Competitive Analysis of Destination Marketing: The Mississippi Gulf Coast

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Submitted to:

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VISIT MISSISSIPPI GULF COAST

TOURISM ECONOMICS
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Overview

The Gulf Coast Regional Convention and Visitors Bureau, dba Visit Mississippi Gulf Coast (VMGC), engaged Tourism Economics to analyze its level of public funding in comparison to competing and similar destinations. In addition to this analysis, our report reviews the performance of the Mississippi Gulf Coast's tourism sector, the role of the VMGC in attracting visitors to the area, the economic rationale for tourism promotion, and case studies of changes in convention and visitors bureau (CVB) funding.

Mississippi Gulf Coast Tourism Overview

Visitors to the Mississippi Gulf Coast spent $2.0 billion in 2017. This spending supported 26,600 jobs in the region and generated $233.1 million in state and local taxes. Travel and tourism expenditures in the Mississippi Gulf Coast represented nearly one-third of total travel and tourism expenditures in Mississippi in 2017.

Mississippi Gulf Coast's Market Competitiveness

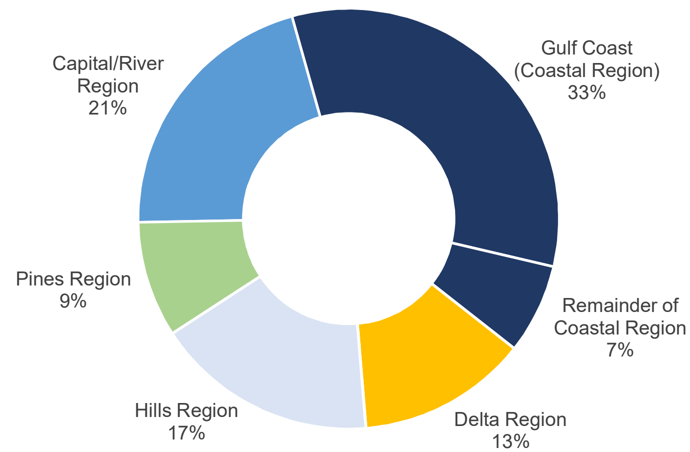
The Gulf Coast, comprising of Hancock, Harrison, and Jackson counties, has experienced steady growth in a number of key indicators over the past seven years. Hotel ADR and RevPAR have risen steadily since 2013, indicating a healthy overnight tourism market, and the Gulf Coast's share of state and regional wages and employment levels in the recreation and accommodation sectors have increased, indicating the increasing importance of tourism and leisure to the region's economy.

Key economic indicators in Mississippi Gulf Coast 2017

	Value	Percent of Mississippi total
Visitor expenditures (millions)	$2,041.5	32%
Employment	26,600	30%
State and local taxes (millions)	$233.1	36%
Tourism capital investment	$59.4	24%

Source: Visit Mississippi

Share of Mississippi travel & tourism expenditures, 2017
By region, percent



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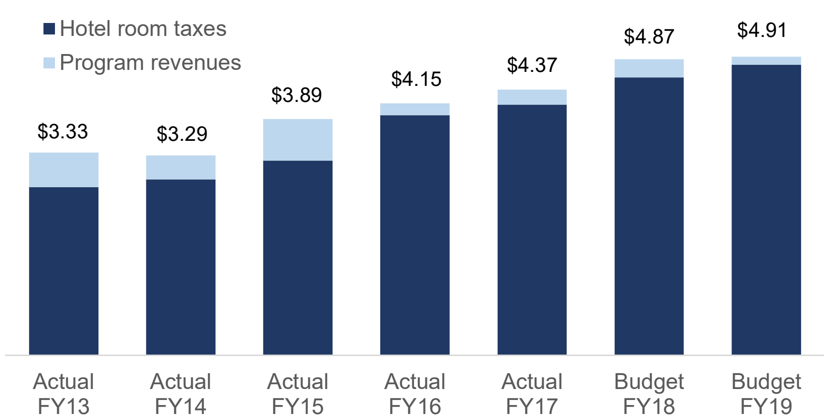
VMGC Funding

Between FY2013 and FY2017, VMGC's budget increased from $3.33 million to $4.37 million. VMGC has maintained a strong performance record, booking more than 60,000 room nights and engaging potential visitors across the nation on its website. Based on research conducted by VMGC, each $1 spent on advertising generates $43 in visitor spending in the Mississippi Gulf Coast.

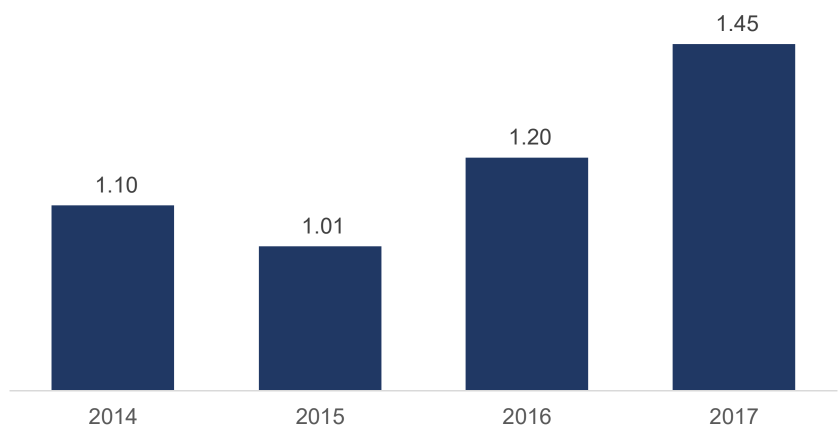
The number of unique visits to gulfcoast.org has increased from 1.10 million in 2014 to 1.45 million in 2017, representing a compound annual growth rate of 32%. In 2017, 1,685 outbound content posts generated more than 10.5 million social media impressions.

Funding sources for Visit Mississippi Gulf Coast
Nominal dollars, millions



Source: Visit Mississippi Gulf Coast

Unique visits to gulfcoast.org
Millions of visits, 2014-2017



Source: Visit Mississippi Gulf Coast

Executive Summary

Scenario Development and the Benefits of Increased VMGC Funding

To evaluate the potential impact of the three scenarios we compare them to a Baseline Scenario in which funding is not increased. The Baseline Scenario is based on a total budget of $4.54 million, similar to VMGC's actual budget in FY2017.

In these scenarios, our estimates of the incremental visitor spending generated are informed by previous research on the ROI conducted by VMGC, which indicated that each $1 in tourism promotion spending generates $43 in visitor spending. Based on this analysis, we expect additional DMO funding to generate $36.6 million to $114.8 million (depending on the scenario) of incremental annual visitor spending in the Mississippi Gulf Coast.

In Scenario A, $1.0 million of new DMO funding results in $0.85 million in increased tourism promotion spending and generates $36.6 million in additional visitor spending and 296,000 person trips in the Mississippi Gulf Coast, which in turn supports a total economic impact of $54.1 million, $3.3 million in state and local taxes, and 523 total jobs.

In Scenario B, $2.0 million of new DMO funding results in $1.8 million in new tourism promotion spending and generates $69.8 million in additional visitor spending and 565,000 person trips in the Mississippi Gulf Coast, which in turn supports a total economic impact of $103.3 million, $6.3 million in state and local taxes, and 998 total jobs.

In Scenario C, $4.0 million of new DMO funding results in $3.6 million in new tourism promotion spending and generates $114.8 million in additional visitor spending and 929,000 person trips in the Mississippi Gulf Coast, which in turn supports a total economic impact of $169.9 million, $10.4 million in state and local taxes, and 1,642 total jobs.

VMGC marketing and visitor spending impacts in the Mississippi Gulf Coast in three scenarios

Dollar amounts in millions

	Baseline Scenario	Scenario A	Scenario B	Scenario C
Total DMO budget	**$4.54**	**$5.54**	**$6.54**	**$8.54**
Advertising & marketing spending	$3.07	$3.92	$4.87	$6.67
Other spending	$1.47	$1.62	$1.67	$1.87
Increased funding		**$1.00**	**$2.00**	**$4.00**
Marginal increase to tourism promotion spending		**$0.85**	**$0.95**	**$1.80**
Total increase in tourism promotion spending		**$0.85**	**$1.80**	**$3.60**
ROI in terms of visitor spending				
Estimated ROI on marginal tourism promotion spending		43 to 1	35 to 1	25 to 1
Total increase in visitor spending		**$36.55**	**$69.80**	**$114.80**
Total increase in person trips		**296,000**	**565,000**	**929,000**
Total economic impact		**$54.11**	**$103.33**	**$169.94**
Total state and local taxes		**$3.32**	**$6.34**	**$10.43**
Total jobs		**523**	**998**	**1,642**

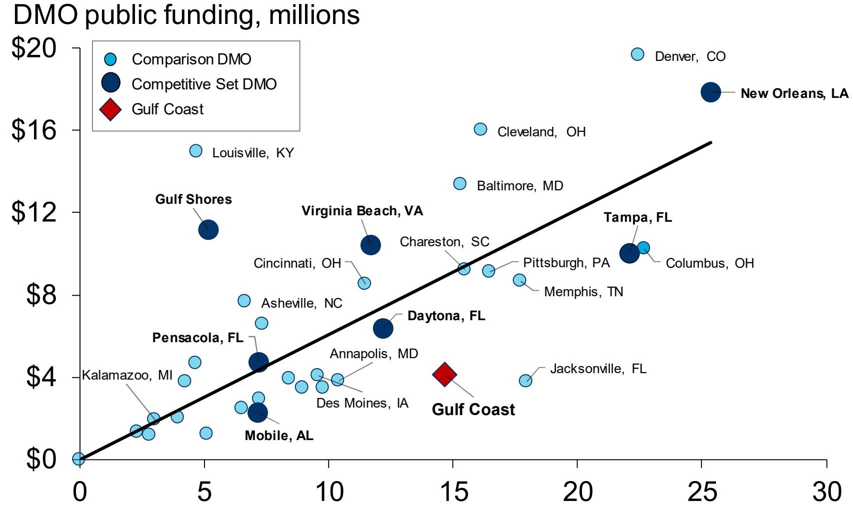
Source: Tourism Economics

VMGC Funding Relative to Benchmark Destinations

To determine an appropriate and competitive level of funding for VMGC, we compiled data on benchmark destinations. We selected 31 specific CVBs for benchmarking analysis, including seven destinations identified as VMGC's competitive market set in previous research by Longwoods International. We chose indicators to measure the relative size of the tourism sector in the destinations, including hotel room inventory and jobs in the leisure and hospitality sector. These indicators allow the analysis to measure the tourism sector in both a focused perspective (hotel rooms) and a broad perspective (leisure and hospitality jobs); additionally, the indicators represent different types of measurements: an infrastructure measure and an employment measure.

VMGC's funding is relatively low given the Mississippi Gulf Coast's hotel room inventory and leisure and hospitality jobs. Increasing VMGC's funding would bring it closer in line with levels of funding in competing destinations, given the respective levels of employment and hotel room inventory.

DMO funding and hotel inventory



Sources: STR; DMAI; Tourism Economics

Executive Summary

The economic Rationale for Destination Marketing

The case for destination marketing is broad and compelling. The need for strong destination marketing is connected to the characteristics of the tourism sector, the dynamics of travel markets, and proven economic returns of effective marketing. Destination marketing plays an integral and indispensable role in the competitiveness of the local tourism economy by addressing three challenges. In addition to addressing key challenges, catalytic impacts make tourism promotion integral to the Mississippi Gulf Coast's tourism sector and economy as a whole.

Case study review

A case study review demonstrates the important role of the destination marketing organization (DMO) on the local tourism economy, and validates the need for competitive destination funding. When destinations such as Colorado and San Diego significantly reduced destination marketing, profound negative impacts on visitation soon followed. Conversely, providing increased levels of funding has been shown to drive tourism growth and positively contribute to regional and national perceptions, such as the case with the "Pure Michigan" campaign.

1. Mississippi Gulf Coast Tourism Sector Overview

The economic impact of tourism in the Mississippi Gulf Coast

In 2017, visitors spent more than $2.0 billion in the Mississippi Gulf Coast, supported thousands of jobs, and generated millions of dollars of income and tax revenue

The following slides detail the current impact of tourism in the Mississippi Gulf Coast, which includes Hancock, Harrison, and Jackson counties.

Tourism is a major generator of employment and tax revenue in the Mississippi Gulf Coast. According to Visit Mississippi, visitors spent more than $2.0 billion in the Mississippi Gulf Coast in 2017. This spending supported 26,600 jobs and generated $233.1 million in state and local taxes. Tourism capital investment totaled $59.4 million in 2017.

