

KEEP MINNESOTA TOURISM COMPETITIVE

NEW FY 2018/2019 MARKETING INITIATIVES

Background:

The face of tourism is diverse, from small family businesses to major corporations. Tourism supports economic vitality in communities across the state and has a positive impact in virtually every county of Minnesota. The leisure and hospitality sector contributes \$13.6 billion in annual gross sales, supports nearly 255,000 full- and part-time jobs and generates \$878 million in state sales tax each year. A total of 11% of all private sector employment and nearly 17% of all state sales taxes is generated from this industry.

Tourism in Minnesota:

- Generates jobs in communities across the state.
- Provides employment to youth and a diverse workforce.
- Brings incremental spending and associated tax revenues to Minnesota.
- Supports community “quality of life” assets enjoyed by both residents and visitors.
- Helps portray Minnesota as a good place to live, work and do business.

The marketing campaign #OnlyinMN, launched in April 2014, has been highly effective. Per the independent return-on-investment study conducted by Longwoods Intl., #OnlyinMN generated 3.2 million incremental trips and \$337.4 million in incremental spending. In addition, more than 2.6 million people who did not visit Minnesota in 2015 intended to do so in the next year.

Still, media costs are steadily rising. Television costs in Minneapolis-St. Paul have increased an average of 20% since 2005 and national magazine ads have increased nearly 65% since 2007. Social media has morphed from a “free” advertising tool to a primarily paid medium. Many states, including Wisconsin, Michigan, Illinois and Colorado, spend millions of dollars luring Minnesotans to their states. Minnesota is gaining ground, but we are still being vastly outspent by our competitors in the effort to draw visitors and their dollars.

What’s at risk? By losing market share and drawing a smaller part of the pool of travelers, Minnesota limits the opportunity to grow the revenue and jobs that tourism generates. Significant barriers to achieving this goal include the current level of investment by Minnesota and growing competition from other states.

Over the period of 2004 to 2014, Minnesota’s leisure and hospitality sales grew 37% to \$13.6 billion. This trajectory falls short of the Governor-appointed Tourism Council’s goal to grow Minnesota tourism to a \$20 billion industry by 2020.

In order to reach this goal, the state’s tourism promotion program needs to enhance awareness and deepen market penetration, expand international marketing, maximize emerging technology, leverage the impact of events, and increase public relations and social media marketing efforts. That is why Explore Minnesota is asking for an annual increase of \$5.05 million to the base budget, plus \$1 million for technology and \$375,000 for events funding each year in the next biennium.

National Awareness and Deeper Market Penetration:

Increased funding for tourism promotion has supported several strategies to grow tourism in Minnesota. Larger and deeper media buys in current markets have increased the impact of the advertising message and helped to position Minnesota as a destination of choice for consumers. But our work is far from done. We are still being outspent by our competitors and need to expand and deepen our market penetration to raise awareness of the diverse vacation opportunities that exist in Minnesota.

This funding request will allow Explore Minnesota Tourism to:

- Conduct a national TV media buy that increases consumer awareness and legitimizes Minnesota as a premier vacation destination in key summer and winter seasons.
- Deepen and expand advertising into target markets beyond our neighboring states, including Chicago, Kansas City, Denver, St. Louis, Detroit, and Thunder Bay, Ontario.
- Strengthen our marketing in drive markets such as Sioux Falls, Omaha, Des Moines, Milwaukee, Madison and Winnipeg.
- Expand outreach to niche markets, including ethnic minority groups, GLBT, meetings & conventions and sports marketing segments.
- Leverage learning from a pilot program in Dallas and implement a broader strategy to market Minnesota in southern states as an escape from oppressive summer heat.
- Explore innovative and creative strategies that leverage new technology, media platforms and marketing trends.
- Update consumer research to ensure we are reaching a diverse population of potential travelers who represent the best opportunity to increase tourism in Minnesota.
- Continue growing successful partnerships with public and private sector organizations to leverage resources and increase market presence.

Expanded International Marketing and Promotion:

International traveler spending (travel exports) nationwide totaled \$246 billion, and travel spending abroad by Americans totaled \$148 billion (travel imports) in 2015, according to the U.S. Travel Association. Minnesota has one of the best airports in the world with direct flights to far-reaching markets and one-stop connections to anywhere in the world. There is growing interest in international travel to destinations beyond the top U.S. cities. Minnesota has a great opportunity to stand out, but awareness and efforts are limited.

