

California Tourism's Contributions to the California Economy 1998-2002

As the number one travel destination in the United States, California annually generates more than \$75 billion in direct travel spending into the economy, directly supports jobs for more than 1 million Californians and generates \$5 billion in direct state and local tax revenue. Tourism is California's 3rd largest employer and 5th largest contributor to the gross state product. Since 1998 when Governor Davis took office, the new California Tourism program (a joint marketing venture of the California Travel and Tourism Commission and the California Division of Tourism) has reversed a decade-long decline in domestic market share and billions of dollars in lost travel related revenue and jobs for California. For the last four successive years, California has increased market share against aggressively competing states with significantly larger budgets from 9.7 percent to 11.6 percent, resulting in an additional \$8.7 billion in visitor spending infused into the California economy, creating 120,833 California jobs, and approximately \$539 million in direct tax revenue.

In fact, California was one of only three states to grow market share in 2001 due in large part to the highly leveraged \$25 million post 9/11 tourism recovery campaign initiated by California Tourism. The California Tourism program has become so successful in creating economic growth; it has become a model for the nation. The State again has the unique opportunity to stimulate the economy by aggressively promoting California as the destination of choice among prospective travelers. Following are highlights of the enormously successful marketing endeavors conducted by California Tourism that directly stimulated increased travel and related expenditures for the state.

Marketing & Advertising

Since 1998 and the passage of the California Tourism Marketing Act, the purchasing power of the state's annual \$7.3 million tourism budget coupled with the CTTC's \$6.8 million in funding has provided seed funding to generate over \$80 million in cooperative partner funds to promote travel to California. Cooperative funding was developed from private and other governmental sources in every major category of California Tourism's program. This unique public/private partnership not only has allowed California Tourism to retain a competitive edge in the global marketplace, but to create the most progressive marketing program in the nation.

Adventures in Wild California IMAX® Campaign

California Tourism conceived and produced a large-format/IMAX film, *Adventures in Wild California*, to communicate the state's allure and magnificence to the world. The IMAX concept was created after researchers discovered more than 350 IMAX theaters worldwide, many in California's target markets. As of October 31, 2002, *Adventures in*

Wild California has played in 65 cities on five continents worldwide and a syndicated three-hour “made for TV” version aired in an additional 140 countries, reaching nearly 1 billion households. The \$500,000 California Tourism investment in seed funding has been leveraged into a \$30 million marketing effort.

In-State Marketing Campaign with “Best of California” Television

To respond to the dramatic decrease in travel spending after September 11, 2001, California Tourism developed and launched a new comprehensive campaign designed to get Californians to rediscover their great State. The campaign included the production of three 30-second television spots, eight 60-second radio spots, nine newspaper spreads in major metropolitan newspapers, the creation of a “California Finds” Web site providing added value travel packages to the consumer, and development of 13 half-hour “Best of California” television programs that reached 7.8 million targeted households. A total of \$5 million was leveraged into a \$28.5 million in-state marketing effort. **A study of this campaign showed a return on investment of \$143 for each dollar spent.**

Expenditures by visitors influenced to travel by the in-state advertising campaign totaled \$1.48 billion, created 19,444 jobs, and generated tax revenues totaling \$51.9 million during the promotional period. Independent research shows that travel was up 3 percent despite the effects of September 11.

Interactive Television Development

Building on the success of *Adventures in Wild California* IMAX, California Tourism continued development of its five-year plan to launch interactive TV programming with exclusive features on California. The plan includes a second season of the “Best of California” television series and an interactive “Best of California” Web site that will feature show topics and bookable partner vacation packages. This new pioneering program will soon reach a global targeted audience of millions 24 hours a day, seven days a week.

Advertising

Over the past four years, California Tourism has invested \$12.5 million in national advertising in both television and print mediums to keep California “top of mind” as consumers make their vacation decision. The national, award-winning campaign has targeted out-of-state consumers with innovative creative executions, capturing the free-spirited attitude and lifestyle that people worldwide want to become a part of, if only for a vacation. **Each year the campaign averaged a 4 to 1 return on investment (ROI) in tax dollars. For example, a study conducted of the 2001 advertising campaign established that California Tourism’s ads influenced 3.6 million visitors in 2001. These visitors spent \$2.6 billion. The cost of the advertising campaign was \$4.4 million, leading to a return of \$196 for each \$1 spent. This investment also generated an estimated \$6.88 in taxes for each \$1 spent, or a total of \$91 million in state taxes.**

Cooperative Marketing Efforts

In order to respond to specific consumer interests while vacationing, California Tourism also developed activity-based promotions including California Fun Spots (theme parks and attractions), Culture California, Dine California, Golf California, California (Outdoor) Recreation, California Snow, the AARP Family Savings Card, Wild Vacations in California and a cooperative print promotion with American Express to drive consumers to choose California product. Leveraged promotional activities include print publications, creation of activity-specific Web sites, participation in trade shows, added value card promotions as well as other tactical elements. **California Tourism has provided seed funding of over \$5.5 million during the past four years and industry participation has leveraged that investment conservatively into a 4 to 1 or \$20 million cooperative marketing effort, due to the over 300 industry partners involved.**

Visitor Information

California Tourism's visitor information program continues to be an important contributor to the health of the State's economy. Whether in- or out-of-state, visitors and potential visitors rely on California Tourism as their primary information source.