Visitor expenditures in the Mississippi Gulf Coast accounted for nearly one-third of statewide visitor expenditures in Mississippi in 2017.

Key economic indicators in the Mississippi Gulf Coast, 2017

	Value	Percent of Mississippi total
Visitor expenditures (millions)	$2,041.5	32%
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Source: Visit Mississippi

Tourism dependent sectors provide millions of dollars in income for Mississippi Gulf Coast residents

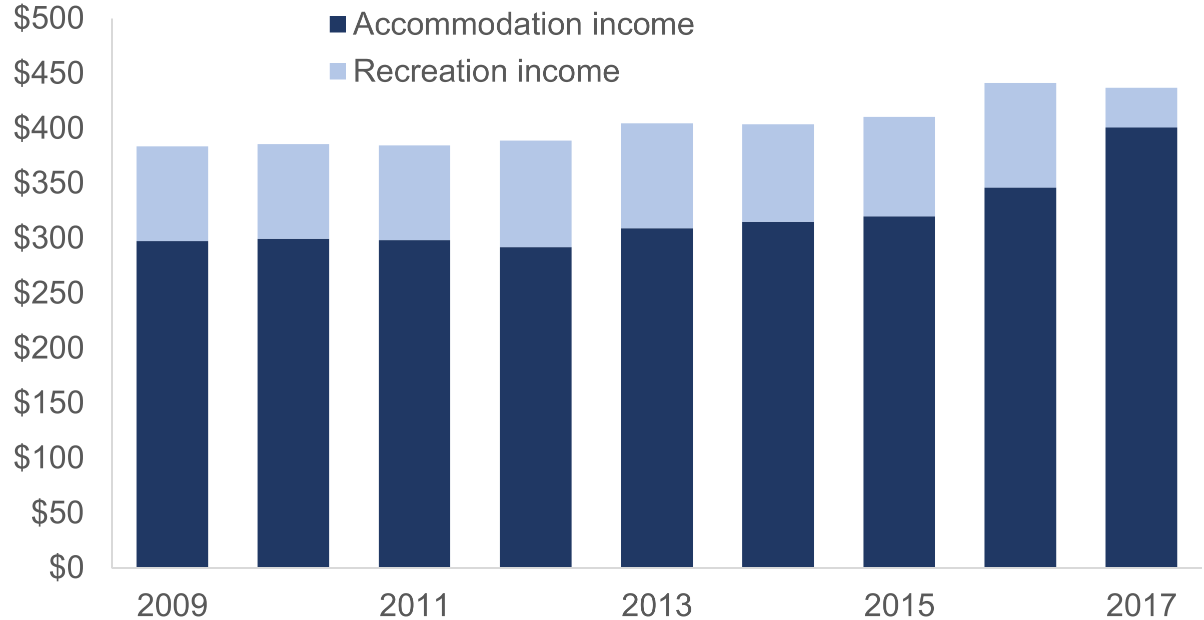
Incomes associated with tourism dependent sectors totaled $437 million in 2017

According to the Bureau of Labor Statistics (BLS), the Mississippi Gulf Coast's recreation and accommodation sectors combined nearly $437 million in total income for local residents in 2017, up from $389 million in 2012.

Between 2009 and 2017, accommodation and recreation income has grown at an annual average rate of 1.6%.

Tourism related income in the Mississippi Gulf Coast

Nominal dollars, millions



Source: Bureau of Labor Statistics

Hotel performance is steady and on the rise

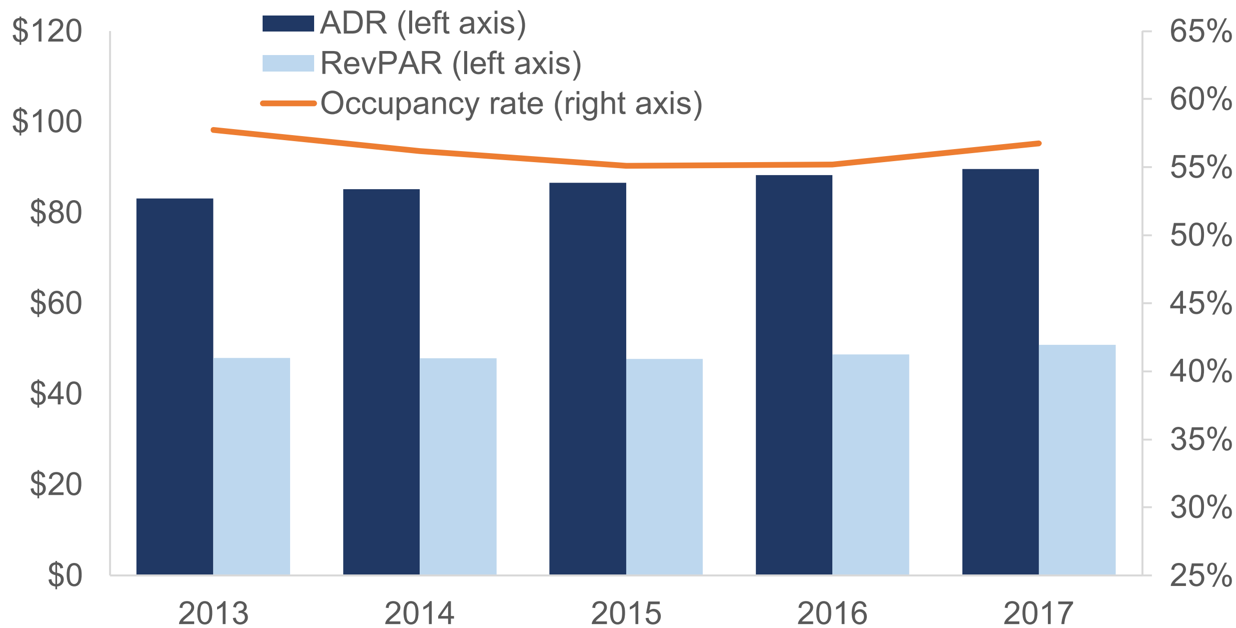
The Mississippi Gulf Coast has nearly 15,000 hotel rooms, and key performance indicators are trending upwards

ADR and RevPAR in the Mississippi Gulf Coast have been on a steady rise, while occupancy has remained steady between 2013 and 2017.

- **ADR** (average daily rate) reached $89.59 in 2017, up from $83.08 in 2013.
- **RevPAR** (revenue per available room) reached $50.84 in 2017, up from $47.96 in 2013.
- The **occupancy** rate reached 56.8% in 2017, up from 55.2% in 2016.

Hotel sector KPIs in the Mississippi Gulf Coast

Nominal dollars



Source: STR

2. The Mississippi Gulf Coast's Market Competitiveness

Hotel sector KPIs show mixed results

All hotel sector KPI's in the Mississippi Gulf Coast are above regional averages

The following slides detail the Mississippi Gulf Coast's competitiveness in the accommodation and recreation sectors. We focus on KPIs in the hotel sector as these are strongly correlated with a healthy overnight visitor market.

In terms of hotel sector KPIs, the Mississippi Gulf Coast's occupancy rate of 57% ranks third among regional markets, while the ADR of hotel rooms also ranks third. Relatively high occupancy and ADR combine to form a RevPAR that is above average, also ranking third average, also ranking third among regional markets.

Hotel sector KPIs in regional markets, 2017

Rank	Occupancy rate		ADR		RevPAR	
1	East South Central	61%	East South Central	$98	East South Central	$60
2	Jackson, MS	59%	Tupelo/North Area, MS	$93	Tupelo/North Area, MS	$51
3	**Biloxi-Gulfport MS**	**57%**	**Biloxi-Gulfport MS**	**$90**	**Biloxi-Gulfport MS**	**$51**
4	Hattiesburg/South Area, MS	56%	Meridian/East Central Area, MS	$85	Jackson, MS	$47
5	Meridian/East Central Area, MS	55%	Vicksburg/Central Area, MS	$80	Meridian/East Central Area, MS	$47
6	Tupelo/North Area, MS	54%	Jackson, MS	$80	Vicksburg/Central Area, MS	$43
7	Vicksburg/Central Area, MS	54%	Hattiesburg/South Area, MS	$74	Hattiesburg/South Area, MS	$42
	Average	**57%**	**Average**	**$86**	**Average**	**$49**

Source: STR

Growth in occupancy rates ranks the Mississippi Gulf Coast second among regional markets

ADR and RevPAR in the Mississippi Gulf Coast are increasing at a slower rate than in regional markets

While the Mississippi Gulf Coast's KPI's rank highly in the region, the compound annual growth rates for ADR and RevPAR are below regional averages.

CAGR of hotel sector KPIs, 2013-2017

Rank	Occupancy rate		ADR		RevPAR	
1	East South Central	2.1%	Meridian/East Central Area, MS	8.3%	Tupelo/North Area, MS	5.3%
2	**Biloxi-Gulfport MS**	**2.1%**	Tupelo/North Area, MS	1.4%	Jackson, MS	2.0%
3	Hattiesburg/South Area, MS	1.6%	Jackson, MS	1.4%	Vicksburg/Central Area, MS	1.8%
4	Vicksburg/Central Area, MS	1.0%	Vicksburg/Central Area, MS	1.2%	East South Central	1.8%
5	Jackson, MS	-5.5%	East South Central	1.1%	**Biloxi-Gulfport MS**	**1.6%**
6	Tupelo/North Area, MS	-5.9%	**Biloxi-Gulfport MS**	**1.0%**	Hattiesburg/South Area, MS	0.9%
7	Meridian/East Central Area, MS	-15.2%	Hattiesburg/South Area, MS	0.3%	Meridian/East Central Area, MS	-6.1%
	Average	**-2.8%**	**Average**	**2.1%**	**Average**	**1.0%**

Source: STR

The Mississippi Gulf Coast's shares of state wages and employment have steadily increased since 2007

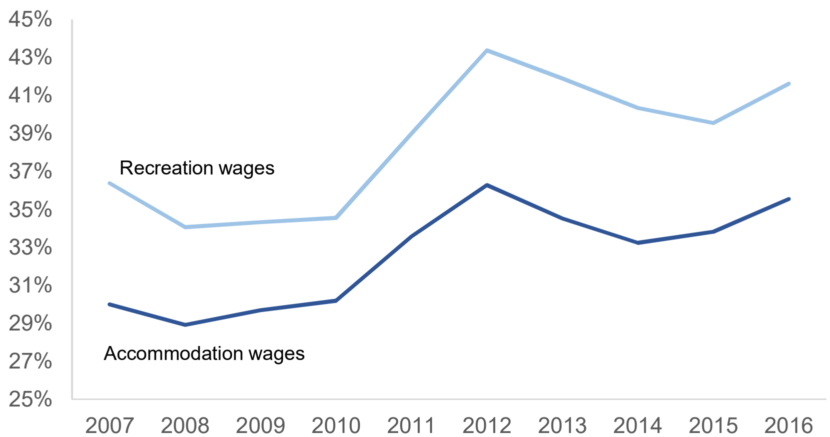
In 2017, the Mississippi Gulf Coast's share of statewide wages in the recreation and accommodation sectors was 42% and 36%, respectively

An analysis of the Mississippi Gulf Coast's accommodation and recreation sector wages and employment shows significant results when compared to those of the state as a whole.

The Mississippi Gulf Coast's share of state recreation wages has increased since 2007. Share of state recreation wages increased to 42% in 2016 from 36% in 2007.The region's share of statewide accommodation sector wages increased from 30% in 2007 to 36% in 2016.

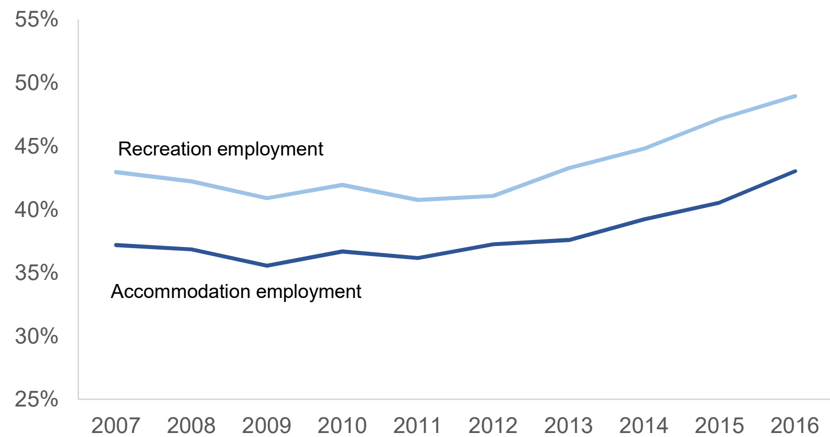
Similar to wages, the Mississippi Gulf Coast's share of statewide employment in the recreation and accommodation sectors has been on a steady rise since 2007. The Mississippi Gulf Coast's share of statewide employment in the recreation sector increased from 43% in 2007 to 49% in 2016, while the region's share of statewide employment in the accommodation sector increased from 37% in 2007 to 43% in 2016.

