

# Competitive Analysis of Pennsylvania's Tourism Budget

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**TOURISM  
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

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## Executive summary and recommendations

# Executive summary and recommendations

## Overview

The Pennsylvania Tourism Coalition engaged Tourism Economics to conduct an independent analysis of the level of destination marketing needed to support Pennsylvania's future success as a visitor destination.

### Section 1: PA tourism market share declines

The travel and tourism sector is critically important to the Pennsylvania economy and its residents. Travel's total impact supports 6.5% of jobs in the state, including almost 319,700 direct jobs, and nearly \$4.1 billion of state and local taxes. Importantly, tourism has been growing more quickly than the state's broader economy.

However, Pennsylvania has experienced a significant decline in its tourism market share relative to eight competitive states. We focused on "marketable trips" that have the greatest potential to be influenced through marketing. \* **PA's share of overnight marketable leisure trips has declined 16.9% (2.9 percentage points) since 2007. PA's share of day marketable leisure trips has also declined, falling 16.4% since 2008 (3.8 percentage points).**

### Section 2: Pennsylvania destination marketing

The PA Tourism Office has historically conducted destination marketing and carried out other activities that help support and promote travel and tourism in Pennsylvania. In addition, the Commonwealth historically provided significant state funds to support matching funds and direct grants to local and regional tourism promotion agencies.

\* Marketable trips are leisure trips in which the primary trip purpose was an activity such as touring, or recreation, rather than visiting friends and family. In 2013, 40% of overnight trips to Pennsylvania were considered marketable. This analysis is conservative in that it does not separately quantify the role of destination marketing in attracting conventions and business meetings, and influencing other types of leisure trips, such as visiting friends and family.

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Collectively, we refer to these funds as PA's "tourism budget", including both the funds under the discretionary control of the PA Tourism Office, as well as matching funds and direct grants. As recently as FY 2008-09, Pennsylvania's tourism budget totaled \$29.8 million. Through substantial budget cuts this was reduced to \$7.3 million by FY 2014-15, with only \$4.3 million proposed for FY 2015-16. While Pennsylvania's FY 2008-09 funding was in line with proximate states, its current level is not competitive (see Executive Summary Addendum A).

**As a result, while tourism is important to Pennsylvania and has continued to grow, state destination marketing funding has been reduced, undermining the sector's valuable benefits.**

### Section 3: Case study review

Pennsylvania's experience has not been unusual. As case studies attest, when destinations such as Colorado and San Diego significantly reduced destination marketing, profound negative impacts on visitation soon followed. Conversely, providing increased levels of funding has been shown to drive tourism growth and positively contribute to regional and national perceptions, such as the case with the "Pure Michigan" campaign.

### Section 4: Competitive analysis of funding

To evaluate a competitive level of state tourism marketing for Pennsylvania, we conducted a benchmark analysis. Indicators of the size of the tourism economy in Pennsylvania show that it is larger and more important than in many other states. **However, in the competitive market to attract visitors, Pennsylvania no longer actively markets itself through a state-directed campaign. Considering its size, Pennsylvania spends much less than virtually all other states on state tourism promotion activities.**

## Executive summary and recommendations

For example, Pennsylvania's tourism budget in FY 2014-15 ranked 36<sup>th</sup> out of 46 states by dollar amount, 44<sup>th</sup> per leisure and hospitality job, and 43<sup>rd</sup> per \$1,000 of earnings in the accommodations sector (see Executive Summary Addendum B). In contrast, states with large tourism sectors tend to have state tourism marketing budgets greater than \$20 million. Pennsylvania's proposed tourism budget of \$4.3 million FY 2015-16 is even lower.

### Section 5: Recommended tourism budget increase

In our assessment, destination marketing of Pennsylvania is substantially underfunded and funding should be increased to \$35 million. This would be closer in line with the size of the state's tourism industry. In a situation such as Pennsylvania's, in which funding has been substantially curtailed for several years, we expect a return to this recommended funding level would have particularly valuable impacts.

### Section 6: Scenario analysis

We analyzed two sets of scenarios. This first considers a lost opportunity historical scenario in which Pennsylvania tourism funding had been maintained at \$30 million annually from 2009 to 2014, rather than significantly reduced. The second set of scenarios considers potential future gains, assuming that Pennsylvania restores its tourism funding to \$35 million annually beginning in 2017. Based on our analysis, we find:

- Over the past six years, cuts in the PA tourism budget have caused the Commonwealth to lose 37.3 million marketable trip visitors, \$7.7 billion of visitor spending, \$3.2 billion of labor income, and almost \$450 million of state taxes, while saving only \$124.9 million of tourism budget expenditures. Effectively, for every dollar saved on the PA tourism budget, the state has lost \$3.60 of state tax revenue.

- If tourism funding is restored, over a four-year future period Pennsylvania stands to gain \$6.7 billion of visitor spending, an average of 15,300 jobs, \$2.8 billion of labor income, and more than \$390 million of state tax revenue. For each dollar allocated to the PA tourism budget, the state would earn \$3.43 in state tax revenue. The net tax benefit would save each Pennsylvania household \$85 on state and local taxes.

We recommend restoring the PA tourism budget to an annual level of \$35 million as quickly as possible.

## Scenario results

Dollar amounts in millions, 2014 dollars

Scenario	Historical losses		Potential gains
	Cumulative impact ('09 to '14)		
	Losses relative to lost opportunity scenario with \$30 million tourism budget	Gains in alternative scenario with \$35 million tourism budget relative to baseline	
<b>Travel Impact</b>			
Marketable trips (in millions)	(37.3)	31.9	
Visitor spending	(\$7,683.0)	\$6,691.4	
<b>Total Impact</b>			
Economic output	(\$13,148.9)	\$11,452.0	
Labor income	(\$3,203.2)	\$2,796.9	
Jobs (average)	(13,384.8)	15,311.6	
State tax revenue	(\$449.2)	\$391.2	

Note: Cumulative impacts except jobs, which are average.  
Source: Tourism Economics

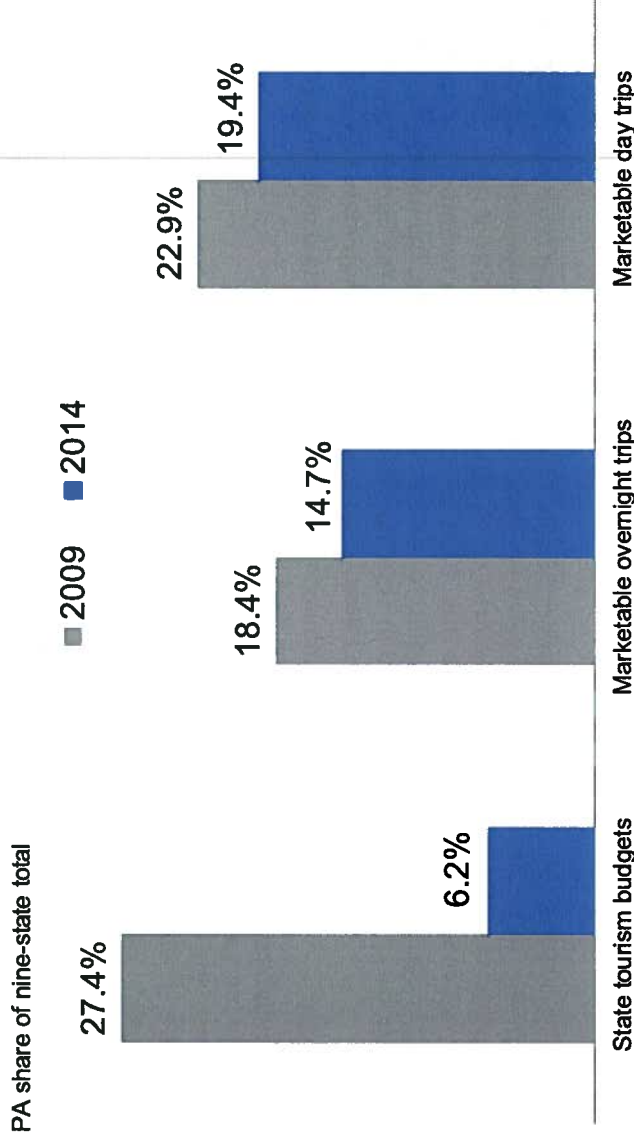
## Executive Summary Addendum A: Comparisons to competitive states

PA's tourism budget is no longer competitive.

Tourism budget cuts have contributed to market share declines.

- In 2009, Pennsylvania attracted 18.4% of marketable overnight trips within a nine-state region, and 22.9% of marketable day trips. At this time, PA's tourism budget was competitive, representing 27.4% of the nine-state total.
- By 2014, Pennsylvania had reduced its tourism office budget to just 6.2% of the nine-state total, and the Commonwealth's share of marketable leisure visits had declined substantially.

## PA share of competitive state total



Note: Nine-state competitive state region includes Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, Ohio, West Virginia, and District of Columbia. Tourism budgets for 2009 are the FY 2008-09 fiscal year, where available.  
Source: US Travel Association; Longwoods International; Tourism Economics

# Executive Summary Addendum B: Funding metrics

Despite having one of the largest tourism economies, PA's tourism budget ranked 36th out of 46 states by dollar amount in FY2015.

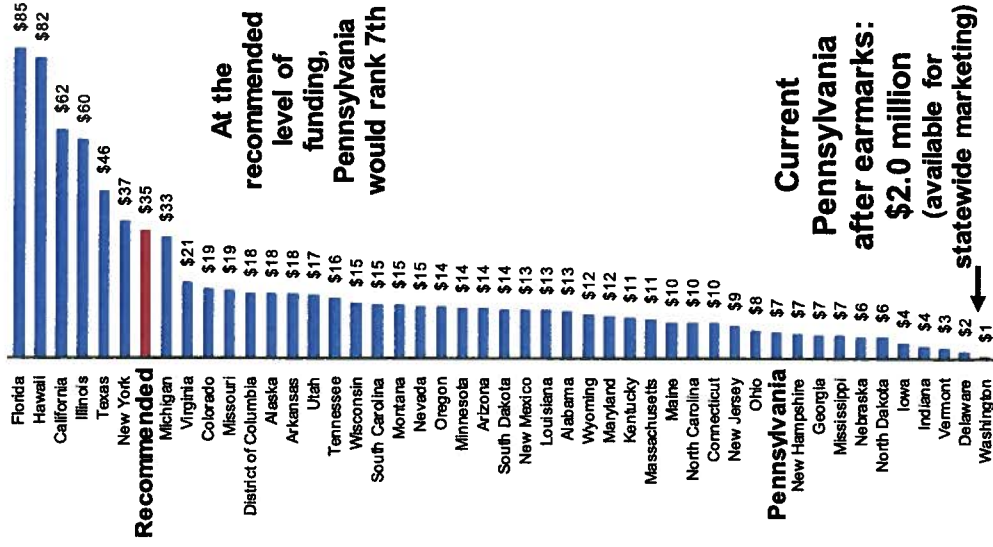
Because Pennsylvania has a larger tourism industry than many states, it ranks 44th among 46 states based on budget dollars per leisure and hospitality job. PA's tourism budget per leisure and hospitality job (\$11) is well below the average (\$79) excluding Hawaii) and the median (\$53).

**Notes:**

State tourism budget amounts reflect the provisional FY 2014-15 budgets as reported in the annual Survey of State Tourism Office Budgets conducted by the US Travel Association, and supplemented with additional data gathered by Tourism Economics. The analysis of state tourism budgets covers 46 states, including the District of Columbia.

**State tourism budget**

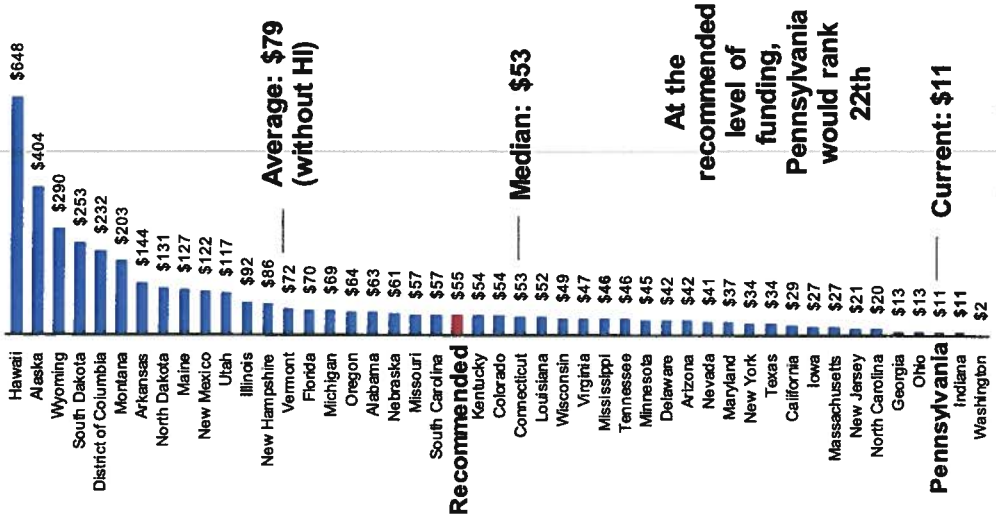
Budget, in millions



Source: BEA; US Travel Association; Tourism Economics

**State tourism budget per L&H job**

Budget, amount per leisure and hospitality job in 2013



Source: BEA; US Travel Association; Tourism Economics

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## 1. PA tourism market share declines



## Travel as an economic driver in Pennsylvania

Travel and tourism supported \$4.1 billion of state and local taxes in 2013.

The travel and tourism sector is critically important to Pennsylvania's economy and its residents. Based on Tourism Economics' recent research, Pennsylvania visitors generated the following economic impacts in 2013:

- \$39.2 billion of traveler spending;
- 319,661 direct travel economy jobs; and,
- secondary impacts that, together with direct impacts, support a total 478,888 jobs (6.5% of all jobs in the state), \$18.8 billion of labor income, and \$4.1 billion in state and local taxes.

Travel and tourism impacts in Pennsylvania have increased substantially since 2009, with visitor spending up 26.0% in nominal dollars, and total employment impacts up 10.6%. If state tourism marketing had not been cut, growth would have been even stronger. Travel and tourism makes important contributions to the state economy.

- Pennsylvania's state and local governments would have to tax each PA household an additional \$835 per year to replace the taxes generated by travel and tourism.
- On average, the spending of every 418 travelers to and/or within PA supports one PA job.
- One out of every 15.3 employees in Pennsylvania is supported by travel and tourism (6.5%).

## Pennsylvania travel impacts

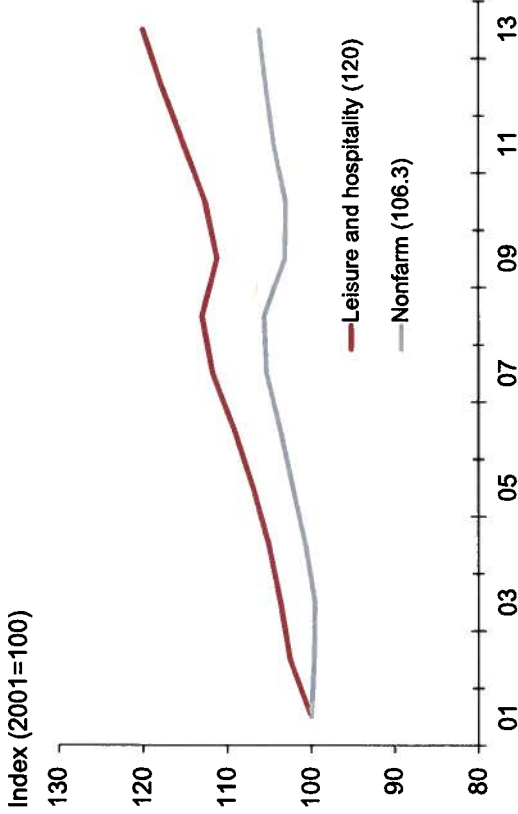
	2009	2013	Change '09 to '13
<b>Direct travel and tourism economy impacts</b>			
Visitor spending (billions)	\$31.1	\$39.2	26.0%
GDP (billions)	\$13.5	\$16.4	21.1%
Employment	283,048	319,661	12.9%
Labor income (billions)	\$8.6	\$10.6	23.0%
<b>Total travel economy impacts (including direct and secondary)</b>			
GDP (billions)	\$25.8	\$30.9	20.1%
Employment	432,936	478,888	10.6%
Labor income (billions)	\$15.8	\$18.8	19.0%
<b>Total traveler-generated taxes (in billions)</b>			
State and local taxes	\$3.4	\$4.1	21.8%
Federal taxes	3.5	4.2	18.8%
Total fiscal impacts	\$6.9	\$8.3	20.3%

Source: Tourism Economics

## Tourism has been a long term source of Pennsylvania growth

Though employment in leisure and hospitality sectors includes jobs that are not directly supported by tourism, it provides a proxy for tourism sector performance over an extended history. Relative to the broader Pennsylvania economy, the leisure and hospitality sector contracted less severely in the most recent recession and has been an above average source of growth in recent years. Since 2001, leisure and hospitality employment has expanded 20.0%, while total nonfarm employment in Pennsylvania expanded 6.3%. If state tourism marketing had not been cut, leisure and hospitality employment growth would have been even stronger.