Literature/Fulfillment Program Return on Investment

Since 1999, on average, the literature/fulfillment program annually generated \$119 million in total spending to the state. **Visitor spending, strengthened by the program, generated \$4.7 million in new State tax revenues.** And for every \$1 spent, California received \$174.6 from travelers who decided to visit or extended their stay because they receive the information.

Publications Program/California Visitor's Guide

Completely funded by advertising sales, the publications program has generated approximately \$250,000 in revenue back into California Tourism for further marketing purposes.

California Tourism Web Site

The www.visitcalifornia.com Web site has literally created a window to the world for small and large California businesses seeking prospective travelers by offering users a plethora of exciting travel activities and places to see. The site had more than 9,644,498 user sessions and 3,163,766 unique visitors from 1998-2002. **In addition, requests for visitor packets from www.visitcalifornia.com increased 161% since 1999.**

Official California Welcome Centers

Since the program's inception in 1994, California Welcome Centers have acted as the

number one visitor stop for domestic and international travelers once they are within the state. Supplying valuable traveler information and visitor services to nearly 3 million international and domestic tourists since 1998, average visitation to the Centers has increased 21 percent annually. In the spring of 2003, the network of welcome centers will offer an official Web site and hotel reservation system enabling 24-hour visitor access to these services. Recognized as one of the most efficient operations in the nation, the California Welcome Center Program is administered by California Tourism that sets standards for operation. The network of 11 centers is financially supported entirely by local partner funding and operates at no cost to the State.

Communications

The primary role of California Tourism's Communications Program is to generate positive coverage for California in an effort to encourage visitation to the Golden State. **Since 1998, the Communications Program have initiated contact with, or responded to, nearly 11,000 media, resulting in California coverage with an estimated media value of \$35 million.** Program highlights include:

Overseas Public Relations Offices

In 2001, California Tourism, for the first time ever, contracted for public relations representation in Germany, Japan and the United Kingdom. Media outreach includes daily contact with key travel media, press trips, media missions, press releases and newsletters, and participation in travel trade shows. **The combined efforts of the three overseas public relations operations have resulted in contact with nearly 4,600 journalists, resulting in California coverage valued at \$13 million.**

California Tourism's Media Missions

Since 1998, an average of 42 delegates representing California destinations, attractions, tour companies, accommodations, shopping areas, and ski resorts have participated in California Tourism's annual media mission to New York City. One of the biggest events of its kind, more than 100 consumer and travel trade press have attended the evening reception and marketplace featuring themes and special guests such as: *150th Anniversary of Gold Discovery* with Dr. Kevin Starr; *Adventures in Wild California* IMAX film debut; and *California Fusion - Culture and Cuisine* with celebrity chef Martin Yan. **Publicity highlights resulting from mission include a segment on The Today Show featuring Chef Martin Yan, valued at \$500,000; and the May/June 2001 edition of Saveur Magazine, dedicated exclusively to California, valued at \$1.9 million (travel editor gathered information at 2000 press event).**

Crisis Communications

As part of the *California, Find Yourself Here* tourism recovery campaign implemented in response to 9/11, a national award-winning online program, "California Finds," featuring more than 1,200 packages for visitors, was begun. From December 2001 through August

2002, the “California Finds” site attracted 145,000 visitor sessions and 1 million hits. In response to the energy challenges facing California in 2001, California Tourism also initiated the nationally-recognized *Enlighten* communications campaign. The key message of the campaign was, “the lights are still on in California.” California Tourism additionally engaged in crisis response and provided informational assistance to communities affected by El Niño flooding, chemical treatment of Lake Davis in Plumas County, and wildfires throughout the state.

Media Outreach

Primary media outreach tools include press and feature releases, such as the quarterly *What's New in California*, which is mailed to 3,000 writers, editors and broadcasters worldwide. *What's New* items are used regularly by the Associated Press (AP), and go to 1,550 daily AP member newspapers around the country, representing 98.8 percent of all U.S. dailies and 99 percent of U.S. newspaper circulation. During the past four years, California Tourism has organized numerous individual and group press trips for domestic and international journalists; actively entered the competitive international marketplace by conducting media missions to Austria, Brazil, Germany, Japan, Mexico, Switzerland, and the United Kingdom; and continued participation at key writer conferences and travel trade shows.

Travel Trade Development

Travel Trade Development implements a wide range of marketing activities to promote California both domestically and internationally, reaching tour operators, travel agents, incentive organizers, meeting planners and group travel planners. Travel Trade Development provides exposure of California as a premier travel destination to increase group and independent tour package sales to the state and drive travel agent referrals to California, as opposed to competing destinations.

