Effectiveness

This section evaluates the effectiveness with which the TMF operated from 2006 to 2016. Effectiveness refers to the extent to which the TMF met its objectives. In considering the performance of the Fund, this section will largely be guided by the headline targets for tourism performance set out in *People, Place and Policy - Growing Tourism to 2025*.

### 6.1 Key Questions

The following key questions are addressed in this section:

- Is the Tourism Marketing Fund contributing to overall tourism performance?
- Is the Tourism Marketing Fund delivering consistent results?

### 6.2 Tourism Sector Performance

The following subsection considers the performance of tourism to Ireland over the VFM period against the headline targets contained in the Government's Tourism Policy Statement:

- By 2025, there will be 10m overseas visits to Ireland annually, compared to 7.6m in 2014;
- By 2025, revenue from overseas visitors will increase to €5bn in real terms, compared to €3.5bn in 2014; and,
- By 2025, employment in the tourism sector will increase to 250,000, compared to 200,000 in 2014.

Table 6.1 shows that over the VFM period, overnight overseas visitor numbers increased from 7.4m in 2006 to 8.7m in 2016, representing an increase of 17.9% or 1.3m visitors.

Table 6.1: Overnight Overseas Visitor Numbers to Ireland, 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Overseas Visitor Numbers (000s)	7,417	7,739	7,435	6,578	5,945	6,240	6,286	6,686	7,105	8,036	8,742
% Difference to Previous Year	N/A	4.3	-3.9	-11.5	-9.6	4.9	0.7	6.4	6.3	13.1	8.8
Volume Difference to Previous Year (000s)	N/A	322	-304	-857	-633	295	46	400	419	931	706

Source: CSO

Taking account of the Tourism Policy Statement target of “10 million overseas visitors to Ireland by 2025”, the total number of overnight overseas visitors to Ireland in 2014 was 7.1m visitors, which was an increase of 6.3% (419,000 visitors) from 2013. This then grew by 13.1% (931,000 visitors) to 8.0m in 2015, and then grew by a further 8.8% (706,000 visitors) to 8.7m in 2016. The total number of overnight overseas visitors has grown each year in the three-year period to 2016 by an annual average of approximately 9.4%. It should be noted, however, that the 10m visitor target also includes same day visitors, not captured in Table 6.1. The Tourism Policy Statement target of “10 million overseas visitors

to Ireland by 2025” used the total overseas visit figures published by the CSO as the relevant indicator, which includes same-day visits, and for this metric the total number of overseas visitors was 9.6m in 2016, up from 7.6m in 2014.

It is likely that the 2025 visitor target will have been achieved in 2018. The issue beyond that accomplishment, should it be achieved, will be to sustain that level of performance as the baseline and to grow overseas visitor numbers further through to 2025 and beyond. However, it should be noted that visitor numbers are impacted by many factors, such as the state of the global economy, which could reduce numbers below target again even after it is achieved.

Table 6.2 shows that over the VFM period overseas visitor revenue increased from €3.8bn in 2006 to €4.6bn in 2016, representing an increase of 21.8% or €829m.

Table 6.2: Overseas Tourism Revenue to Ireland, 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Overseas Tourism Revenue (€m)	3,809	3,944	3,849	3,419	2,999	2,919	2,956	3,316	3,596	4,265	4,638
% Difference to Previous Year	N/A	3.5	-2.4	-11.2	-12.3	2.6	1.2	12.2	8.5	18.6	8.7
Volume Difference to Previous Year (€m)	N/A	135	-95	-429.3	-420.9	-79.4	36.4	359.9	280.7	668.9	372.7

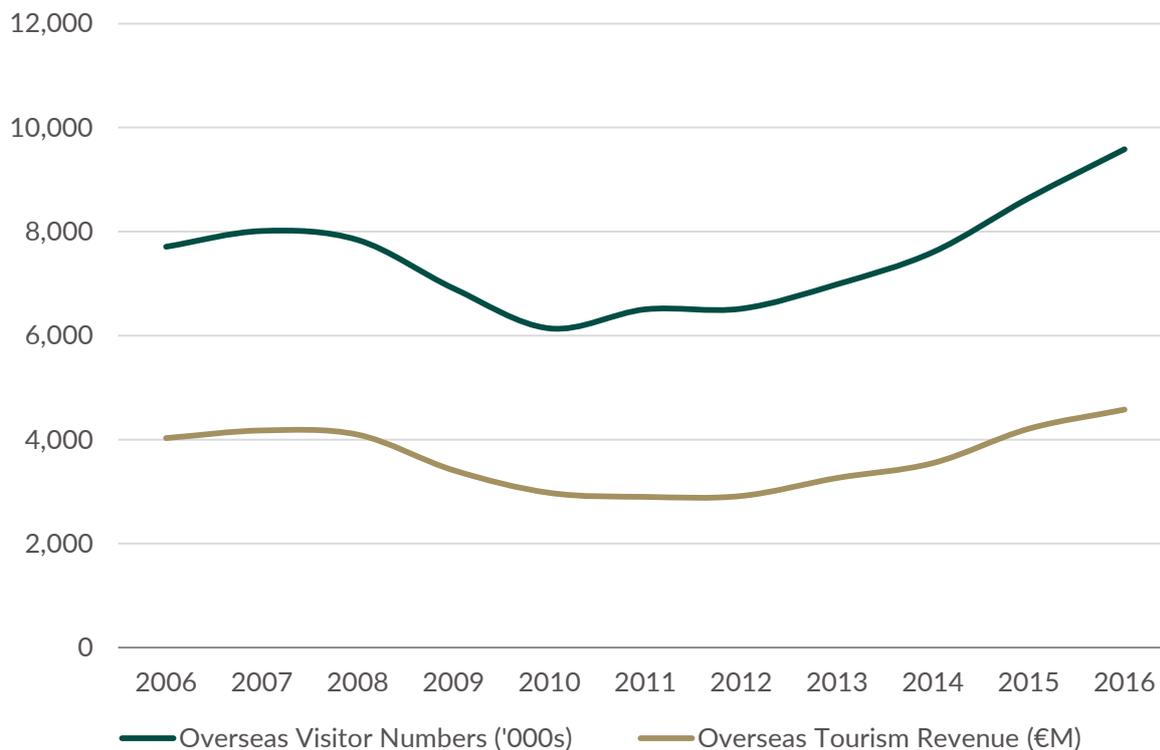
Source: CSO

Taking account of the Tourism Policy Statement target that “revenue from overseas tourism... will rise from €3.5 billion in 2014 to €5 billion per year by 2025, net of inflation”, total overseas visitor revenue in 2014 was €3.5bn which was an increase of 8% (€280m) from 2013. This then grew by 18.6% (€669m) to €4.3bn in 2015, and then grew by a further 8.7% (€373m) to €4.6bn in 2016. This shows that total overseas visitor revenue has grown in the three-year period to 2016 by an annual average of approximately 11.8%<sup>13</sup>.

If these average annual growth rates are sustained, the target of €5bn in annual revenue from overseas visitors by 2025 is also likely to be achieved ahead of time. Thus, the issue beyond that accomplishment will be to sustain that level of performance as the baseline and to further grow overseas visitor revenue to Ireland through to 2025 and beyond. Again, however, this will be subject to many factors both internal and external that may impact on the tourism sector and its performance.