Mississippi Gulf Coast share of state wages
Percent



Source: Bureau of Labor Statistics

Mississippi Gulf Coast share of state employment
Percent



Source: Bureau of Labor Statistics

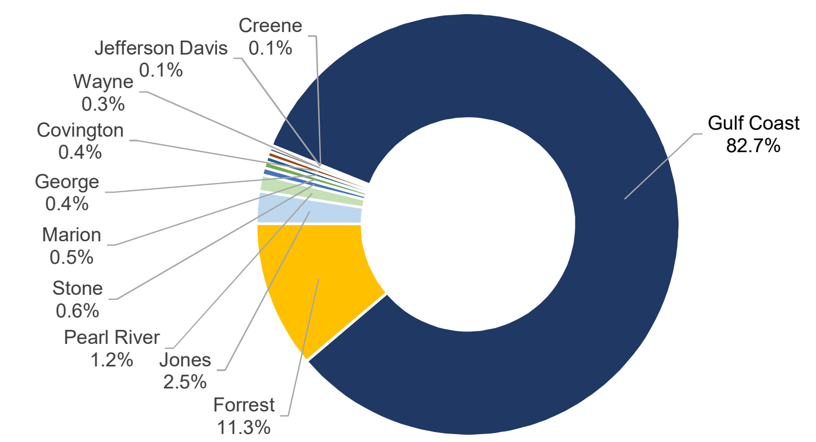
The Mississippi Gulf Coast Region represents a significant share of regional and state travel and tourism spending

Travel and tourism spending in the Mississippi Gulf Coast region represents approximately 33% of statewide travel and tourism spending

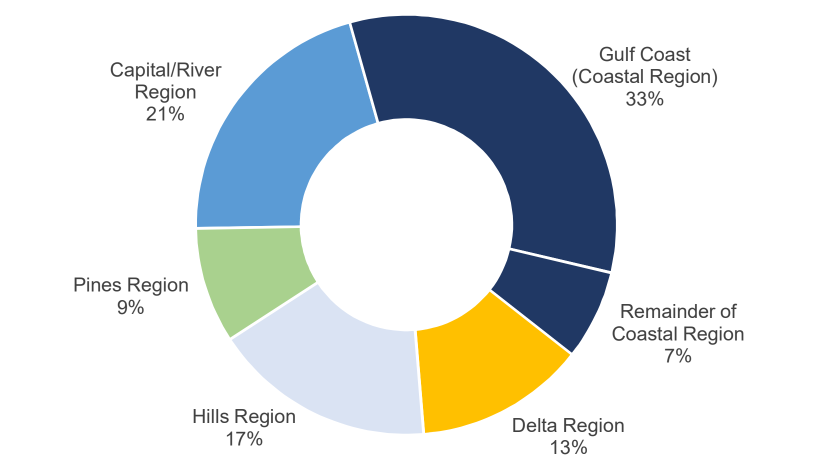
The Mississippi Gulf Coast is part of the Coastal Region. The $2.0 billion in travel and tourism spending in the Gulf Coast in 2017 represents 83% of total travel and tourism spending in the Coastal Region, which totaled nearly $2.5 billion in 2017.

Travel and tourism spending in the Coastal region accounted for 40% of total statewide travel and tourism spending. The $2.0 billion in travel and tourism spending in the Mississippi Gulf Coast represents approximately 33% of total travel and tourism spending in Mississippi and is higher than spending levels in all of the four remaining regions in Mississippi.

Share of Coastal Region travel & tourism expenditures, 2017
By county, percent



Share of Mississippi travel & tourism expenditures, 2017
By region, percent



3. VMGC Performance

VMGC is an engine that drives growth in the local tourism sector

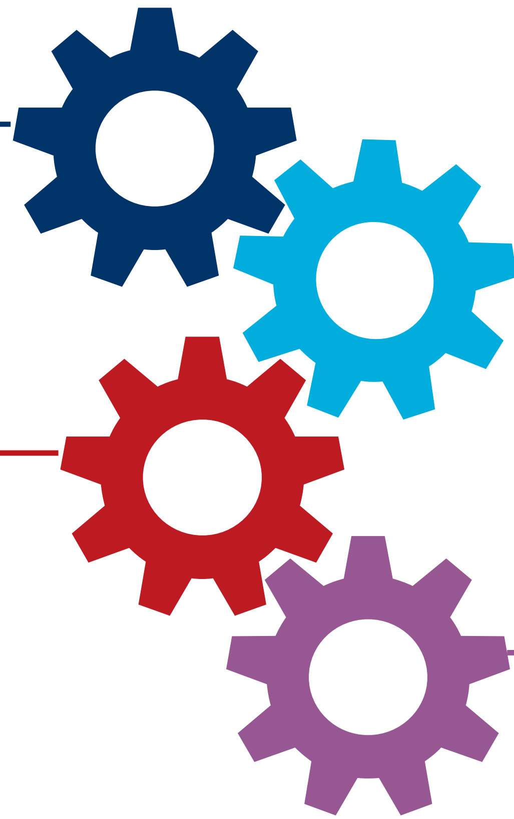
VMGC uses a variety of complementary channels to encourage potential travelers to visit the Mississippi Gulf Coast

Drove visitors to the Mississippi Gulf Coast

- VMGC influenced visits to the Gulf Coast. Total visitation increased from 5.8 million visitors in 2015 to 6.2 million visitors in 2016.

Hosted Gulfcoast.org and prominent social media sites

- VMGC's social media and online presence platforms drove nearly 1.5 million unique visits to gulfcoast.org and more than 10.5 million social media impressions in 2017.



Actively pursued and booked hotel room nights

- The VMGC sales team generated 327 leads in 2017, as well as more than 60,000 definite hotel room nights

Generated visitor spending

- Based on research from VMGC, for every $1 spent on tourism promotion, visitors on the Mississippi Gulf Coast spend $43 in the region.

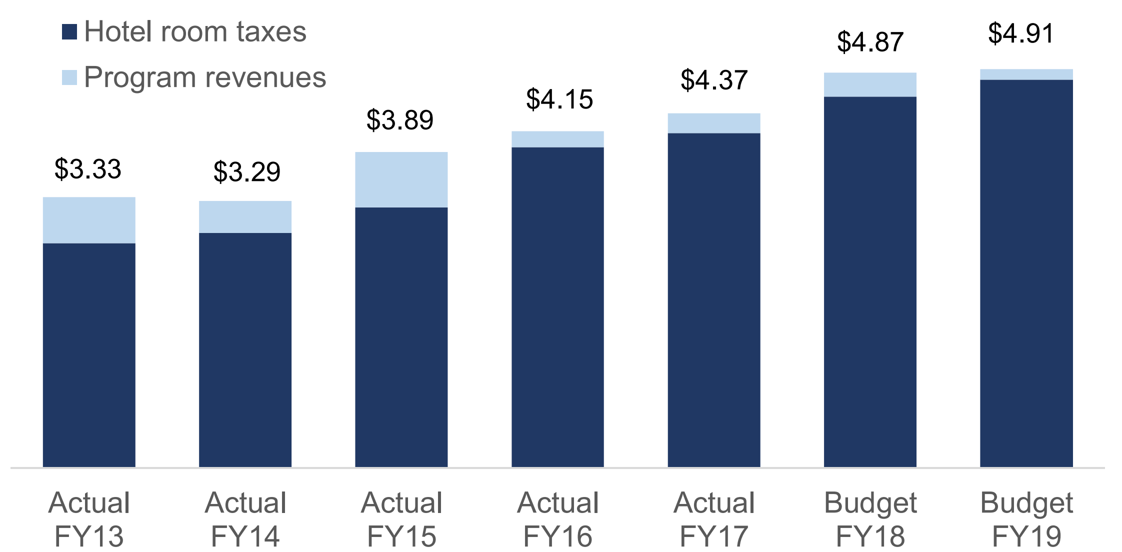
VMGC's annual budget is forecast to approach $5 million in FY 2019

VMGC relies heavily on hotel room taxes as its main funding source

Between FY2013 and FY2017, VMGC's annual budget increased from $3.3 million to $4.37 million. Estimates indicate that VMGC's budget in FY2018 and FY2019 will amount to $4.87 and $4.91, respectively.

The majority of VMGC's funding comes from hotel room taxes. In FY2017, hotel room taxes amounted to $4.1 million and accounted for 94.3% of VMGC's total funding of $4.4 million. Program revenues in FY2017 amounted to $0.2 million, accounting for 5.7% of total funding.

Funding sources for Visit Mississippi Gulf Coast
Nominal dollars, millions



Source: Visit Mississippi Gulf Coast

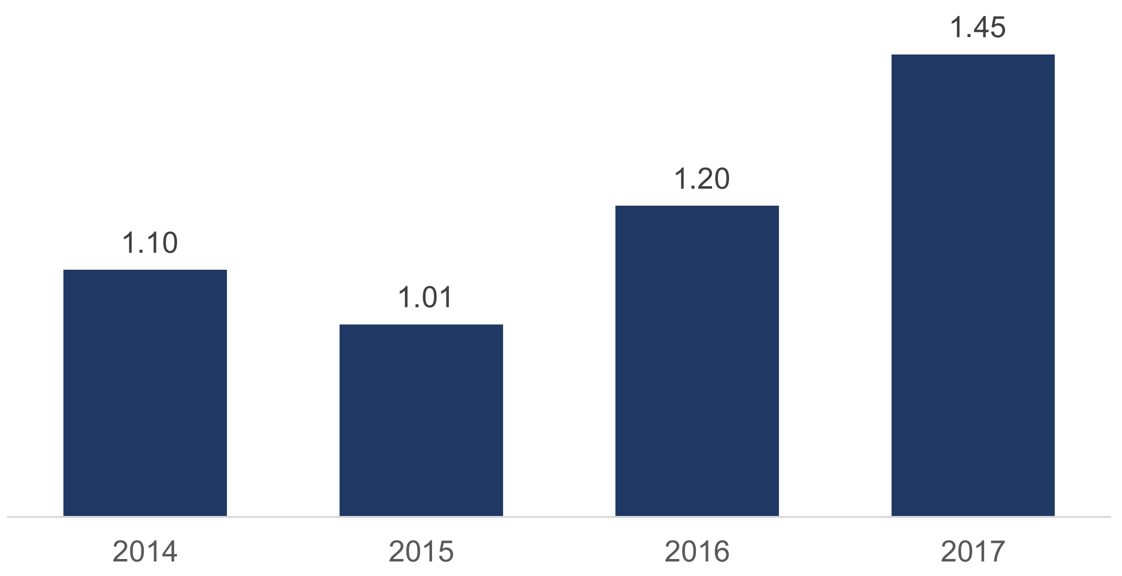
VMGC attracts visitors through its web and social media platforms

Gulfcoast.org had nearly 1.5 million unique visits in 2017

The number of unique visits to gulfcoast.org has increased from 1.10 million in 2014 to 1.45 million in 2017, representing a compound annual growth rate of 10%.

In 2017, 1,685 outbound content posts generated more than 10.5 million social media impressions.

Unique visits to gulfcoast.org
Millions of visits, 2014-2017



Source: Visit Mississippi Gulf Coast

4. Competitive Analysis of Funding

Benchmark selection and data

Funding benchmark analysis

To determine an appropriate and competitive level of funding for VMGC, we compiled data on nationwide benchmark destinations. We selected 31 CVBs for benchmarking analysis, which were selected as they represented:

- destinations with available data on their revenue and expenses
- destinations identified as the Gulf Coast's competitive market set in previous research, including Virginia Beach, Tampa, Daytona Beach, Pensacola, Gulf Shores, New Orleans, and Mobile.

We chose indicators to measure the relative size of the tourism sector in the destinations, including hotel room inventory and jobs in the leisure and hospitality sector. These indicators allow the analysis to measure the tourism sector in both a focused perspective (hotel rooms) and a broad perspective (leisure and hospitality jobs); additionally, the indicators represent different types of measurements: an infrastructure measure and an employment measure. Destinations with larger hotel room inventories and more leisure and hospitality jobs would be expected to have higher levels of public funding. Comparing these data points across the various destinations helps identify if VMGC's current level of funding is in line with other destinations.

