

INCREASE MINNESOTA'S COMPETITIVENESS as a PREMIER TRAVEL DESTINATION

NEW FY 2020/2021 MARKETING INITIATIVES

Background: Tourism marketing and destination promotion is a critical element to the globalization of Minnesota's economy, from increased visitation to infrastructure and business investments.

Approximately one job is created in the leisure and hospitality industry for every \$1000 invested in tourism marketing efforts, which helps to support a young and multiracial workforce.

The face of Minnesota tourism is diverse, from first-generation family-run restaurants and century-old resorts to worldwide travel corporations and airlines. Tourism supports economic growth and vitality in communities spanning the state and virtually every county of Minnesota, generating state sales tax revenue of \$996 million, or approximately 18% of all state tax revenue. In the absence of the state and local taxes generated by travelers, each Minnesota household would need to pay an additional \$625 in state and local taxes to fill the gap.

The leisure and hospitality sector in Minnesota is huge, and it continues to grow. Contributing \$15.3 billion in annual gross sales – that's almost \$42 million per day – the sales generated from leisure and hospitality businesses grew by 54% between 2004 and 2017. The industry supports over 270,000 full- and part-time jobs, \$5.8 billion in payroll, and represents 11% of all private sector employment in the state.

Tourism in Minnesota:

- Generates jobs in communities across the state.
- Provides employment and career opportunities to a diverse workforce.
- Brings new dollars into Minnesota through incremental spending and associated tax revenues.
- Supports enhancements in community infrastructure, assets enjoyed by both residents and visitors.
- Yields a positive "[halo effect](#)." Tourism lifts not only visitation but also drives business development, real estate sales and even college recruitment.¹

Explore Minnesota's #OnlyinMN marketing campaign launched in April 2014 and has been highly effective at increasing brand recognition and engagement, as measured by the annual independent return-on-investment study conducted by Longwoods Intl. The latest study (2018) showed the spring/summer campaign generating 3.5 million incremental trips and \$415 million in incremental spending. In addition, nearly 3.76 million people who did not visit Minnesota in 2018 intended to do so within the next year.

Beyond these positive statistics, numerous challenges erode Explore Minnesota's reach and effectiveness year after year. Media costs are steadily increasing with technological innovation, and the media landscape continues to fracture and expand. Examples include:

- Television rates up 9% since 2013
- Radio rates up 13% since 2013
- Print (magazine) rates increasing 4-7% annually
- Google AdWords up 125% between 2013 and 2016
- Digital advertising innovations including pre-roll, video placements, higher impact ads, gaming units, etc. command significantly higher rates because of their premium status.
- Social media costs continue to rise as platforms continually add advertising opportunities and implement advancements in response to consumer expectations.

Market share is at risk. Millions of unused vacation days are left on the table each year. In Minnesota alone, 58% of people have 13.5 million unused vacation days with an untapped economic impact of over \$1.6

billion. The story is similar throughout the country.² Realizing even a miniscule portion of this potential economic impact is worth consideration of additional investment. Our Midwest competitors are targeting similar audiences, including Minnesota residents. With few exceptions, their budgets exceed that of Explore Minnesota. Loss of market share limits Minnesota's ability to advance the industry, increase tax revenue and expand job opportunities statewide.

Over the period of 2007 to 2017, Minnesota's leisure and hospitality sales grew 40% to \$15.3 billion, compared to 27% for all other industries. At the current rate of growth, leisure and hospitality gross sales and jobs are projected at \$17.4 billion and 287,000, respectively, by 2020. Yet, this trajectory falls short of the Governor-appointed Tourism Council's goal to grow Minnesota tourism to a \$20 billion industry by 2020.

In our continuing effort to reach this goal, Explore Minnesota is shifting its marketing approach with a new campaign. With additional budget, we would:

- Increase investment in our national media strategy to create awareness of unique Minnesota travel opportunities, reaching beyond our historical market boundaries while sustaining support of local community marketing efforts;
- Expand global marketing efforts;
- Increase national and international public relations outreach; and
- Continue to leverage the positive statewide impact of events.