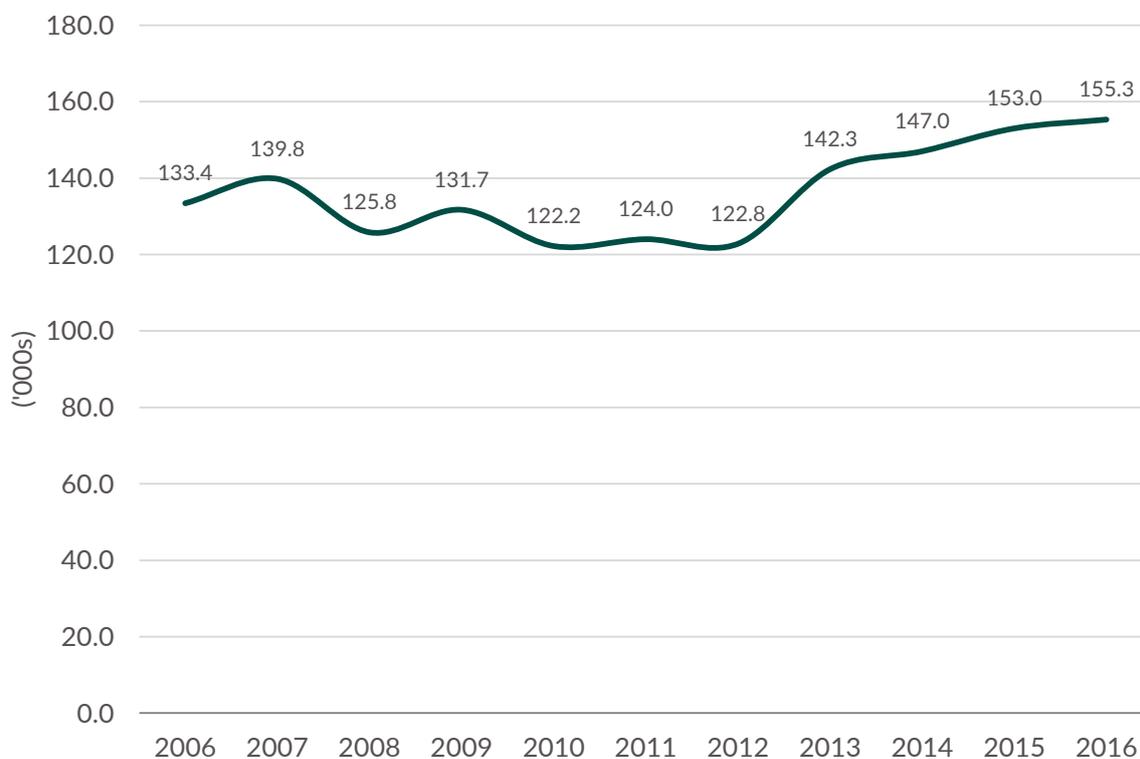
<sup>13</sup> Given the low levels of inflation over the VFM period, it was deemed that it would not be meaningful to ‘net-out’ inflation from the overseas revenue figures as the difference would be marginal and have little bearing on the outcomes.

Figure 6.1: Comparison of Overseas Visitor Numbers and Tourism Revenue, 2006 to 2016



Source: CSO

Figure 6.2: Accommodation and Food Services Employees in Ireland, 2006 to 2016



Source: CSO Labour Force Survey

Figure 6.1 compares overseas visitor numbers and overseas tourism revenue for the 2006 to 2016 period. Figure 6.1 shows that, over the VFM period, there has been a similar trend and pattern of performance in the number of overseas visitors to the island of Ireland and associated overseas tourism revenue generated. The trends for each performance measure are generally the same throughout the period and show a positive upward trajectory from 2011/2012 onwards. This supports the view that recent tourism performance indicates both are currently on track to reach their respective DTTAS tourism policy statement targets ahead of 2025.

Figure 6.2 show that the total number of employees in accommodation and food services increased by 16.4% from end-2006 to end-2016, from 133,400 to 155,300 – an increase of 21,900 employees. Over the same period, the share of total employment accounted for by the sector rose by one percentage point, from 6.2% to 7.2%.

With regard to the Policy Statement target of 250,000 employees in the tourism sector by 2025, it should be noted that the accommodation and food services sector for which the CSO collects statistics represents a subset of the tourism industry and does not capture employees in tourism services and attractions, for example. To arrive at an estimate of total tourism sector employment, Fáilte Ireland apply a multiplier to CSO data for the accommodation and food services sector. It is estimated that in 2014 there were 200,000 people working in the tourism sector, out of which 147,000 worked in the accommodation and food services sector – roughly 73.5% of the total.

### 6.3 Tourism Sector Performance and Fund Expenditure Compared

Table 6.3 summarises total overseas visitor numbers, total overseas visitor revenue, employment in the accommodation and food services sector, and total TMF allocation for 2006, 2011 and 2016, and provides an assessment of the TMF allocation per overseas visitor and per €1 of overseas visitor revenue generated in each period.

Based on total TMF allocation, spend per visitor increased between 2006 and 2011 by 37.1% (€2.00) but then decreased by 45.7% (€3.38) between 2011 and 2016. Over the VFM period, the cost per visitor was €1.38 (25.6%) less in 2016 than 2006. Overall, there was a 12.4% (€4.9m) fall in the TMF allocation between the two periods.

Table 6.3 also shows that each €10.50 of TMF allocation was associated with €1,000 in visitor revenue in 2006. This increased by 50.4% to €15.79 in 2011 before decreasing by 52.1% to €7.56 in 2016. Overall, the amount of TMF allocation associated with each €1,000 of visitor revenue declined by 28.0% between 2006 and 2016.

Finally, with regard to employment, each €300 allocated to the TMF was associated with one employee in the accommodation and food services sector in 2006. This increased by 23.9% to €372 in 2011 before declining by 31.2% to €226 in 2016. Overall, the amount of TMF allocation associated with each employee in the accommodation and food services sector declined by 24.7% between 2006 and 2016.

Table 6.3: TMF Allocation and Tourism Performance, 2006, 2011 and 2016

	2006	2011	2016
Overseas Visitor Numbers	7,417,000	6,240,000	8,742,000
Overseas Visitor Revenue (€m)	3,809	2,919	4,638
Accommodation and Food Services Employees	133,400	124,000	155,300
TMF Allocation (€)	40,000,000	46,083,000	35,053,000
TMF Allocation – per Overseas Visitor (€)	5.39	7.39	4.01
TMF Allocation – per €1,000 Visitor Revenue (€)	10.50	15.79	7.56
TMF Allocation – per Accommodation and Food Services Employee (€)	299.85	371.64	225.71

Source: Tourism Ireland

While the amount of TMF allocation associated with each high-level performance indicator improved across the VFM period, particularly between 2011 and 2016, perhaps indicating increased effectiveness, it is not possible to draw a direct, causal link between marketing and these outcomes. While the review considers that it is unlikely these results would have been achieved in the absence of the TMF, the remainder of this section will consider metrics that more directly measure the impact and effectiveness of the TMF and its associated activities.

#### 6.4 Tourism Marketing Fund – Contribution to Tourism Performance

This section considers the contribution that overseas destination marketing has had on the performance of tourism to Ireland, and takes account of three metrics:

- Awareness of advertising;
- Equivalent Advertising Value; and,
- Return on Marketing Investment.

##### 6.4.1 Awareness of Advertising

Advertising awareness measures how familiar consumers are with a particular brand or product in the marketplace. It is measured in two ways:

1. Unaided Awareness, i.e., 'spontaneous', whereby the measure is the number of people that express an awareness and knowledge of a brand without any prompting. This is often referred to as 'brand recall'; and,
2. Aided Awareness, i.e., 'prompted', whereby the measure is the number of people that express knowledge or awareness of a brand when prompted using materials associated with the brand, product or marketing activity such as imagery, visuals and sounds. This is often referred to as 'brand recognition'.

Tourism Ireland conducts annual research with a sample of consumers via online and telephone interviews to understand and assess the extent to which 'Brand Ireland' (including specific products and services, campaigns, and sub-brands) and the tourism offering is recognised within the marketplace. The following sections set out a summary analysis of spontaneous, prompted and total advertising recall over the 2006 to 2016 period for the top four overseas tourism markets of Great Britain, the USA, France and Germany.