### Pennsylvania employment

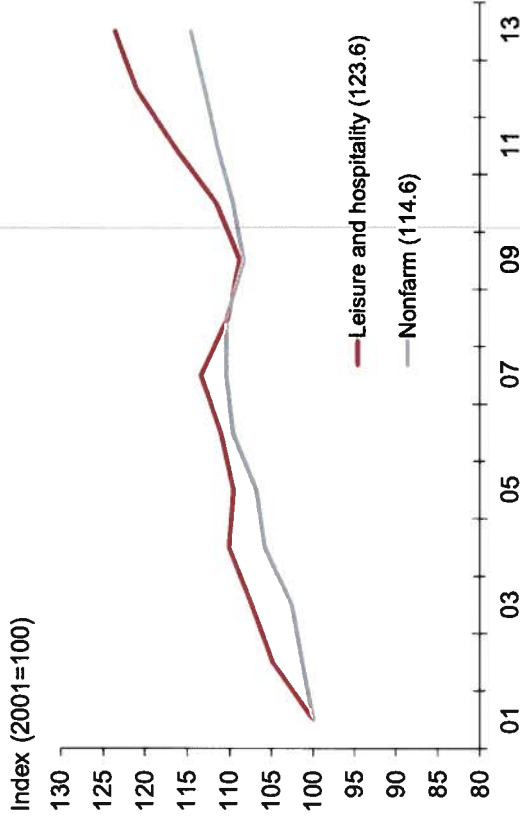


Note: Numbers in parentheses show 2013 index value.  
Source: Bureau of Economic Analysis; Tourism Economics

## Pennsylvania's leisure and hospitality sectors have outpaced the broader economy.

Leisure and hospitality earnings, which are largely wages and salaries but also include proprietors' income for small businesses, represent another proxy. Leisure and hospitality earnings declined during the recession, but have recently expanded at a strong pace. Overall, leisure and hospitality earnings in Pennsylvania have expanded 23.6% since 2001, compared to a 14.6% expansion for nonfarm earnings overall. If state tourism marketing had not been cut, leisure and hospitality earnings growth would have been even stronger.

### Pennsylvania earnings



Note: Numbers in parentheses show 2013 index value.  
Source: Bureau of Economic Analysis; Tourism Economics

## Assessing PA market share declines

Data compiled by Longwoods provides a basis for tracking trends in PA's share of marketable leisure travel.

Longwoods International ("Longwoods") is a research firm that tracks leisure and business travel across the US. On an ongoing basis, Longwoods surveys an online research panel of American adults to measure recent travel activity. By gathering detailed information on actual trips a household has taken during a recent period, Longwoods classifies trips according to trip purpose and destinations visited.

For example, of overnight trips to Pennsylvania in 2013, Longwoods estimates 48% had the primary purpose of visiting friends and relatives, 40% were "marketable" leisure trips, 9% were business, and 3% were business-leisure. Examples of marketable leisure trips include travelers for whom the primary trip purpose was to tour an area, attend a special event, participate in a recreational activity, or stay at a resort.

While travelers who are visiting friends and family, or traveling on business, also generate valuable economic benefits for Pennsylvania, it is the marketable leisure segment where destination promotion activities have the greatest potential to influence travel patterns. Therefore, in the following analysis of market share, we have focused on "marketable" leisure trips.

We have considered Pennsylvania's national market share, as well as its share of trips to a nine-state competitive region. This region includes the following states:

- Delaware
- District of Columbia
- Maryland
- New Jersey
- New York
- Ohio
- Pennsylvania
- Virginia
- West Virginia

This provides a basis for tracking Pennsylvania performance relative to states experiencing similar regional trends.

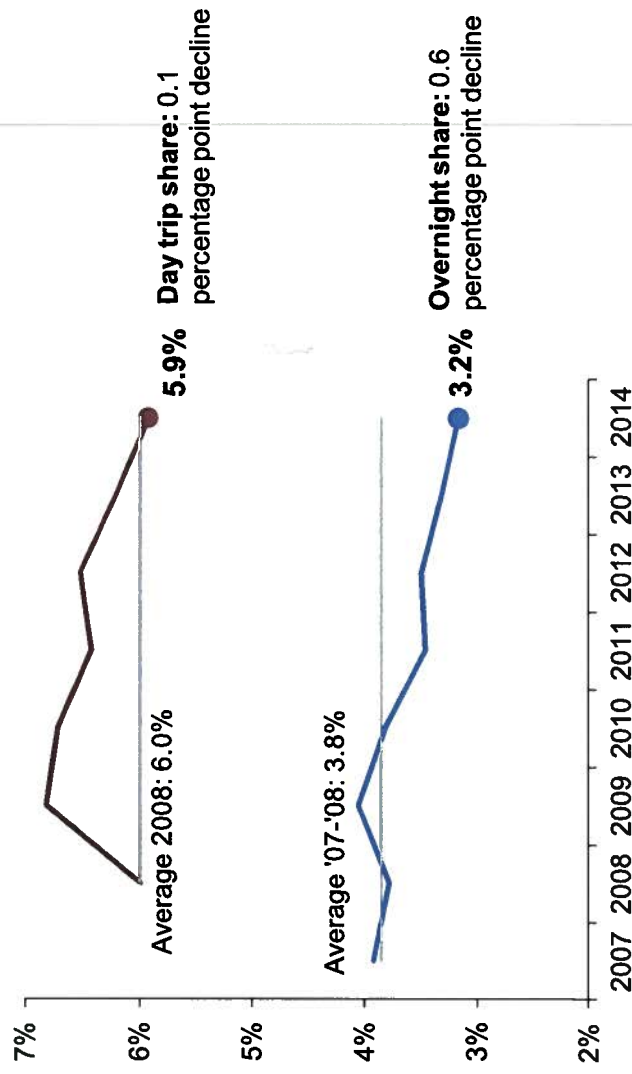
## Assessing PA market share declines

PA's share of national overnight marketable leisure trips has declined in recent years.

National travel activity has improved as the economy gradually recovers. However, Pennsylvania has not been attracting its historical fair share of marketable leisure travelers. Between 2007 and 2014, Pennsylvania's share of national overnight marketable leisure trips declined from 3.8% to 3.2%.

### PA market share of national trips

Share of marketable trips



Source: Longwoods International; Tourism Economics

## Assessing PA market share declines

Pennsylvania has realized sizable declines in its market share relative to competitive states:

- Pennsylvania's share of overnight marketable leisure trips declined from 17.6% in 2007, to 14.7% in 2014, representing a decline of 16.9% (2.9 percentage points).
- Meanwhile, Pennsylvania's share of day marketable leisure trips declined from 23.2% in 2008 (earliest available data), to 19.4% in 2014, representing a decline of 16.4% (3.8 percentage points).

In total, we estimate PA attracted 95.6 million marketable trips in 2014, representing \$18.8 billion of visitor spending.

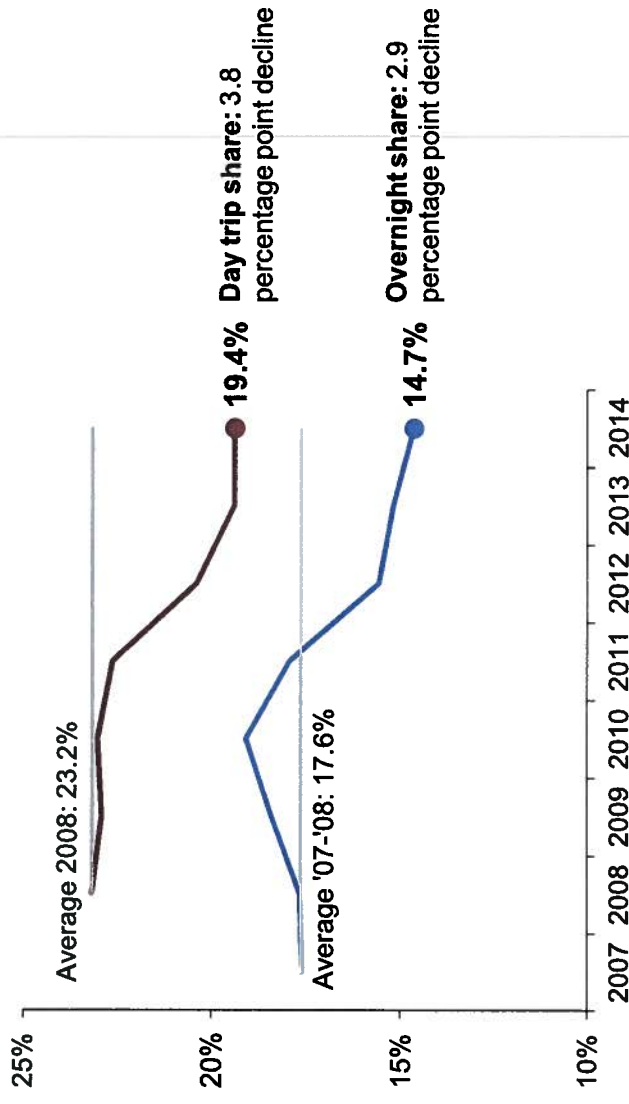
Pennsylvania's market share decline is partly attributable to the strong competitive growth of New York State. New York has more than doubled its state tourism budget (from \$15.0 million in FY2008-09 to \$37.3 million in FY2014-15), and has shown the largest market share gain among competitive states.

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PA's share of overnight marketable leisure trips to the nine-state region has declined 16.9% since 2007.

## PA market share among competitive states

Share of marketable trips



Source: Longwoods International; Tourism Economics

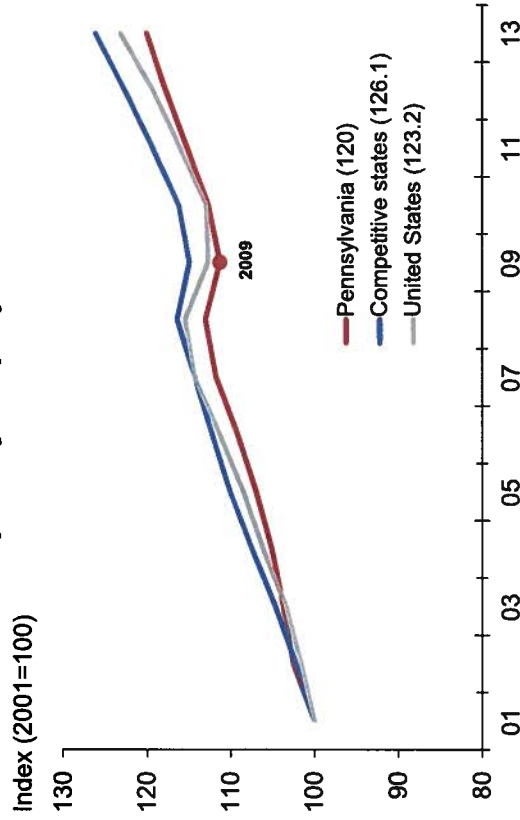
## Assessing PA market share declines

Employment and earnings in leisure and hospitality sectors provides a proxy for tourism sector performance that is comparable across states. On this basis, the comparison between Pennsylvania and the aggregate of eight competitive states is mixed. Over the long term, Pennsylvania has trailed the competitive states in terms of leisure and hospitality employment growth and earnings growth. However, since 2009, while the job gap has widened, the earnings gap has narrowed slightly.

Pennsylvania's leisure and hospitality employment growth has lagged competitive states. In terms of earnings, the gap has narrowed.

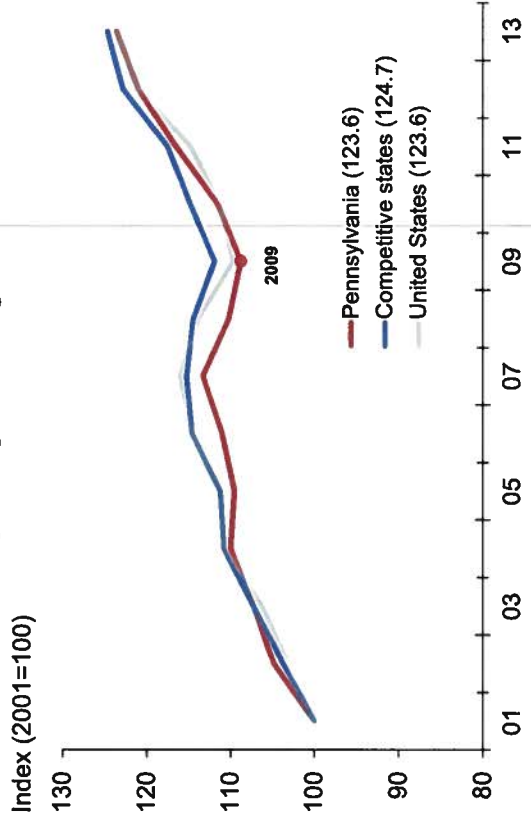
If the PA tourism budget had not been cut, the state would have realized stronger growth in leisure and hospitality employment and earnings.

### Leisure and hospitality employment



Note: Numbers in parentheses show 2013 index value.  
Source: Bureau of Economic Analysis; Tourism Economics

### Leisure and hospitality earnings

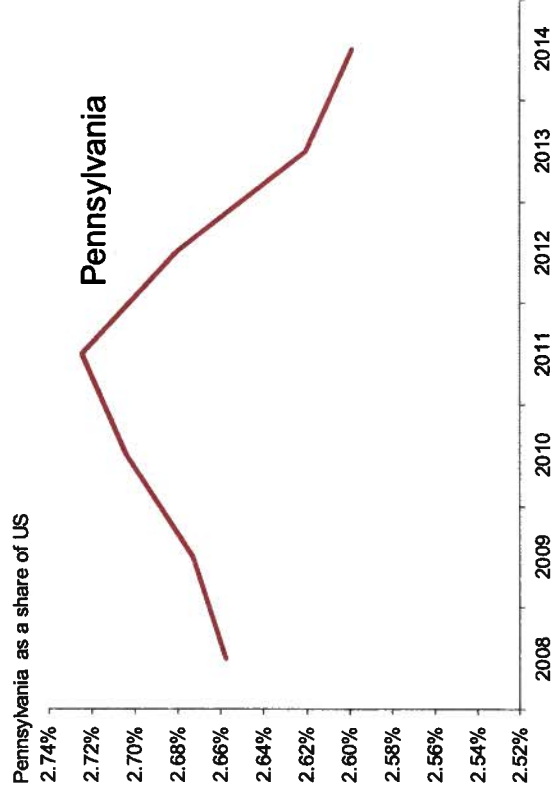


Note: Numbers in parentheses show 2013 index value.  
Source: Bureau of Economic Analysis; Tourism Economics

## Assessing PA market share declines

While Pennsylvania experienced a recovery in occupied room nights following the national recession, it has not experienced quite as much growth as the national average and its share of total US room nights declined to 2.60%. Similarly, aggregate room revenue of Pennsylvania hotels has also lagged national growth, falling to a 2.54% share of national hotel room revenue.

### Hotel room demand

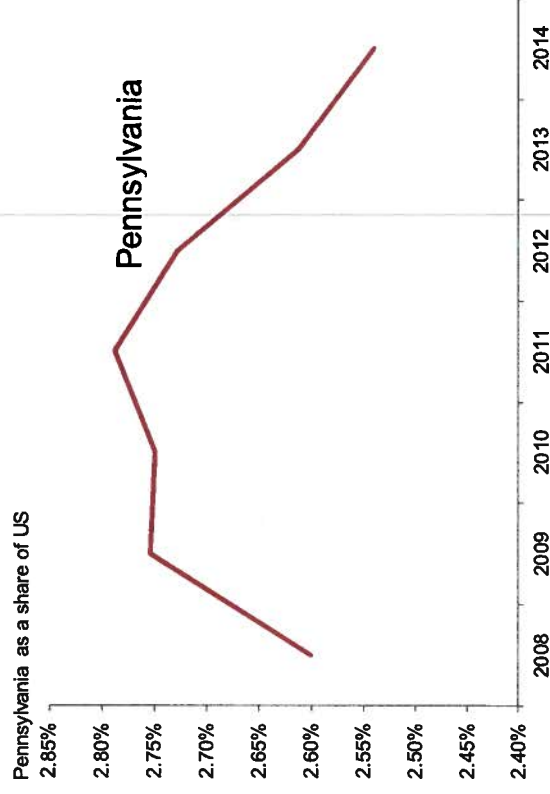


Source: STR Inc.; Tourism Economics  
| Tourism Economics

## Pennsylvania hotel room demand has lagged the national recovery.

If the PA tourism budget had not been cut, the state would have realized stronger growth in hotel demand and room revenue.