California Tourism exhibits at major travel trade shows, organizes key sales missions, and conducts educational seminars/workshops. Joint promotions are conducted with major worldwide airlines and domestic carriers to increase awareness of California and drive bookings. California Tourism's seed money and 5 to 1 leveraged cooperative funding from tourism partners throughout the state have made it possible for California Tourism and industry partners to participate in more than 300 trade shows in the past four years.

International Travel Trade Offices

In the past four years, California Tourism has expanded international reach with the opening of new travel trade offices in Brazil and Australia in addition to the already successful offices in the UK, Germany and Japan. These overseas offices are vital to maintaining and increasing California's market share and visibility in their respective regions to keep California the number one destination for international travelers to the U.S. These offices have made more than 125,000 contacts with trade and consumers in

the past four years. California Tourism's seed money is coupled with funding from convention and visitor bureaus throughout the state to leverage support from the industry to provide a greater, more impactful presence.

International Ski Program

California Tourism and the California Ski Industry Association have cooperatively conducted an aggressive winter sports consumer campaign in the UK and Ireland, together with Virgin Atlantic Airways. Since the onset, packaged British ski visitors have increased from approximately 1,000 to 12,000 per year. With this aggressive promotional effort, California overtook Colorado as the number one ski destination in the U.S. **The benefit, as much as \$24 million in a good season, is a tremendous boost to tourism throughout the California ski community.**

“A Taste of California”

The vast diversity of the Golden State has offered California Tourism the opportunity to develop and promote “A Taste of California” element into programs. “Taste of California” is a branding for a variety of different food-related cooperative programs from special chef events to food product samples in conjunction with trade shows. By branding “A Taste of California,” California Tourism can emphasize the whole “lifestyle” concept of California, which no other destination can claim. By featuring California food products that are available in-market in conjunction with tourism locations, and working with commodity boards, California’s “home-grown” products such as pistachios and wild rice provide a highly compelling sales platform for tours and export. This theme has created a pioneering marketing opportunity that no other state has been able to match.

California Countryside Marketing Fund Program

With the decline of extractive industries in rural California, local leaders have turned to tourism development as an economic and job stimulus in response to the current environment. Each of the eight designated rural tourism regions in California is granted \$25,000 per year to market the region as a tourism destination. Rural Regional Marketing Organizations utilize the funds to participate in domestic and international travel trade shows, to produce regional visitor’s guides, to develop and maintain regional Web sites, and to purchase advertising. Much of this marketing would not take place without the Countryside funds, as resources are few in these areas. **However, through this innovative program, an average of 428,000 contacts are made each year, at an average cost of \$0.47 per contact.**

Tourism Research

California Tourism’s Research Program maintains a long-standing annual report series that details the impact of travel and tourism on the state. Travel volume reports include *Domestic Travel to California*, *Overseas Visitors to California*, and reports on travelers

from specific countries. *Travel Impacts by County* details the expenditures of travelers by county, and statewide statistics on the economic impact of travel and tourism. The summary publication *Fast Facts* provides an overview of these statistics. The established research base created by this annual report series enables California Tourism to track the massive impact of travel and tourism on California's economy.

The information in these reports is constantly called for and used by travel industry professionals, the media, destination marketing organizations throughout the state, realtors, local and state legislators, students and educators in the U.S. and other countries, and the Travel Industry Association of America. Thousands of copies of these reports are provided to inquirers electronically and in hard copy each year.

Conclusion

Given the current effectiveness of the program and the ability to sustain the current base budget level of approximately \$14 million (\$7.3 million State general fund/\$6.8 million California Travel and Tourism Commission), it is projected that the program can generate approximately 100,000 new travel and hospitality jobs over the next four-year period.

Should the program be drastically reduced or forced to rely solely on the CTTC operating budget, California will again be faced with the devastating downward decline in market share similar to what occurred during the early to mid 1990s before the new California Tourism program began in 1998. From 1996-1998 for example, California went from 10.1 percent market share to 9.7 percent market share, resulting in loss of 24,000 jobs, \$1.72 billion in tourism spending and \$106.8 million in direct tax revenue.

Colorado experienced similar negative results when the State ceased to promote itself as a travel destination. From 1993 to 1997 Colorado's share of domestic pleasure travel dropped a dramatic 30 percent. Colorado dropped from first place among states in the "summer resort category" to 17th, and has not made the top ten since that time. As well, California overtook Colorado as the number one skier visit destination during this period. Due to the devastating economic impacts to the state – particularly in rural regions – Colorado has since restored its tourism marketing program to help make up the approximate annual loss of \$2.4 billion in foregone tourism spending and \$134 million in direct tax revenue.

Case studies and research has shown that investing in tourism marketing for a destination has an immediate positive effect of generating new spending and jobs for an economy. California Tourism, heralded as a national model, is ideally positioned to make significant contributions to the California economy in both the short-term and long into the future. It is for this reason that every state in the country has an aggressive tourism marketing effort. Without the State of California's general fund contribution to the overall budget, California would fall from 13th to 33rd amongst all states in investment of a sustainable tourism marketing effort.