#### 6.4.1.1 Spontaneous Advertising Awareness

Table 6.4 below summarises the recorded levels of spontaneous awareness of Tourism Ireland's advertising activities in a sample survey of consumers in each of the four top markets. In 2006 data was collected through telephone interviews while in every other year online surveys were used.

Table 6.4: Spontaneous Advertising Awareness Recall (%), 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Great Britain	16	23	18	14	16	14	24	21	11	7	7
USA	16	-	8	10	7	7	8	10	9	4	4
France	11	-	28	25	23	18	20	22	18	10	9
Germany	9	-	9	5	10	9	9	10	7	5	4

Source: Tourism Ireland, Global Brand Tracker Reports 2006 to 2017

Note: For 2007 data is only available for Great Britain

The highest levels of awareness over the VFM period were recorded in France, where reasonably high awareness was maintained compared to the other three top markets. The table also highlights that awareness in the Great British market was consistently better throughout the VFM period compared to the USA and German markets. Awareness levels in the USA were the lowest recorded over the period.

Table 6.4 shows that the levels of spontaneous awareness have declined in each of the top four markets. Awareness is recorded at much lower levels in all instances in 2016 than in 2006 (and also than at the mid-point of the review period in 2011). There have been distinct increases and decreases

in awareness over the full VFM period, but particularly steep decreases occurred over the 2013 to 2016 period in particular. When considering the full VFM period:

- Great Britain: awareness decreased by 9 percentage points;
- USA: awareness decreased by 12 percentage points;
- France: awareness decreased by 2 percentage points; and,
- Germany: awareness decreased by 5 percentage points.

Table 6.4 therefore indicates declining effectiveness of advertising activity, particularly in the latter half of the VFM period. This is likely due to a combination of internal and external factors including declining investment in advertising over the VFM period by Tourism Ireland (a total decrease of €15.8m, or 69.4%) alongside potentially increased investment and more effective advertising by competitor destinations, as well as other more general market and consumer trends and changes in advertising techniques and tools.

The VFM has not been able to ascertain any market-specific reasoning behind these declines. However, the VFM highlights that overall expenditure on advertising by Tourism Ireland decreased by approximately 54% in the four-year period from 2012 to 2016 and it is possible that this has had a correlating impact on awareness. Over the same four-year period, overall marketing expenditure decreased in Great Britain by 44% (€6.5m), in France by 11% (€288,000), in Germany by 23% (€1.1m), and in the USA by 6% (€437,000).

#### 6.4.1.2 Prompted Advertising Awareness

Table 6.5 summarises the recorded levels of prompted awareness of Tourism Ireland's advertising activities identified in a survey of a sample of consumers in each of the four top markets. Prompted awareness refers to that proportion of the survey sample that did not otherwise spontaneously recall the advertising. It represents the proportion of consumers that specifically required a particular stimulation of the advertising material to refresh their memory, suggesting that the advertisements were not sufficiently impactful to recall without prompt.

Table 6.5: Prompted Advertising Awareness Recall (%), 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Great Britain	55	36	36	20	23	25	22	19	16	24	20
USA	36	-	34	13	17	7	3	10	11	27	28
France	38	-	37	14	15	14	34	17	18	27	25
Germany	35	-	43	9	13	13	6	14	10	27	26

Source: Tourism Ireland, Global Brand Tracker Reports 2006 to 2017

Note: For 2007 data is only available for Great Britain

The levels of prompted awareness varied considerably over the course of the VFM period. The highest levels of awareness were generally recorded in France, particularly in the early years of the VFM period, though similar and higher levels of awareness were recorded in both the USA and Germany in the later stages of the VFM period.

Table 6.5 shows that the level of prompted awareness has fluctuated extensively with distinct increases and decreases in each market over the VFM period. Although the levels of prompted awareness have increased in recent years – particularly in 2015 and 2016, awareness is recorded at much lower levels in all instances in 2016 than in 2006. When considering the full VFM period:

- Great Britain: awareness decreased by 35 percentage points;
- USA: awareness decreased by 8 percentage points;
- France: awareness decreased by 13 percentage points; and,
- Germany: awareness decreased by 9 percentage points.

Although the analysis shows that recorded levels of prompted awareness have decreased significantly over the full VFM period, they are recorded at much higher levels than spontaneous awareness levels in recent years and have been generally increasing in each market since around 2012 or 2013. As with spontaneous awareness, the VFM has not been able to determine any market- or advertising-specific reasoning behind this. However, as previously highlighted, advertising expenditure has decreased by around 54% in the four-year period from 2012 and overall marketing expenditure in each market has also decreased. These factors may have had an impact on prompted awareness levels.

Tourism Ireland highlighted to the review team that it is their firm belief that declining awareness is due to reductions in advertising expenditure as a consequence of reduced core budget allocations: the agency has implemented fewer advertisements with the result that fewer respondents have recalled marketing.

#### 6.4.1.3 Additional Commentary on Awareness

The information presented in Tables 6.5 and 6.6 are important benchmarks for Tourism Ireland, but the results suggest potential for wider impacts on the tourism sector. As awareness levels have declined at the destination level, there is the possibility of broader impacts on businesses operating in the industry that depend on overseas destination marketing to attract visitors to Ireland.

The review notes that additional funding was allocated to the TMF in recent Budgets to support the development of longitudinal data on visitors through additional, specific research with the aim of delivering marketing in a more targeted way. Tourism Ireland noted to the review that this investment will help to ensure that its message is more likely to reach the correct consumers, but that it will not necessarily reverse the recorded declines in advertising recall. However, a more targeted approach

may help to redress issues of decline in marketing performance and impact in particular markets and consumer segments.

#### 6.4.2 Equivalent Advertising Value

Equivalent Advertising Value (EAV) is generally used by the marketing, media and public relations industry as a tool to measure the advantage and monetary value to an advertiser from media coverage of an advertising, marketing or public relations campaign. It is utilised to gauge the return on investment from such activities and unlike advertising, which is purchased, EAV is print, electronic and non-traditional news coverage and features that result from editorial content generated by, e.g., press releases, interviews, photos, videos and other special communications and PR events. EAV is calculated by using the advertising value equivalency of what that editorial coverage would cost in traditional media if otherwise purchased directly as paid advertising, e.g., in inches for print media and in seconds for radio and television.

##### 6.4.2.1 Equivalent Advertising Value – Tourism Ireland

Table 6.6 summarises advertising spend by Tourism Ireland and the estimated EAV for its marketing activities from 2007 to 2016. The analysis shows that the highest level of estimated EAV was in 2015 (€361.9m) and the lowest level was in 2007 (€96.4m). It also shows that estimated EAV increased by €230.3m from 2007 to 2016. The ten-year total for EAV generated is estimated to be €2.6bn.

**Table 6.6: Advertising Expenditure and EAV, Tourism Ireland, 2006 to 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Advertising Spend (€000)	25,891	24,462	23,585	15,746	17,597	15,202	11,167	9,040	7,099	7,002
EAV (€000)	96,358	111,349	235,226	208,680	307,194	291,395	290,450	328,164	361,863	326,632
EAV Ratio	4:1	5:1	10:1	13:1	17:1	19:1	26:1	36:1	51:1	47:1

Source: Tourism Ireland

Table 6.6 shows that the rate of return from advertising expenditure improved over the course of the VFM period. For example, in 2007 a total of €25.9m was expended on advertising which generated an estimated EAV of €96.4m. This equates to an estimated ratio of 4:1 (for every €1 spent on advertising €4 was generated in EAV). In 2011, a total of €17.6m was expended on advertising which generated an estimated EAV of €307.2m, equating to a ratio of 17:1. Finally, in 2016 a total of €7.0m was expended on advertising generating €326.6m in EAV, for an estimated ratio of 47:1.

