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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: September 14, 2020

Re: Tourism Report to JFC

Attached is a report regarding new market expansion funding from the Department of Tourism, pursuant to September 4, 2019, JFC s. 13.10 action.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm

WISCONSIN

— DEPARTMENT OF TOURISM —

MEMORANDUM

SEP 14 2020

J. Finance

TO: Senator Alberta Darling, Co-Chair
Representative John Nygren, Co-Chair

From: Secretary-designee Sara Meaney

Date: September 11, 2020

Re: Department of Tourism Report to the Joint Committee on Finance regarding new market expansion funding

The Department of Tourism writes pursuant to the Joint Committee on Finance's 13.10 meeting on September 4, 2019 at which the department was awarded \$781,800 per year in General Purpose Revenue for each year in the current biennium for the purpose of new market expansion. During this meeting, the committee required an update on use of funds by September 15, 2020. This memo identifies partial use of funds, considerations of impacts of the global public health pandemic upon tourism as well as a plan moving forward.

In 2019, The Department of Tourism's marketing efforts led Wisconsin to the industry's largest year on record. In 2019, Wisconsin travel spending drove \$22.2 billion in total business sales (~7.3% of GDP), \$13.7 billion in direct visitor spending and \$1.6 billion in state and local taxes. Wisconsin's 113.2 million visitor-trips sustained over 202,000 jobs - 1 in every 18 throughout the state - and translates to a \$687 tax savings for each Wisconsin household to maintain current levels of government services. The return on investment for the Department of Tourism's state branding and promotion drives \$8 in tax revenue for every \$1 in promotional spend and generates \$95 in visitor spending for every \$1 in promotional spend. While this data underscores that tourism is one of Wisconsin's most financially valuable industries, **the economic impact of tourism promotion and conversion stretches well beyond the tourism industry.** Research shows a halo effect caused by tourism advertising and arrivals is a significant asset in recruiting entrepreneurs, workers, students, retirees and investors. A proof point of this is evident in that the former director of Pure Michigan, one of the nation's longest running and most successful marketing brand campaigns, chose to retire in Wisconsin.

Comparisons to the larger national industry and our direct regional competition illustrates that Wisconsin's tourism industry still has room to grow, indicating the Committee was wise to approve the financial resources needed for the Department to expand our footprint into new markets. While the COVID-19 pandemic certainly was devastating, there is no doubt that for our industry, which was hurt so badly by the pandemic, expanding into new markets will be a game-changer when the time is right.

In considering the proper timing for out-of-state tourism marketing promotion, the Department has carefully weighed public health responses to the COVID-19 global public health pandemic. Safer At Home orders, quarantine restrictions for visitors into Wisconsin from other markets (including for a time our largest visitor market, Chicago) as well as diminished willingness among travelers to travel outside their community did not provide viable conditions for significant out-of-state advertising investment. According to an ongoing pandemic study conducted by Longwoods International, the percent of Americans who felt safe traveling outside of their home community plummeted to a pandemic low of 35% on May 13. While we know traveler sentiment is bouncing back, the most recent study indicates just 49% of people feel safe traveling outside of their community. In other words, less than half of our viable traveler audience is open to acting on our travel messaging. We continue to closely monitor traveler sentiment, which is just one of many important factors we weigh in our advertising.

While there have been challenges resulting from the global public health pandemic, there is good news for recovery on the horizon, which is reason for optimism for one of Wisconsin's largest composite industries. The same Longwoods International study referenced above indicates that **almost 70% of Americans indicate they do plan to travel *within the next six months* and road trips are the most popular form of travel right now. Given our proximity to Minnesota, Iowa, Illinois and Michigan, we are confident that this marketing expansion supported by both Governor Evers and the Joint Committee on Finance was not only a wise investment, but will help our industry bounce back faster than otherwise would have been possible.** Therefore, the Department continues with our planning and will launch when willingness to travel into other states substantiates responsible expenditures of taxpayer dollars while providing the state the best possible return on investment.

Three new markets selected

In part, due to the size of funding available for new market expansion as well as overwhelming traveler sentiment in favor of road trips coming out of the public health pandemic, we carefully selected three new drive markets.

The travel category is full of well-funded brands fighting for the same share of wallet as Wisconsin Tourism. As such, we believe that marketing organizations that uncover unexpected data-driven insights through advanced modeling techniques and leverage those findings to deliver targeted messaging to the right people at the right time, will deliver a higher ROI and gain a competitive advantage. To maximize our marketing investments, we deployed a proprietary **propensity to travel** model using data incorporating demographic attributes, geographic attributes, prior travel behavior,

psychographic measures related to travel, and personal values from consumers nationwide. This model identifies the highest probability of nationwide visitors to Wisconsin, highest value of visit, and informs our holistic marketing plan, including message development, a one-to-one targeted digital touchpoint plan, and direction on demographic and geographic targets for potential broader awareness-focused media vehicles.

For the above reasons, we selected **the Cedar Rapids, Davenport and Grand Rapids media markets** as Travel Wisconsin's three newest markets. These new markets supplement the Department's current marketing efforts in Chicago, Minneapolis, Wisconsin and St. Louis.

New Market expansion investment

While travel essentially stopped during the early days of the pandemic, Travel Wisconsin has maintained an "always on" approach. Knowing one day the travel sentiment will bounce back, we diligently prepared for this expansion. To date, we invested \$353,850 in the propensity to visit model for selecting the new markets, positioning research, advertising campaign concepting and testing, marketing planning, media planning and advertising production.

While I had hoped a little more than one year ago that I would be able to report great strides in the fully executed plans to enter new markets, including but not limited to the metrics in the motion passed by the Committee, I am proud of the work our team has done to put Wisconsin's tourism industry in the best possible position for an economic recovery. The work of expanding into these three new markets will play a critical role in tourism's recovery, and you and Governor Evers should be proud of the role you played in securing that funding. Our industry could not be more grateful for these resources in the face of this pandemic. I am eager for Travel Wisconsin to complete the full activation when the time is right, reaping the best possible results for the businesses and workers who rely on tourism and earning the best possible return on investment for Wisconsin taxpayers.

New market gains already being made

In an effort to create a foothold in our new markets, which will make our paid advertising more effective when the time is right, our early efforts within these new markets are already paying dividends. In all three new markets, the groundwork our team put in place has already resulted in a spike in new email sign-ups, views of our social media content, website visits and organic searches of our website. These early metrics have already led to an increased number of repeat visits as well as longer length of stays in Wisconsin. Meanwhile, our public relations team continues to earn media coverage in the Midwest and national outlets, many with penetration into our new markets. To date in just 2020 alone, we have secured more than 400 media placements with a reach of more than **1.8 billion people/households** and an **advertising equivalency value of \$4.7 million** (what it would have cost to purchase advertising space equivalent to the earned media coverage we secured).

When will out of state advertising resume?

The Department continues to monitor very closely a number of factors outside of our control, including response to the pandemic and travelers' willingness to travel outside of their own communities, as measured by changes in travel searches, travel bookings, website traffic, and other data points. Improved trends in traveler sentiment coupled with relative stabilization of the pandemic give us reason for optimism that it will be soon appropriate to resume out of state advertising. Therefore, **we continue to plan to expend the full amount dedicated for these three new markets by the close of the biennium.**

Serving the tourism industry in this role continues to be a highlight of my career. The demonstrated collaboration within our industry and among our stakeholders gives me tremendous hope for a successful rebound and a bright future for Wisconsin's tourism industry.