Explore Minnesota has increased efforts to market to media and tour operators in the UK, Germany, Scandinavian countries and Japan. We have also added representation in France, China and Mexico. However, we are being substantially outspent by domestic competitors and have limited resources to increase consumer awareness of Minnesota in these key markets.

Increased funding would allow us to:

- Elevate our exposure in China, currently the fastest-growing international market to the U.S. Digital and social media strategies are much more expensive to implement in China because of the country's media policies and the potential reach for this market, so expanding these strategies here takes greater resources than other countries.
- Promote Amsterdam and Paris year-round airline access throughout Europe. In addition, Icelandair now offers year-round service from Reykjavik with direct connections to all major cities in Europe and Scandinavia, Delta added seasonal nonstop service from Rome, and Condor Airlines has increased the frequency of its flights from Frankfurt into MSP Airport.
- Continue to attract Canadian travelers despite currency fluctuations.
- Leverage the momentum of new nonstop flights between Minneapolis and international markets by building consumer demand for Minnesota as a destination using mass media tactics. Explore Minnesota is working closely with the Metropolitan Airports Commission (MAC) and Minnesota tourism industry to support additional routes from key airports in Japan and Mexico.
- Expand electronic resources, communication and marketing to key international markets, including websites with translated Minnesota content, social media platforms appropriate to the country, and the ability to take advantage of emerging mobile tactics.
- Increase efforts to build consumer demand in key global markets via partnership opportunities with Brand USA in order to contribute to their goal of 100 million international visitors by 2021.
- Enhance proactive PR in key international markets.

Increase Aggressive Public Relations:

Aggressive public relations designed to generate awareness of Minnesota travel opportunities have been limited by insufficient funding. Strategies to generate coverage have proven successful in influencing travelers to visit our state. Minnesota, however, has not had adequate resources to be proactive in this crucial effort.

Increased support of public relations efforts would allow Explore Minnesota to:

- Develop an ambitious PR strategy to pitch stories to national and regional media outlets, bloggers, freelance journalists and social influencers.
- Proactively promote Minnesota's diverse activities, cultural attractions and trip ideas to generate media stories and positive impressions about Minnesota.
- Secure influential Minnesotans and opinion leaders to author stories about Minnesota. Use content to leverage social media audiences and create engaging, viral conversations.

- Assist in the development and promotion of themed activities and events that create publicity for the entire state.
- Conduct one to two annual media tours to key markets to develop and deepen media relationships with editors and writers of regional and national media.
- Invite media to come to Minnesota and generate stories about their experience.
- Monitor and measure the effectiveness of this strategy throughout its implementation.

Growth of Social Media Marketing:

Explore Minnesota has made tremendous progress with its #OnlyinMN campaign, which launched in spring 2014. We have reached new consumers, increased awareness, web traffic, social media engagement and ROI for Minnesota travel. Consumers have shared nearly 400,000 posts with the #OnlyinMN hashtag.

During the last biennium, EMT's social presence experienced impressive engagement across all channels, including:

- Twitter: 64 million people reached
- Facebook: 55 million people reached
- Instagram: 19 million people reached

The #OnlyinMN hashtag has been adopted by many high-profile Minnesotans, including Andrew Zimmern and elected officials, media, and sports personalities. The campaign has received significant press coverage in the greater Midwest, including key growth markets Denver, Chicago and Kansas City.

However, social media platforms have changed significantly since the last biennium. Once a start-up advertising medium, they are now part of a highly competitive marketing environment that requires sophisticated and targeted investment to reach the same audience that at one time could be reached for little or no cost.

Maximize Emerging Technology and Website Initiatives:

Over the past decade, Explore Minnesota has developed a robust, modern website and operating system. This consists of ExploreMinnesota.com, and a set of powerful, highly customized and integrated applications that support the website experience as well as other critical data management and customer service functions.

ExploreMinnesota.com is among the best state travel and tourism websites in the nation. It has consistently produced strong results that align with the mission and goals of Explore Minnesota. In fiscal year 2016, ExploreMinnesota.com attracted more than 4.5 million unique visitors, generated approximately 1.3 million referrals to Minnesota tourism businesses, and more than 1 million views of Travel Ideas (articles).

As new technologies continue to emerge and consumer digital preferences evolve, the state must be forward-thinking. Specifically, Minnesota must continue to invest in the website, in the development of highly engaging digital content, and targeted system updates.