The analysis shows that a better rate of return has been attained with a lower level of expenditure on advertising activities. This is likely to be mainly the result of, e.g., better market and consumer intelligence, and more effective and targeted advertising strategies and plans as Tourism Ireland developed its marketing and advertising capacity over the course of the VFM period. The analysis also

highlights that the level of EAV generated has increased year-to-year throughout the VFM period, with the exception of a small decrease from 2015 to 2016.

#### 6.4.2.2 Equivalent Advertising Value – Fáilte Ireland

Table 6.7 summarises advertising spend by Fáilte Ireland and the estimated EAV for its TMF-supported overseas marketing activities from 2007 to 2016. The analysis shows that the highest level of estimated EAV was in 2015 (€86.4m) and the lowest level was generated in 2012 (€17.2m). It also shows that estimated EAV increased by €42.4m from 2007 to 2016. The eleven-year total for EAV generated is estimated to be €410.4m.

Table 6.7 shows that the rate of return from advertising expenditure generally declined in the period from 2007 to 2013, with a decrease in the EAV ratio of 12 units. There was, however, a step change in the level of EAV from 2014 onwards, with a corresponding boost to the ratio. In 2014 the EAV ratio was 61:1 and this improved further to 77:1 in 2015, before declining to 50:1 in 2016 – still much higher than in any year prior to 2014.

**Table 6.7: Advertising Expenditure and EAV, Fáilte Ireland, 2007 to 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Advertising Spend (€000)	1,145	969	1,119	885	1,059	1,021	1,287	1,174	1,125	1,531
EAV (€000)	34,031	30,193	20,220	24,467	27,225	17,157	23,014	71,203	86,440	76,421
EAV Ratio	30:1	31:1	18:1	28:1	26:1	17:1	18:1	61:1	77:1	50:1

Source: Fáilte Ireland

While the increase in the EAV ratio in recent years may be seen as an indication of improved effectiveness, Fáilte Ireland noted that Tourism Ireland introduced a methodological change in recent years for each of the top four overseas markets to capture EAV in a more comprehensive way. In addition, with a similar level of budget and a decrease in spending power, Fáilte Ireland focused on targeting particular media that presented the highest return on investment potential, e.g., media channels and platforms with a high level of readership, such as online and social media.

#### 6.4.3 Return on Marketing Investment

Tourism Ireland developed a pilot Return on Marketing Investment (RoMI) research model in 2011 to examine the effectiveness of its marketing across television, radio and online advertising activities.

The RoMI calculation utilises four main variables, as highlighted in Figure 6.3:

- The volume of visitors;
- The average expenditure per visitor;
- The proportion of visitors influenced by Tourism Ireland marketing; and,
- Tourism Ireland’s marketing spend.

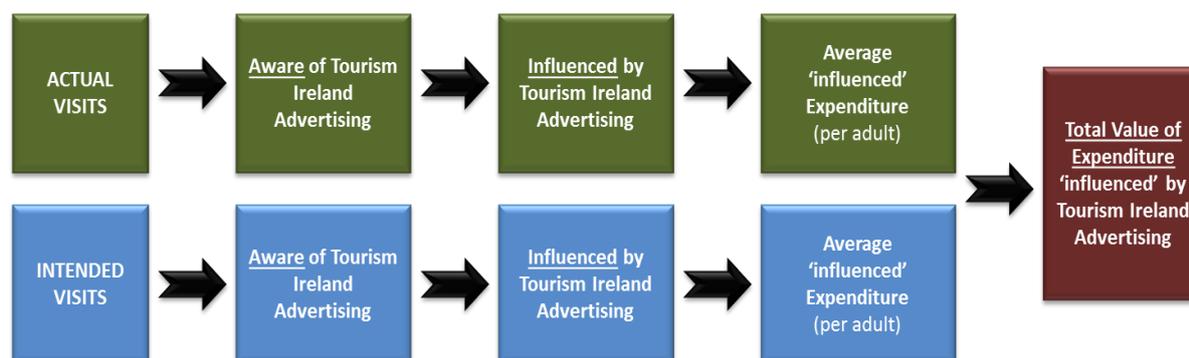
The model calculates the RoMI ratio as follows:

- Element A: Proportion of promotable and VFR tourists to Ireland (CSO/NISRA figures);
- Element B: Number of promotable + VFR tourists to Ireland (CSO/NISRA figures);
- Element C: Average daily expenditure per person (CSO/NISRA figures); and,
- Element D: Official advertising campaign expenditure.

The RoMI ratio is then calculated as:

$$\text{RoMI Ratio} = (A \times B \times C) \div D.$$

Figure 6.3: Tourism Ireland's Return on Marketing Investment Model



Source: Tourism Ireland, RoMI Report 2011

Note: The 'Intended Visits' component of the analysis was only included in the 2011 pilot research and was not included in the subsequent 2013, 2015 and 2016 ROMI research activities when only 'Actual Visits' was used. Intended Visits is shown in the figure for illustration purposes.

#### 6.4.3.1 RoMI Research, 2011 – Pilot Study, Great Britain

The 2011 RoMI research programme was a pilot study focused on the Great British market. The proposed outputs from the research were to (1) assess return on investment in Great Britain, and (2) assess whether the model was appropriate for implementation across Tourism Ireland's four top markets.

The research surveyed a sample of 818 visitors and considered advertising awareness, advertising influence, and expenditure. The visitors were played a variety of advertisements representative of television, radio and online marketing campaigns<sup>14</sup> and asked if they recalled seeing or hearing them. The research found that 70% of respondents that visited Ireland had awareness of 'any advertising' of Ireland. The research further found that 31% of all respondents took 'any action', and 37% of respondents who visited Ireland took 'any action' as a result of advertising.

<sup>14</sup> Campaigns - TV: 'Giant's Causeway' and 'Skellig'; Radio: 'Giant's Causeway' and 'Croker'; Online: 'Round Up' and 'Mourne Mountains'.

Tourism Ireland then produced population estimates of actual visitors from Great Britain that were influenced by advertising and estimated the total expenditure by visitors that were influenced by advertising. The estimated value of advertising influence in the Great British market was €144.6m for 2011 for actual visits, and a further €14.5m for intended (booked) visits.

Tourism Ireland determined the RoMI ratio for its Great British advertising activities in 2011 was 14:1.

#### 6.4.3.2 RoMI Research, 2012, 2013 and 2016 – Top Four Markets

The RoMI model was developed after 2011 and its objectives were widened to establish the return on marketing investment from television, cinema, radio, print, online and social media advertising in each of the top four markets, i.e., Great Britain, the USA, France and Germany. Subsequent RoMI research programmes were completed in 2012, 2013 and 2016. Tourism Ireland noted to the VFM team that the RoMI research programmes in these three years built on the model and findings from 2011. Although broadly similar, some methodological changes occurred between years to reflect, e.g., the changing landscape and increased fragmentation of advertising communications.

Table 6.8 below shows the extent to which action was taken as a result of respondents' advertising awareness, and the specific type of action that they took.

