

Destination Promotion: An Engine of Economic Development

How investments in the visitor economy drive broader economic growth



Presented to the City of Madison Economic Development Committee

June 17, 2015

Who we are...What we do.

The Greater Madison Convention & Visitors Bureau and Madison Area Sports Commission mission is to drive economic impact through tourism.

We do this by:

- Securing Conventions and Events
- Servicing existing events
- Providing visitor information
- Promoting Madison



Why should you care?

\$54.9 MILLION

Every dollar invested in our work
generates \$13.60 in return



Destination Promotion: An Engine of Economic Development

How investments in the visitor economy drive broader economic growth



Thanks to project sponsors



Research approach

- Interviews
- Literature review
- Case studies
- Statistical analysis

Key findings

- States and cities across the U.S. invested \$2 billion in destination promotion last year, which is warranted based on the size of the visitor economy.
- However, the dividends of destination promotion extend far beyond the visitor economy.
- Why? Destination marketing drives broader economic growth by building air service, creating familiarity, attracting decision makers, and improving the quality of life.
- As a result, cities and states that prioritize destination marketing and coordinate these efforts with economic development initiatives have experienced significant site relocations and new investments as a direct result.
- Destinations that outperform their peers in attracting visitors tend to outperform in the overall economy.

Outline

- Assessing the visitor economy opportunity
- How does destination promotion drive economic development?
- To what extent does success in visitor markets translate into broader competitive advantage?
- Call to action

Assessing the visitor economy opportunity

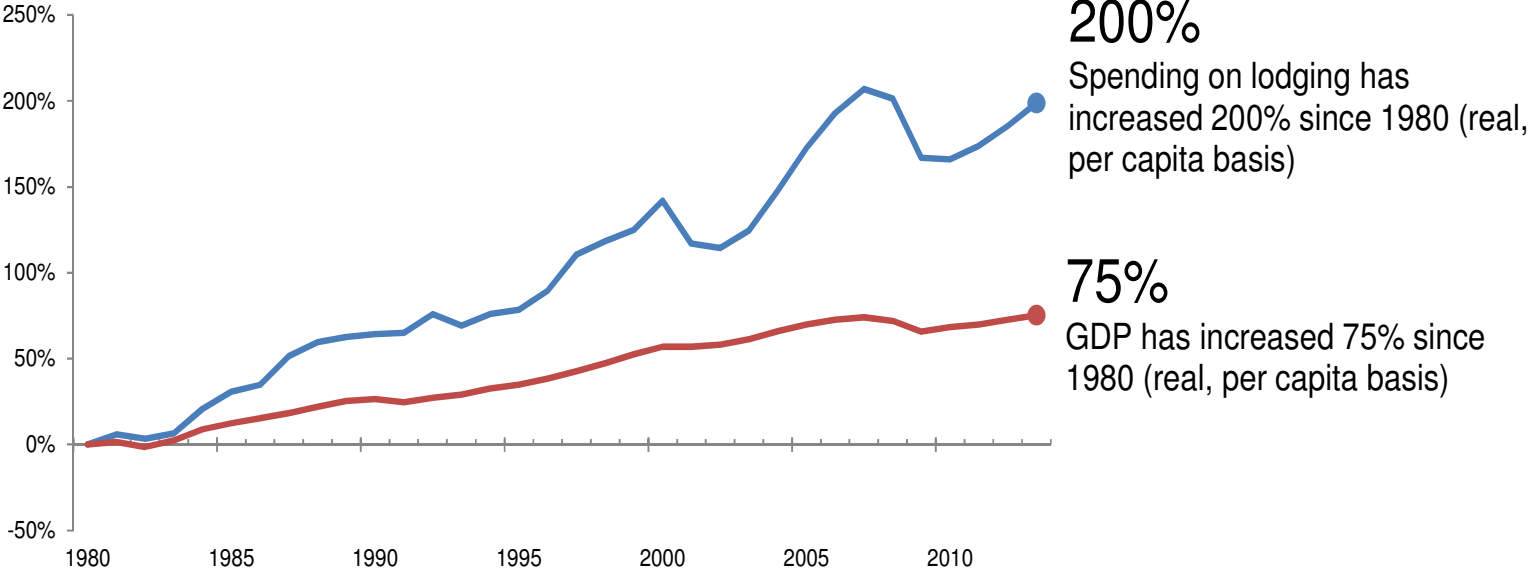
Spending on travel outpacing income growth

- 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%..