### Hotel room revenue



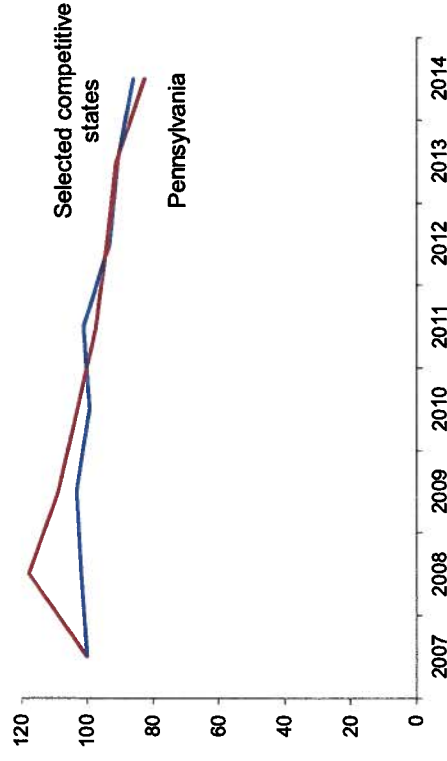
Source: STR Inc.; Tourism Economics

## Assessing PA market share declines

While increasing numbers of international visitors represent a growth opportunity for Pennsylvania, the Commonwealth hasn't maintained its historical market share. Considering overseas visitors specifically, which excludes visitors from Canada and Mexico, Pennsylvania's share of overseas visitors to US states and territories has declined from 3.4% in 2007 to 2.8% in 2014. In the adjacent graph this is represented as a market share index equal to 100 in 2007, and declining to 82.4 in 2014. In comparison, selected competitive states in aggregate have realized a market share index decline from 100 in 2007 to 85.9 in 2014.

### Share of overseas visitors to the US

National market share index, based on overseas visitors (index 2007=100)



Note: Selected competitive states are based on available data (New York, New Jersey, Maryland, and Virginia). Overseas excludes Canada and Mexico.  
Source: National Travel and Tourism Office, Tourism Economics

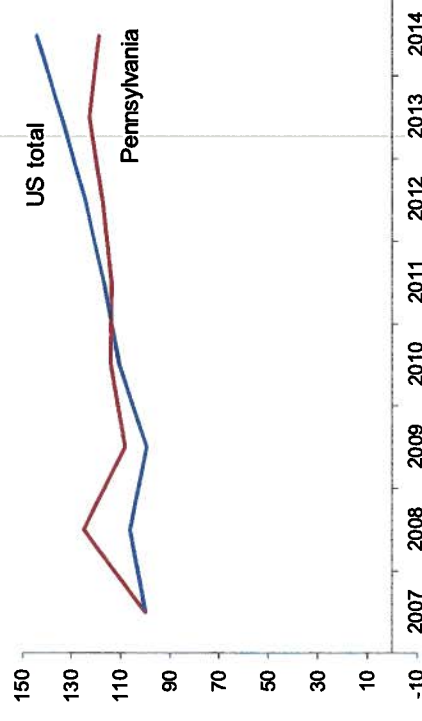
## Pennsylvania has lost overseas visitor market share in recent years.

As a result, while overseas visitors to the US have increased 44.1% since 2007, overseas visitors to Pennsylvania have increased only 18.7%. Indeed, Pennsylvania has not yet recovered its prior peak of 1.0 million annual overseas visitors reached in 2008. Most recently, in 2014, the number of overseas visitors to Pennsylvania actually decreased.

If Pennsylvania had kept pace with US growth since 2007, maintaining a 3.4% share of overseas visitors, it would have meant approximately 206,000 additional overseas visitors to Pennsylvania in 2014.

### Level of overseas visitors

Overseas visitors (index 2007=100)



Note: Overseas excludes Canada and Mexico.  
Source: National Travel and Tourism Office, Tourism Economics



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## 2. PA destination marketing

## PA tourism budget reductions

The PA Tourism Office has historically marketed Pennsylvania as a destination, maintained the visitPA.com website, and carried out other activities to promote travel and tourism in Pennsylvania. In addition, the Commonwealth historically provided significant state funds to support matching funds and direct grants to tourism promotion agencies. The Matching Fund Grant Program provided funds for organizations designated by counties as official tourism promotion agencies, as well as regional organizations.

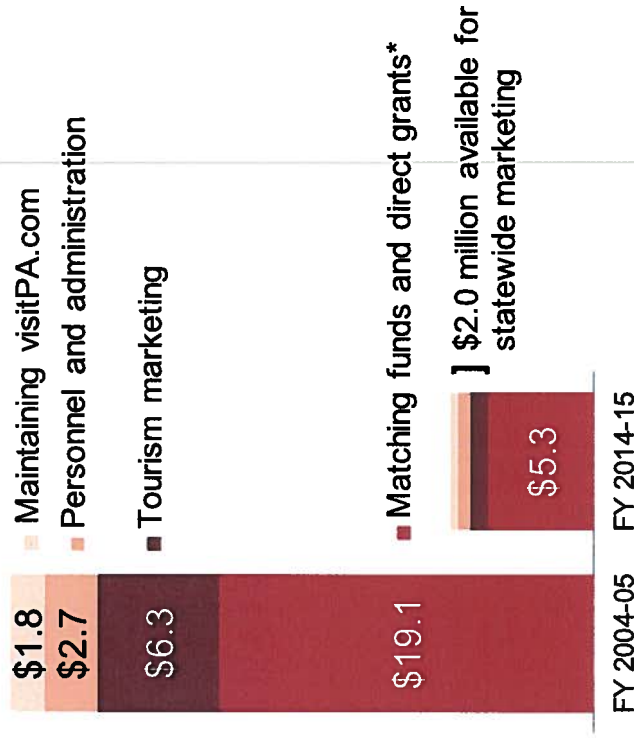
As recently as FY 2008-09, these activities were funded through PA Department of Community and Economic Development (DCED) budget line items. In this analysis, we have referred to these state funds as PA's "tourism budget", including both the funds under the discretionary control of the PA Tourism Office, as well as matching funds and direct grants.

In FY 2004-05, this tourism budget totaled \$29.8 million, with uses distributed as shown in the figure to the right. With this budget, the PA Tourism Office was able to produce and launch several multi-media marketing campaigns and market internationally.

Substantial budget cuts subsequently reduced this budget, so that in the most recent fiscal year (FY 2014-15) it totaled \$7.3 million. Of this amount, approximately \$5.3 million was earmarked for specific grants that promoted tourism but not under the discretion of the PA Tourism Office, limiting its ability to coordinate statewide promotion. **This left \$2.0 million for statewide tourism promotion by the PA Tourism Office in FY 2014-15, of which less than \$1 million was available for "tourism marketing"**. These funds were used for: (1) public relations, including social media efforts; (2) travel guide production, distribution and storage; (3) operation of the toll-free tourism phone number; (4) tourism research costs. Pennsylvania did not develop or launch any state ad campaigns.

PA's tourism budget has historically supported both tourism marketing and local grants.

## PA tourism budget distribution



\* Matching funds leveraged additional dollars from private sector.  
Source: Pennsylvania Tourism Office; Tourism Economics

## PA tourism budget reductions

Until recent years, PA had consistently dedicated funding to promote tourism. That amount as been significantly reduced.

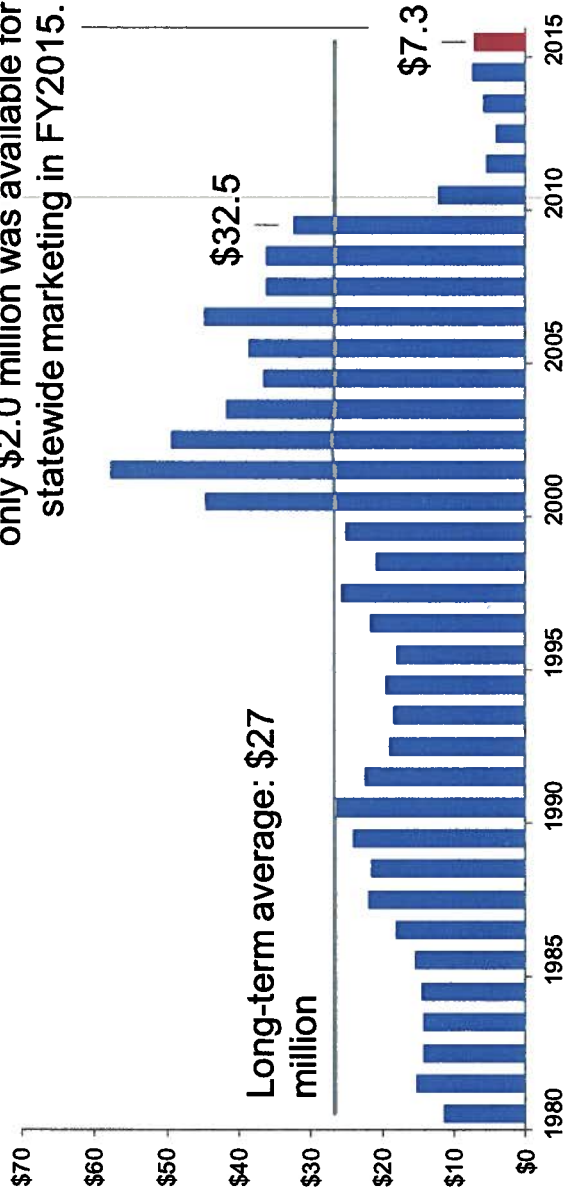
The Commonwealth has long dedicated funds to support and promote tourism. Data compiled by the US Travel Association provides a basis for tracking the PA tourism budget over time.

- The average tourism budget from 1980 to 2008 was \$27 million, in 2014 dollars.
- In FY 2008-09, it was \$32.5 million in 2014 dollars (\$29.8 million in nominal dollars).
- It was reduced substantially in FY 2009-10, and then cut further in FY2011, reaching the equivalent of \$5.4 million in 2014 dollars.
- Most recently, the FY2014-15 budget stood at \$7.3 million, before earmarks. After earmarks, only \$2.0 million was available for statewide marketing.

The adjacent graph shows this history on a fiscal year basis, adjusted to 2014 dollars.

## PA tourism budget

Budget, in millions of constant 2014 dollars



Graph shows PA tourism budget before earmarks. After earmarks, only \$2.0 million was available for statewide marketing in FY2015.

Note: PA tourism budget adjusted to real terms (i.e. constant dollars adjusted for inflation). Fiscal year basis, e.g. 2015 is fiscal year ending June 2015. Long-term average calculated from 1980 through 2008.  
Source: US Travel Association; Tourism Economics

## PA tourism budget reductions

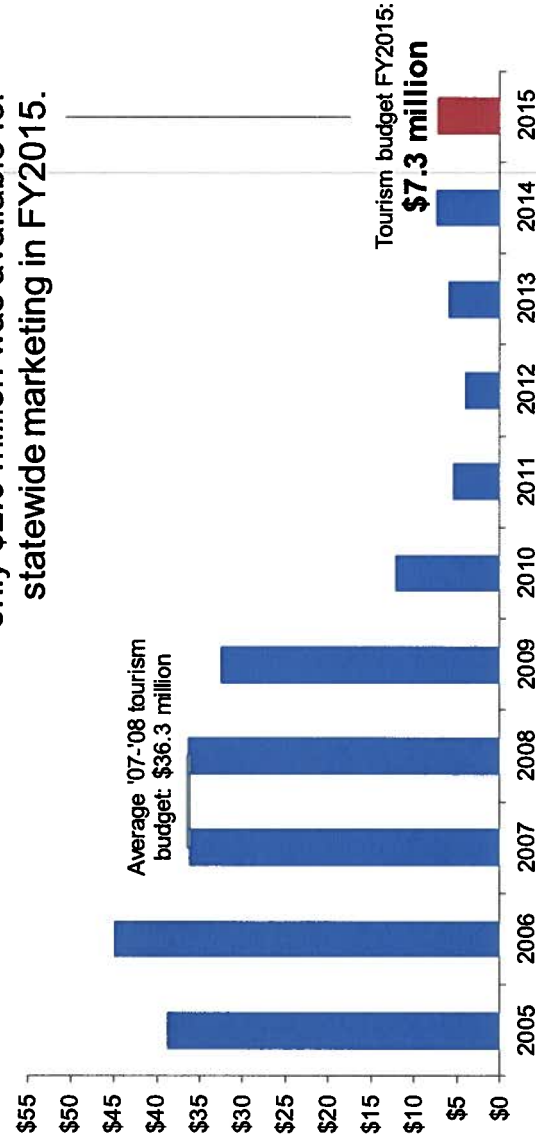
Since FY2007 and FY2008, PA's tourism budget declined 80.0% in real terms, and the Commonwealth's market share of overnight marketable trips declined 16.9%.

Reductions to PA's tourism budget have contributed to market share declines.

- The PA tourism budget declined 80.0%, from an average of \$36.3 million in FY2007 and FY2008 (2014 dollars), to \$7.3 million in FY2015, before earmarks. After earmarks, only \$2.0 million was available for statewide marketing
- PA overnight marketable leisure trip market share in the nine-state region declined 16.9%, from an average of 17.6% in 2007 and 2008, to 14.7% in 2014.

## PA budget

Budget, in millions of constant 2014 dollars



Graph shows PA tourism budget before earmarks. After earmarks, only \$2.0 million was available for statewide marketing in FY2015.

Note: PA tourism budget adjusted to real terms (i.e. constant dollars adjusted for inflation).  
Source: US Travel Association; Tourism Economics

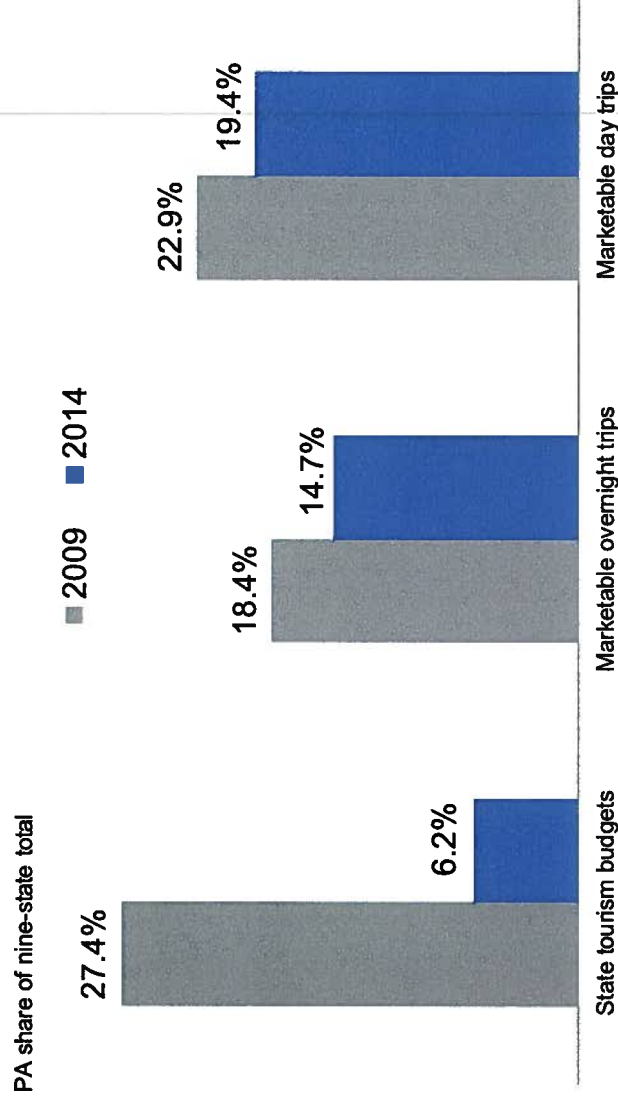
## PA tourism budget reductions

PA's tourism budget is no longer competitive.

In 2009, Pennsylvania attracted 18.4% of marketable overnight trips within a nine-state region, and 22.9% of marketable day trips. The FY 2008-09 budget for the Commonwealth's tourism office was competitive, representing 27.4% of the nine-state total.

By 2014, Pennsylvania had reduced its tourism budget to just 6.2% of the nine-state total, and the Commonwealth's share of marketable leisure visits eroded.

## PA share of competitive state total



Note: Nine-state competitive state region includes Pennsylvania, New York, New Jersey, Delaware, Maryland, Virginia, Ohio, West Virginia, and District of Columbia. Tourism budgets for 2009 are the FY 2008-09 fiscal year, where available. Source: US Travel Association; Longwoods International; Tourism Economics

## PA tourism budget reductions

PA's market share decline relative to New York and other competitive states.

The erosion of Pennsylvania's market share is shown in the adjacent graph. Over the same period, New York increased its state tourism budget, and has grown market share from 19.7% in 2009 to 28.7% in 2014. As shown on the following page, New York's market share gain has been supported by strong increases to its state tourism budget.

In 2008, Pennsylvania was the second most popular state in the US measured on the basis of marketable day trips. By 2014, Pennsylvania had declined to fourth.