**Table 6.8: Advertising Influence, 2011, 2012, 2013 and 2016**

Action Taken (% of Respondents)	2011*	2012	2013	2016
Any Action	30	26	24	28
Made a mental note to find out more later	13	14	8	15
Made to consider visiting Ireland for a holiday/short break	11	9	11	9
Looked up the internet about holiday breaks in Ireland	7	4	8	7
Decided to take a holiday break in Ireland	4	5	6	3
Checked newspaper for deals	2	3	3	3
Asked a friend/colleague/family member for holiday advice on Ireland	2	5	4	5
Booked a holiday break in Ireland	3	3	4	3

Source: Tourism Ireland

\*Great Britain only

The table highlights that 2011 had the highest reported taking of 'any action' by respondents (30%), although this figure relates only to the Great British market. In 2012, 26% of respondents took 'any action', followed by 24% in 2013, with the highest rate of respondents to taking 'any action' for the top four markets was 28% in 2016. While the percentage of respondents who actually booked a holiday may seem relatively low at between 3 and 4% in the four samples, it is important to note that this only captures the short-term impact of marketing, which is often designed to create awareness and interest in visiting in the longer term.

The research found that total influenced expenditure by respondents in the top four markets over the four research programmes was €1.9bn (or €1.7bn excluding the Great Britain figure for 2011). Of the four RoMI research years, the highest level of annual influenced expenditure was generated in 2016 (€766m), representing 29% of the four-year total. Generally, across the top four markets, the level of influenced expenditure increased by 69% (€314m) from 2012 to 2016 (i.e., three RoMI research periods).

Table 6.9 below summarises the overall RoMI ratios estimated by Tourism Ireland for the top four markets over the four RoMI research periods.

Table 6.9: Summary of RoMI Ratios, 2011, 2012, 2013 and 2016

	2011	2012	2013	2016
Great Britain	15:1	18:1	22:1	42:1
USA	N/A	12:1	18:1	48:1
France	N/A	23:1	20:1	42:1
Germany	N/A	12:1	15:1	42:1
<b>Total</b>	<b>15:1</b>	<b>18:1</b>	<b>20:1</b>	<b>42:1</b>

Source: Tourism Ireland

Table 6.9 shows the following key findings for each year of the RoMI research:

- **2011:** although only for Great Britain, the return on marketing investment ratio was calculated at 15:1. This ratio was revised upwards by Tourism Ireland from 14:1 following re-analysis to ensure consistent methodology.
- **2012:** the overall return on marketing investment ratio was calculated at 18:1, and the highest market-specific ratio was identified as France.
- **2013:** the overall return on marketing investment ratio was calculated at 20:1, and the highest market-specific ratio was identified as Great Britain.
- **2016:** the overall return on marketing investment ratio was calculated at 42:1, and the highest market-specific ratio was identified as USA.

The analysis also shows that the overall RoMI rate in 2012 was 18:1, indicating that for every €1 invested in advertising a return of €18 was generated in expenditure by overseas visitors. This ratio increased by 2 units in 2013 to 20:1 and increased by a further 22 units in 2016 to 42:1. Over these three research periods, the ratio increased by 24 units from 18:1 to 42:1. Thus, in 2016, it was estimated that for every €1 invested in advertising by Tourism Ireland, a return of €42 was generated in expenditure by overseas visitors.

This would suggest a very strong, positive and impactful return on marketing investment for Tourism Ireland over the four RoMI research periods. In addition, the growth in the estimated RoMI ratio indicates that Tourism Ireland is delivering consistent results in relation to its return on marketing investment.

### 6.5 International Tourism Marketing Rankings

Figure 6.4 presents the international ranking of Ireland’s tourism marketing and branding competitiveness, as assessed by the World Economic Forum in their biennial Travel and Tourism Competitiveness Reports.

Between 2007 and 2015 an average of 135 countries were ranked by the World Economic Forum every second year and Ireland’s tourism marketing has consistently ranked within the top 10 globally. Between 2007 and 2013, the ranking varied between 8 and 10 before rising to 5 in the 2015 report<sup>15</sup>. This consistent and improving performance is another indication of the effectiveness of Ireland’s destination marketing.

Figure 6.4: International Ranking of Ireland’s Tourism Marketing Competitiveness, 2007 to 2015



Source: WEF, Travel and Tourism Competitiveness Reports, 2007 to 2015

### 6.6 Limitations in Assessing Effectiveness

<sup>15</sup> Although outside of the VFM period, the review notes that Ireland’s ranking increased again to third in the 2017 report.

As discussed in the Literature Review accompanying this report, there is a danger in tourism marketing of drawing unjustified inferences from available quantitative data. Although the effectiveness of the TMF appears to have improved over the VFM period with regard to visitor numbers, revenue and sectoral employment, it cannot be concluded with certainty how many visits were generated by marketing that would not have otherwise occurred. Moreover, in relation to sectoral employment, rather than the tourism sector the CSO collect figures for the accommodation and food services sector which is a subset, albeit one which should be a good proxy for broader tourism sector employment.

Given that the establishment of both Tourism Ireland and Fáilte Ireland predate the VFM period, it has also not been possible to consider 'before' and 'after' scenarios in relation to tourism performance, i.e., to better-determine the actual impact of the Fund. It is also noted that many variables are involved in the prospective effectiveness of marketing delivery such as the fluidity of marketing as an activity, the volatility of market trends and consumer behaviours, and other economic and geopolitical factors that can impact upon global travel and world tourism.

It is also important to note the limitations that existed for some of the other metrics considered in this chapter. For example, EAV is not generally accepted as an indication of the effectiveness of advertising, marketing or public relations content. There is a range of variables that need to be considered in the EAV calculation. For example, the marketer may avail of a discounted 'rate card'<sup>16</sup> from a supplier but may use a full rate in the EAV calculation which will result in a bias towards the effectiveness of its advertising. Conversely, there are some rates that do not exist: for example, there is rarely an opportunity to take a full-page advertisement on the front page of a newspaper, or within a television or radio news bulletin; yet, a public relations story may appear within such spaces. The resulting EAV calculation is therefore likely to use an inflated rate (or other variable) to represent this prime placement of content making it difficult to compare against normal advertising costs. Content is also a variable in itself: for example, marketers rarely use the name of a competitor in advertising materials (which would likely happen in a news article or feature); the EAV calculation does not account for this and therefore it has the potential to generate bias towards the advertiser, i.e., the advertiser and the competitor may calculate the same EAV from the same article even though the content focuses on one brand/product over the other. In addition, while EAV has historically been a standard measurement for the public relations industry, it has not been adapted to the modern online marketing and public relations environment.

In the case of RoMI, research was only conducted in 2011, 2012, 2013 and 2016, focused only on advertising spend and that there were methodological changes within those four research years.

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<sup>16</sup> The advertising pricing rate provided by the advertising/marketing medium.

Finally, although the above analysis has been able to assess, however imperfectly, the effectiveness of the TMF with regard to overseas destination marketing which comprises the vast majority of expenditure, no information was provided to the review team to facilitate an evaluation of the niche activities undertaken by Fáilte Ireland.

#### 6.7 Conclusions on Effectiveness

Based on the available information and data, there is evidence that the TMF has been delivered effectively over the VFM period. This conclusion is supported by strong tourism performance with regard to the visitor, revenue and employment targets set by DTTAS in 2015. While a direct causal link cannot be made between these outcomes and overseas destination marketing, the review team feels it is unlikely that similar results would have been achieved in the absence of the TMF. Moreover, the outcomes achieved for each €1 allocated to the TMF have improved in all three areas over the review period as a whole and particularly since 2011.

In terms of advertising recall, both spontaneous and prompted awareness are down across the VFM period in the four largest markets, albeit with some recovery in prompted awareness levels since 2009. This may indicate decreasing effectiveness of advertising, or be the consequence of reduced advertising expenditure in target markets, with Tourism Ireland spending €15.8m (69.4%) less on advertising in 2016 than it did in 2006.

Although not considered a particularly reliable indicator of effectiveness, between the two agencies over €3bn worth of EAV was generated over the VFM period. The ratio of EAV to advertising spend also increased for both agencies between 2006 and 2016, although methodological changes in the final years of the review period limit the comparisons that can meaningfully be made with earlier years.