Increased Funding Scenarios

The following pages outline the two scenarios in which VMGC funding is increased and the potential economic benefits of these scenarios for the Mississippi Gulf Coast.

- Scenario A: $1.0 million increase in VMGC funding
- Scenario B: $2.0 million increase in VMGC funding
- Scenario C: $4.0 million increase in VMGC funding

Key data on benchmark destinations

Destination	Public funding ($ millions)*	Hotel rooms	Leisure & Hospitality Jobs
Denver, CO	$19.7	22,476	69,331
Cleveland, OH	$16.0	16,139	82,448
Louisville, KY	$15.0	4,706	55,754
Baltimore, MD	$13.4	15,323	37,222
Gulf Shores	$11.2	5,176	14,645
Virginia Beach, VA	$10.4	11,698	30,718
Columbus, OH	$10.3	22,668	84,150
Tampa, FL	$10.0	22,083	83,590
Chareston, SC	$9.2	15,471	41,114
Pittsburgh, PA	$9.1	16,488	84,419
Memphis, TN	$8.7	17,728	58,272
Cincinnati, OH	$8.5	11,508	62,615
Asheville, NC	$7.7	6,667	24,160
Lexington, KY	$6.6	7,349	27,003
Daytona, FL	$6.4	12,178	27,325
Pensacola, FL	$4.7	7,212	19,043
Norfolk, VA	$4.7	4,694	13,810
Gulf Coast	**$4.1**	**14,646**	**32,400**
Des Moines, IA	$4.1	9,609	31,654
Valley Forge, PA	$3.9	8,419	46,413
Annapolis, MD	$3.8	10,407	40,593
Ann Arbor, MI	$3.8	4,264	21,899
Jacksonville, FL	$3.8	17,983	60,745
Knoxville, TN	$3.5	8,977	32,235
Buffalo, NY	$3.5	9,803	58,013
Rochester, NY	$3.0	7,225	39,601
Lake Erie, OH	$2.5	6,539	9,752
Warren County, OH	$2.1	3,960	14,948
Kalamazoo, MI	$1.9	3,038	15,724
Bloomington, IN	$1.3	2,306	9,919
Fort Wayne, IN	$1.3	5,138	21,948
Bowling Green, KY	$1.2	2,830	8,185

Funding comparison: hotel room inventory

Visit Mississippi Gulf Coast has low DMO funding relative to its hotel inventory

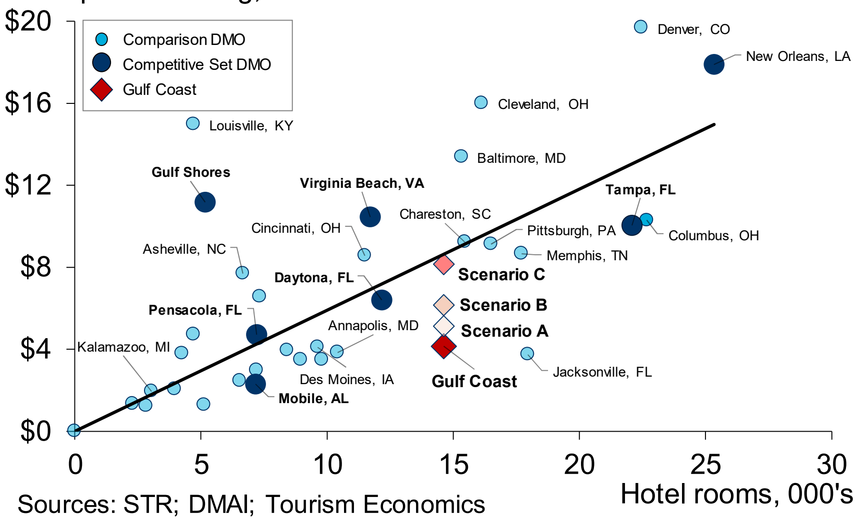
The line of best fit is shown in the charts to demonstrate the typical relationship between destination size (hotel rooms) and DMO funding. The line is based on actual data on funding and hotel rooms in the selected DMO's and represents the expected level of DMO funding given the number of hotel rooms in each destination. Destinations above the line have relatively higher levels of funding given hotel room inventory, while destinations below the line have low levels of funding given hotel room inventory.

As shown, VMGC is well below the line, which demonstrates that, compared to other DMO's, VMGC has low DMO funding relative to its hotel inventory. In addition, VMGC is well below the line compared to DMO's in its competitive market set.

Even with the $1.0 million, $2.0 million, and $4.0 million funding increases in Scenario A, Scenario B, and Scenario C, respectively, VMGC would still remain below the line and will still have a relatively low level of funding among its competitive market set. Based on the analysis, a $4.5 million budget increase would bring VMGC even with the line.

DMO funding and hotel inventory

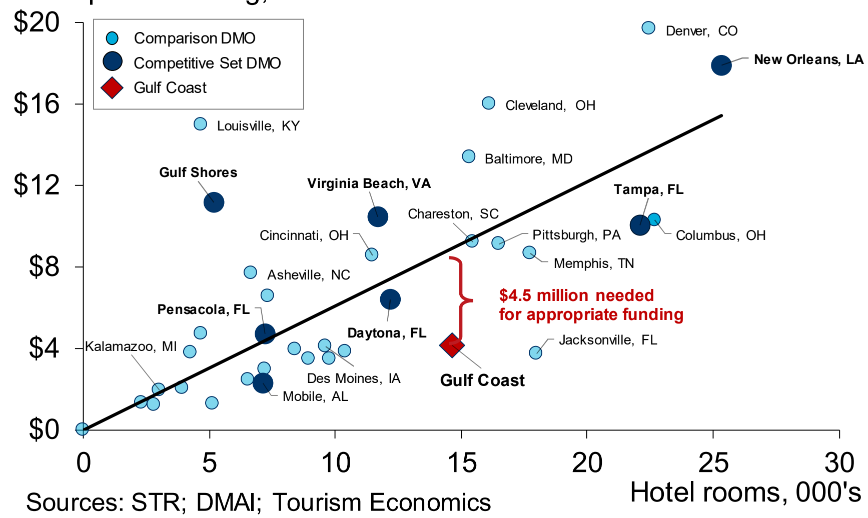
DMO public funding, millions



Sources: STR; DMAI; Tourism Economics

DMO funding and hotel inventory

DMO public funding, millions



Sources: STR; DMAI; Tourism Economics

Funding comparison: leisure and hospitality employment

Visit Mississippi Gulf Coast has low DMO funding relative to the number of jobs in the leisure and hospitality sector

The line of best fit is shown in the charts to demonstrate the typical relationship between DMO funding and total jobs in the leisure and hospitality sector. The line is based on actual data on funding and jobs in the benchmark DMO's and represents the expected level of DMO funding given leisure and hospitality employment levels in each destination. Destinations above the line have relatively higher levels of funding given employment levels, while destinations below the line have low levels of funding given leisure and hospitality employment levels.

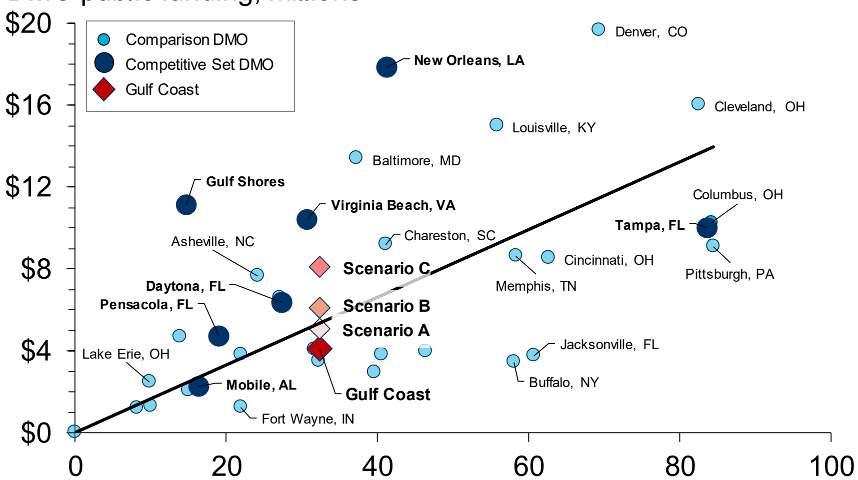
As shown, VMGC is below the line, which demonstrates that VMGC has low DMO funding relative to the size of the leisure and hospitality sector's employment base. Among its competitive market set, the only other DMO below the line is Tampa.

With a $1.0 million budget increase (Scenario A), VMGC would still remain below the line and would still have a relatively low level of funding among its competitive market set.

The $2.0 million and $4.0 million budget increases in Scenario B and Scenario C, respectively, would bring VMGC above the line and would provide a competitive level of funding relative to the leisure and hospitality jobs in the Gulf Coast.

DMO funding and leisure & hospitality jobs

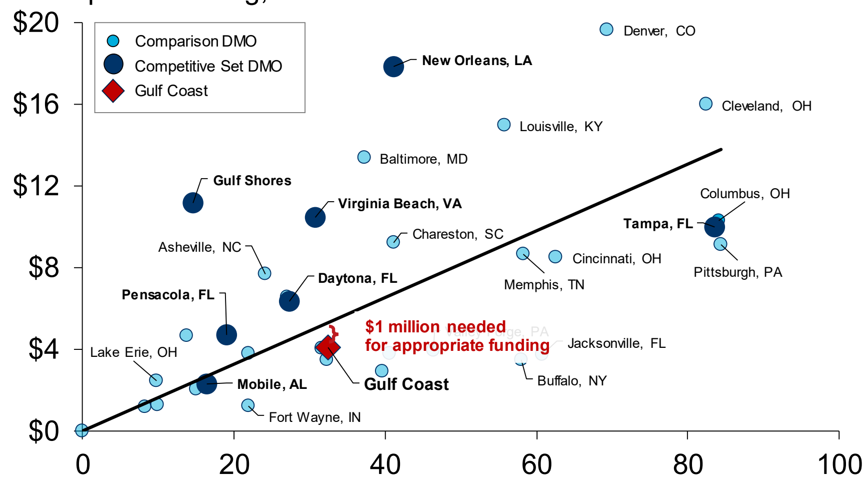
DMO public funding, millions



Sources: STR; DMAI; Tourism Economics

DMO funding and leisure & hospitality jobs

DMO public funding, millions



Sources: STR; DMAI; Tourism Economics

5. Benefits of Increased VMGC Funding

How visitor spending generates impact throughout the local economy

Visitor spending flows through the economy and generates economic benefits through multiple channels

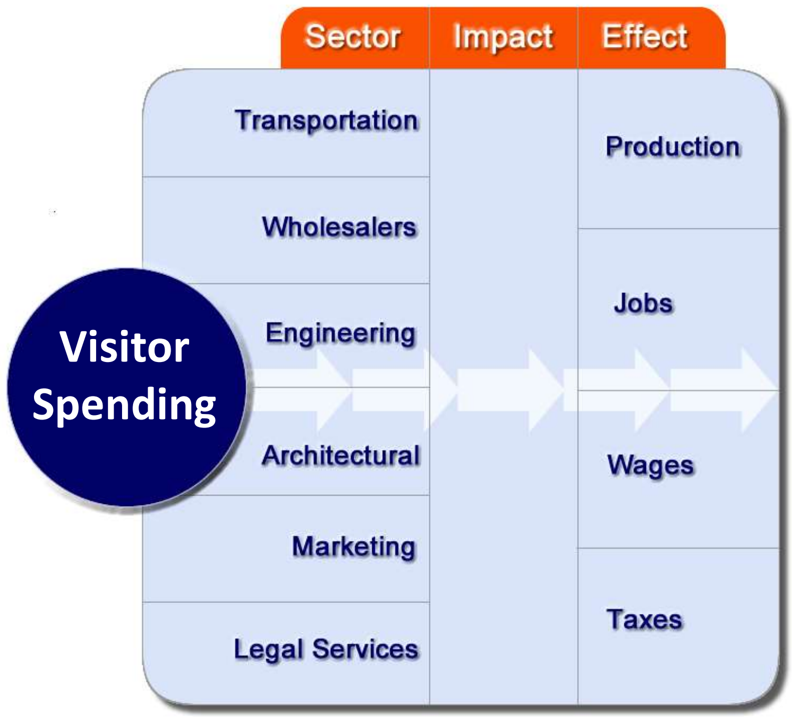
To measure the impact of incremental visitor spending attributable to increased tourism promotion spending, we first split visitor spending into five categories (lodging, food and beverages, local transportation, retail, and recreation) using a Longwoods International study of domestic overnight and day visitors to the Mississippi Gulf Coast.