Spending on lodging

Real, per capita GDP and spending on lodging

Percentage change since 1980



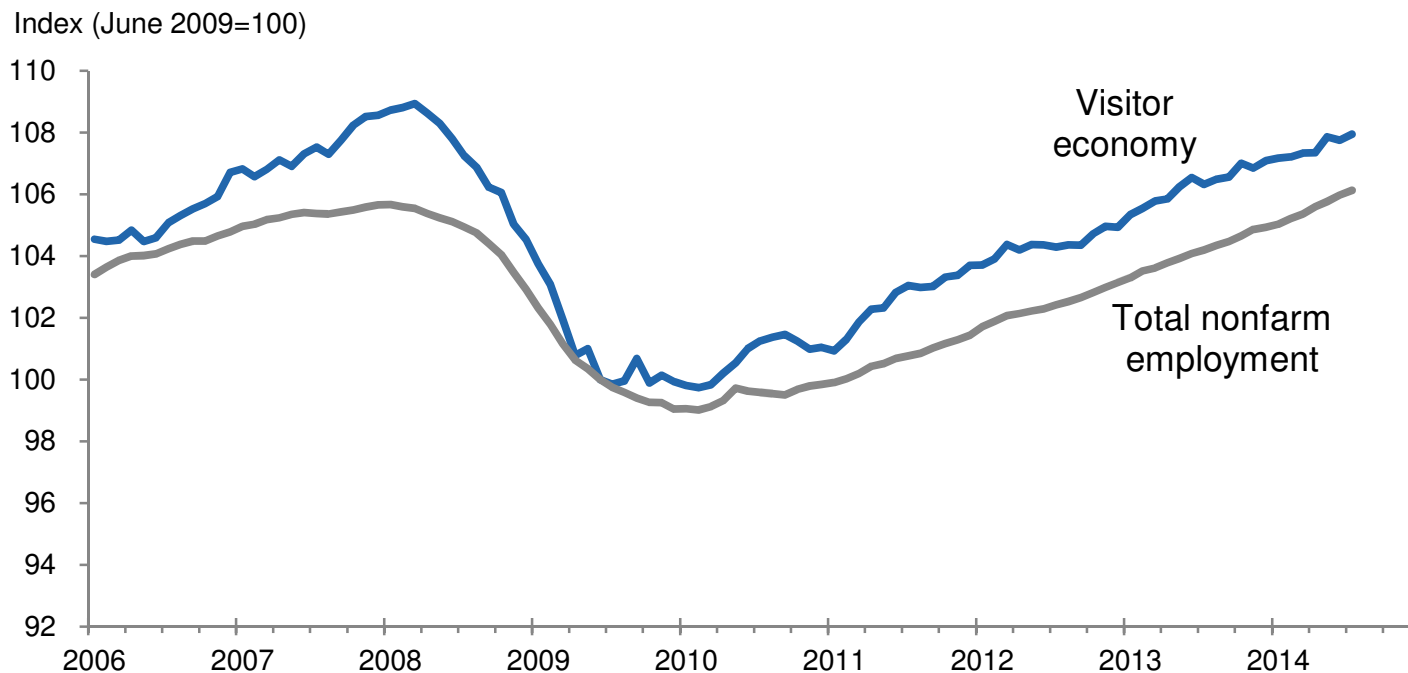
Source: Bureau of Labor Statistics; Tourism Economics

Visitor economy leading jobs recovery

- As of July 2014, employment in key sectors of the visitor economy was 7.9% ahead of its June 2009 level, compared to a 6.1% gain for the broader economy.