RoMI analysis conducted by Tourism Ireland indicates that between 24 and 30% of consumers who were exposed to their marketing in the top four markets of Great Britain, the USA, France and Germany took some action in relation to visiting Ireland, with between 3 and 4% of respondents actually booking a holiday break. Again, it is impossible to determine what proportion of these visitors may have visited Ireland even if they had not been exposed to marketing, but these figures suggest Tourism Ireland has been effective in generating awareness and visits to Ireland. Furthermore, the RoMI research estimates that the return on investment grew from 18:1 in 2012, the first year that research was conducted in all four top markets, to 42:1 in 2016.

Finally, it is important to note that though the review considers that the above data demonstrates effectiveness with regard to overseas destination marketing, no data was provided to assess the effectiveness of the niche activities delivered under the TMF by Fáilte Ireland. As such, the review has been unable to reach any conclusions on this area of spend.

## 7. Policy and Management Issues

The preceding sections have evaluated the efficiency and effectiveness of the Tourism Marketing Fund. In the context of these findings, this section examines arising policy and management issues that are relevant to the operation and delivery of the Fund.

### 7.1 Key Questions

The following key questions are addressed in this section:

- Are there any policy issues of relevance to the programme delivery?
- How well does the management of the programme work?
- Could the programme be delivered differently?

### 7.2 Objectives and Targets

The VFM has found that the Government's Tourism Policy Statement 2025 targets for visitors and revenue appear likely to be met ahead of time. This suggests that the primary issue in both instances beyond those accomplishments (should they be met) will be to sustain that level of performance as the baseline and to further grow that performance until and beyond 2025.

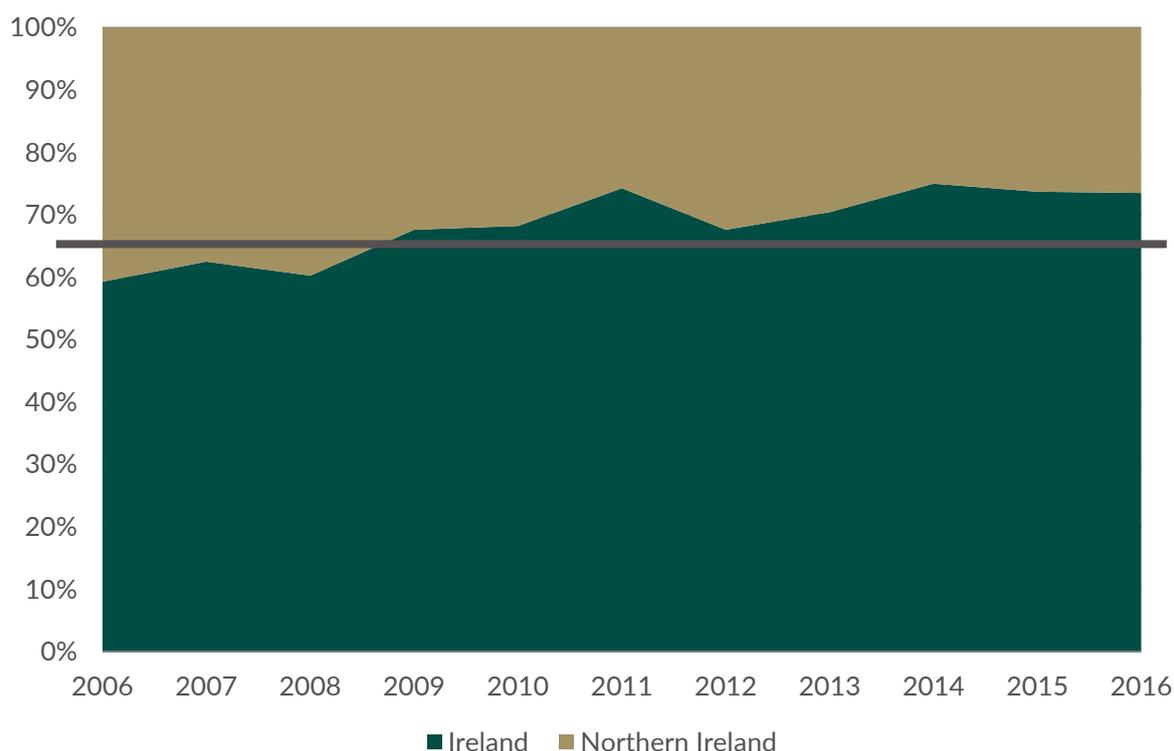
As a result of these circumstances, the VFM considers that there is scope to recalibrate those targets for the remainder of the policy statement period and to revisit the targets periodically to ensure their continued appropriateness. This could entail the resetting of strategic targets as well as the introduction of additional operational targets relating to specific measurable outputs from the delivery of overseas marketing activity, such as in relation to RoMI, the holiday purchase funnel, web traffic metrics, and longitudinal research studies of particular market and consumer segments.

### 7.3 North-South Funding Ratio

Figure 7.1 shows Tourism Ireland's funding for all-island marketing activity broken down by jurisdiction from 2006 to 2016. The funding ratio for these activities, which was set on the establishment of Tourism Ireland in 2000, is two-thirds Ireland and one-third Northern Ireland. Figure 7.1 highlights how the funding proportions have varied over the eleven-year review period and shows that there has been an increasing level of contribution from Ireland against the backdrop of a decreasing level of contribution from Northern Ireland from 2009 onwards.

The recent movement away from the original funding ratio, which was set at a point in time for reasons that are arguably no longer relevant, does not appear to have undermined operation of the TMF. Given this, if additional resources become available for investment in overseas destination marketing, the review suggests that DTTAS should aim to deploy them as effectively as possible, even if this entails moving further away from the 2:1 funding ratio.

Figure 7.1: Tourism Ireland's Core Funding Allocation by Jurisdiction, 2006 to 2016



Source: DTTAS

While outside the scope of the present review, should the NSMC ever initiate a review of the funding ratios of North-South bodies in the future, this would present an opportunity to consider a more appropriate funding ratio for Tourism Ireland's core marketing activity going forward.

#### 7.4 Roles and Responsibilities

As discussed in Section 2, the Tourism Marketing Fund is delivered in two parts. The majority of funding goes towards Tourism Ireland's core, all-island marketing activities, which are co-funded by the Northern Ireland Executive. The remainder of funding goes to Fáilte Ireland for the delivery of Ireland-specific niche, product and regional marketing. Where this latter part of funding relates to Ireland-specific overseas destination marketing, Tourism Ireland delivers the activity in accordance with a joint work plan agreed with Fáilte Ireland. This arrangement means that Fáilte Ireland is accountable for the activity despite Tourism Ireland being responsible for its delivery. Furthermore, as oversight of Fáilte Ireland and responsibility for the Tourism Marketing Fund rest with different divisions within DTTAS, there can be an incoherence to Departmental monitoring of Ireland-specific overseas destination marketing.

While the review is confident that this division of responsibility and accountability between the two agencies has worked to date, with Fáilte Ireland only signing off on expenditure once satisfied activity has been delivered in accordance with the agreed plan in line with Exchequer grant funding

procedures, it is felt that this arrangement could be streamlined and funding for Ireland-specific overseas marketing activity allocated to Tourism Ireland directly rather than via Fáilte Ireland. The revised arrangement would operate in a similar way to the Regional Marketing Cooperative Scheme<sup>17</sup> at present and would simplify administration of the Fund, ensure that responsibility and accountability are aligned, and allow for greater Departmental scrutiny of activity. Furthermore, it would introduce greater flexibility to react to opportunities that arise within a given year without the requirement that the two agencies agree to modify the existing plan.