### PA national rank

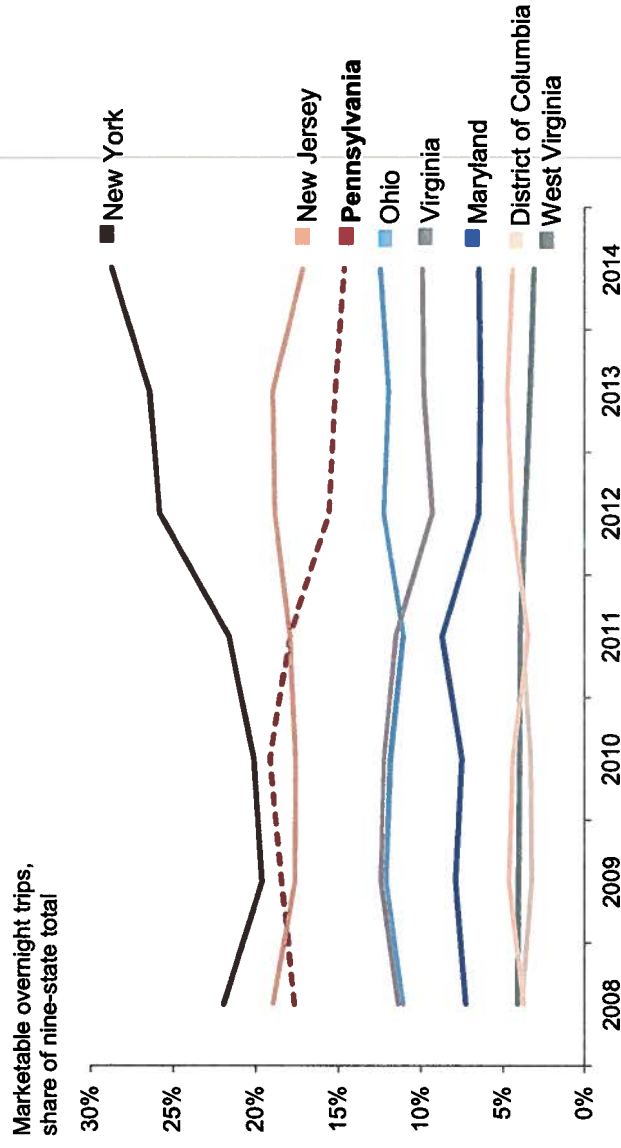
Based on share of marketable trips

Year	Overnight	Day
2008	7	2
2009	6	2
2010	6	2
2011	7	3
2012	7	4
2013	7	4
2014	7	4

Source: Longwoods International

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## Market share



Source: Longwoods International; Tourism Economics

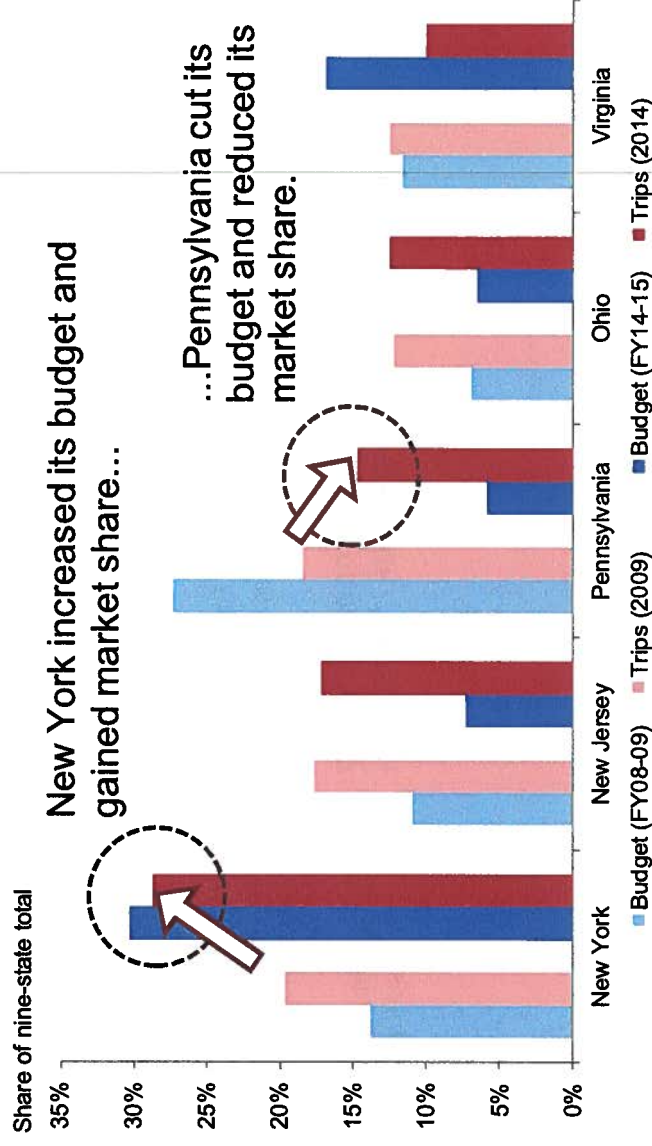
## PA tourism budget reductions

In contrast to Pennsylvania, New York increased its budget and gained market share.

Between FY2008-09 and FY2014-15, New York increased its state tourism market budget from \$15.0 million to \$37.3 million, a 148% increase. This funding helped back the successful "I Love New York" campaign, which was relaunched in 2008.

This marketing supported New York's substantial gain in market share. Between 2009 and 2014, New York's share of marketable overnight trips in the nine-state region increased 46.1%.

## Market share and budget share



Note: Trips measured on the basis of marketable overnight trips.  
Source: Longwoods International; US Travel Association; Tourism Economics

## Pennsylvania advertising effectiveness

Research shows past Pennsylvania destination marketing was effective at influencing potential travelers.

Though Pennsylvania has conducted very little state tourism advertising in recent years, research results from earlier periods are helpful to consider. For example:

- As shown in the adjacent graph, survey respondents who recalled seeing state advertising tended to indicate substantially greater intent to visit Pennsylvania (79%) than those who did not recall seeing state advertising (56%) (TNS 2007).
- Survey respondents who had seen Pennsylvania tourism marketing were asked if they were more or less likely to visit the state as a result of seeing the advertising. Twenty-two percent of respondents said they were “much more likely” to visit Pennsylvania as a result, and an additional 33% indicated they were “somewhat more likely” (TNS 2007, based on average responses across four waves of advertising).
- Nearly 10% of surveyed travelers noted TV advertising played a role in their choice of Pennsylvania as their leisure travel destination (TNS-NFO 2006).

### Historically, state advertising had a positive impact on PA visitation intent

Share who indicate they are extremely likely or very likely to visit PA Segmented by awareness of ad campaign



Note: Based on average responses to a TNS online survey conducted across four waves of advertising.  
Source: TNS, PA Tourism Study, November, 2007



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### 3. Case study review

## Case study: Colorado cuts state funding

Budget cuts in other US destinations provide case study examples of what has happened when destination marketing spending is reduced. We have summarized several of these case studies in this section, beginning with Colorado, which represents a powerful example of the impact of a dramatic reduction in destination marketing spending:

- Prior to 1993, the Colorado Tourism Board (CTB) had a \$12 million marketing budget, funded by a 0.2% tax on most tourism spend.
- Within two years of repealing its tourism funding in 1993, Colorado lost 30% of its US visitor market share, which translated into the equivalent of over \$1.4 billion annually in lost revenues. By the late 1990s, this had escalated to \$2.4 billion a year.
- After having moved from 14th to 1st position in the states' summer resorts category, Colorado slipped to 17th in 1994. It also shifted back to being more of a regional drive destination opposed to being a national fly-in venue and attracting fewer international visitors.
- The subsequent establishment of the Colorado Travel & Tourism Authority, which was an attempt to market the state with private sector funding in co-operation with the CTB, failed. This was attributed to the fact that private sector companies had separate priorities.

## Within two years, Colorado lost 30% of its US visitor market share.

- The new Colorado Tourism Office opened with a \$5 million budget and in 2003, \$9 million was approved for tourism promotion. A campaign conducted from October 2003 through December 2004 resulted in 5.3 million incremental visits, representing 17% of total visitation to the state. In 2004, this generated \$1.4 billion of additional spend and \$89.5 million in state and local taxes.
- These estimates are equivalent to an implied visitor spending return-on-investment (ROI) per marketing dollar of \$140 (i.e. each dollar change in marketing spending resulted in a change in visitor spending of \$140).

## Case study: San Diego TMD funding frozen by litigation

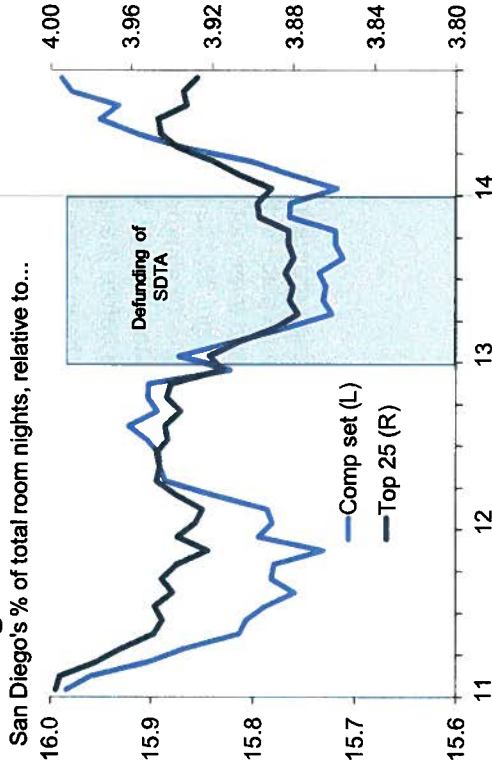
A series of events in San Diego resulted in a temporary reduction in tourism marketing spending, providing a case study of short-term impacts:

- The San Diego Tourism Marketing District (SDTMD) was established in 2008 with the support of the lodging sector to provide stable funding for marketing and promotion based on a hotel room assessment. For example, in FY2012, the SDTMD allocated more than \$25 million in assessment fees.
- As a result of litigation-related risks, funds intended for the SDTMD were held in limbo through much of calendar year 2013, curtailing its funding to local tourism marketing groups.
- The San Diego Tourism Authority (SDTA), the region's primary destination marketing organization, was one of the groups impacted. SDTA depends largely on SDTMD funding and was forced to cancel its important spring 2013 advertising campaign. Later, as the funding challenges persisted, SDTA laid off 40% of its staff in July 2013 and prepared to operate a bare-bones operation with only 15% of the funding that it previously received from SDTMD. SDTMD funding to other groups and events promoting tourism was also curtailed.
- Ultimately, in late-November 2013, the local city council released a portion of the funds previously being withheld and the SDTA restored its advertising in January 2014. As a result, the cutbacks in destination marketing were largely contained in calendar year 2013, and San Diego tourism marketing resumed strongly in 2014.

## San Diego market share declined when tourism marketing was curtailed in 2013.

- The impact of the reduced funding was reflected in the performance of the San Diego hotel industry, as room demand leveled off in 2013, and occupancy rates and prices levels increased more slowly than in competing markets. Overall, the city's performance trailed other regional and national destinations that had maintained funding levels and marketing programs.
- The graph below shows San Diego's reduced hotel room demand market share relative to a competitive set (Los Angeles, San Francisco, Anaheim, Phoenix and Seattle) and top 25 US metro markets during the period of reduced funding, and subsequent recovery when marketing was restored.

### San Diego room demand market share



Sources: STR, Tourism Economics

## Case study: Pure Michigan success

“Pure Michigan” is a nationally recognized advertising campaign. Less appreciated are the important decisions the state took during a period of economic recession to expand the campaign as an investment in future growth.

Bill Siegel, CEO of Longwoods, recently summarized this success story in a widely cited paper, “The Power of Destination Marketing” ([link](#)). The following highlights key points.

- The “Pure Michigan” campaign had its fledgling start in 2006 as a regional campaign in an environment of relatively low funding. In preceding years, Michigan’s state tourism budget had declined, falling to as little as \$7.9 million in FY2005 according to US Travel data. For several years, as the campaign ran in regional markets, research demonstrated that it was building equity in the marketplace, impacting Michigan’s image positively and generating positive financial returns.
- In 2009, with the national economy still in recession, and Michigan’s manufacturing base hit particularly hard, the state legislature saw tourism as a potential growth opportunity, and approved a one-time doubling of the Travel Michigan budget to \$28 million. This allowed the state to promote itself nationally for the first time, and “Pure Michigan” was well-suited to the opportunity.

Michigan successfully invested in destination marketing as part of a strategy to ignite growth.

- In its first year, the national campaign dramatically increased unaided awareness of Michigan as a place in the Midwest US “you would really enjoy visiting”, and three out of ten national travelers were aware of the campaign. The campaign was recognized by Forbes as among the 10 all-time best travel campaigns, and Michigan moved to 2<sup>nd</sup> place among competitors after the campaign, from 9<sup>th</sup> place before the campaign.
- The summer 2009 campaign has been estimated to have generated almost two million additional trips to Michigan. As a result, based on a \$12.2 million media budget, the campaign is estimated to have generated \$588 million of incremental visitor spending and \$41.0 million of state taxes, equivalent to \$3.36 of state taxes per ad dollar.
- In total from 2006 to 2014, Longwoods estimated that “Pure Michigan” results generated 22.4 million out-of-state trips to Michigan and \$6.6 billion of visitor spending at Michigan businesses.

Michigan built on the initial success by maintaining annual funding slightly ahead of \$30 million. Since then, “Pure Michigan” has become the singular brand for Michigan, with the state expanding its use across multiple lines of business to promote state objectives, such as economic development.

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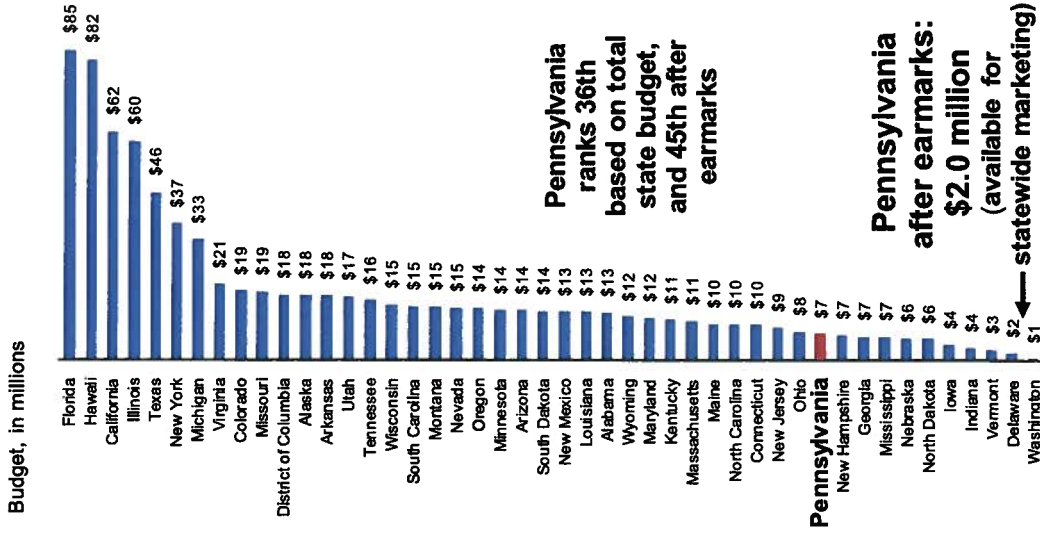
## 4. Competitive analysis of funding

# Funding metrics

Despite having one of the largest state tourism economies, PA's state tourism budget ranks 36<sup>th</sup> among 46 states by dollar amount, and 45<sup>th</sup> after earmarks. PA ranks last based on its amount of state tourism advertising and promotion.

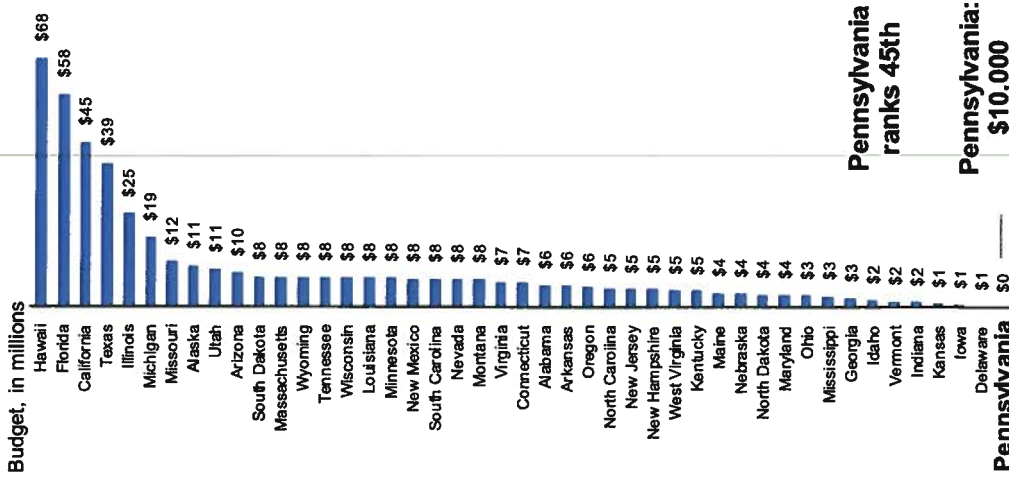
Notes: State tourism budget amounts are based on the provisional FY 2014-15 budgets as reported in the annual Survey of State Tourism Office Budgets conducted by the US Travel Association, and supplemented with additional data gathered by Tourism Economics. The analysis of state tourism budgets covers 46 states, including the District of Columbia. The analysis of state tourism advertising and promotion covers 45 states.

State tourism budget



Source: BEA; US Travel Association; Tourism Economics

State tourism advertising and promotion



Source: BEA; US Travel Association; Tourism Economics

# Funding metrics

PA's state tourism budget is even smaller than average when considered in relation to the size of the state's travel and tourism industry.

As a common metric available across states, state tourism budgets may be considered in relation to employment in the leisure and hospitality sector and to earnings in the accommodations sector.

- PA's tourism budget is equivalent to \$11 per leisure and hospitality job. This ranks 44<sup>th</sup>, and is far below the average of \$79.
- PA's tourism budget is equivalent to \$9 per \$1,000 of earnings in the accommodation sector, which ranks 43<sup>rd</sup> out of 46.