Our analysis of tourism promotion's impact on the Mississippi Gulf Coast starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in the Gulf Coast, we input tourism spending into a model of the regional three-county economy (including Hancock, Harrison, and Jackson counties) created in IMPLAN. This model calculates three distinct types of impact: direct, indirect, and induced.

- Travelers create **direct** economic value within a discreet group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called **indirect** impacts.
- Lastly, the **induced** impact is generated when employees whose wages are generated either directly or indirectly by tourism, spend those wages in the local economy.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

How tourism spending flows through the economy and generates economic benefits



Economic impact of Scenario A

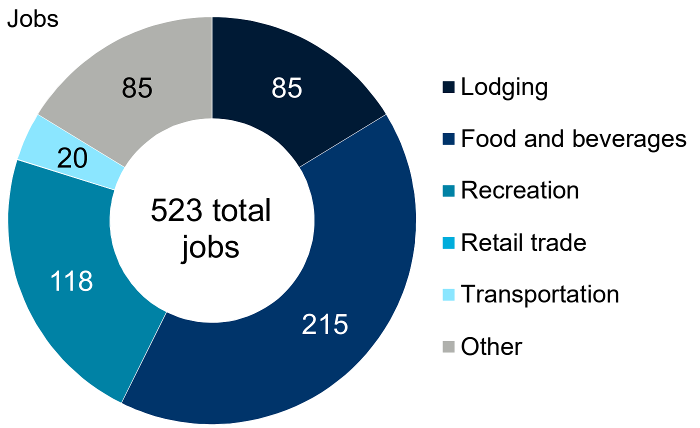
In Scenario A, $1.00 million of new VMGC funding results in $0.85 million of new tourism promotion spending and generates $36.55 million in additional visitor spending and 296,000 person trips in the Mississippi Gulf Coast, which in turn supports:

- $54.11 million in total business sales;
- $14.73 million in total income;
- 523 total jobs; and
- $3.32 million in state and local taxes.

In this scenario, each $1.00 of incremental funding generates $14.73 in income for local residents and $3.32 in state and local taxes.

The impacts are spread throughout the economy, accruing to a wide variety of sectors. New visitor spending has positive downstream effects, creating 85 jobs in sectors not typically considered part of the tourism industry.

New jobs created in Scenario A ($1 million budget increase)



Source: Tourism Economics

The economic impact of tourism promotion on the Mississippi Gulf Coast: Scenario A ($1 million budget increase)

Increased budget & tourism promotion spending ($ millions)	
Total increase in VMGC budget	$1.00
Increase in tourism promotion spending	$0.85
Increase in visitor spending	$36.55
Increase in person trips	296,000
Impacts on the Mississippi Gulf Coast ($ millions & jobs)	
Total economic output	**$54.11**
Direct expenditures	$36.55
Indirect and induced business sales	$17.56
Total labor income	**$14.73**
Direct labor income	$10.61
Indirect and induced labor income	$4.12
Total jobs	**523**
Direct jobs	417
Indirect and induced jobs	106
State & local tax revenue	**$3.32**
Sales	$2.03
Personal income	$0.57
Property	$0.44
Other	$0.27
Federal tax revenue	**$3.83**
Personal income	$0.79
Social insurance	$2.16
Other	$0.88
Key Ratios	
Resident income generated per $1 of funding increase	$14.73
State and local taxes generated per $1 of funding increase	$3.32

Source: Tourism Economics

Economic impact of Scenario B

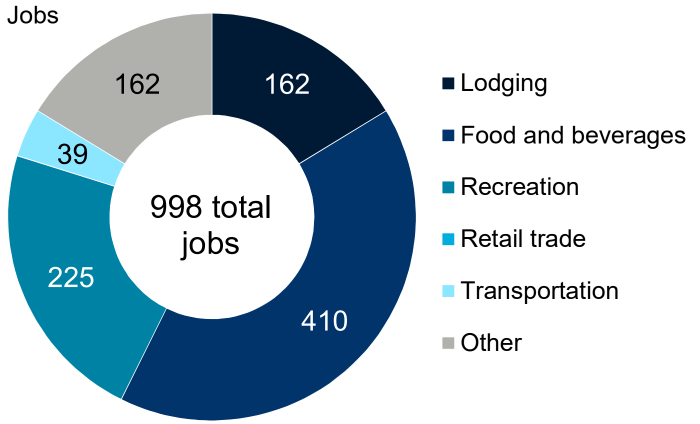
In Scenario B, $2.00 million of new DMO funding results in $1.80 million in new tourism promotion spending and generates $69.80 million in additional visitor spending and 565,000 person trips in the Mississippi Gulf Coast, which in turn supports:

- $103.33 million in total business sales;
- $28.13 million in total income;
- 998 total jobs; and
- $6.34 million in state and local taxes.

In this scenario, each $1.00 of incremental funding generates $14.06 in income for local residents and $3.17 in state and local taxes.

The impacts are spread throughout the economy, accruing to a wide variety of sectors. New visitor spending has positive downstream effects, creating 162 jobs in sectors not typically considered part of the tourism industry.

New jobs created in Scenario B ($2 million budget increase)



Source: Tourism Economics

The economic impact of tourism promotion on the Mississippi Gulf Coast: Scenario B ($2 million budget increase)

Increased budget & tourism promotion spending ($ millions)	
Total increase in VMGC budget	$2.00
Increase in tourism promotion spending	$1.80
Increase in visitor spending	$69.80
Increase in person trips	565,000
Impacts on the Mississippi Gulf Coast ($ millions & jobs)	
Total economic output	**$103.33**
Direct expenditures	$69.80
Indirect and induced business sales	$33.53
Total labor income	**$28.13**
Direct labor income	$20.26
Indirect and induced labor income	$7.87
Total jobs	**998**
Direct jobs	796
Indirect and induced jobs	203
State & local tax revenue	**$6.34**
Sales	$3.89
Personal income	$1.09
Property	$0.85
Other	$0.52
Federal tax revenue	**$7.32**
Personal income	$1.51
Social insurance	$4.13
Other	$1.68
Key Ratios	
Resident income generated per $1 of funding increase	$14.06
State and local taxes generated per $1 of funding increase	$3.17

Source: Tourism Economics

Economic impact of Scenario C

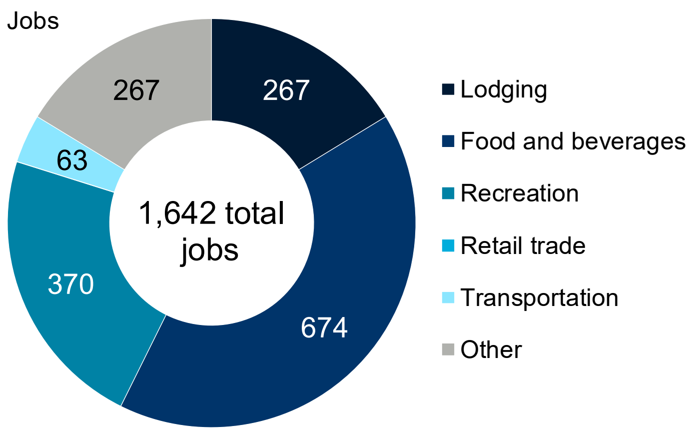
In Scenario C, $4.00 million of new DMO funding results in $3.60 million in new tourism promotion spending and generates $114.80 million in additional visitor spending and 929,000 person trips in the Mississippi Gulf Coast, which in turn supports:

- $169.94 million in total business sales;
- $46.26 million in total income;
- 1,642 total jobs; and
- $10.43 million in state and local taxes.

In this scenario, each $1.00 of incremental funding generates $11.57 in income for local residents and $2.61 in state and local taxes.

The impacts are spread throughout the economy, accruing to a wide variety of sectors. New visitor spending has positive downstream effects, creating 267 jobs in sectors not typically considered part of the tourism industry.

New jobs created in Scenario C ($4 million budget increase)



Source: Tourism Economics

The economic impact of tourism promotion on the Mississippi Gulf Coast: Scenario C ($4 million budget increase)

Increased budget & tourism promotion spending ($ millions)	
Total increase in VMGC budget	$4.00
Increase in tourism promotion spending	$3.60
Increase in visitor spending	$114.80
Increase in person trips	929,000
Impacts on the Mississippi Gulf Coast ($ millions & jobs)	
Total economic output	**$169.94**
Direct expenditures	$114.80
Indirect and induced business sales	$55.14
Total labor income	**$46.26**
Direct labor income	$33.32
Indirect and induced labor income	$12.94
Total jobs	**1,642**
Direct jobs	1,308
Indirect and induced jobs	334
State & local tax revenue	**$10.43**
Sales	$6.39
Personal income	$1.79
Property	$1.40
Other	$0.85
Federal tax revenue	**$12.04**
Personal income	$2.48
Social insurance	$6.80
Other	$2.77
Key Ratios	
Resident income generated per $1 of funding increase	$11.57
State and local taxes generated per $1 of funding increase	$2.61

Source: Tourism Economics

Scenario impacts in perspective

Increasing the VMGC's tourism promotion spending could increase key impact indicators in the Mississippi Gulf Coast

To demonstrate the magnitude of these impacts, we forecast key indicators in the Mississippi Gulf Coast through FY2025. The accompanying table summarizes tourism promotion spending, visitor spending, and resulting economic impacts for the baseline scenario, Scenario A ($1.0 million budget increase), Scenario B ($2.0 million budget increase), and Scenario C ($4.0 million budget increase).

Budgeted tourism promotion spending data for FY2018 and FY2019 was provided by VMGC. Based on historic data for FY2013 through FY2017, we assume VMGC's tourism promotion spending will grow through FY2025 at an annual average of 5%.

Summary impacts of budget scenario analysis

		Actual FY17	Budget FY18	Budget FY19	Estimate FY20	Estimate FY21	Estimate FY22	Estimate FY23	Estimate FY24	Estimate FY25
Baseline scenario	Tourism promotion spending	$3.1	$3.0	$3.0	$3.2	$3.3	$3.5	$3.7	$3.9	$4.1
	Increase in visitor spending	$132.0	$128.9	$127.3	$132.0	$143.7	$164.3	$197.2	$248.5	$328.9
	Total economic impact	$195.4	$190.9	$188.5	$195.4	$212.8	$243.2	$291.9	$367.9	$486.8
	Total state and local taxes	$12.0	$11.7	$11.6	$12.0	$13.1	$14.9	$17.9	$22.6	$29.9
Scenario A	Tourism promotion spending	$3.9	$3.8	$3.8	$4.0	$4.2	$4.4	$4.6	$4.8	$5.1
	Visitor spending	$168.6	$164.7	$158.8	$160.9	$171.1	$191.0	$224.0	$275.7	$356.4
	Total economic impact	$249.5	$243.7	$235.1	$238.1	$253.2	$282.8	$331.5	$408.2	$527.6
	Total state and local taxes	$15.3	$15.0	$14.4	$14.6	$15.5	$17.3	$20.3	$25.0	$32.4
Scenario B	Tourism promotion spending	$4.9	$4.8	$4.6	$4.8	$5.1	$5.3	$5.6	$5.9	$6.1
	Visitor spending	$201.8	$197.1	$185.7	$183.8	$190.9	$208.2	$238.5	$286.8	$362.2
	Total economic impact	$298.7	$291.8	$275.0	$272.0	$282.6	$308.3	$353.1	$424.6	$536.1
	Total state and local taxes	$18.3	$17.9	$16.9	$16.7	$17.3	$18.9	$21.7	$26.1	$32.9
Scenario C	Tourism promotion spending	$7.5	$7.3	$6.9	$7.3	$7.6	$8.0	$8.4	$8.8	$9.3
	Visitor spending	$246.8	$241.1	$221.9	$214.5	$217.6	$231.9	$259.4	$304.8	$375.9
	Total economic impact	$365.3	$356.9	$328.5	$317.5	$322.2	$343.3	$384.1	$451.2	$556.5
	Total state and local taxes	$22.4	$21.9	$20.2	$19.5	$19.8	$21.1	$23.6	$27.7	$34.1

Source: Tourism Economics

Appendix 1: The Economic Rationale for Destination Marketing

The vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local tourism economy by addressing its unique challenges

Destination marketing plays an integral and indispensable role in the competitiveness of the local visitor economy by addressing three challenges.