Under this revised arrangement, Fáilte Ireland would still retain an important collaborative role in deciding how to spend Ireland-specific funding but DTTAS who would sign off on any plan. Finally, it should be stressed that this alteration would not lead to any change in which of the two agencies is delivering particular activity but rather ensure that Tourism Ireland are accountable for activity that they are already delivering.

#### 7.5 Management of the Programme

The VFM considers the TMF and its delivery by Tourism Ireland and Fáilte Ireland a significant and important vehicle for overseas destination marketing activity. This relates to the opportunity that the TMF has created to establish and develop brand Ireland and destination awareness and presence in the international marketplace; the awareness and recognition of tourism products, services and the visitor experience; and the stimulation of market and consumer behaviours.

The VFM considers that DTTAS should seek to ensure that the level and nature of future TMF allocations enables each agency to deliver TMF activity as effectively as possible. This will be pivotal to not only build upon the work undertaken by both agencies to date but also so as not to detract from or diminish Ireland's ability to grow its share of global tourism in the future and to achieve the Government's tourism targets.

However, to better understand and measure the impacts of overseas marketing activities, the review identifies a need for the introduction of new (or improved) research methods and techniques that are specifically designed to measure and evaluate performance of the tourism sector and the impacts and outcomes that directly result from overseas destination marketing activities. For example, this could include more regular and consistent research studies such as RoMI by both agencies, which are widened in breadth and depth beyond solely advertising and which are focused on a market and consumer segment basis.

In line with the above, the review also considers that there is a need for greater consistency in programme review and the economic evaluation of Fund-supported activities. This would require a

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<sup>17</sup> The Estimates Letter issued to the agencies each year setting out their budgetary allocations specifically allocates this funding to Tourism Ireland despite the fact it is not part of the organisation's 'core' all-island allocation.

uniform approach to research and evaluation activities between the two agencies, with consistent assessment and appraisal tools and techniques to rigorously examine and evaluate Fund-supported outputs and impacts. However, the VFM does note that the agencies' current research programmes are framed and informed by consultation between Tourism Ireland and Fáilte Ireland in order to avoid duplication and to take advantage of synergistic opportunities

The review considers that management of the programme at Departmental level by DTTAS has been efficient and effective, as has the management of the programme by Tourism Ireland and Fáilte Ireland, over the VFM period. Generally speaking, the resources and processes involved in the management, operation and delivery of the TMF are viewed as being appropriate and relevant.

In addition, the review identifies that collaboration between both agencies is very positive: there is a Joint Operations Group that meets regularly to discuss, develop and plan the following year's marketing activities. This has a particular focus on the Ireland-specific product, niche and regional overseas marketing activities. However, the review deems that there is scope to consider more medium- and longer-term marketing planning than solely the annual planning that occurs at present e.g. perhaps two- to three-year plans that have sufficient flexibility built-in to allow the adaptability that might be required to respond to particular market or consumer trends, or other issues that arise. It may be possible to deepen this collaboration through the introduction of annual programme delivery planning for the TMF as a whole rather than each agency generally focusing only in on the share of funding it is responsible for. This programme delivery plan would be underpinned by KPIs related to the measurable impacts of the TMF rather than high-level tourism objectives and ensure consistency and alignment between DTTAS, Tourism Ireland and Fáilte Ireland.

This would, in turn, help to address some of the issues that have been identified relating to the consistency and regularity of market and consumer research activities for both agencies, as well as the breadth and depth of research that is required to better-enable more accurate and reliable assessment and evaluation of Fund-supported overseas marketing activities.

#### 7.6 Future Delivery of the Programme

Overall, the VFM has found that the TMF remains valid and relevant. Its aims and objectives align with broader Government policy; it raises awareness of Ireland and communicates a positive image overseas, and it supports the Irish tourism industry and related sectors. Given this rationale for the programme, there is therefore a need to ensure that it is delivered efficiently, effectively and a measurable manner and continues to offer value for money in the future.

In this regard, it is considered that some changes and improvements could be made to the management and delivery of the TMF in the future. These include:

- The recalibration of Tourism Policy Statement targets and the introduction of new annual performance aims, objectives and targets related to specific programmes of overseas marketing activities and initiatives. Performance monitoring should focus on agreed measurable input-to-output processes and activities;
- The streamlining of financial processes involved in the transfer of fund allocations to and between the two agencies and the alignment of accountability and responsibility for all activities delivered under the TMF more generally;
- The introduction of annual programme delivery planning for the TMF as a whole agreed between DTTAS, Tourism Ireland and Fáilte Ireland, as distinct from the separate planning exercises undertaken by both agencies at present;
- The introduction of new KPIs that allow for more accurate performance assessment and for which causality can more readily be established, such as brand affinity, campaign responses, and international rankings of marketing effectiveness; and,
- The establishment of a research and evaluation framework that is specifically tailored to the measurement of Fund impacts and outcomes, to be applied and adhered to by both agencies.

## 8. Conclusions and Recommendations

This chapter sets out the conclusions and recommendations of the review.

### 8.1 Key Questions

The following key questions are addressed in this section:

- What are this report's main findings?
- What recommendations does the review make?
- What is the proposed timeline for implementation of the recommendations?
- How will the TMF be operated in future?

### 8.2 Conclusions

The VFM draws the following conclusions:

**The TMF remains valid and relevant.** This is based on the limited potential for further growth in the tourism sector from domestic demand and the public good market failure that exists with regard to destination marketing that would hinder the marketing of Ireland overseas in the absence of Government intervention. Furthermore, the marketing of Ireland as an attractive place to visit can support the Government in other areas, such as attracting investment, and encourage the movement of tourists away from hotspots and towards areas that have spare capacity. Finally, the cross-border dimension of Tourism Ireland is another important justification for the TMF.

Based on available information, **the review has concluded that the TMF has been implemented and delivered in an efficient manner.** This conclusion is drawn from the sample information on delivery resources and costs provided by Tourism Ireland and Fáilte Ireland but must be qualified by the lack of data availability across the VFM period and the incomparability of the data supplied by the two agencies.

Based on available information, **the review has concluded that the TMF has been implemented and delivered in an effective manner.** This conclusion is supported by tourism performance in relation to high-level targets for visitors, revenue and employment which, while not causally attributable to marketing alone, seem unlikely to have been achieved to the same extent in the absence of overseas destination marketing. This conclusion is also supported by recorded levels of advertising awareness, return on marketing investment analysis and, to a lesser extent, quantification of equivalent advertising value. It should be noted, however, that the review was unable to determine the effectiveness of niche activities delivered under the fund.

### 8.3 Recommendations

The review makes seven recommendations relating to the future delivery of the Tourism Marketing Fund as set out below.

#### 8.3.1 Recommendation 1: Introduction of a Tourism Marketing Fund Programme Delivery Plan

The review has found that there is a degree of collaboration between Tourism Ireland and Fáilte Ireland with regard to delivering the TMF. The two agencies agree a joint work plan for the delivery of Ireland-specific marketing by Tourism Ireland and a Joint Operations Group meets regularly to monitor the implementation of this plan. However, such interaction is generally confined to the portion of the TMF allocation that is earmarked for Ireland-specific marketing, which Tourism Ireland delivers and Fáilte Ireland is accountable for. In 2016 this represented around 15% of the total TMF allocation, and the review concludes that there is an opportunity for greater collaboration across the entirety of the Fund. The review recommends the introduction of an annual programme delivery plan for the TMF as whole, jointly prepared by Tourism Ireland and Fáilte Ireland in the first quarter and signed off by DTTAS. This delivery plan would provide visibility for how the entirety of programme funding will be spent in a given year, state which agency is responsible for delivering specific elements, and generally ensure coordination and alignment across all TMF activities.