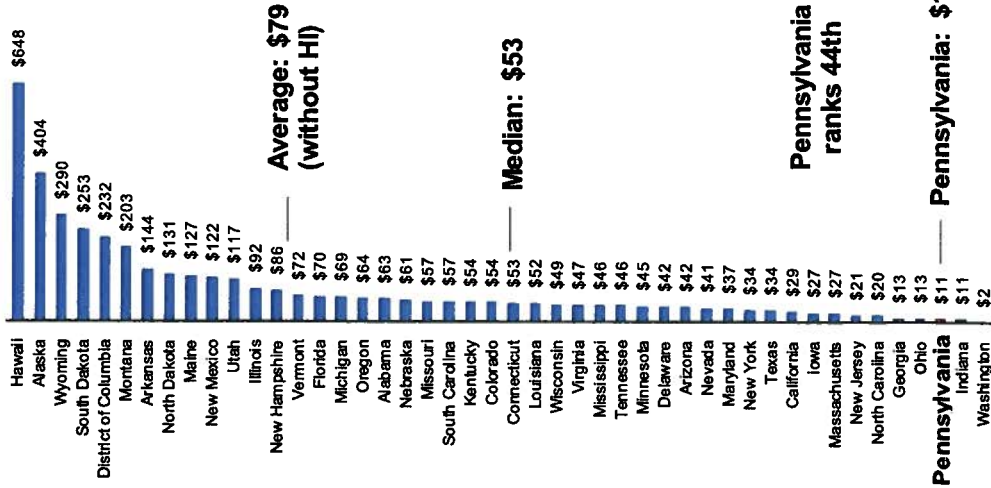
**Notes:**

Employment in the leisure and hospitality sectors represents a proxy for the relative importance of tourism in each state. These sectors include recreation and entertainment establishments, as well as hotels, other accommodations, and restaurants.

Another proxy for tourism sector importance is the level of earnings in the accommodations sector (i.e. wages and salaries). This sector includes hotels, motels, and bed and breakfasts, as well as RV parks and other accommodations.

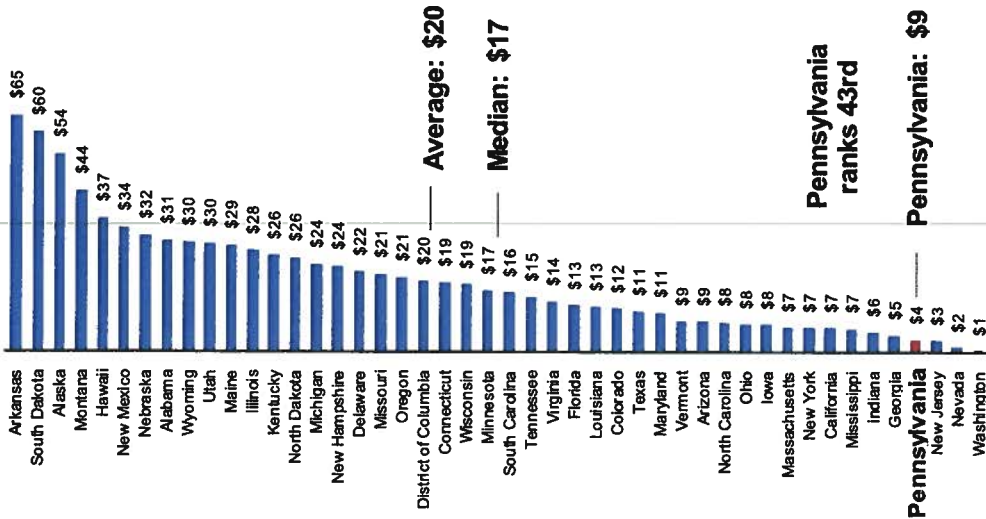
## State tourism budget per L&H job

Budget, amount per leisure and hospitality job in 2013



Source: BEA; US Travel Association; Tourism Economics

## Budget per \$1,000 of earnings in accommodations sector



Source: BEA; US Travel Association; Tourism Economics

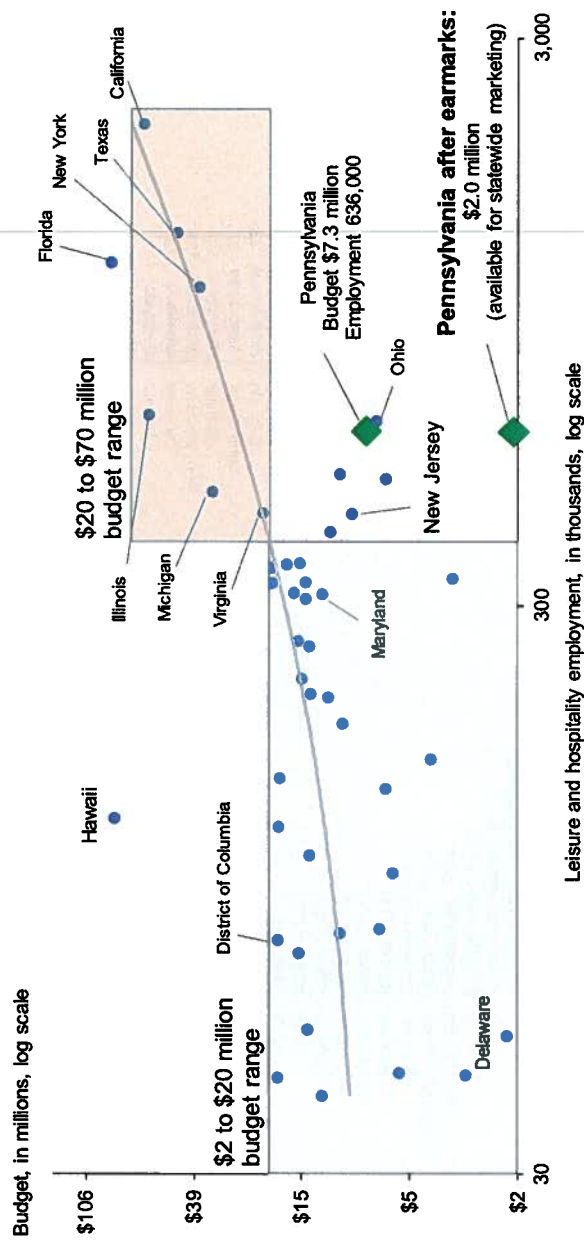
## Funding metrics

States with large tourism sectors measured by leisure and hospitality employment tend to have state tourism budgets greater than \$20 million.

States fit largely into two groups:

- States with large tourism sectors tend to have larger state tourism budgets, generally \$20 million or more. This group is shown with the pink rectangle.
- Other states maintain a state tourism budget of between \$2 million to \$20 million, without necessarily showing a relationship to the size of the tourism sector. This group is shown with the blue rectangle.

State tourism funding compared to leisure and hospitality employment



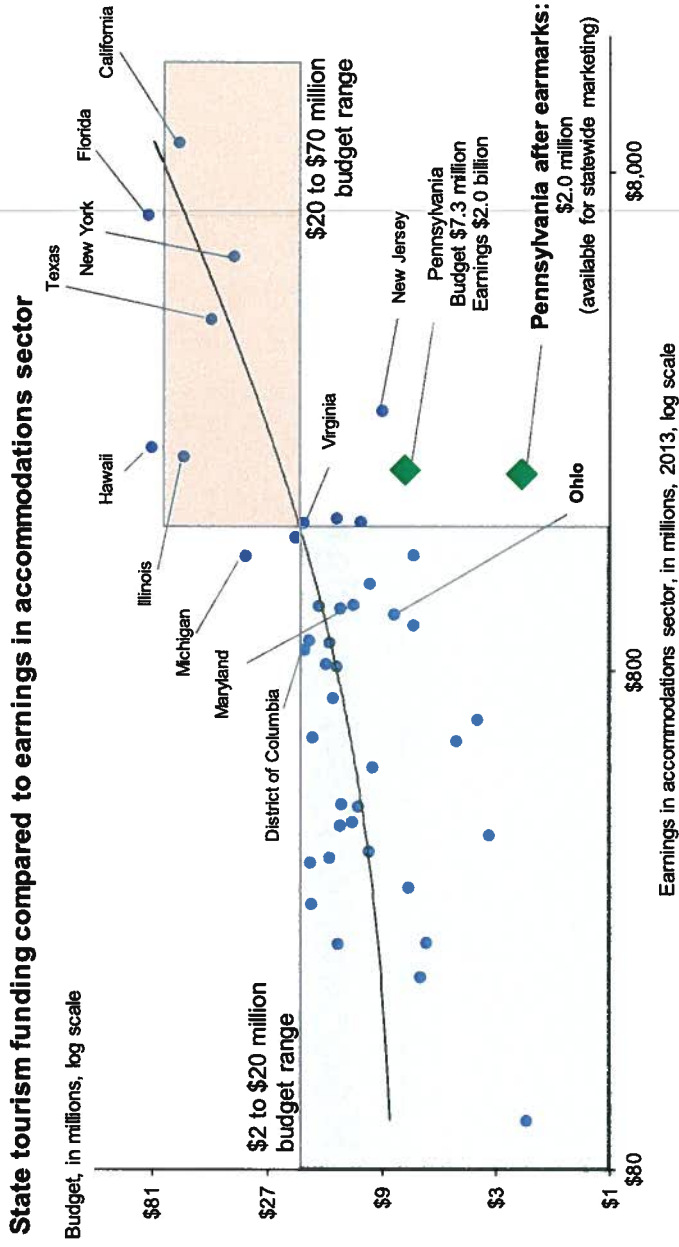


## Funding metrics

Pennsylvania's funding for state tourism marketing is lower in relation to its industry size than in other states.

Hotels, motels, and other accommodations are a key subsector in the tourism industry. Earnings within the accommodation sector (primarily wages and salaries), provide an effective sizing benchmark. By this measure, Pennsylvania has a larger tourism sector than many states. However, Pennsylvania's funding for state tourism marketing is lower in relation to its industry size (i.e. below the fitted line show in the adjacent graph).

Pennsylvania competes for visitors with states such as New York and New Jersey, which both have larger tourism budgets. Also, many states with much smaller tourism industries spend more than Pennsylvania.



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## 5. Recommended tourism budget increase

## **Recommendation to increase PA tourism office funding**

In our assessment, destination marketing of Pennsylvania is underfunded and funding should be increased to \$35 million.

### ***In our assessment, destination marketing of Pennsylvania is underfunded.***

Pennsylvania destination marketing funding is below the benchmarks we analyzed. In addition, Pennsylvania has an extensive, successful and growing tourism industry. Destination marketing of Pennsylvania has not only lagged industry growth, it has been significantly reduced.

### ***We recommend Pennsylvania increase its annual state tourism funding to \$35 million.***

We analyzed the optimal level of destination marketing funding for Pennsylvania. In this assessment, we considered the level of annual funding that would be:

- 1) consistent with the range of destination marketing funding currently in place in comparable benchmark destinations;
- 2) expected to yield effective returns on investment by increasing the number of visitors to the state;
- 3) realistic to support based on current visitor volumes; and,
- 4) adequate to support growth of the destination.

Based on our analysis, we recommend Pennsylvania increase its annual state tourism funding to \$35 million.

## Comparison of increased DMO funding to benchmarks

We recommend PA increase its tourism funding to \$35 million annually.

We believe funding at 90% of benchmark levels on three key measures would represent optimal funding for PA. While this is lower than the benchmark averages, PA is expected to benefit from economies of scale and be able to realize significant impacts.

We note the following:

- Benchmark state tourism budgets show current funding that averaged \$79 per leisure and hospitality job. To reach 90% of that level, PA would require \$45.4 million of annual funding;
- Benchmark state tourism budgets show current funding that averaged \$20 per \$1,000 of earnings in the accommodations sector. To reach 90% of that level, PA would require \$36.4 million of funding.
- The eight competitive states considered in the market share analysis show current funding levels that average \$27 per 100 marketable trips (\$0.27 per trip). To reach 90% of that level, PA would require \$23.2 million of annual funding

The rounded average of these three amounts is \$35.0 million. In our assessment of PA's competitive position, and the size of its tourism industry and growth potential, we recommend this as the optimal funding level at this time.

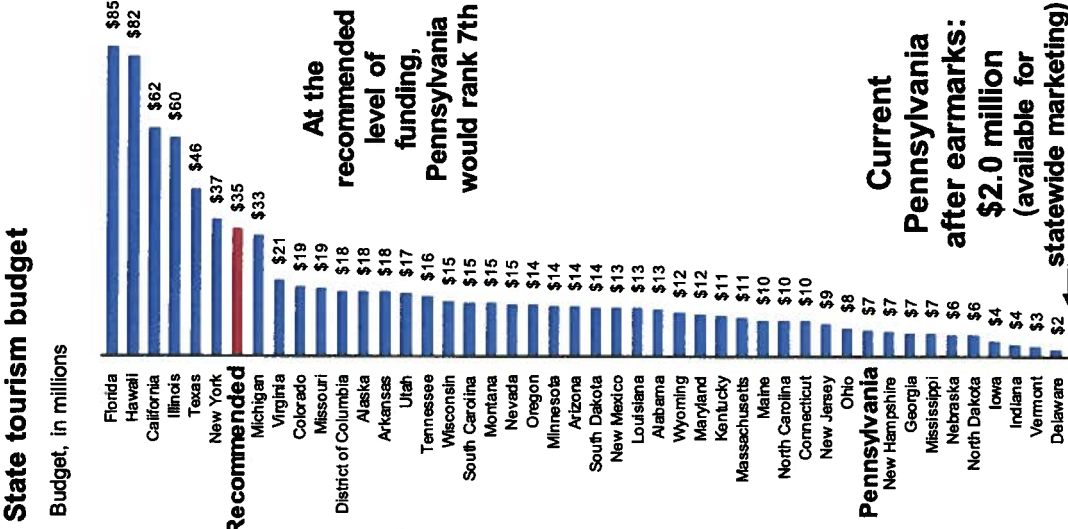
## Recommended PA tourism funding

	State averages	Eight competitive states	Pennsylvania current	Recommended PA funding
<b>Destination metrics</b>				
Leisure and hospitality jobs (2013)			636,044	636,044
Earnings in accommodation sector (2013, in millions)			2,019	2,019
Marketable trips (day and overnight, 2014, millions)		440.2	95.6	95.6
<b>Destination marketing funding ratios</b>				
Funding as a ratio to average				90%
Amount per leisure and hospitality job	\$79		\$11	\$71
Amount per \$1,000 of earnings in accom. sector	\$20		\$4	\$18
Amount per 100 marketable trips		\$27	\$8	\$24
<b>Potential PA tourism budget funding at benchmark levels</b>				
Amount based on leisure and hospitality job ratio (in millions)				\$45.4
Amount based on earnings in accommodations (in millions)				36.4
Amount based on number of marketable trips (in millions)				23.2
Average (in millions, rounded)				\$35.0
<b>Recommended PA tourism funding</b>				
PA tourism office budget (in millions)			\$7.3	\$35.0

Source: BEA; US Travel Association; Tourism Economics

# Comparison of increased tourism budget to benchmarks

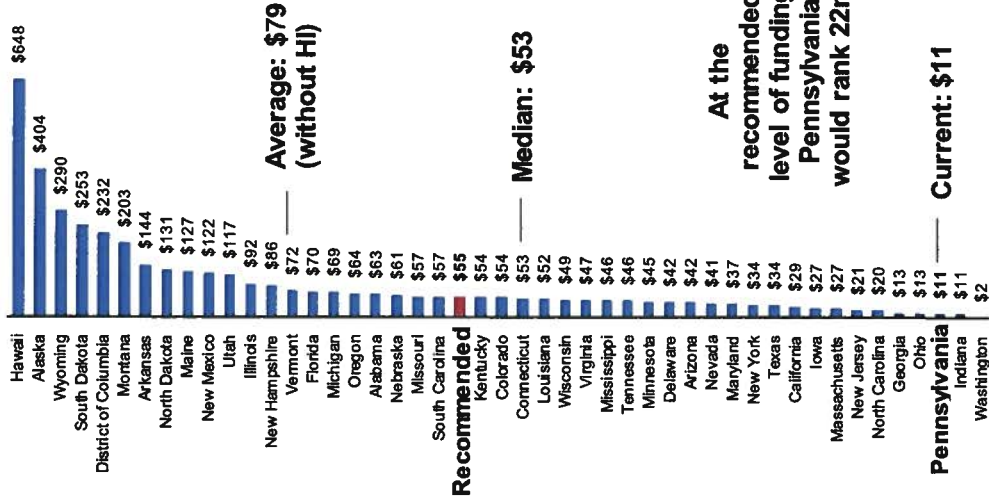
At \$35 million of recommended annual funding, Pennsylvania would rank 7<sup>th</sup> among the 45 states analyzed. This would be much more in line with the size of Pennsylvania's tourism industry than current funding. For example, on the basis of leisure and hospitality sector jobs, Pennsylvania ranks 6<sup>th</sup> out of 51 states (includes DC). On the basis of earnings in the accommodations sector (i.e. wages and salaries), Pennsylvania ranks 9<sup>th</sup> nationally.