That is why Explore Minnesota is requesting an annual increase of \$5.768 million to the base budget, and an increase for our events grants program to \$1 million each year in the next biennium.

Execute a New Marketing Strategy:

In our fast-paced, digitally driven world, consumers are ever more curious, impatient and demanding. We expect more control over the information we receive and messages that are personally relevant. With more information at our disposal than ever before, marketers who understand these insights and optimize against them will see success.

In FY18, Explore Minnesota underwent a mandatory RFP for marketing agency services. As a result of this exercise, a new agency was retained beginning July 1, 2018, and a fresh tourism campaign will launch in spring 2019. We believe that the new creative feel, supported with messaging based on consumer interests and delivered through both mass and niche marketing channels, will resonate with travelers at home and throughout the country. Between now and then, hundreds of assets need to be collected and edited into campaign materials for FY19-20.

The media components of this campaign rely on traditional media in core markets – stretching from Denver to Chicago and Winnipeg to Kansas City – supplemented by a national digital plan.

The new digital strategy leverages audiences with friends and/or family connections to Minnesota and then targets key passion activities that Minnesota can deliver on, no matter where the consumer lives.

This approach feels personalized and taps into activities that align well with Minnesota (e.g. biking), using inspirational photography and video with rich storytelling to deliver messages in places where they are already finding great biking information. It's also geographically agnostic: If you're a bicyclist in Washington State or Washington, D.C., with friends in Minnesota, we want to talk to you.

Increased funding would allow us to:

- Expand the number of national niche audiences that we are able to target, including diverse and ethnic minority groups.
- Explore innovative and creative strategies that leverage new technology, media platforms and marketing trends, such as streaming television, AI technology, etc.
- Update consumer research to ensure we are reaching a diverse population of potential travelers who represent the best opportunities to increase tourism in Minnesota.
- Develop high-touch, high-impact, experiential marketing strategies to cultivate consumer awareness and engagement through interactive Minnesota travel experiences.
- Deepen and expand mass advertising into emerging markets, including Chicago, Kansas City, Denver, St. Louis, and to-be-determined southern markets.
- Conduct a national TV media buy that increases consumer awareness and legitimizes Minnesota as a premier vacation destination in key summer and winter seasons.
- Continue to develop and grow successful partnerships with public and private sector organizations to leverage resources, support cooperative advertising, marketing grants, and other opportunities for Minnesota communities to increase their market presence.

Expand Global Marketing and Promotion:

International traveler spending (travel exports) nationwide totaled \$245 billion, and travel spending abroad by Americans totaled \$161 billion (travel imports), creating an \$84 billion travel trade surplus in 2016, according to the U.S. Travel Association. These are high-yield travelers, with each overseas visitor spending approximately \$4,360 and staying an average of 18 nights when visiting the United States.

In 2017, Minneapolis-St. Paul (MSP) was ranked the 16th busiest airport in the nation, with direct hub connection to Atlanta’s Hartsfield-Jackson, recognized as the world’s busiest airport. MSP airlines serve 163 nonstop markets, including 136 domestic and 27 international markets, and according to the U.S. Department of Transportation, MSP ranks among the top 20 U.S. airports for international capacity (2017). Data received from Oxford Economics indicates an increase of international arrivals of 33% by 2026.

Minnesota has an unprecedented opportunity to expand market share and global recognition for business, leisure and blended (“bleisure”) trips with the launch of three new international non-stop flights serving MSP in 2019. Beginning in 2019, Delta’s partnership with Korean Air will bring MSP its first nonstop flight from Seoul, South Korea, providing new connectivity to an additional 28 origination points from Southeast Asia. In addition, Delta will launch new daily non-stop service Mexico City, Mexico in June 2019. And MSP will welcome a new international carrier to the market in July 2019 with Aer Lingus starting daily non-stop flights between MSP and Dublin, Ireland. With MSP as a major gateway, other international airports such as Duluth and Rochester will benefit from expanded service and increased reach to global markets.