Visitor economy employment trends

Compared to total nonfarm employment

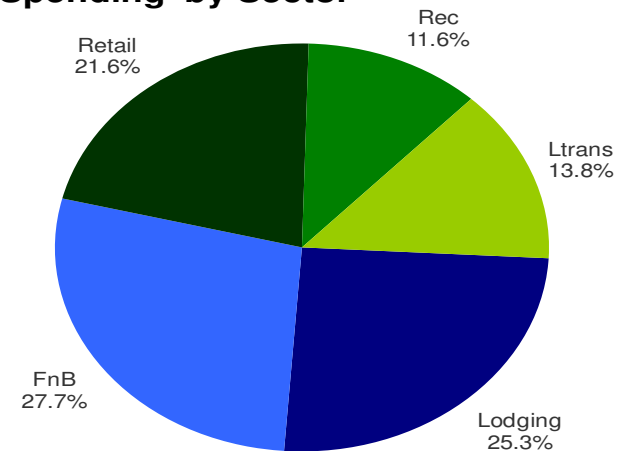


Source: Bureau of Labor Statistics; Tourism Economics

Visitor Economy: Dane County & Madison

Visitor Spending and Impacts Dane County				
Spending Category	Millions			Pch Change
	2012	2013	2014	
Lodging	\$244.5	\$256.5	\$280.6	9.40%
Food & Beverages	\$268.0	\$288.6	\$307.2	6.45%
Retail	\$225.3	\$233.1	\$239.0	2.55%
Recreation & Entertainment	\$115.4	\$119.0	\$128.4	7.88%
Local Transportation	\$118.3	\$146.7	\$153.1	4.37%
Total	\$971.4	\$1,043.8	\$1,108.3	6.18%
Growth Rate		7.45%	6.18%	

Visitor Spending by Sector



Visitor Economy: Dane County & Madison

Total Tourism Impacts Dane County and Wisconsin												
County	Business Sales				Employment				Labor Income			
	Total			Percent Change	Total			Percent Change	Millions - Total			Percent Change
	2012	2013	2014		2012	2013	2014		2012	2013	2014	
Dane County	\$1,690.1	\$1,795.4	\$1,902.4	5.96%	19,544	19,929	20,391	2.32%	\$492.8	\$520.3	\$548.6	5.45%
Wisconsin	\$16,773.9	\$17,520.7	\$18,475.6	5.45%	183,786	185,495	187,643	1.16%	\$4,512.1	\$4,657.6	\$4,829.9	3.70%
Share of State	10.08%	10.25%	10.30%		10.63%	10.74%	10.87%		10.92%	11.17%	11.36%	

- Visitor spending supported a total of more than \$1.9 billion in business sales in Dane County.
- 20,391 Dane County jobs were supported by visitor spending in 2014.
- Income growth in Dane County outpaced the state in 2014



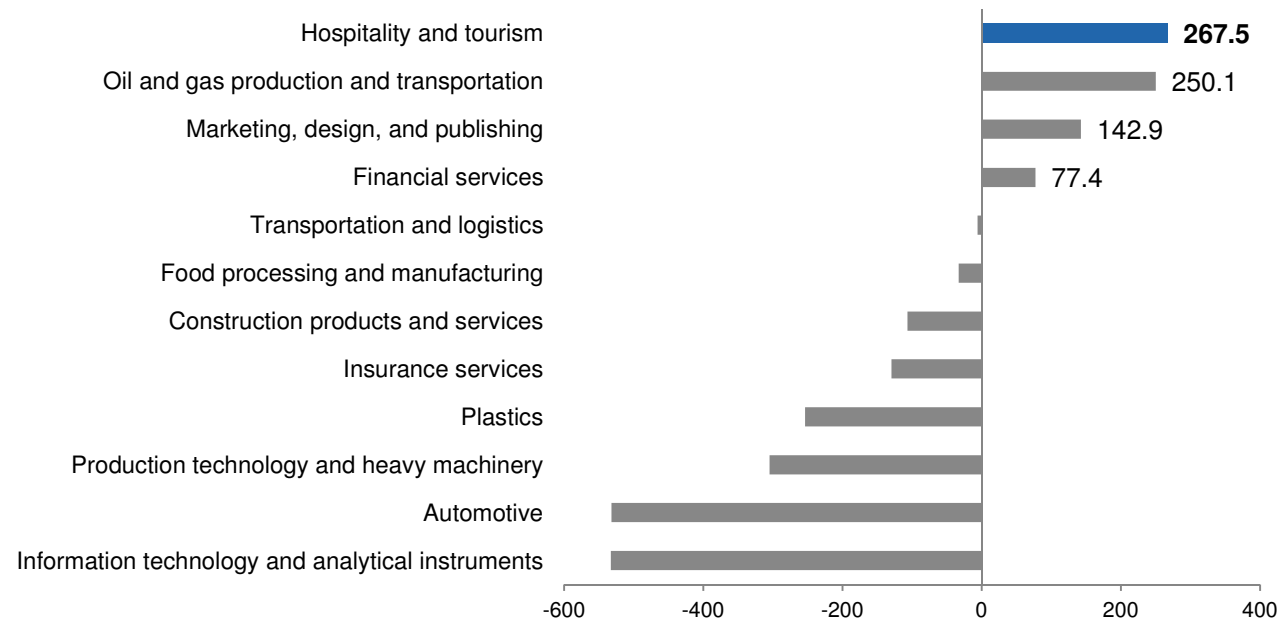
Visitor economy outperforms other “exports”