Source: BEA; US Travel Association; Tourism Economics

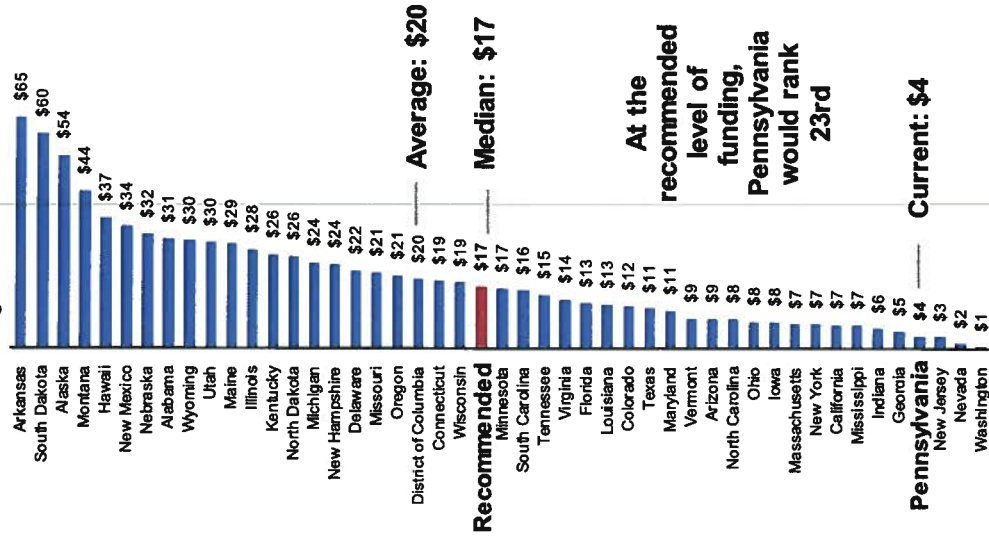
# Comparison of increased tourism budget to benchmarks

**State tourism budget per L&H job**  
Budget, amount per leisure and hospitality job in 2013



Source: BEA; US Travel Association; Tourism Economics

**Budget per \$1,000 of earnings in accommodations sector**  
Based on 2013 earnings



Source: BEA; US Travel Association; Tourism Economics

On the basis of tourism budget funding per leisure and hospitality job, at recommended annual funding of \$35 million, which is equivalent to \$55 per job, Pennsylvania would rank 22<sup>nd</sup>, slightly ahead of the median of \$53.

On the basis of DMO funding per \$1,000 of earnings in the accommodations sector, at recommended annual funding of \$35 million, which is equivalent to \$17 per \$1,000 of earnings, Pennsylvania would rank 23<sup>rd</sup>, equivalent to the median.

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## 6. Scenario analysis

## Scenario analysis

We have analyzed historical losses resulting from PA tourism budget cuts, as well as potential future gains if funding is restored.

We analyzed two sets of scenarios. This first considers a counterfactual, lost opportunity historical scenario in which Pennsylvania tourism funding had been maintained at \$30 million annually, rather than significantly reduced in recent years. The second set of scenarios considers potential future gains, assuming that Pennsylvania tourism funding increases to \$35 million annually.

***To measure historical losses, we analyzed a counterfactual “lost opportunity” scenario in which the PA tourism budget had been maintained at \$30 million.***

We compared results in the lost opportunity scenario to actual historical results. The difference represents the visitor spending, economic output, jobs, labor income, and tax revenues that Pennsylvania lost as a result of PA tourism budget cuts.

***To measure potential future gains, we analyzed an “alternative” scenario in which the PA tourism budget increases to \$35 million starting in 2017.***

We compared results in the alternative future scenario to baseline future results assuming the PA tourism budget is not increased. The difference between the two scenarios represents potential future gains that Pennsylvania could realize by increasing its tourism budget.

The following summarizes the results of our analysis.



## Historical losses

PA's tourism budget was reduced substantially during FY2009-10 and FY2010-11. As recently as FY2008-09, funding stood at \$29.8 million in nominal dollars, by FY2010-11 that had been reduced to \$5.1 million in nominal dollars. To analyze the impacts of these reductions, we prepared a counterfactual lost opportunity scenario. In this scenario, we estimated the level of additional visitor spending and economic impacts that would have occurred if Pennsylvania tourism funding had been maintained at \$30 million annually in 2014 dollars. This analysis included the following key steps.

First, we prepared a history of the tourism budget based on information submitted by the PA Tourism Office to the US Travel Association. We converted this data to constant, 2014 dollars, on a calendar year basis. On this basis, we estimate that in 2009, the tourism budget was \$7.6 million lower than it would have been in the lost opportunity scenario (i.e. actual budget of \$22.4 million, as compared to \$30 million).

Next, we prepared a summary of marketable leisure trip market share for Pennsylvania based on data provided by Longwoods. As background on this approach, we note the following.

- As presented in the section of this report titled "PA tourism market share declines", marketable trips represent leisure trips to Pennsylvania in which the primary trip purpose was something other than visiting friends and family (e.g. touring, recreation, or a special event). For example, of overnight trips to Pennsylvania in 2013, Longwoods estimates 48% had the primary purpose of visiting friends and relatives, 40% were "marketable" leisure trips, 9% were business, and 3% were business-leisure.

We have estimated the losses to visitor spending, jobs and tax revenues that resulted from the reduced PA tourism budget.

- By specifically tracking marketable trips this approach is focused on the segment that has the greatest potential to be influenced by destination marketing at the state level. We note however that state funding also has the potential to influence other types of travel. For example, state funding that helps support a local destination marketing organization that attracts meetings and groups can help draw business meetings. Also, some forms of leisure travel, such as trips categorized as visiting friends and relatives, do not count as marketable trips but can nevertheless be influenced by tourism marketing. Focusing only on marketable trips results in a conservative analysis of potential impacts.
- We prepared the analysis based on overnight and day marketable visitors separately, but have summarized the results for marketable visits in total.
- By analyzing Pennsylvania performance relative to competitive states, the pace of travel growth in the lost opportunity scenario is constrained by the overall growth of marketable trips in the region. In other words, we have not assumed that destination marketing would necessarily grow travel activity in the region overall. Instead, we've assumed that Pennsylvania would have attracted a greater share of trips that were already occurring in the region.

We next estimated the potential positive impact to marketable visit market share that competitive marketing of Pennsylvania could have achieved if its tourism budget had not been cut. For example, we estimated that Pennsylvania's market share of marketable trips to the nine-state region would have been 19.6% in the lost opportunity scenario in 2014, as compared to the actual level of 17.8%.

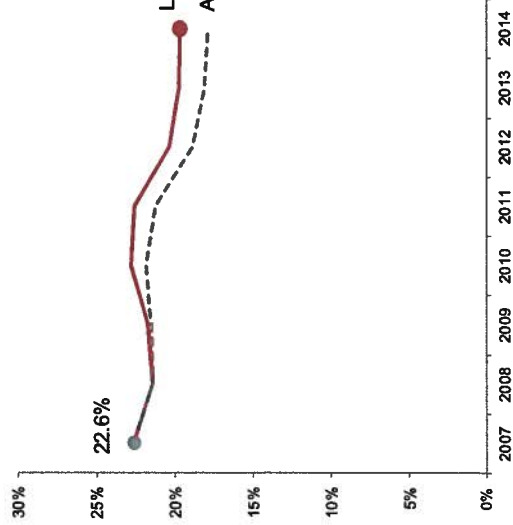
## Historical losses

Our estimates of Pennsylvania's market share in the actual and lost opportunity scenarios are summarized in the graph below.

We next converted the estimated market share impact to an estimate of lost marketable trips. For example, at 17.8% market share in 2014, Pennsylvania attracted approximately 95.6 million marketable trips. With a 19.6% regional market share, this would have been 105.3 million trips. This implies a loss of 9.6 million trips relative to the lost opportunity (9.2% lower than actual).

### PA share of marketable trips

Share of nine-state region, total overnight and day trips



Source: Longwoods International; Tourism Economics

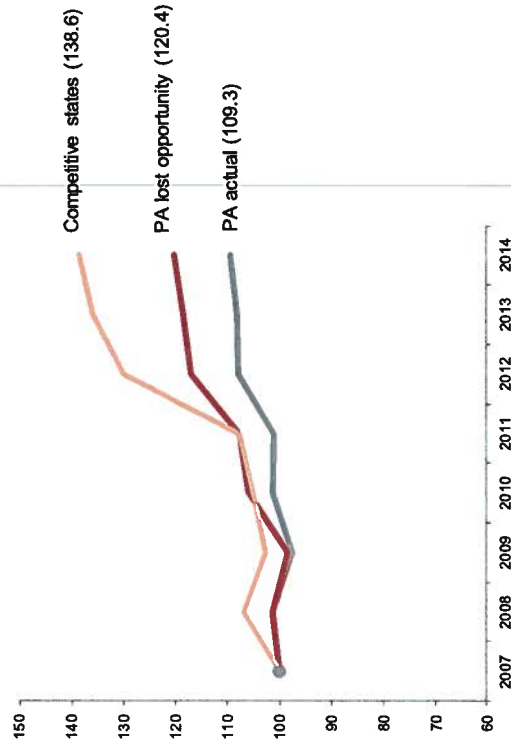
| Tourism Economics

The corresponding estimated number of marketable trips is presented in the following graph, which uses an index set equal to 100 in 2007. In the lost opportunity scenario, total marketable trips to Pennsylvania would have expanded by 20.4% from 2007 to 2014, as compared to 9.3% growth as actually occurred.

These results are summarized in the table on the following page.

### Total marketable trips

Total marketable trips, index (2007=100)



Source: Longwoods International; Tourism Economics

## Historical losses

Our next step was to estimate the visitor spending that was lost as a result of reduced marketable trips. We conducted this analysis for day and overnight visitors separately. In total, the results imply lost spending per lost marketable trip visitor of \$209. This is slightly higher than the average spending per marketable trip visitor to PA in 2014 of \$197, reflecting a somewhat higher mix of overnight visitors.

As summarized in the accompanying table, the cumulative impact of PA tourism budget cuts from 2009 to 2014 relative to the lost opportunity scenario were as follows:

- 1.3 percentage points lower market share of marketable trips relative to the nine-state region;
- 37.3 million fewer marketable trips (number of visitors), equivalent to 6.4% fewer marketable trips; and,
- almost \$7.7 billion less visitor spending.

The visitor spending loss in 2013 was equivalent to 4.8% of the total visitor spending in that year (\$39.2 billion).

Over the past six years, cuts in the PA tourism budget have resulted in the loss of 37.3 million visitors and almost \$7.7 billion of visitor spending.

### PA loss as a result of historical budget cuts

Amounts in millions of 2014 dollars, except marketable trips, jobs and key ratios

	2009	2010	2011	2012	2013	2014	Cumulative
<b>PA tourism budget</b>							
Actual	\$22.4	\$8.8	\$4.8	\$5.0	\$6.7	\$7.3	\$55.1
Lost opportunity	30.0	30.0	30.0	30.0	30.0	30.0	180.0
Difference	-\$7.6	-\$21.2	-\$25.2	-\$25.0	-\$23.3	-\$22.7	-\$124.9

### Market share (overnight and day combined)

Actual	21.5%	21.8%	21.2%	18.8%	18.0%	17.8%	19.9%
Lost opportunity	21.7%	22.8%	22.6%	20.4%	19.7%	19.6%	21.2%
Difference (percentage points)	-0.2%	-1.0%	-1.4%	-1.6%	-1.7%	-1.8%	-1.3%

### Marketable trips (millions of visitors)

Actual	85.3	88.6	88.3	94.3	94.7	95.6	546.8
Lost opportunity	86.1	92.6	94.1	102.4	103.6	105.3	584.1
Difference	(0.8)	(4.1)	(5.8)	(8.0)	(8.9)	(9.6)	(37.3)
Difference (relative to counterfactual)	-0.9%	-4.4%	-6.2%	-7.8%	-8.6%	-9.2%	-6.4%

### Visitor spending

Actual	\$15,913.2	\$15,808.3	\$17,249.3	\$18,317.8	\$18,765.3	\$18,808.4	\$104,862.3
Lost opportunity	16,069.4	16,563.0	18,455.5	19,983.5	20,640.3	20,833.4	112,545.2
Difference	-\$156.2	-\$754.7	-\$1,206.2	-\$1,665.8	-\$1,875.0	-\$2,025.0	-\$7,683.0
Difference (relative to counterfactual)	-1.0%	-4.6%	-6.5%	-8.3%	-9.1%	-9.7%	-6.8%

Source: US Travel Association; Longwoods International; Tourism Economics

## Historical losses

In our final step, we analyzed the lost economic impacts and tax revenues that resulted from the historical budget cuts. These represent business sales, labor income, jobs, and tax revenues that Pennsylvania would have realized, but for the historical budget cuts. For this analysis, we analyzed the impacts based on the economic impact model that we maintain as part of our ongoing analysis of the "The Economic Impact of Travel in Pennsylvania" for the Commonwealth. This economic impact model uses data from IMPLAN, a leading provider of economic impact models, to quantify the direct travel and tourism industry jobs and income that are supported by visitor spending, as well as the indirect and induced impacts in the broader economy that occur as a result of the direct impacts.

In total, we estimate that as a result of the tourism budget cuts, the Commonwealth lost an average of approximately 13,400 jobs per year from 2009 to 2014. In other words, without the PA tourism budget cuts, during this period, travel and tourism industry employers would have employed approximately 9,300 more employees, and travel and tourism impacts would have supported an average of 4,100 more jobs in other parts of the economy.

In addition, the Commonwealth lost a cumulative total of \$3.2 billion of labor income that would have otherwise been earned by people employed by travel and tourism industry employers, or indirectly supported by the industry.

Lastly, the Commonwealth lost a cumulative total of \$450 million of state taxes, and more than \$470 million of local taxes. These lost local tax revenues include a cumulative total of \$57.6 million of lost local hotel occupancy taxes.

In total, as a result of the budget cuts, Pennsylvania has spent approximately \$125 million less on tourism promotion since 2009. During that same period, the Commonwealth has lost approximately \$7.7 billion of visitor spending as a result of the budget cuts. This implies that for each \$1 of budget "savings", the Commonwealth has lost \$62 of visitor spending.

Meanwhile, over the same six-year period, without the budget cuts, the Commonwealth could have captured \$450 million of additional state taxes. This implies that for each \$1 of PA tourism budget "savings", the Commonwealth has foregone approximately \$3.60 of state tax revenues.

These results are summarized in the table on the following page.

## Historical losses

As summarized in the accompanying table, as a result of PA tourism budget cuts, the Commonwealth has lost:

- 37.3 million marketable trip visitors;
- \$7.7 billion of visitor spending;
- an average of 13,400 jobs;
- \$3.2 billion of cumulative labor income; and,
- Almost \$450 million of state taxes and more than \$160 million of local taxes, including \$57.6 million local hotel taxes.

Between 2009 and 2014, each \$1 of budget savings, caused:

- \$62 of lost visitor spending; and,
- \$3.60 of lost state tax revenues.

Over the past six years, cuts in the PA tourism budget have caused the Commonwealth to lose almost \$450 million of state taxes.

### PA loss as a result of historical budget cuts

Amounts in millions of 2014 dollars, except marketable trips, jobs and key ratios

	2009	2010	2011	2012	2013	2014	Cumulative
<b>PA tourism budget</b>							
Actual	\$22.4	\$8.8	\$4.8	\$5.0	\$6.7	\$7.3	\$55.1
Lost opportunity	30.0	30.0	30.0	30.0	30.0	30.0	180.0
Difference	-\$7.6	-\$21.2	-\$25.2	-\$25.0	-\$23.3	-\$22.7	-\$124.9
<b>PA lost impacts</b>							
<b>Marketable trips (millions of visitors)</b>							
Visitor spending	(0.8)	(4.1)	(5.8)	(8.0)	(8.9)	(9.6)	(37.3)
	-\$156.2	-\$754.7	-\$1,206.2	-\$1,665.8	-\$1,875.0	-\$2,025.0	-\$7,683.0
<b>Total economic output</b>							
Direct expenditures	-\$267.4	-\$1,291.7	-\$2,064.3	-\$2,850.9	-\$3,209.0	-\$3,465.7	-\$13,148.9
Indirect and induced output	-\$156.2	-\$754.7	-\$1,206.2	-\$1,665.8	-\$1,875.0	-\$2,025.0	-\$7,683.0
	-\$111.2	-\$36.9	-\$88.1	-\$1,185.1	-\$1,334.0	-\$1,440.7	-\$5,466.0
<b>Total labor income</b>							
Direct labor income	-\$64.6	-\$312.8	-\$501.3	-\$694.3	-\$783.7	-\$846.4	-\$3,203.2
Indirect and induced labor income	-\$33.0	-\$160.2	-\$257.4	-\$357.4	-\$404.4	-\$436.8	-\$1,649.3
	-\$31.6	-\$152.6	-\$243.9	-\$336.9	-\$379.3	-\$409.6	-\$1,553.9
<b>Total jobs (annual average)</b>							
Direct jobs	-1,763	-8,322	-12,994	-17,533	-19,281	-20,415	-13,385
Indirect and induced jobs	-1,222	-5,766	-9,002	-12,145	-13,355	-14,141	-9,272
	-542	-2,556	-3,992	-5,388	-5,926	-6,274	-4,113
<b>Total fiscal (tax) impacts</b>							
State taxes	-\$27.2	-\$131.2	-\$209.7	-\$289.6	-\$326.0	-\$352.1	-\$1,335.8
Local taxes	-9.1	-44.1	-70.5	-97.4	-109.6	-118.4	-449.2
Federal taxes	-3.3	-16.2	-25.9	-35.7	-40.2	-43.4	-164.7
Sub-total: Local hotel taxes	-14.7	-70.9	-113.3	-156.5	-176.2	-190.3	-722.0
	-\$1.2	-\$5.7	-\$9.0	-\$12.5	-\$14.1	-\$15.2	-\$7.6
<b>Key ratios (annual average)</b>							
Visitor spending loss / budget savings	\$21	\$36	\$48	\$67	\$81	\$89	\$62
State tax loss / budget savings	\$1.20	\$2.08	\$2.80	\$3.90	\$4.71	\$5.23	\$3.60

Source: US Travel Association; Tourism Economics

## Historical losses

Reduced visitor spending over the past six years has resulted in the loss of almost \$300 million of sales taxes relative to the lost opportunity scenario.