Challenge #1: The visitor economy is fragmented

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Solution: destination promotion provides the scale and strategic vision supporting a wide array of individual businesses

Destination promotion organizations also play a role furthering the strategic potential of the visitor economy. Destination marketing organizations (DMOs) and/or CVBs can take a long term view of the development of the destination and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. CVBs take steps to build shoulder season and low season demand and help fill slower days of the week, supporting a more stable base of employment and helping ongoing operations achieve a "break even" level of profitability. Similarly, CVBs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

The vital role of destination promotion

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination

Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors.

Solution: destination promotion articulates the brand message that is consistent with consumer motivations

Through coordinated destination promotion, the destination is represented collectively, driving demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

The vital role of destination promotion

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish

Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of advertising or public relation efforts scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, and more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of its individual parts.

Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination than has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to conduct independently.

Through these economic factors, destination promotion helps expand the visitor economy in ways that are consistent with local priorities, building the types of opportunities that are a critical part of economic development.

Travel has proven its resilience

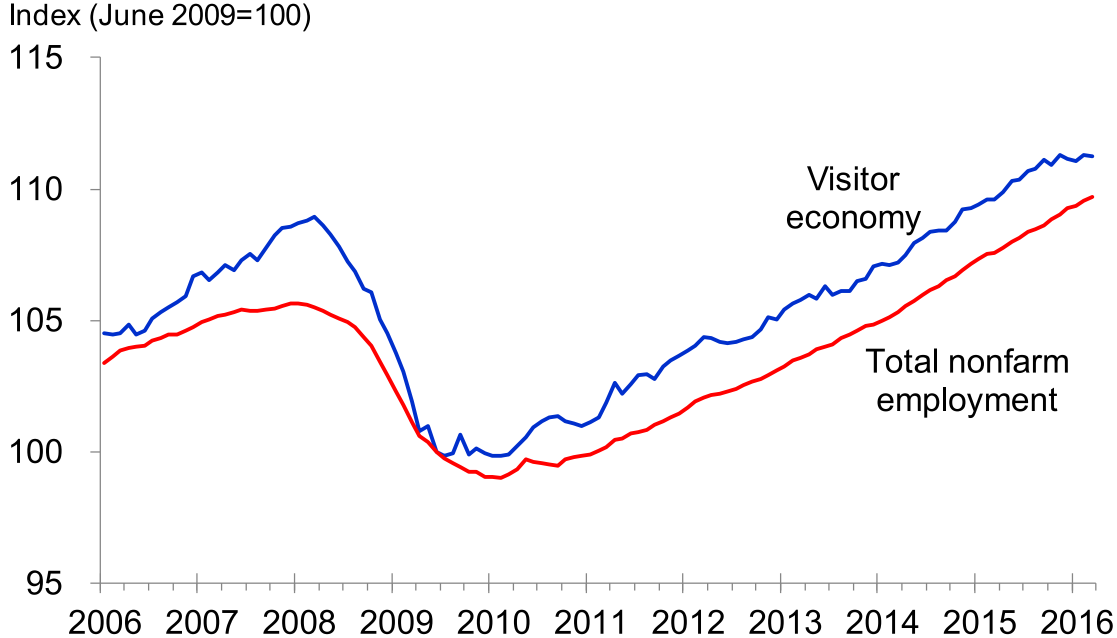
As incomes rise, consumer spending on travel has grown at an even faster rate and employment in the travel economy has led growth during the recent economic recovery

Across the US, favorable tail winds have supported above average growth in the visitor economy. As income levels rise, consumers are dedicating a greater share of spending to travel and tourism. For example, in the span of slightly more than a generation, per capita consumer spending on hotel stays in the US has increased 200% since 1980, even as per capita GDP – as a measure of income levels – has increased only 75%.

Travel has proven its resilience, with a strong recovery from the most recent economic downturn. As the visitor economy has recovered, it has contributed job growth since the end of the recession at a faster rate than the US average. As of March 2016, employment in key sectors of the visitor economy was 11.3% ahead of its June 2009 level, compared to a 9.7% gain for the broader economy.

Visitor economy employment trends

Compared to total nonfarm employment



Source: Bureau of Labor Statistics; Tourism Economics

The visitor economy represents an export, drawing new dollars into the local economy

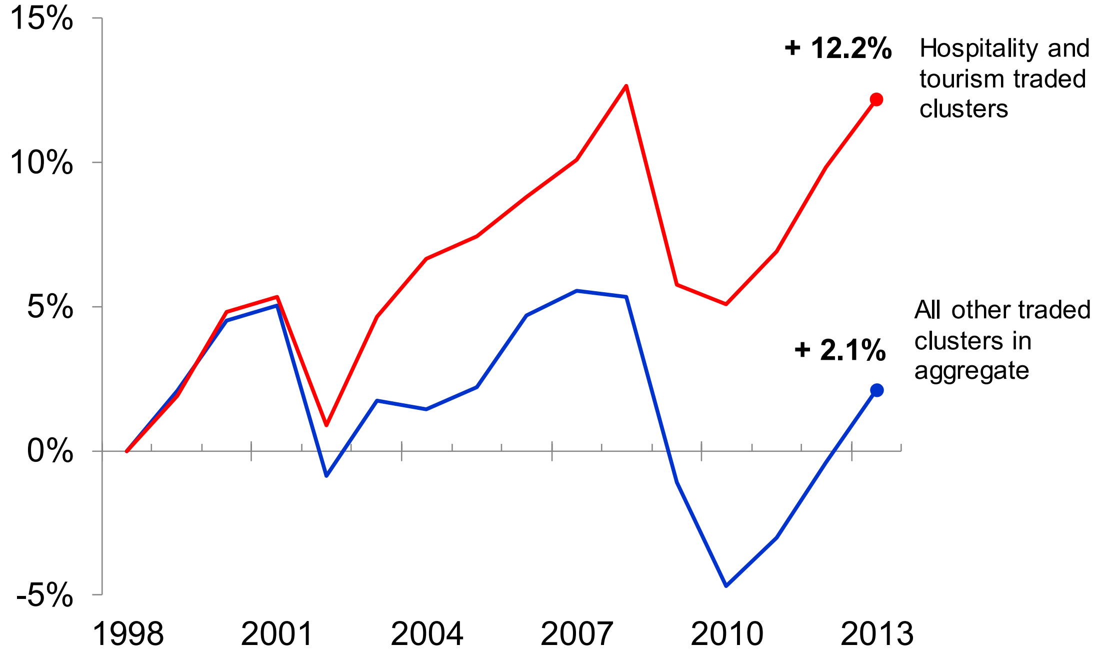
Nationally, hospitality and tourism has outperformed the aggregate of all other traded cluster export sectors since 1998, with employment expanding more than 12.2% while all others grew only 2.1%

The visitor economy represents a valuable locally-produced export for many regional economies. The resulting visitor spending supports jobs, incomes, tax revenues and local business sales that represent part of the region's economic base, critically important in providing demand for local supporting sectors. In this sense, whether referred to as an "export" or a set of "traded" goods and services, the visitor economy plays an important role in the "base" economy of many regions.

As developed through research by Michael Porter, the term "traded cluster" refers to "geographic concentrations of interconnected companies and institutions in a particular field" that sell products and services across regions.

Traded cluster employment gains over time (US)

Index, cumulative percentage points of employment growth since 1998



Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Destination promotion helps drive economic development (1 of 6)

Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development

In recent research[1], Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

1) Attracting strategic events

By securing meetings and conventions, CVBs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

"Economic clusters and conventions have become synergistic"

Tom Clark
Metro Denver Economic
Development Corporation

2) Raising the destination profile

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

"We are learning a lot from Visit California by how they brand California and how to take their model and apply it to economic development."

Brook Taylor
Deputy Director
Governor's Office of Business and Economic Development (GO-Biz)

3) Building transport networks

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

"Air service is profoundly important to corporate investment and location decisions... This is one of tourism's most significant contributions since the levels of air service at New Orleans far exceed what local demand could support."

Stephen Moret
Secretary
Louisiana Economic Development

4) Raising the quality of life

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

"Traveler attractions are the same reason that CEOs choose a place."

Jeff Malehorn
President & CEO, World Business Chicago

[1]Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

Destination promotion helps drive economic development (2 of 6)

Channel of impact: By securing meetings, conventions and trade shows for local facilities, CVBs attract the very prospects that economic development organizations target. Not only do such visits create valuable exposure among business decision makers, they create direct opportunities for economic development organizations to deepen connections with attendees.

CVBs are typically on the front lines of selling their destinations to meeting and event planners. These conventions and trade shows often attract the very prospects that economic development organizations (EDOs) target. As Steve Moore, CEO of the Greater Phoenix CVB states, "Our EDO doesn't have to fly to DC or China. The low hanging fruit is coming here for events." EDOs, such as Cleveland's Department of Economic Development, regularly host special events, tours, and receptions for attendees of key events. Our research, including discussions with both CVBs and EDOs, yielded many such examples of this channel at work. But the discussions also pointed to the further opportunities that exist in many areas for collaborative targeting.

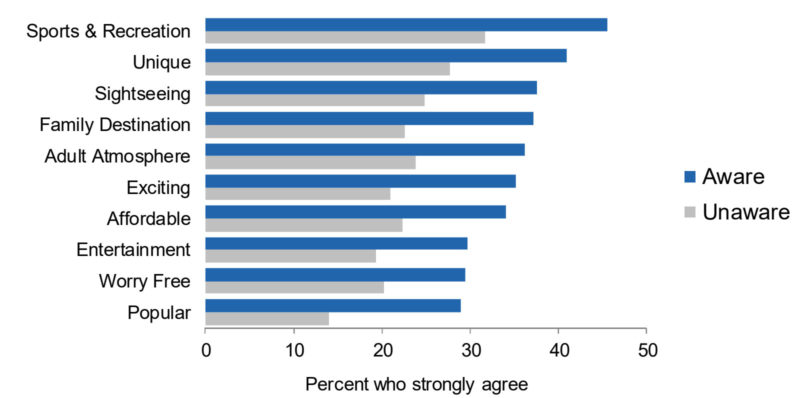
Today's knowledge-based and innovation-driven economies benefit from face-to-face connections, and relationships. In this context, industry conventions position an economy to acquire knowledge, innovate, and grow. Knowledge-based workers benefit from greater potential to access and encounter specialized knowledge and sustain social connections, and connections to other markets provide access to a wider base of suppliers and access to new production techniques. This makes existing firms more productive, serves to help attract additional investment, and fuels innovation.

Conventions and trade shows can help target economic development on key industries

Oxford Economics conducted a national survey of 300 business travelers in 2012 and asked them to score the impact of conferences and conventions across a number of potential benefits. Nearly 80% of respondents rated "industry insights" as an area of high impact, scoring this benefit as a four or five on a one-to-five scale. Industry insights were cited more consistently as a high impact return on conferences and conventions than any other potential benefit.

Marketing positively influences perceptions of a region

Pure Michigan 2014 campaign impact on perceptions of Michigan as a national tourism destination



Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion helps drive economic development (3 of 6)

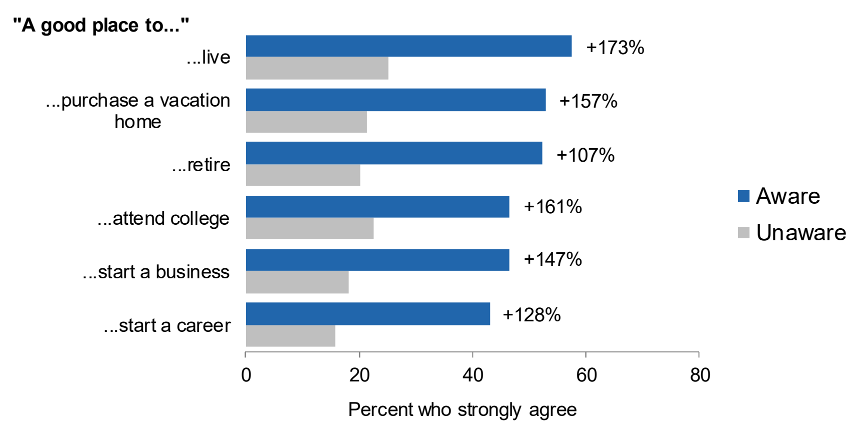
Destination marketing contributes to a “halo effect” as advertising campaigns positively impact perceptions of a region

Channel of impact: Destination promotion builds awareness, familiarity, and relationships in commercial networks (institutional, companies, individuals) that are critical in attracting investment. Similarly, destination promotion raises the destination profile among potential new residents, supporting skilled workforce growth that is critical to economic development.