- As economic development strategies are designed to expand the traded base of a region, growth in the hospitality and tourism sector stands out relative to contraction in more traditional traded goods sectors, such as plastics; production technology and heavy machinery; and automotive.

Hospitality and tourism has generated more jobs over the past 14 years than any other major traded cluster of its size.

Job creation in traded clusters

Net change in jobs 1998 to 2012, in thousands



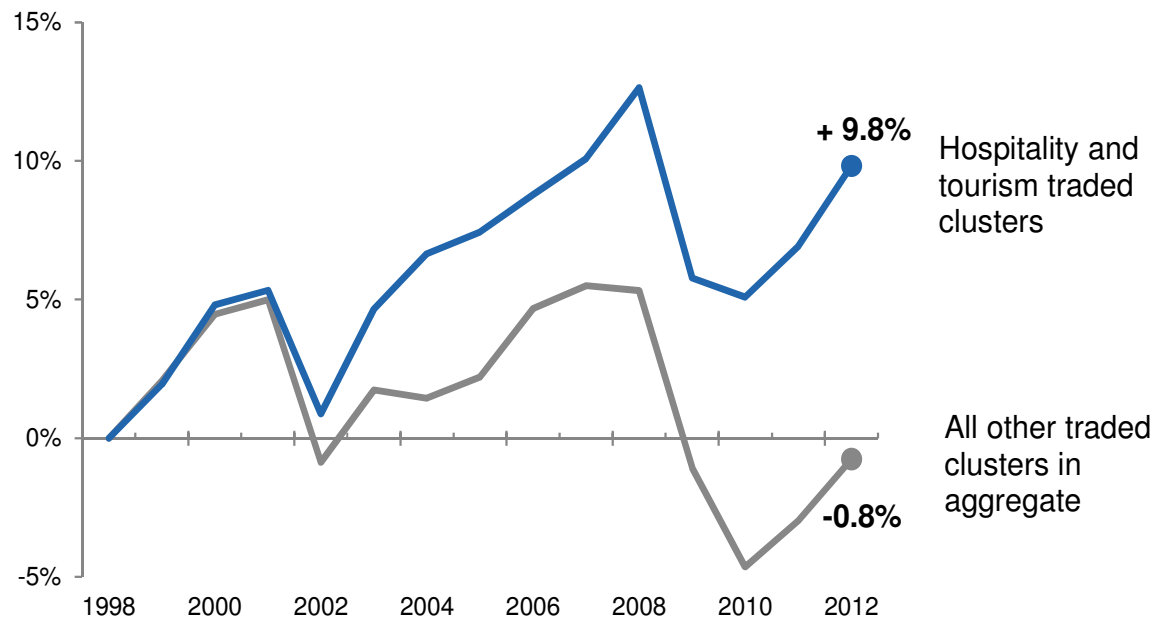
Note: Graph shows selected traded clusters with 0.5 to 2.0 million jobs in 2012.
Source: US Cluster Mapping Project; Census Bureau; Tourism Economics

Visitor economy outperforms other “exports”

- Since 1998, the hospitality and tourism as a traded cluster has expanded employment by 9.8%, compared to an actual decline in traded clusters in aggregate of -0.8%.