As summarized in the accompanying table, as a result of PA tourism budget cuts, the Commonwealth has lost:

- \$297.2 million of sales taxes;
- \$128.8 million of excise taxes and fees; and,
- \$95.5 million of personal income taxes.

The net state and local tax loss over this period is estimated at \$488.9 million (\$613.94 million of lost revenue, offset by \$124.9 million of tourism budget savings). This loss is equivalent to \$99 of additional taxes paid by each of Pennsylvania's more than 4.9 million households.

### PA state and local tax loss as a result of historical budget cuts

Amounts in millions of 2014 dollars

	2009	2010	2011	2012	2013	2014	Cumulative
<b><u>State and local tax impacts by jurisdiction</u></b>							
State taxes	-\$12.5	-\$60.3	-\$96.4	-\$133.1	-\$149.8	-\$161.8	-\$613.9
Local taxes	-9.1	-44.1	-70.5	-97.4	-109.6	-118.4	-449.2
	-3.3	-16.2	-25.9	-35.7	-40.2	-43.4	-164.7
<b><u>State and local tax impacts by category</u></b>							
Sales	-\$12.5	-\$60.3	-\$96.4	-\$133.1	-\$149.8	-\$161.8	-\$613.9
Local hotel occupancy taxes	-6.0	-29.2	-46.7	-64.4	-72.5	-78.3	-297.2
Personal income	-1.2	-5.7	-9.0	-12.5	-14.1	-15.2	-57.6
Corporate	-1.9	-9.4	-15.0	-20.7	-23.3	-25.2	-95.5
PA unemployment	-0.6	-2.7	-4.4	-6.1	-6.8	-7.4	-28.0
Excise and Fees	-0.1	-0.7	-1.1	-1.5	-1.7	-1.8	-6.8
	-2.6	-12.6	-20.2	-27.9	-31.4	-33.9	-128.8

Source: Tourism Economics

Note: Tax estimates are based on the IMPLAN model as customized for Pennsylvania. PA unemployment refers to payments to state and local governments related to unemployment insurance and temporary disability insurance. Excise and fees include, for example, motor vehicle licensing fees, various business licenses, as well as hunting and fishing licenses. Property taxes have been excluded from this scenario analysis.

## Potential future gains

We also assessed the potential future gains that could be achieved in an "alternative" scenario in which the PA tourism budget is resorted to \$35 million, in 2014 dollars, starting in calendar year 2017. In this analysis, we compared results in the alternative future scenario to baseline future results assuming the tourism budget is not increased. The difference between the two scenarios represents potential future gains that Pennsylvania could realize by increasing its tourism budget. Our approach in this analysis is similar to the historical analysis in that we estimated the market share gains that Pennsylvania could achieve with additional destination marketing, and then estimated the corresponding level of marketable trips and visitor spending that would result. In this analysis, we made the following key assumptions:

- In the baseline scenario, Pennsylvania's market share of marketable trips would remain approximately stable at its 2014 level of 17.8% from 2017 to 2020 (day trips and overnight trips combined). The nine-state total of marketable trips in the baseline scenario is assumed to grow 2.0% annually, with spending per visitor staying constant in 2014 dollars (i.e. inflationary growth)..
- In the alternative scenario, we estimate Pennsylvania's market share of marketable trips in the nine-state region would gradually increase from 17.8% in 2016 to 19.6% in 2020. We assumed calendar year 2017 as the first year of budget increases and positive impacts. If the tourism budget were restored sooner (e.g. for FY2016), positive impacts would be realized sooner (e.g. in calendar year 2016).
- In both scenarios, we assume that the PA tourism budget would increase 2.0% annually from 2018 to 2020, enabling marketing to grow in line with potential trips.

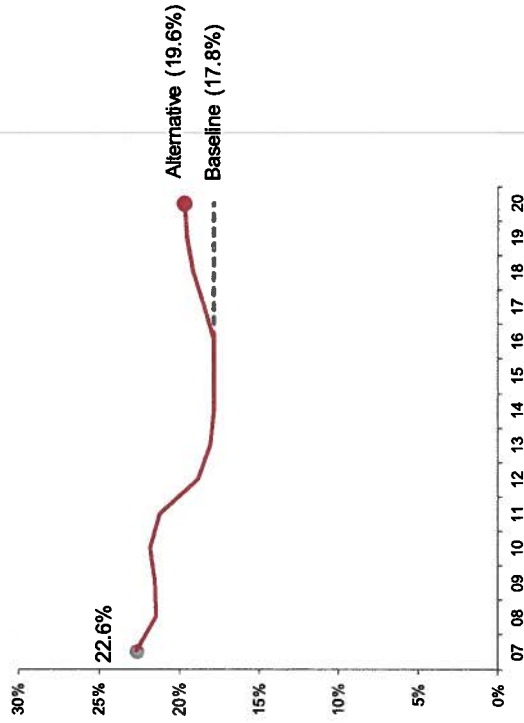
To assess potential future gains, we analyzed an alternative scenario in which the PA tourism budget is restored to \$35 million in 2017.

The accompanying graph summarizes our market share estimates.

It is certainly possible that flat market share as assumed in the baseline scenario is optimistic. The full impacts of historical reductions in Pennsylvania tourism promotion may not have been realized to date, and further declines in market share may yet occur. If so, this analysis may prove conservative. The potential difference between the two scenarios may be greater, indicating even greater relative gains that could be realized by restoring funding.

## PA share of marketable trips

Share of nine-state region, total overnight and day trips



Source: Longwoods International; Tourism Economics

## Potential future gains

Restoring the PA tourism budget to \$35 million in 2014 dollars by 2017 has the potential to attract 10.9 million additional marketable trip visitors annually by 2020. Assuming spending per gained marketable trip visitor of \$210, results in a potential annual visitor spending gain of almost \$2.3 billion annually by 2020.

As summarized in the accompanying table, the cumulative impact of restoring the tourism budget from 2017 to 2020 relative to the baseline are as follows:

- 1.4 percentage points increased market share of marketable trips relative to the nine-state region;
- 31.9 million more marketable trip visitors, equivalent to 7.6% more marketable trip visitors than in the baseline; and,
- \$6.7 billion of additional visitor spending in total for the four years.

Restoring the PA tourism budget could generate \$6.7 billion of additional visitor spending by 2020.

### PA potential gain as a result of future budget increase

Amounts in millions of 2014 dollars, except marketable trips, jobs and key ratios

	2017	2018	2019	2020	Cumulative
<b><u>PA tourism budget</u></b>					
Baseline	\$7.2	\$7.3	\$7.5	\$7.6	\$29.7
Alternative	34.9	35.6	36.3	37.0	143.7
Difference	\$27.7	\$28.2	\$28.8	\$29.4	\$114.1
<b><u>Market share (overnight and day combined)</u></b>					
Baseline	17.8%	17.8%	17.8%	17.8%	17.8%
Alternative	18.4%	19.1%	19.5%	19.6%	19.2%
Difference (percentage points)	0.6%	1.3%	1.7%	1.8%	1.4%
<b><u>Marketable trips (millions of visitors)</u></b>					
Baseline	101.5	103.5	105.6	107.7	418.4
Alternative	104.9	111.1	115.7	118.6	450.2
Difference	3.4	7.5	10.1	10.9	31.9
Difference (relative to baseline)	3.4%	7.3%	9.5%	10.1%	7.6%
<b><u>Visitor spending</u></b>					
Baseline	\$19,959.6	\$20,358.8	\$20,766.0	\$21,181.3	\$82,265.8
Alternative	20,676.0	21,941.9	22,877.6	23,461.8	88,957.2
Difference	\$716.3	\$1,583.1	\$2,111.6	\$2,280.5	\$6,691.4
Difference (relative to baseline)	3.6%	7.8%	10.2%	10.8%	8.1%

Source: Tourism Economics



## Potential future gains

As summarized in the accompanying table, as a result of restoring the tourism budget, over a four-year future period the Commonwealth has the potential to gain:

- 31.9 million marketable trip visitors;
- \$6.7 billion of visitor spending;
- an average of 15,300 jobs;
- \$2.8 billion of labor income; and,
- more than \$390 million in state taxes and \$140 million in local taxes, including \$50 million of local hotel taxes.

For each additional dollar PA provides to its tourism budget it would generate:

- \$59 of additional visitor spending; and,
- \$3.43 of additional state tax revenues.

By 2020, restoring the tourism budget could generate more than \$390 million of additional state taxes.

## PA potential gain as a result of future budget increase

Amounts in millions of 2014 dollars, except marketable trips, jobs and key ratios

	2017	2018	2019	2020	Cumulative
<b>PA tourism budget</b>					
Baseline	\$7.2	\$7.3	\$7.5	\$7.6	\$29.7
Alternative	34.9	35.6	36.3	37.0	143.7
Difference	\$27.7	\$28.2	\$28.8	\$29.4	\$114.1
<b>PA potential impact gains</b>					
Marketable trips (millions of visitors)	3.4	7.5	10.1	10.9	31.9
Visitor spending	\$716.3	\$1,583.1	\$2,111.6	\$2,280.5	\$6,691.4
Total economic output	\$1,225.9	\$2,709.3	\$3,613.8	\$3,902.9	\$11,452.0
Direct expenditures	716.3	1,583.1	2,111.6	2,280.5	6,691.4
Indirect and induced output	509.6	1,126.3	1,502.3	1,622.4	4,760.6
Total labor income	\$299.4	\$661.7	\$882.6	\$953.2	\$2,796.9
Direct labor income	154.5	341.5	455.5	491.9	1,443.4
Indirect and induced labor income	144.9	320.2	427.1	461.3	1,353.5
Total jobs (annual average)	6,805	14,745	19,281	20,415	15,312
Direct jobs	4,714	10,213	13,355	14,141	10,606
Indirect and induced jobs	2,091	4,532	5,926	6,274	4,706
Total fiscal (tax) impacts	\$124.5	\$275.2	\$367.1	\$396.5	\$1,163.4
State taxes	41.9	92.6	123.4	133.3	391.2
Local taxes	15.4	33.9	45.3	48.9	143.4
Federal taxes	67.3	148.8	198.4	214.3	628.8
Sub-total: Local hotel taxes	\$5.4	\$11.9	\$15.8	\$17.1	50.2
<b>Key ratios (annual average)</b>					
Visitor spending gain / budget increase	\$26	\$56	\$73	\$78	\$59
State tax gain / budget increase	\$1.51	\$3.28	\$4.29	\$4.54	\$3.43

Source: Tourism Economics

## Potential future gains

Pennsylvania's state and local governments would have to tax each household \$85 over this future period to raise an equivalent amount.

As summarized in the accompanying table, as a result of restoring the tourism budget, over a four-year future period the Commonwealth has the potential to gain:

- \$258.9 million of sales taxes;
- \$112.1 million of excise taxes and fees; and,
- \$83.1 million of personal income taxes.

The net state and local tax gain over this period is estimated at \$420.6 million (\$534.6 million of additional revenue, offset by \$114.1 million of additional tourism budget expenditures). Pennsylvania's state and local governments would have to tax each household \$85 over this period to raise an equivalent amount.

### PA state and local tax gain as a result of future budget increase

Amounts in millions of 2014 dollars

	2017	2018	2019	2020	Cumulative
<b><u>State and local tax impacts by jurisdiction</u></b>					
State taxes	\$57.2	\$126.5	\$168.7	\$182.2	\$534.6
Local taxes	41.9	92.6	123.4	133.3	391.2
	15.4	33.9	45.3	48.9	143.4
<b><u>State and local tax impacts by category</u></b>					
Sales	\$57.2	\$126.5	\$168.7	\$182.2	\$534.6
Local hotel occupancy taxes	27.7	61.2	81.7	88.2	258.9
Personal income	5.4	11.9	15.8	17.1	50.2
Corporate	8.9	19.7	26.2	28.3	83.1
PA unemployment	2.6	5.8	7.7	8.3	24.4
Excise and Fees	0.6	1.4	1.9	2.0	5.9
	12.0	26.5	35.4	38.2	112.1

Source: Tourism Economics

Note: Tax estimates are based on the IMPLAN model as customized for Pennsylvania. PA unemployment refers to payments to state and local governments related to unemployment insurance and temporary disability insurance. Excise and fees include, for example, motor vehicle licensing fees, various business licenses, as well as hunting and fishing licenses. Property taxes have been excluded from this scenario analysis.

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## **Appendix 1: The vital role of destination promotion**

## The vital role of destination promotion

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing three challenges.

### **Challenge #1: The visitor economy is fragmented**

The visitor economy is diverse with benefits accruing across various industries (e.g. hotels, restaurants, retail stores, transportation, performance venues and other attractions), and in many cases, these establishments are operated as small businesses that lack the capacity to conduct certain types of marketing. Moreover, certain benefits accrue across the economy rather than to just an individual business.

Because a visitor's spending is spread across businesses, any single business may not capture sufficient share of a visitor's spending to justify marketing to attract visitors to a destination. For example, an individual hotel could market the attractiveness of a destination, but it would only benefit from those additional visitors who not only choose the destination, but also choose that particular hotel; and the hotel would only benefit directly from the visitor's spending at the hotel. In other words, at the level of an individual business, the returns on independent marketing to attract visitors to a destination can be less compelling. However, when viewed at the level of the destination, there is a more direct connection. The destination captures a substantial dollar amount per visitor, and in aggregate there are compelling returns on effective destination marketing.

Destination marketing plays an integral and indispensable role in the competitiveness of the local and national visitor economy by addressing its unique challenges.

### **Solution: destination promotion provides the scale and strategic vision supporting a wide array of individual businesses**

Destination promotion organizations also play a role furthering the strategic potential of the visitor economy. Destination marketing organizations (DMOs) can take a long term view of the development of the destination and pursue tactics to help develop a visitor economy that better fits the goals of local residents and businesses. For example, many destinations have a mix of peak, shoulder, and low season periods. DMOs take steps to build shoulder season and low season demand and help fill slower days of the week, supporting a more stable base of employment and helping ongoing operations achieve a "break even" level of profitability. Similarly, DMOs can play a role helping to find solutions that balance the development of the visitor economy with the constraints and goals of a given destination, such as fostering the development of geographic areas with greater capacity for growth.

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## The vital role of destination promotion

The fundamental motivation driving a visit is not usually the offerings of a single business—instead it is the destination.

**Challenge #2: The primary motivator of a trip is usually the experience of a destination, extending beyond the offerings marketed by a single business**

The fundamental motivation driving a visit to a given destination is frequently not the offerings of a single business—instead it is the destination, including a range of attractions and the overall experience of a place. This experience is comprised of a visitor's interaction with, and patronage of, numerous businesses and local experiences: hotels and other accommodations; restaurants; shopping and galleries; conferences; performances and other events; family activities; sports and other recreation; and cultural sites and attractions.

Marketing efforts that focus on only one sub-sector of the visitor market, such as communicating the offering of a specific hotel or other business, do not also adequately address the core motivation for potential visitors.

**Solution: destination promotion articulates the brand message that is consistent with consumer motivations**

Through coordinated destination promotion, the destination is represented collectively, driving demand for all segments of the visitor economy. Stand-alone marketing efforts would almost certainly be less effective than a collective destination marketing campaign.

## The vital role of destination promotion

The scale of collaborative destination marketing is more effective than what individual businesses could accomplish.

### Challenge #3: Effective marketing requires scale to reach potential visitors across multiple markets

Effective destination marketing requires significant and consistent funding with the aim of gaining a sufficient “share of voice” to be heard and make an impact. Whether in the form of advertising or public relation efforts scale produces efficiencies that maximize the share of funding that goes to actual marketing and advertising, drives down per unit advertising costs, and enables higher impact, and more specialized efforts. As a result, the larger scale of collaborative destination marketing is more effective than what individual businesses could accomplish. Simply put, the whole of destination marketing is greater than the sum of individual parts.

### ***Solution: destination promotion pools resources to provide the economies of scale and marketing infrastructure required to generate impact***

One of the benefits of coordinated marketing facilitated by a DMO is the ability to have a stable organization and funding base to support destination marketing. As a result, DMOs are able to efficiently leverage the brand, infrastructure and relationships that have been built over time.

For example, DMOs:

- Conduct marketing that leverages a base level of awareness of the destination that has already been established with some target customers, allowing annual marketing spend to be more effective at activating and reinforcing key messages;
- Use existing infrastructure, such as websites and publications, that are updated on a recurring basis;
- Employ a staff with established relationships with local tourism-sector businesses and marketing service providers; and,
- Support market research, such as visitor profile studies, that help individual businesses better target market opportunities, but which would likely not be economical for individual businesses to conduct independently.