Destination promotion activities support understanding of a destination’s distinct positioning and raise awareness of the destination. Most importantly, by increasing visits, destination promotion activities provide firsthand experience with a destination, resulting in familiarity with a destination that is critically important for economic development. These three components – building a brand, raising awareness, and increasing familiarity – make up the effect which we’ve labeled “raising the destination profile.” As is emphasized in the following sections, these inter-related concepts have the collective impact of supporting economic development efforts to attract investment and build a skilled workforce.

For example, Lake Erie Shores and Island’s 2014 tourism marketing campaign boosted perceptions of the area as a good place to start a career. Among those who were aware of the advertising, 43.2% strongly agreed with the statement that the area was a good place to start a career, representing a 173% increase relative to the 15.8% who strongly agreed among those unaware of the advertising[1].

Marketing influences perceptions on key decision criteria
Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image



Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

Destination promotion helps drive economic development (4 of 6)

Tourism supports building enhanced transportation networks and connecting to new markets

Channel of impact: By developing the visitor economy, destination promotion supports development of transportation infrastructure, providing greater accessibility and supply logistics that are, in turn, important in attracting investment in other sectors.

Connectivity to other cities, historically by canal and railways, and more recently by road and air, has been long appreciated for its importance to economic growth. Indeed, face-to-face interactions are as important as ever.

How can a region best support the expansion of its transportation infrastructure, including airports? While public investment certainly has a role, as leading cities have long recognized, airlines ultimately choose to expand service to markets that demonstrate passenger demand. Destination promotion efforts build inbound travel volumes that support expanded service, with greater frequency of connections to a greater number of destinations. Inbound business, leisure and group segments each play a role providing the base of demand that supports airlift. Indeed airline cost structures are such that a route with insufficient inbound leisure demand, and therefore lulls in travel around holidays and off-peak periods, is less profitable, or even unprofitable.

As a result, successful destinations experience greater levels of air service. For example, roughly half of all passenger demand for Cleveland is generated by visitors, according to OAG bookings data for 2013. Frontier Airlines, a low-cost carrier which recently entered Cleveland, has continued to expand its schedule from the city, building on leisure business but offering direct flights on routes that are key for business travelers, such as Dallas Ft. Worth.

In turn, improved air connectivity becomes a marketing point that supports economic development. So it is not surprising that collaboration between CVBs and economic development organizations can be successful.

For example: Phoenix touts its connectivity as one of its key economic development assets. This includes extensive service to Mexico and Latin America. Connectivity to Canada is also a major selling point for economic development and exists almost entirely because of the visitor market. Only 20 direct flights to Canada existed six years ago and Phoenix now has over 100 scheduled flights. The Greater Phoenix CVB and the Community and Economic Development office are seeking increased international service. These routes are needed to dually support the convention and investor markets. While air service development is led by the airport, the Community and Economic Development office and the Greater Phoenix CVB support marketing to airlines with market information. Overall, 60% of current Phoenix airlift is supported by visitors.

This impact is hardly rare, and numerous studies (including those listed below) have confirmed a connection between the long-term impacts of improved air transportation and overall economic development.

Jan Brueckner, “Airline Traffic and Urban Economic Development,” Urban Studies 40, no. 8 (July 2003): 1455–69.

Richard K. Green, “Airports and Economic Development,” Real Estate Economics 35, no. 1 (2007): 91–112.

Michael D. Irwin and John D. Kasarda, “Air Passenger Linkages and Employment Growth in US Metropolitan Areas,” American Sociological Review, 1991, 524–37.

Kenneth Button, Rui Neiva, and Junyang Yuan, “Economic Development and the Impact of the EU–US Transatlantic Open Skies Air Transport Agreement,” Applied Economics Letters 21, no. 11 (2014): 767–70.

IATA, Measuring the Economic Rate of Return on Investment in the Aviation Industry, Aviation Economic Benefits, July 2007

Destination promotion helps drive economic development (5 of 6)

Intelligent tourism development can raise destinations' quality of life and attract investors from other sectors

Channel of impact: The visitor economy that is fueled by destination promotion supports amenities and a quality of life that are integral to attracting investment in other sectors.

Parks and public areas, dining and nightlife in walkable districts, services and transportation along waterfront areas, creative arts and cultural institutions - these are just some of the facilities and services that benefit from the visitor economy but are also valued by residents and—by extension—site locators, investors, and business executives. Research suggests that this occurs as:

- Visitors provide substantial demand for amenities and generate returns in terms of quality of life improvements for residents, helping raise the quality of life.
- Economic research and real-world business location decisions demonstrate that such amenities and lifestyle characteristics are important in driving economic growth.
- Leading practices in economic development leverage these visitor-supported quality of life assets.

Visitor spending helps support a broader and higher quality set of amenities than an area could otherwise sustain. For many businesses, whether on the smaller scale of a restaurant or on the larger scale of a sports facility or National Park, the difference between breaking even or running at a loss can be thin. As an incremental source of business above and beyond what can be supported locally, visitors provide demand for businesses as well as many not-for-profit institutions, such as museums.

Richard Florida, an urban theorist and author of several popular books, provides an introduction to these concepts, noting that economists and geographers have long looked at the role that the availability of talent has played in the location decisions of firms, but have only more recently turned to the factors that attract talent. Florida writes[1]:

> "A growing stream of research suggests that amenities, entertainment, and lifestyle considerations are important elements of the ability of cities to attract both firms and people."
> The "traditional view offered by economists is that places attract people by matching them to jobs and economic opportunity. More recent research suggests that places attract people by providing a range of lifestyle amenities."
> "If cities are to remain strong, they must attract workers on the basis of quality of life as well as on the basis of higher wages."

For important new investment bids, EDOs will coordinate with CVBs for the best possible pitch. Given the importance of destination characteristics in the decisions of investors and site locators, NTOs and CVBs can provide the marketing content and experiences to visitors to strengthen the bid

All of the EDOs frequently collaborate with the CVBs, including the use of collateral and media originally developed by CVBs. For example, the Cleveland Department of Economic Development has an entire section on its website called "Living Here" that focuses on amenities and attractions including arts, culture, and entertainment.

[1] Florida, Richard (2005). Cities and the creative class. Routledge. New York.

Destination promotion helps drive economic development (6 of 6)

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing builds transport accessibility, attracts major events that build awareness, raises the quality of life for residents, and raises the profile of a destination among potential investors.

As a result, cities and states that succeed as destinations are more likely to succeed in broader economic terms.

Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation.
Link to http://www.oxfordeconomics.com/engine

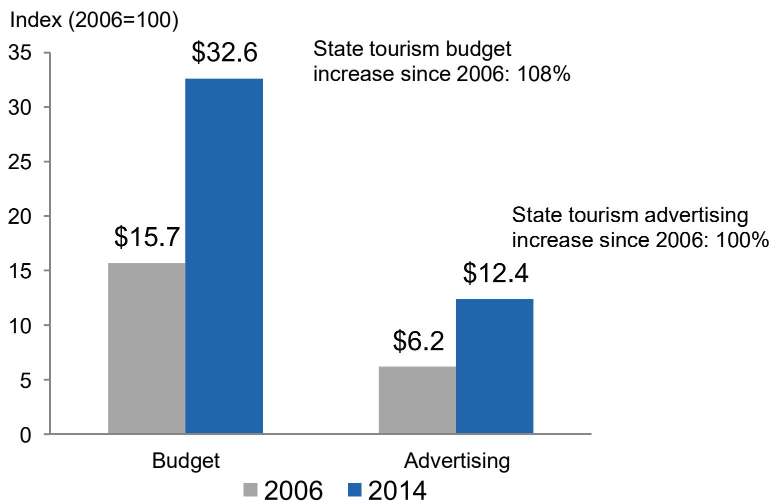
Appendix 2: Case Study Review

Case study: Pure Michigan success (1 of 2)

Michigan successfully invested in destination marketing as part of a strategy to ignite growth

Budget increases in other US destinations provide case study examples of what has happened when government agencies increase or decrease destination marketing funding. We have summarized several of these case studies in this section, beginning with Michigan and the internationally recognized “Pure Michigan” campaign. While the campaign’s advertisements are visually stunning, less appreciated are the important decisions the state took during a period of economic recession to expand the campaign as an investment in future growth.

Michigan state tourism budget



Source: Longwoods International

Bill Siegel, CEO of Longwoods, recently summarized this success story[1]. The following highlights key points:

- The “Pure Michigan” campaign had its fledgling start in 2006 as a regional campaign in an environment of relatively low funding. In preceding years, Michigan’s state tourism budget had declined, falling to as little as $7.9 million in FY2005 according to US Travel data. For several years, as the campaign ran in regional markets, research demonstrated that it was building equity in the marketplace, impacting Michigan’s image positively and generating positive financial returns.
- In 2009, with the national economy still in recession, and Michigan’s manufacturing base hit particularly hard, the state legislature saw tourism as a potential growth opportunity, and approved a one-time doubling of the Travel Michigan budget to $28 million. This allowed the state to promote itself nationally for the first time, and “Pure Michigan” was well-suited to the opportunity.
- In its first year, the national campaign dramatically increased unaided awareness of Michigan as a place in the Midwest US “you would really enjoy visiting,” and three out of ten national travelers were aware of the campaign. The campaign was recognized by Forbes as among the 10 all-time best travel campaigns, and Michigan moved to 2nd place among competitors after the campaign, from 9th place before the campaign.

[1] Longwoods International (2015) Michigan: 2014 tourism advertising evaluation and image study.

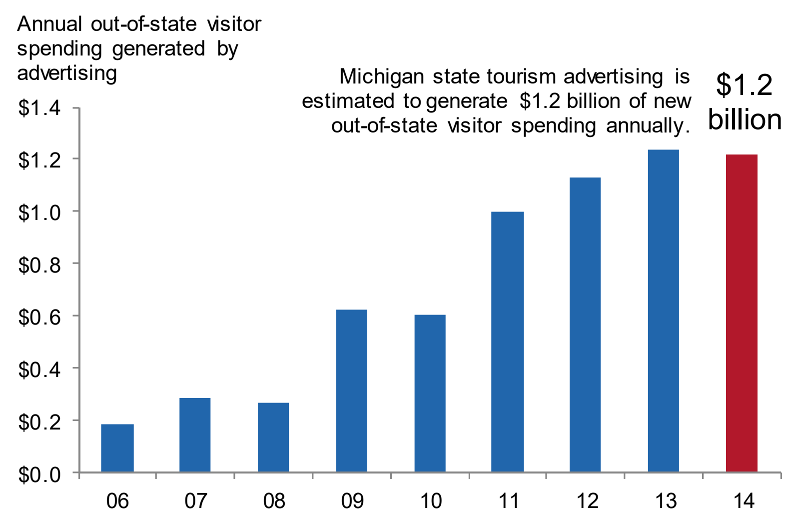
Case study: Pure Michigan success (2 of 2)

Michigan successfully invested in destination marketing as part of a strategy to ignite growth

- The summer 2009 campaign was estimated to have generated almost two million additional trips to Michigan. As a result, based on a $12.2 million media budget, the campaign is estimated to have generated $588 million of incremental visitor spending and $41.0 million of state taxes, equivalent to $3.36 of state taxes per ad dollar.
- In total from 2006 to 2014, Longwoods estimated that “Pure Michigan” results generated 22.4 million out-of-state trips to Michigan and $6.6 billion of visitor spending at Michigan businesses. This implies a visitor spending return on investment (“ROI”) of $69 based on out-of-state visitors, and a state tax ROI of $4.81.

Michigan built on the initial success by maintaining annual funding slightly ahead of $30 million. From 2006 to 2014, Michigan invested over $95 million in “Pure Michigan” advertising. As a result, “Pure Michigan” has become the singular brand for Michigan, with the state expanding its use across multiple lines of business to promote state objectives, such as economic development.

New visitor spending in Michigan



Source: Longwoods International

Longwoods International (2015) Michigan: 2014 tourism advertising evaluation and image study.