Traded cluster employment gains over time

Index, cumulative percentage points of employment growth since 1998



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

The need for destination promotion

- Collective destination marketing overcomes three unique challenges that the visitor economy faces

Challenge	DMO Solution
The visitor economy is diverse	Destination promotion promotes a wide array of businesses
The primary motivator of a trip is usually the destination	Destination promotion articulates the destination brand message
Effective marketing requires scale	Destination promotion pools resources to provide the economies of scale and marketing infrastructure

How does destination promotion drive economic development?

The four channels of DMO catalytic impact



#1 – Building transport networks

Extensive research supports the strong connection between air service and economic growth

- A 2003 study analyzed 91 metro areas in the US and found that a 10% increase in passenger enplanements leads to a 1% increase in employment in service-related industries.
- At the metro level, air passenger volumes have been found to be a strong predictor of future population growth and employment growth.

“The largest economic benefit of increased connectivity comes through its impact on the long-term performance of the wider economy.”

Air Transport Action Group

#1 – Building transport networks

- Destination promotion develops inbound travel, supporting expanded service, with greater frequency of connections to a greater number of destinations
- Airlift is one of the top criteria for site selectors
- Air passenger volumes are a strong predictor of future population growth and employment growth.

“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

#2 – Raising the destination profile

- Destination promotion strongly supports economic development through brand development, raising awareness, and building familiarity

“Every tourist that comes through here is a potential business lead.”

Jeff Malehorn, President & CEO,
World Business Chicago

“If we do it right, the ideal brand will transcend the visitor market and support all economic development.”

Hank Marshall, Economic Development
Executive Officer, City of Phoenix
Community and Economic Development
Department

#2 – Raising the destination profile

Familiarity is critical in attracting investment

- In a 2014 survey by Development Counsellors International, 13% of executives with site selection responsibilities state that their perceptions of an area's business climate were influenced by leisure travel and 37% reported influence by business travel.
- Director of Cleveland Economic Development Tracey Nichols states, "As Positively Cleveland pushes its campaigns, people get the message that Cleveland is cool. And as people visit, they experience the reality."

"As we talk to prospects, they mention past visits and good experiences. This is our open door"

Ben Teague, Executive Director, Economic Development
Coalition for Asheville-Buncombe County

#2 – Raising the destination profile

- “You can never expose people enough. Once they come, we’ve got them.” Jeff Malehorn, World Business Chicago. “Tourists are familiar with New York, San Francisco, and Los Angeles, but not as familiar with Chicago... Every tourist that comes through here is a potential business lead.”
- A significant portion of Louisiana Economic Development (LED) efforts are focused on less familiar parts of the state. Kyle Edmiston, Assistant Secretary of the Louisiana Office of Tourism explains, “Louisiana is a diverse place. Our destination marketing generates exposure to the parts of the state that have been most ripe for economic development and where LED’s most significant wins have been located.”
- World Business Chicago credits the work of Choose Chicago in helping lift the city’s TripAdvisor users rank to number two among top US destinations in 2014.

#2 – Raising the destination profile

- Denver, Cleveland, Louisiana, and Phoenix are all coordinating brand development and messaging across various platforms.
- Asheville, NC recently attracted New Belgium, the Colorado-based brewer, including a \$175 million local investment. The development win, was in part, because New Belgium's leadership saw benefits of associating its brand with a destination with clear recognition for its year-round activities and familiarity among visitors.

“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

#3 – Targeted conventions and trade shows

- By securing meetings, conventions and trade shows for local facilities, DMOs attract the very prospects that economic development agencies target. These events create valuable exposure and create direct opportunities for economic development agencies to connect with decision makers.
- World Business Chicago has an assigned staff member who focuses on trade shows and conventions, recognizing that each visiting delegate presents the potential of a new headquarters or distribution center.

“Our EDO doesn’t have to fly to DC or China. The low hanging fruit is coming here for events.”