Through these economic factors, destination promotion helps expand the visitor economy in ways that are consistent with local priorities, building the types of opportunities that are a critical part of economic development.

## Travel has proven its resilience

As incomes rise, consumer spending on travel has grown at an even faster rate and employment in the travel economy has led growth during the recent economic recovery.

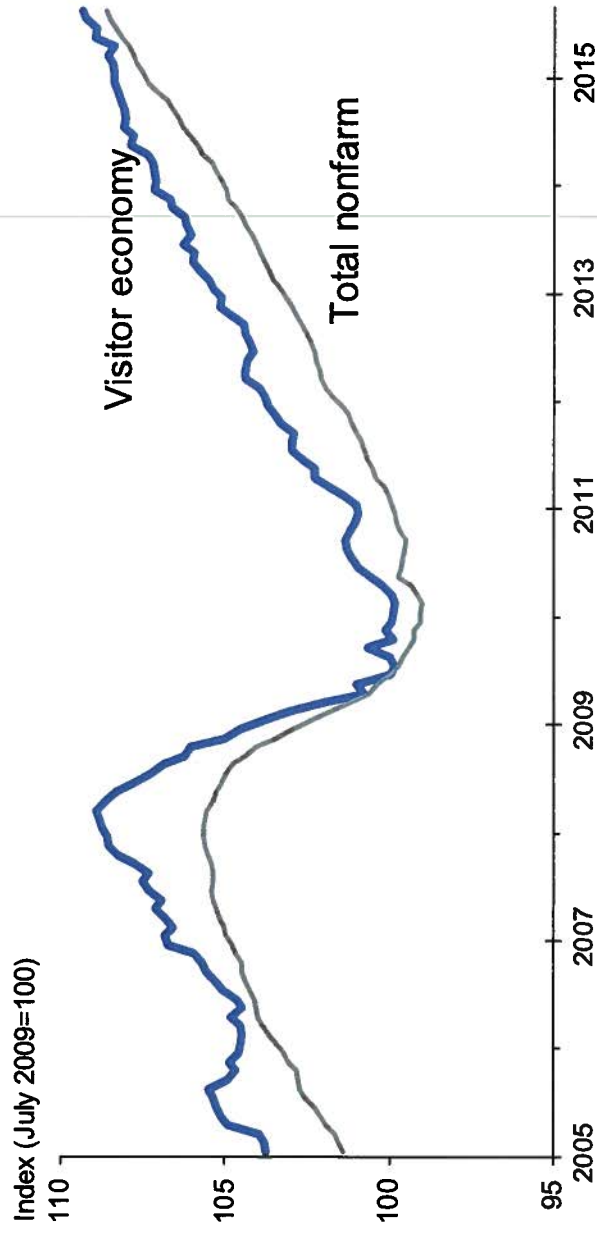
Across the US, favorable tail winds have supported above average growth in the visitor economy. As income levels rise, consumers are dedicating a greater share of spending to travel and tourism. For example, in the span of slightly more than a generation, per capita consumer spending on hotel stays in the US has increased 200% since 1980, even as per capita GDP – as a measure of income levels – has increased only 75%.

Travel has proven its resilience, with a strong recovery from the most recent economic downturn. As the visitor economy has recovered, it has contributed job growth since the end of the recession at a faster rate than the US average. As of August 2015, employment in key sectors of the visitor economy was 9.4% ahead to a 8.6% gain for the broader economy.

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## Visitor economy employment trends (US)

Compared to total nonfarm employment



Note: Seasonally adjusted data through August 2015. Visitor economy measured as the sum of employment across 14 industry segments. Source: Bureau of Labor Statistics; Tourism Economics

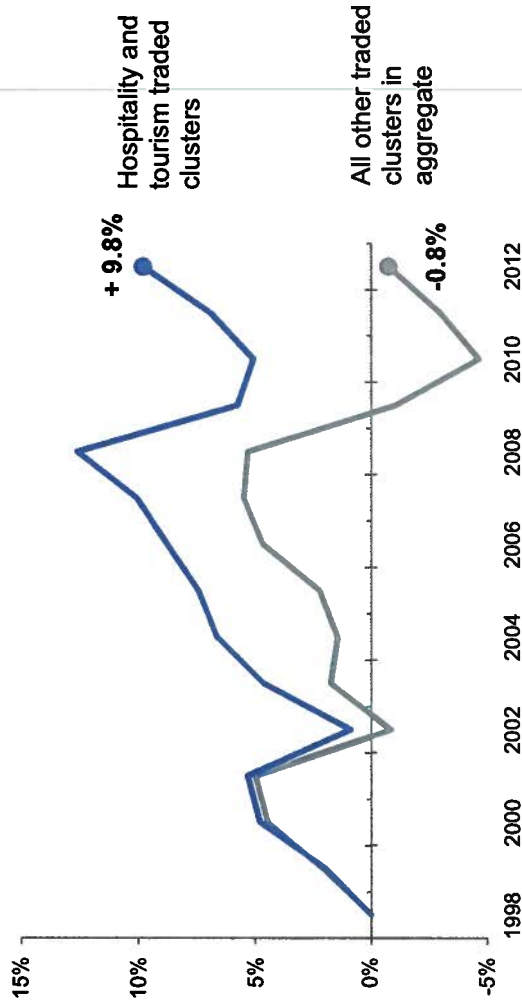
## The visitor economy represents an export, drawing new dollars into the local economy

The visitor economy represents a valuable locally-produced export for many regional economies. The resulting visitor spending supports jobs, incomes, tax revenues and local business sales that represent part of the region's economic base, critically important in providing demand for local supporting sectors. In this sense, whether referred to as an "export" or a set of "traded" goods and services, the visitor economy plays an important role in the "base" economy of many regions.

As developed through research by Michael Porter, the term "traded cluster" refers to "geographic concentrations of interconnected companies and institutions in a particular field" that sell products and services across regions.

Nationally, hospitality and tourism has outperformed the aggregate of all other traded cluster export sectors since 1998, with employment expanding nearly 10% while all others shrank 1%.

**Traded cluster employment gains over time (US)**  
Index, cumulative percentage points of employment growth since 1998



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



## Additionally, destination promotion helps drive economic development

Destination promotion supports the visitor economy, but it also acts as a catalyst of broader economic development.

In recent research, Tourism Economics / Oxford Economics identified four primary channels through which destination promotion drives broader economic development and growth.

### 1) *Attracting strategic events*

By securing meetings and conventions, DMOs attract the very prospects that economic development agencies target. Not only do these events create valuable exposure among business decision makers, they create direct opportunities for economic development agencies to deepen connections with attendees.

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

Tom Clark  
Metro Denver Economic  
Development Corporation

### 2) *Raising the destination profile*

Destination promotion builds awareness, familiarity, and relationships in commercial, institutional and individual networks that are critical in attracting investment.

**“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 (GO-Biz)

### 3) *Building transport networks*

By developing the visitor economy, destination promotion supports transportation infrastructure, providing greater accessibility and supply logistics that are important in attracting investment in other sectors.

**“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

### 4) *Raising the quality of life*

Visitor spending helps support a broader and higher quality set of local amenities than an area could otherwise sustain. The cultural, entertainment, culinary, and retail attractions that visitors support make a place more attractive to investors.

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

Jeff Malehorn  
President & CEO, World Business Chicago

Oxford Economics (2014, November) “Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development.”  
Produced in connection with Destination & Travel Foundation.  
[Link to http://www.oxfordeconomics.com/engine](http://www.oxfordeconomics.com/engine)

## Destination promotion “halo effect”

Longwoods International recently undertook research to measure how image lift was created by tourism ad awareness and the experience of visiting the destination. The research was conducted through an online survey of more than 18,000 respondents across advertising markets for seven states and two metropolitan areas.

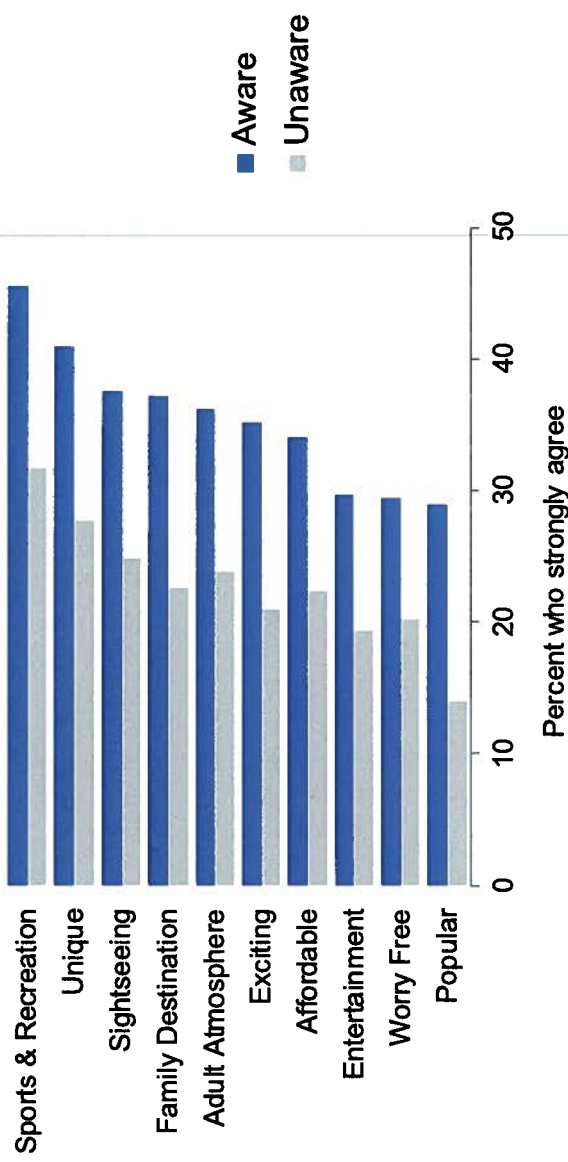
The results show that many of the messages of destination marketing advertising campaigns work in parallel with economic development goals. For example, as shown in the graph to the right, the “Pure Michigan” campaign positively impacts perceptions of the state that can be helpful in attracting skilled workers and new businesses.



Destination marketing contributes to a “halo effect”, as advertising campaigns positively impact perceptions of a region.

## Marketing positively influences perceptions of a region

Pure Michigan 2014 campaign impact on perceptions of Michigan as a national tourism destination



Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

## Destination promotion “halo effect”

Tourism marketing can directly impact decision criteria that are key to economic development.

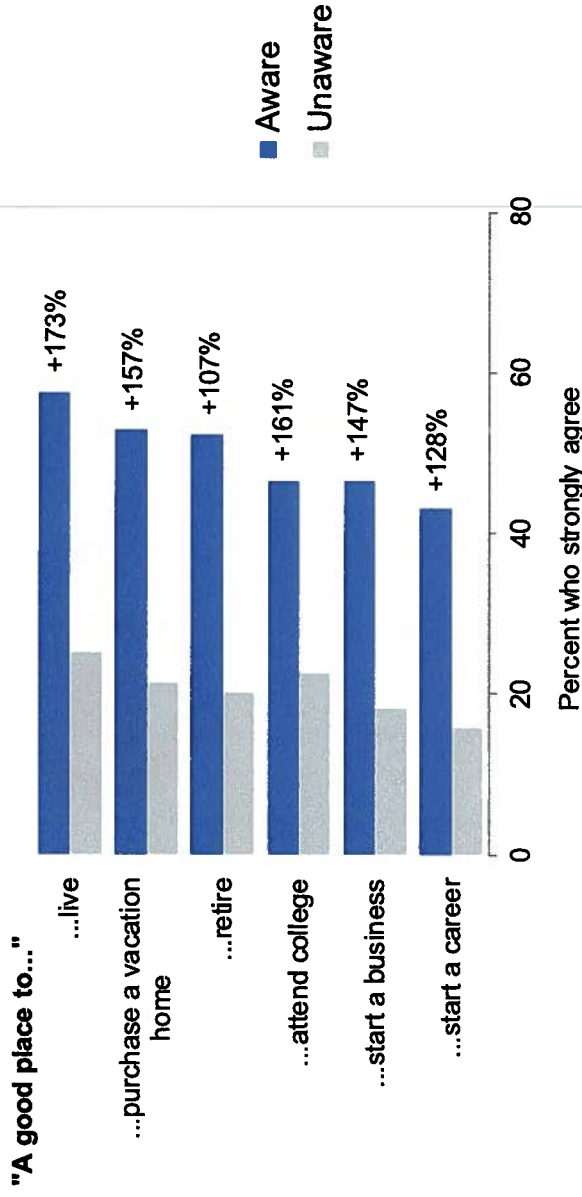
Affecting perceptions of a region through destination marketing can influence decision criteria that are important to skilled workers and new businesses.

For example, Lake Erie Shores and Island's 2014 tourism marketing campaign boosted perceptions of the area as a good place to start a career. Among those who were aware of the advertising, 43.2% strongly agreed with the statement that the area was a good place to start a career, representing a 173% increase relative to the 15.8% who strongly agreed among those unaware of the advertising.



## Marketing influences perceptions on key decision criteria

Lake Erie Shores and Islands 2014 campaign impact on the region's economic development image



Note: Percentages indicate the increase in "ad aware" respondents who strongly agree relative to "unaware".  
Source: Longwoods International (2015, July) "Destination Marketing and Economic Development: Creating a Singular Place Brand"

## Destination promotion helps drive economic development

Destination marketing supports economic development through four catalytic channels, extending its impact well beyond the effects of visitor spending. Destination marketing builds transport accessibility, attracts major events that build awareness, raises the quality of life for residents, and raises the profile of a destination among potential investors.

**As a result, cities and states that succeed as destinations are more likely to succeed in broader economic terms.**

The four channels of catalytic impacts generate benefits that extend beyond direct effects of driving visitation.



Oxford Economics (2014, November) "Destination Promotion: An Engine of Economic Development: How destination promotion drives economic development." Produced in connection with Destination & Travel Foundation. [Link to http://www.oxfordeconomics.com/engine](http://www.oxfordeconomics.com/engine)

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## Appendix 2: Selected reference data

## Destination marketing ROI in other markets

Many state and local DMOs conduct periodic assessments of marketing effectiveness. There are several goals of these studies, including understanding how specific marketing campaigns are perceived by households, how effective the campaigns are in having an impact on households' intent to travel to a given destination, and which target markets are showing differing level of responsiveness to marketing. Frequently these studies include a specific analysis of the ROI of marketing spending in the form of a quantitative assessment of the level of incremental visitor spending and tax revenues that are attributable to destination marketing.

These studies use a variety of methods, and are measuring the impact of a range of different campaigns across different situations. For example, a specific study may look at incremental visitors attracted by a state-level marketing campaign conducted by a state that attracts travelers from a range of national markets, while another study may focus on the results of a more targeted regional campaign carried out by a city-level DMO. While the results of a specific study pertain most directly to the situation that was analyzed, and the corresponding assumptions, it is appropriate to consider broader inferences from the research.

We analyzed recent studies that included an estimate of the incremental visitor spending attributable to advertising campaign spending. For example, in a fairly typical approach, a study would:

- use a survey to analyze the effect of a specific advertising campaign on households' travel to a given destination, such as by analyzing the impact on actual travel among those that had observed the advertising or by analyzing the impact on households' intentions to travel;
- project that effect to the broader set of households in the marketing area to estimate the number of incremental visits attributable to the campaign;
- apply typical levels of spending per visitor to estimate incremental visitor spending; and,
- compare incremental visitor spending to the level of advertising spending to estimate the ROI.

We summarized the estimates of incremental visitor spending per dollar of advertising campaign spending from these studies in the table on the following page.

## Destination marketing ROI in other markets

Estimates of incremental visitor spending per dollar of advertising campaign spend from the set of studies we analyzed is summarized in the adjacent table, supporting the following observations:

- The results range from as low as \$12 for an analysis conducted for Syracuse, NY to as high as \$326 for the average of several analyses conducted for California.
- For state campaigns, visitor spending gains per dollar of advertising spending have typically range between \$100 and \$200.
- Overall, we observe that recent marketing campaigns by destination marketing organizations at the state level have generated approximately \$148 of incremental visitor spending per dollar of advertising spending.

## Marketing ROI Matrix

Region States	Timing	Visitor spending per ad dollar
California	Average 2009 to 2013	\$326
Arizona	Average 2007, '11, '12, '15	221
Georgia	Average 2011 and 2012	211
Colorado	2012	200
Florida	2011	177
Maryland	2012	160
Wyoming	Average 2012, '13, '14	156
Kentucky	2014	151
Missouri	2013	131
North Dakota	Average 2010, '12, '14	101
Utah	Average 2010, '11, '13	83
Virginia	2006	71
Michigan	2009/10	54
New Mexico	2012	29
<b>Metros and regions</b>		
Philadelphia, PA	2009/10	\$100
Branson, MO	2012	79
Kansas City, MO	2013	65
Springfield, MO	2011	61
Finger Lakes Wine Country, NY	2012	44
Washington, DC	2013	27
San Diego, CA	2013	19
Syracuse, NY	2008	12
<b>Average of states</b>		<b>\$148</b>
<b>Average of metros and regions</b>		<b>\$51</b>

Sources: Local studies compiled by Tourism Economics

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## About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.



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