Increased funding in this area would allow us to:

- Modernize website and social media content by developing a robust library of engaging, web-friendly videos that deliver an engaging and immersive presentation of Minnesota's rich ethnically and geographically diverse travel and tourism experiences.
- Begin introductory-level investments in emerging technologies, such as virtual reality, personalization and 3-D browser technologies, to position Explore Minnesota as a leader in the adoption and effective use of these technologies among state tourism agencies.
- Improve the usability of ExploreMinnesota.com for visitors with visual (or other) disabilities by investing in accessibility improvements. This will ensure compliance with current standards and best practices that have been introduced, recognized or changed since the launch of the website in April 2014.
- Integrate translation technologies such as Google Translate and create targeted content for non-English speaking visitors. This will make the website (and, by extension, the state) more welcoming and user-friendly for international visitors and non-English speaking domestic visitors.
- Ensure statewide participation in the Explore Minnesota website by investing in targeted improvements to the key support system. These upgrades would provide Minnesota tourism businesses with new and improved ways to manage their free data on ExploreMinnesota.com and provide new content management capabilities to the Explore Minnesota staff that manage ExploreMinnesota.com.

Explore Minnesota and its contract vendors will maximize the use of targeted group vendors for subcontracting work, including videography and other content development, with an emphasis on including minorities, people with disabilities, the GLBT community and all others in the website content that Explore Minnesota uses to promote the state.

Leverage the Impact of New Events:

During the 2016 Legislative session, Explore Minnesota received \$673,000 in funding to launch a pilot grant program to generate economic impact and awareness of Minnesota through new major events held throughout the state. Major events have the potential to shine a spotlight on Minnesota and attract first-time visitors who can return for both tourism and business purposes. Multi-day events can increase the economic impact of visitors on state and local economies. Events can also generate travel at a time of year that has available capacity. In addition, they can enhance the quality of life for Minnesotans.

EMT is requesting funding to continue this program as an ongoing part of our marketing efforts. The program provides a coordinated approach to funding assistance for two aspects of event development: bids/sponsorships and operation of major new events in Minnesota (including homegrown events).

Eligible events are defined by:

- Overall attendance;
- Length of event/overnight travel generated;
- Time of year/available capacity;
- New to Minnesota (not held in the state in the previous three years);
- PR/destination awareness potential;
- Meaningful programming from diverse racial, ethnic and linguistic groups; and
- Economic impact

The program is structured to ensure statewide access to funding and scalable evaluation to the varying sizes of the host communities. The intent of the program requires that funds be available until spent (lead time can be three or more years from commitment to host event), which would require a revision to the current language.

Summary:

An increase in funding for tourism will allow Minnesota to implement several new programs to grow travel in Minnesota. Enhancing awareness and deepening market penetration, expanding international marketing, maximizing emerging technology, leveraging the impact of events, and increasing public relations and social media marketing efforts will all contribute to the increased economic impact and growth of travel in Minnesota.

In turn, these efforts will provide employment to youth and a diverse workforce by increasing the availability of jobs in the leisure and hospitality industry, as every \$1 million invested generates 750 jobs.

Other Legislative Requests:

Reinstate Carry-Forward Authority for Unexpended Funds

This request is to reinstate Explore Minnesota's authority to carry unexpended funds forward in the second year of the biennium, to be used for tourism marketing efforts. This change would not increase the funding to Explore Minnesota, but would preserve the entire amount of funding appropriated to the agency for tourism marketing by allowing unexpended funds to carry into the next fiscal year for marketing efforts.

About \$250,000 may be unspent at the end of the fiscal year, or is returned after fiscal year close by grants recipients that do not use their entire grant amount.

EMT has historically had the authority through session law to keep carry-forward funding in the second year of the biennium. This is significant as major advertising opportunities are time sensitive and in the spring/summer timeframe. Opportunities and marketing purchases such as media buys need to be estimated and often change to address annual variations that come with weather, economy, and other fluctuations or unpredictability in the tourism industry. Explore Minnesota must retain funding to allow us to be nimble and responsive late in each fiscal year, to best serve our industry and the state's tourism economy.

With spring and early summer advertising, there is also the necessity to estimate fulfillment costs, and maintain sufficient funds to cover these. Also, grants operate on a calendar rather than fiscal year, so any funds repayment for unused money occurs beyond the end of the fiscal year.

These carry-forward funds are significant to a small budget.

Change Event Funding to be Available until Expended

Lead time on major events can be many years in advance. The existing funding for major events is only for this FY, and requires all events funded for operation to take place before June 30, 2018, in order to close out the account. The effectiveness of this funding would be enhanced by allowing it to be available until expended.

Allocation of incremental annual budget