Steve Moore, CEO, Greater Phoenix
CVB

#3 – Targeted conventions and trade shows

- Conventions generate idea sharing and innovation, helping to establish a destination's position within a particular industry cluster.
- Asheville (outdoor sports), Cleveland (bio-science)
- Opportunity identified on three fronts:
 1. Target events that are of strategic interest to economic development
 2. Coordinate DMO and EDC efforts for major events
 3. Gain an audience with executive and other decision makers to showcase assets (e.g. “California Pavilion” at major medical convention, co-hosted by Go-Biz and Visit California)

***“Economic clusters and conventions
have become synergistic”***

Tom Clark, Metro Denver Economic Development
Corporation

#4 – Raising the quality of life

Channel of impact: The visitor economy supports amenities and a quality of life that attract investment in other sectors.

- Boeing’s decision to relocate its headquarters to Chicago was heavily influenced by the cultural assets and vibrancy of the city.
- The Denver Economic Development Corporation (EDC) works with Visit Denver to develop attractions. The development of leisure attractions in lower downtown Denver has been instrumental in the relocation of 20,000 residents to the area.
- Asheville’s recent win of a \$125 million investment from GE Aviation was heavily influenced by its quality of life scores related to both outdoor activities and a vibrant downtown.

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

Jeff Malehorn, President & CEO, World Business Chicago

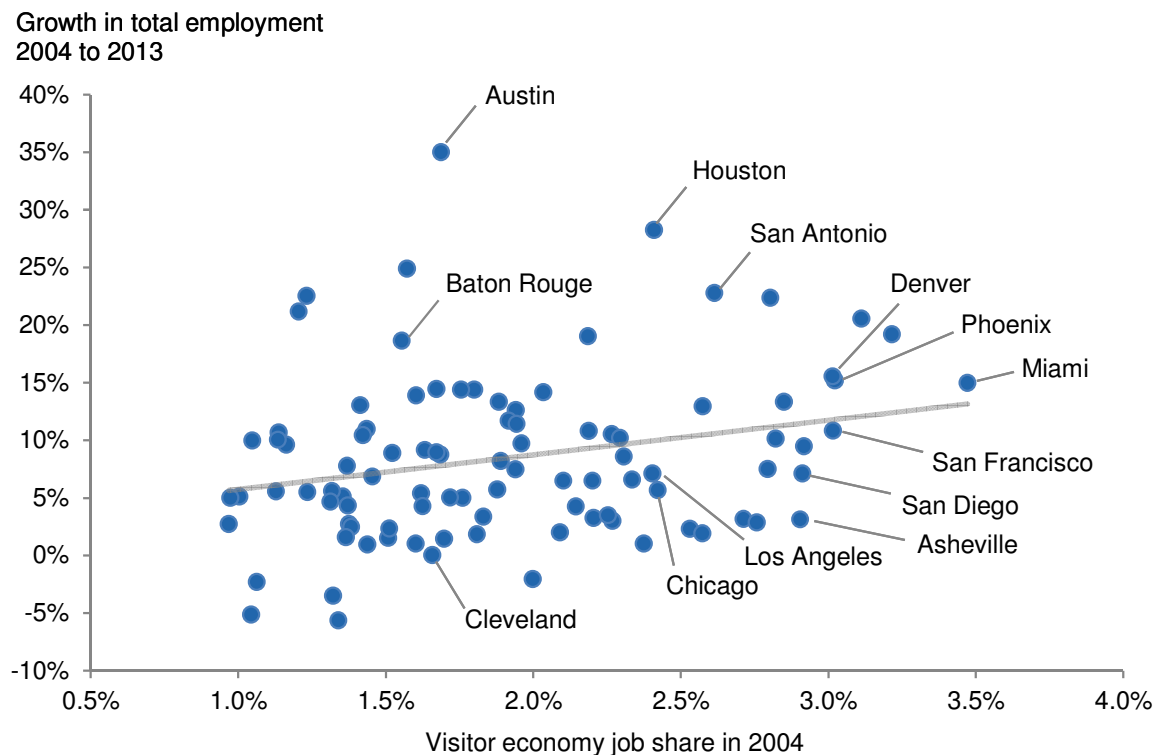
**Do the economies of
successful destinations
outperform their competitors?**

Stronger visitor economy = growth

- Cities with a higher concentration of visitor-related activities and employment have historically grown faster over the past decade.