#### 8.3.2 Recommendation 2: Introduction of Measurable Objectives and Key Performance Indicators

Establishing a causal link between investment in overseas destination marketing and subsequent visitor numbers and tourism performance is a well-established challenge in the evaluating the effectiveness of tourism marketing. Consequently, even though overall tourism performance has been robust in recent years, the review was unable to precisely attribute this performance, or some proportion of it, to the TMF. To supplement the analysis, the review also considered some additional metrics for which causality is more easily established, such as advertising awareness, return on marketing investment and equivalent advertising value. To underpin Recommendation 1, the review recommends the introduction of further KPIs focused on the measurable impacts of the TMF which could include, for example, measures of brand affinity and World Economic Forum rankings of Ireland's marketing effectiveness.

#### 8.3.3 Recommendation 3: A TMF Research and Evaluation Framework

Another challenge encountered with regard to assessing efficiency and effectiveness was data unavailability, the irregularity with which certain research was undertaken and inconsistent methodologies between rounds of the same research. To enable a more comprehensive assessment of efficiency and effectiveness to take place in future, the review recommends the introduction of a research and evaluation framework for the TMF, distinct from the general tourism research that is currently undertaken. This research would focus on measurable input-to-output activities and facilitate the regular, consistent and in-depth monitoring of the efficiency and effectiveness of the TMF. The body responsible for carrying out different elements of the research and evaluation programme could

be established in the annual TMF delivery plan put forward in Recommendation 1, while the research itself could focus on the KPIs called for in Recommendation 2.

#### 8.3.4 Recommendation 4: A Tourism Satellite Account

At present, tourism statistics and economic data are not specifically quantified in the Ireland's National Accounts. Consequently, the review has had to rely on estimates of the economic value of the tourism sector and proxy data, such as employment in the accommodation and food services sector, at certain points. To allow for a more precise evaluation of the contribution of the TMF to the Irish economy, the review recommends the development of a Tourism Satellite Account (TSA) for the Irish tourism sector. A TSA is a standard statistical framework and the primary tool for the economic measurement of tourism. It has been developed by the World Tourism Organization, the OECD, Eurostat and the United Nations Statistics Division. A TSA allows for the harmonisation and reconciliation of tourism statistics from an economic perspective, which enables the generation of tourism economic data (such as Tourism Direct GDP) comparable with other economic statistics.

The review notes that this recommendation is consistent with Action 13 of the Tourism Action Plan 2019-2021 published by DTTAS in December 2018.

#### 8.3.5 Recommendation 5: Recalibration of Tourism Policy Statement Targets

The review has found that, based on current growth rates, the high-level tourism performance targets of 10m visitors and €5bn of revenue annually by 2025 are likely to be met ahead of time, though it should be noted that tourism performance may dip below these levels again for a variety of reasons. Nevertheless, the review recommends that these targets are revisited to ensure their appropriateness and relevance over the remainder of the period to 2025, perhaps on an ongoing basis. Alongside Recommendation 2, a recalibration of existing strategic targets would provide the basis to monitor and track the delivery of Fund-supported activities and resulting impacts and outcomes between now and 2025.

The review notes that this recommendation is consistent with Action 1 of the Tourism Action Plan 2019-2021 published by DTTAS in December 2018.

#### 8.3.6 Recommendation 6: Alignment of Accountability and Responsibility for all TMF Activity

In line with best practice in the area of governance, the review recommends that whichever agency is responsible for delivering a specific element of TMF-supported activity is also accountable for its delivery. This recommendation would apply, for example, to Ireland-specific marketing that is currently delivered by Tourism Ireland separately from their core, all-island marketing function but for which Fáilte Ireland is accountable. The review recognises that the two agencies positively engage and collaborate with each other in relation to this funding at present, and this would be broadened as a result of Recommendation 1. The proposed arrangement will enable greater oversight on the part of

DTTAS and allow the two agencies to react more quickly to opportunities that arise within a given year without having to reopen agreed delivery plans between the two parties.

#### 8.3.7 Recommendation 7: Linkages between the Tourism Marketing Fund and Tourism Policy

Taken collectively, Recommendations 1 to 6 would see the introduction of annual programme delivery planning for the TMF as a whole, revised tourism targets and new KPIS, supported by an enhanced research and evaluation framework and a Tourism Satellite Account. Given the above, the VFM considers that there is an opportunity to enhance coordination of overseas destination marketing and broader tourism policy. The new TMF research undertaken can inform future tourism development strategy, associated development funding, and industry supports and interventions. For example, research into visitors' experience, satisfaction and perception of their visit to Ireland can both inform future marketing activity and help guide product development, ensuring that industry training is oriented enhance the visitor experience.

#### 8.4 Proposed Implementation Plan

Table 8.1 summarises the recommendations of the review and sets out responsibilities and outputs for their implementation. A timetable for their delivery will be established in the formal implementation plan to be agreed between DTTAS, Tourism Ireland and Fáilte Ireland following publication of the VFM. The formal implementation plan can also consider potential resource implications for DTTAS and the two agencies.

#### 8.5 Future Operation of the Fund

Overall, beyond the recommendations set out above, the VFM has not drawn any conclusions that suggest a fundamental change in the implementation and operation of the TMF is required. The review has found that the TMF remains relevant, has been delivered in an efficient and effective manner and has delivered value for money.

However, some adjustments are recommended to ensure that the TMF continues to be delivered efficiently and effectively and to facilitate future evaluation. These recommendations relate to planning for the TMF as a whole, research and measurement, recalibration of targets, governance arrangements and linkages with wider tourism policy. They collectively aim to ensure that the Fund's impacts and outcomes for tourism in Ireland can be optimised in the long-term and captured as part of a robust evidence base

Table 8.1: Indicative Implementation Plan

Recommendation	Detail	Responsibility	Output
1. Annual Tourism Marketing Fund Delivery Planning	Introduction of an annual Tourism Marketing Fund programme delivery plan to ensure coordination between DTTAS, Tourism Ireland and Fáilte Ireland across all Fund-supported activities.	Lead: Fáilte Ireland, Tourism Ireland Support: DTTAS	A programme delivery statement to be agreed between the two agencies in Q1 annually.
2. Measurable Objectives and Key Performance Indicators	Introduction of objectives and key performance indicators linked to specific TMF-supported input-to-output activities	Lead: Fáilte Ireland, Tourism Ireland Support: DTTAS	Measurable metrics and indicator to underpin programme objectives.
3. Tourism Marketing Fund research and evaluation framework	The development and establishment of a programme of dedicated, tailored research to monitor, measure and evaluate TMF-supported overseas marketing activities.	Lead: Fáilte Ireland, Tourism Ireland Support: DTTAS	A consistent programme of research and evaluation specifically tailored to the TMF.
4. Tourism Satellite Account	The development of a tourism satellite account for the Irish tourism sector to facilitate more comprehensive quantification of its economic contribution.	Lead: CSO, DTTAS Support: Tourism Ireland, Fáilte Ireland	A Tourism Satellite Account linked to the National Accounts specifically focused on the tourism sector.
5. Recalibration of Tourism Policy Statement targets	The recalibration of existing strategic targets to 2025, and the introduction of operational targets specific to TMF-supported activities.	Lead: DTTAS. Support: Tourism Ireland, Fáilte Ireland	New high-level policy targets that support the continued growth of the tourism sector.
6. Alignment of Accountability and Responsibility	In line with governance best practice, responsibility for TMF-supported activity to reside with the accountable agency.	Lead: Fáilte Ireland, Tourism Ireland Support: DTTAS	Accountability and responsibility for a given activity residing with the same agency across the programme.
7. Linkages between the TMF and broader tourism policy	Ensuring alignment between the TMF and broader tourism policy by using the new research and evaluation framework to inform product development and support for industry.	Lead: Fáilte Ireland Support: DTTAS	Tourism development and policy informed by findings from the new research and evaluation framework.