Case study: Influence of CVB content

Visitor information supported by TBID funding consistently influences potential visitors

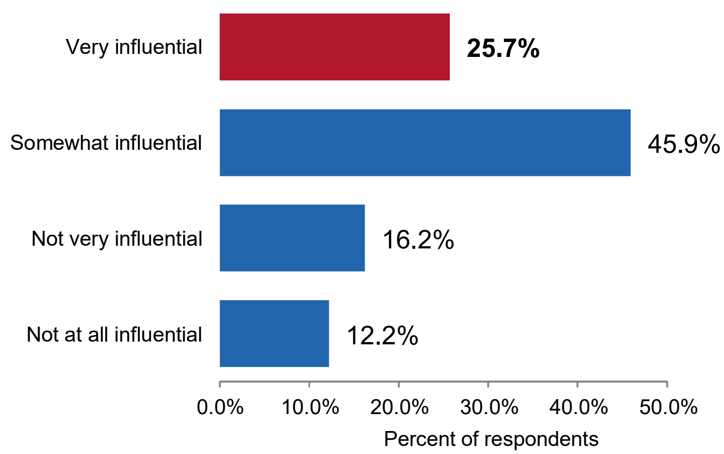
Among respondents who had made an overnight visit to Mendocino County, 25.7% reported that the Visit Mendocino website had been “very influential” in their decision.

Of approximately 160,000 unique website visitors (April 2013 to March 2014), 47.8% made a trip to Mendocino County, of which an estimated 20.2% were influenced to visit by the website.

38% of prospective visitors who received information from Visit Oceanside were influenced by the content and subsequently visited Oceanside.

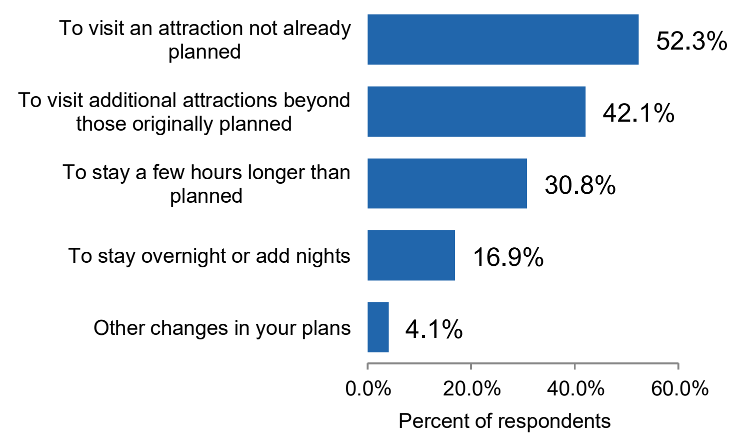
Among those visitors who were influenced by the visitor information, more than half indicated that they decided to visit an attraction or site that they had not already planned to visit and 17% added additional nights to their stay.

Website information influences traveler decisions
Visit Mendocino follow-up survey of website visitors



Question: How influential was the Visit Mendocino website in your decision to take an overnight trip to Mendocino County in the past six months? (Follow-up survey to website visitors, among those respondents who had made an overnight trip to Mendocino County.)
Source: Strategic Marketing Group "DMO Influence/Conversion Study", on behalf of Visit Mendocino/Mendocino County Lodging Association

Visitor information influences visitors to stay longer
Visit Oceanside visitor survey



Question: Which of the following were you influenced to do in Oceanside based on information you received from Visit Oceanside? (Among visitors to Oceanside whose plans were influenced by CWC or Visit Oceanside information.)
Source: Horizon Consumer Science (2013, May) "Visitor Profile/Economic & Fiscal Impacts study - CY2012", on behalf of Visit Oceanside California

Case study: the creation of Brand USA boosts tourism arrivals and spending in the US

Brand USA has maintained a strong ROI and helped revitalize the US as an international destination

Before 2011, the US did not have a national tourism organization. A decade of stagnation of international travel suggested that the lack of an organization that could effectively promote the US' global brand was costing the country billions of dollars in lost potential visitor expenditures.

Brand USA was created to reinvigorate the country's global brand, and positive effects have been realized quickly. The organization has raised the profile of the US as a destination and generated almost one million incremental visitors annually. Spending by these visitors generated $586 million in federal taxes, approximately triple the organization's total operating expenses. In 2017, Tourism Economics estimated an 25:1 ROI on total operating costs.

Summary Results: Brand USA ROI (FY2017)

Region		Investment	Incremental visitors		Incremental Spend	ROI
N America	$	15,364,407	292,327	$	280,728,572	18.3
Europe	$	30,522,644	208,915	$	688,526,624	22.6
APAC	$	27,306,504	211,059	$	1,202,013,845	44.0
LATAM	$	3,310,259	39,281	$	226,534,116	68.4
Other / Global Infrastructure	$	64,179,769	360,352	$	1,493,154,609	23.3
Total marketing	**$**	**140,683,584**	**1,111,934**	**$**	**3,890,957,766**	**27.7**
Overhead	$	14,846,145				
Total operating	**$**	**155,529,729**				**25.0**
APAC + LATAM	$	30,616,764	250,340	$	1,428,547,961	46.7

Source: Tourism Economics

Case study: Colorado cuts state funding

Within two years, Colorado lost 30% of its US visitor market share

Conversely, budget cuts in other destinations provide case study examples of what has happened when destination marketing spending is reduced. The US state of Colorado represents a particularly powerful example of the impact of a dramatic reduction in destination marketing spending:

- Prior to 1993, the Colorado Tourism Board (CTB) had a $12 million marketing budget, funded by a 0.2% tax on most tourism spending.
- Within two years of repealing its tourism funding in 1993, Colorado lost 30% of its US visitor market share, which translated into the equivalent of over $1.4 billion annually in lost revenues. By the late 1990s, this had escalated to $2.4 billion a year.
- After having moved from 14th to 1st position in the states' summer resorts category, Colorado slipped to 17th in 1994. It also shifted back to being more of a regional drive destination opposed to being a national fly-in venue and attracting fewer international visitors.
- The subsequent establishment of the Colorado Travel & Tourism Authority, which was an attempt to market the state with private sector funding in co-operation with the CTB, failed. This was attributed to the fact that private sector companies had separate priorities.
- The new Colorado Tourism Office opened with a $5 million budget and in 2003, $9 million was approved for tourism promotion. A campaign conducted from October 2003 through December 2004 resulted in 5.3 million incremental visits, representing 17% of total visitation to the state. In 2004, this generated $1.4 billion of additional spending and $89.5 million in state and local taxes.
- These estimates are equivalent to an implied visitor spending return-on-investment (ROI) per marketing dollar of $140 (i.e. each dollar change in marketing spending resulted in a change in visitor spending of $140).

Case study: San Diego TMD funding frozen by litigation

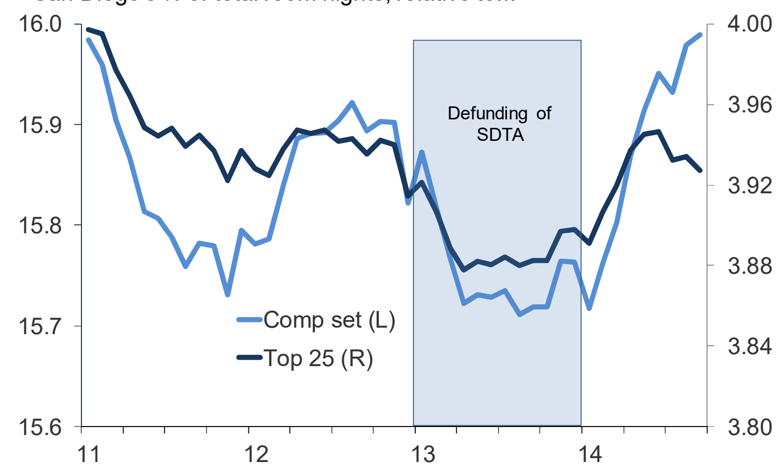
San Diego market share declined when tourism marketing was curtailed in 2013

A series of events in San Diego resulted in a temporary reduction in tourism marketing spending, providing a case study of short-term impacts:

- The San Diego Tourism Marketing District (SDTMD) was established in 2008 with the support of the lodging sector to provide stable funding for marketing and promotion based on a hotel room assessment. For example, in FY2012, the SDTMD allocated more than $25 million in assessment fees.
- As a result of litigation-related risks, funds intended for the SDTDM were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.
- The San Diego Tourism Authority (SDTA), the region's primary destination marketing organization, was one of the groups impacted. SDTA depends largely on SDTDM funding and was forced to cancel its important spring 2013 advertising campaign. Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to operate a bare-bones operation with only 15% of the funding that it previously received from SDTDM. SDTDM funding to other groups and events promoting tourism was also curtailed.
- Ultimately, in late-November 2013, the local city council released a portion of the funds previously being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.
- The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and price levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs.
- The graph below shows San Diego's reduced hotel room demand market share relative to a competitive set (Los Angeles, San Francisco, Anaheim, Phoenix and Seattle) and top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

San Diego room demand market share

San Diego's % of total room nights, relative to...



Sources: STR, Tourism Economics

Destination promotion ROI in other markets (1 of 2)

Many state and local CVBs and DMOs conduct periodic assessments of marketing effectiveness. There are several goals of these studies, including understanding how specific marketing campaigns are perceived by households, how effective the campaigns are in having an impact on households' intent to travel to a given destination, and which target markets are showing differing level of responsiveness to marketing. Frequently these studies include a specific analysis of the ROI of marketing spending in the form of a quantitative assessment of the level of incremental visitor spending and tax revenues that are attributable to destination marketing.

These studies use a variety of methods, and are measuring the impact of a range of different campaigns across different situations. For example, a specific study may look at incremental visitors attracted by a state-level marketing campaign conducted by a state that attracts travelers from a range of national markets, while another study may focus on the results of a more targeted regional campaign carried out by a city-level CVB. While the results of a specific study pertain most directly to the situation that was analyzed, and the corresponding assumptions, it is appropriate to consider broader inferences from the research.

We analyzed recent studies that included an estimate of the incremental visitor spending attributable to advertising campaign spending. For example, in a fairly typical approach, a study would:

- use a survey to analyze the effect of a specific advertising campaign on households' travel to a given destination, such as by analyzing the impact on actual travel among those that had observed the advertising or by analyzing the impact on households' intentions to travel;
- project that effect to the broader set of households in the marketing area to estimate the number of incremental visits attributable to the campaign;
- apply typical levels of spending per visitor to estimate incremental visitor spending; and,
- compare incremental visitor spending to the level of advertising spending to estimate the ROI.

We summarized the estimates of incremental visitor spending per dollar of advertising campaign spending from these studies in the table on the following page.

Destination promotion ROI in other markets (2 of 2)

Estimates of incremental visitor spending per dollar of advertising campaign spend from the set of studies we analyzed is summarized in the adjacent table, supporting the following observations:

- The results range from as low as $12 for an analysis conducted for Syracuse, NY to as high as $326 for the average of several analyses conducted for California.
- Overall, we observe that recent marketing campaigns by destination marketing organizations at the metro/regional level have generated approximately $53 of incremental visitor spending per dollar of advertising spending.

These ROI estimates relate directly to advertising spending. It is also appropriate to consider a visitor spending ROI relative to total CVB operating costs, or relative to public funding. As an example of the former approach, Meet Minneapolis reports the ratio of visitor spending associated with events tracked in its group sales management system to total CVB operating costs has averaged $33 in recent years. This excludes almost all leisure visitor spending.

As an example of an ROI based on public funding, the Florida state government recently analyzed the return on investment for public funding of Visit Florida. The analysis attributed Visit Florida's public funding (excluding, for example, significant private funding for cooperative advertising and promotions) to generating $11.2 billion of visitor spending during the three-year-period through FY 2013, representing a visitor spending ROI of $97, and a state tax revenue ROI of $3.2 ($3.20 of state tax revenue generated by each $1 of state funding).

Marketing ROI matrix

Region	Timing	Visitor spending per ad dollar
States		
California	Average 2009 to 2013	$326
Arizona	Average 2007, '11, '12, '15	221
Georgia	Average 2011 and 2012	211
Colorado	2012	200
Florida	2011	177
Maryland	2012	160
Wyoming	Average 2012, '13, '14	156
Kentucky	2014	151
Missouri	2013	131
North Dakota	Average 2010, '12, '14	101
Utah	Average 2010, '11, '13	83
New Mexico	2013 to 2015	72
Virginia	2006	71
Michigan	Average 2006 to 2014	69
Metros and regions		
Philadelphia, PA	2009/10	100
Branson, MO	2012	79
Kansas City, MO	2013	65
Springfield, MO	2011	61
Finger Lakes Wine Country, NY	2012	44
Washington, DC	2013	27
San Diego, CA	2013	19
Syracuse, NY	2008	12
Median of states		**$154**
Median of metros and regions		$53

Sources: Local studies compiled by Tourism Economics

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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