Each 1.0 percentage point increase in the share of visitor economy jobs corresponds to total job growth over a nine year period that is 3.0 percentage points stronger.

Visitor economy and total employment growth



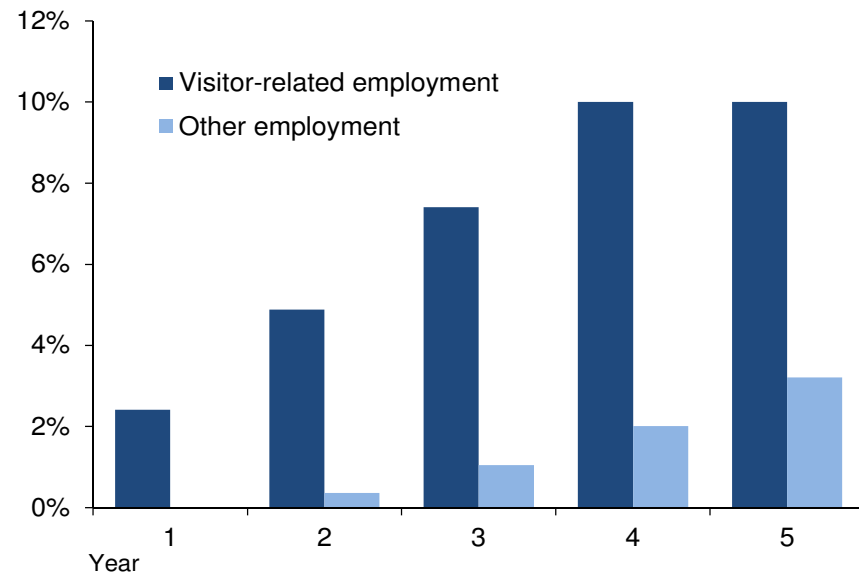
Source: Bureau of Labor Statistics; EMSI; Tourism Economics

Growth in travel spurs broader growth

- Econometric tests show that employment shifts in the visitor economy are followed in subsequent years by sustained changes in growth in other parts of the economy.
- Analyzed 237 cities over a period of 23 years
- A 10% increase in visitor-related employment relative to the US average would result in 1.5% rise in broader employment in the short-run, also relative to the US average.
- By the fifth year, this increase in visitor economy market share has driven incremental growth of 3% in the rest of the economy.

Modeled increase in visitor activity

% increase over baseline



Call to Action

Call to action

#1: Coordinate economic development and destination promotion

- **EDOs and DMOs are both in the business of marketing a place.**
- **The decisions that they aim to influence are different.**
- **However, the audience they market to and the products they promote have significant overlap.**

Five areas of DMO-EDO coordination

- 1. Air Service Development**
- 2. Brand Messaging**
- 3. Inter-Organizational Communication**
- 4. Collaboration on Bids**
- 5. Targeted Conventions**

Perspectives on DMO-EDO coordination

“Ideally, Economic Development and our CVB would collaborate even more.”

Ben Teague, Executive Director,
Economic Development Coalition for
Asheville-Buncombe County

“Community and Economic Development and the Phoenix CVB are highly complementary organizations”

Hank Marshall, Economic Development
Executive Officer, City of Phoenix
Community and Economic Development
Department

“I can’t imagine running World Business Chicago without support from Choose Chicago.”

Jeff Malehorn, President & CEO,
World Business Chicago

Call to action

#2. Prioritize destination promotion

- In addition to attracting visitors, destination promotion fuels economic development by supporting a high quality of life, building transportation networks, raising awareness, and attracting decision makers.
- Therefore, destination promotion should be upheld as a vital component of a city's or state's economic development strategy.

Thank You & Questions



Deb Archer, President & CEO - Greater Madison Convention & Visitors Bureau and Madison Area Sports Commission

archer@visitmadison.com

Diane Morgenthaler, Executive Vice President - Greater Madison Convention & Visitors Bureau

morgenthaler@visitmadison.com