Explore Minnesota has strategically refined its marketing and communications efforts to travel trade and media in the UK, Germany, France, Nordic countries, Japan and China. However, we are being substantially outspent by our competitors and have limited resources to increase consumer awareness of Minnesota in key markets. The travel infrastructure through airline service to the destination exists and passengers are arriving,

but due to lack of consumer awareness, the majority of arrival passengers simply use MSP as a connection rather than a final destination.

Increased funding would allow us to:

- Initiate a consumer awareness-building strategy for top international markets to complement travel trade and media programs in more mature markets like UK, Germany, France, Benelux and Nordic countries.
- Increase efforts to position Minnesota as a global destination through expanding partnership opportunities with Brand USA, leveraging their consumer reach specifically to developing markets.
- Leverage the new route from Delta to South Korea as an opportunity to elevate our exposure in the critical growth market of China, currently the fastest-growing international market to the U.S. In this highly competitive market, digital and social media tactics are much more expensive to implement within a government-regulated system. Intense competition with little differentiation is typically found in China's travel industry, and it takes a robust strategy to gain advantage.
- Enhance proactive public relations outreach in all international markets to gain earned media coverage. Expand communication and owned media in key international markets including native language web and social media platforms.

Amplify Public Relations Outreach:

Proactive public relations efforts designed to generate awareness of Minnesota travel opportunities have been resourceful and targeted, but limited by budget. A small PR agency contract assists us with limited national media outreach, and the strategies to generate coverage have proven successful in influencing travelers to visit our state. However, Explore Minnesota does not have adequate resources to be proactive in this crucial effort.

Increased support of public relations efforts would allow us to:

- Develop an ambitious PR strategy to pitch stories to international, national and regional media outlets, bloggers, freelance journalists and social influencers.
- Proactively leverage Explore Minnesota's new marketing campaign to promote diverse activities, cultural attractions and trip ideas to generate media stories and positive impressions about Minnesota.
- Secure influencers and opinion leaders to author content about Minnesota. Use it 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 media missions in key markets to develop and deepen relationships with editors and writers at regional and national media outlets, while presenting a unique and authentic perspective of Minnesota travel opportunities.
- Host media to come to Minnesota and generate stories about their travel experiences.

- Monitor, measure and optimize the effectiveness of this strategy throughout its implementation, with data through monitoring services and PR agency support.

Leverage the Impact of New Events:

During the 2016 legislative session, Explore Minnesota received \$673,000 in funding to launch a one-year pilot grant program to generate economic impact and awareness through new events held throughout the state. The program helped support 22 events, eight in the metro area and 14 in greater Minnesota, ranging from sports to cultural festivals to nationally recognized competitions and the creation of homegrown flagship community events.

During the 2017 legislative session, the New Events Grant program (as it is now named) received \$900,000 for the continued support of new events in Minnesota with funding available until June 30, 2021. The statewide reception to this program along with the demand for funding led to all funds being allotted in less than one year. Touching ever corner of Minnesota, 18 events and two bids were funded, many with a global audience.

Major events have the potential to shine a spotlight on Minnesota by lifting the overall awareness of the destination, highlighting individual communities, driving first-time and repeat visitation, and increasing overall spending. New events also have the ability to stimulate travel in shoulder (slower) seasons. Events are the building block of tourism infrastructure and destination development, adding to the cultural fiber and overall marketability of the destination. A beneficial byproduct of events is civic pride: coming together around a shared purpose contributes to a thriving community and enhanced quality of life for its residents.

Explore Minnesota is requesting \$2 million (\$1 million each year of the biennium) for the continued funding of the New Events Grant program. The program provides a coordinated approach for partially funding two aspects of event development: bids/sponsorships and operations of new events in Minnesota.

Eligible events are defined by:

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

The program is structured to ensure statewide access to funding, with parameters for both the metro area and greater Minnesota, as well as scalable evaluation to the varying sizes of the host communities. The intent of the program requires that funds be split and available in both fiscal years, so that events with longer lead times of up to three years may be eligible (will require a revision to the current language).



¹ [“Minnesota 2017 Advertising Evaluation and Image Study Report”](#) pp. 112-124, by Longwoods International.

² [“Under-Vacationed America: A State-by-State Look at Time Off”](#) by Project Time Off, U.S. Travel Association, Aug. 2018.