W H I T E   P A P E R

THE POWER OF DESTINATION MARKETING

"Pure Michigan" and Philadelphia "With Love" Case Studies

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Abstract

The purpose of this White Paper is to document through research the financial value of successful destination marketing programs. An earlier article used the State of Colorado as an example of the negative impact of slashing a successful state tourism campaign. Here we follow through with two case studies, Michigan and Philadelphia, which are compelling examples demonstrating at the state and city levels that consistent, well-executed marketing programs can produce a significant positive return on investment to stakeholders.

Introduction

It was two years ago in 2009 that I published a White Paper entitled "What Happens When You Stop Marketing? The Rise and Fall of Colorado Tourism." 1 It showed through 20 years of research the consequences of a state government eliminating its successful marketing program in 1993 and cutting the budget to zero. The result: Colorado's share of U.S. travel plummeted 30% within two years, ultimately creating a revenue loss of over $2 billion annually.

The state's tourism industry struggled without funding until 2000, when the new Colorado Tourism Office was formed with a $5 million annual budget. Based on a demonstrated return on investment to the treasury of over 12:1, Governor Bill Owens increased tourism funding in 2006 to $19 million. As a result, after languishing for over a decade, Colorado's tourism business is now back up to record levels.

[1] The Colorado case study is available for download at www.longwoods-intl.com

The Colorado case represents the clearest illustration I have seen to date on the ***downside*** of cutting marketing programs. It has become iconic within the industry, and is regularly cited by destination marketing organizations when their budgets are under pressure. While I recognize that fear may be a more potent motivator than opportunity, I feel nonetheless that it is essential to demonstrate as well the significant ***upside*** potential of marketing a destination.

For over 30 years, my company has had the privilege of conducting research to evaluate the campaigns of numerous destinations at the national, state, municipal and regional levels, as well as leading private sector clients. The majority of these have produced a demonstrable positive return on investment. A couple of the more dramatic success stories include:

- Hawaii doubling the tourism budget to $60 million after the legislature threatened to cut the budget to zero for lack of accountability. The key was ROI research in the U.S. and Japan that successfully withstood intense legislative review and scrutiny.[2]

- Evaluating the first-ever tourism branding campaign for America overseas, in the UK market. The campaign effectively used the glamour of Hollywood movies to lure 360,000 additional Britons to the U.S. ***("You've seen the films. Now visit the set.")*** According to our research for the Department of Commerce, those Brits spent $481 million in the U.S. and that yielded $79.9 million in federal and local taxes.[3]

These examples are especially salient in the current fiscal environment where, in the aftermath of one of the most severe recessions in recent history, legislators at all levels of government have been looking for ways to slash program costs in order to deal with burgeoning deficits. For many, tourism is an easy target for chopping in comparison to essential services like Medicare and education.

The following two case studies, Michigan and Philadelphia, provide dramatic and convincing evidence that destination marketing represents an investment, not a cost to taxpayers; that it does not compete with entitlement programs, but rather helps pay for them; that it puts cash into public coffers, creates jobs, and enhances the lifestyle of both tourists and residents.

[2] The Hawaii case was given a best practices award by the Travel & Tourism Research Association (International).

[3] The U.S. Department of Commerce campaign received the prestigious Odyssey Award from the Travel Industry Association of America in 2006.

Pure Michigan

My connection to the state of Michigan goes back to the late 1960's, when I moved to Ann Arbor to pursue my postgraduate studies in Psychology at the University of Michigan. At that time, the state was an economic powerhouse, with the Big Three car companies dominating the domestic market. General Motors alone held a market share of almost half of vehicles sold.

The intervening years have not been kind to Michigan's economy:

- By 2009, GM's market share had dropped to 20%.
- The economy nationwide was in severe recession.
- In Michigan, unemployment had grown from 3% to over 14% in a decade.4
- The City of Detroit had lost over half its population, and one in four of its residents were jobless.
- Both General Motors and Chrysler were forced into bankruptcy, two iconic corporations saved only by a massive bailout by the federal government.
- Media coverage of the state was overwhelmingly negative, with headlines about plummeting auto sales, declining home values and rising unemployment.

That was the challenging environment in 2009 when Michigan launched its first-ever national advertising campaign promoting tourism for the state. Former Governor Jennifer Granholm and the legislature had just approved a one-time increase for Travel Michigan, a division of the Michigan Economic Development Corporation, which doubled the marketing budget to just under $30 million. My company was charged with the task of determining whether that investment was a wise choice for the state's taxpayers.

Given that the Michigan treasury was under severe pressure, there was no shortage of critics opposed to singling out the tourism industry for a cash injection. On the other hand, there was a strong rationale for its many proponents to support the marketing effort:

- At a time when the manufacturing sector was in dire straits, tourism was seen as a promising way to drive economic development.
- The "Pure Michigan" advertising campaign, which was launched regionally in 2006, had garnered critical acclaim nationally, winning a number of awards.

[4] Source: U.S. Bureau of Labor Statistics.

- Our ROI research showed that the campaign, which had run regionally since then, was a moneymaker, not a cost to taxpayers.

Beyond its tangible benefits, ***"Pure Michigan"*** was applauded across the state as a huge morale booster for the many residents coping with economic hardship.

This case study will review the development of the ***"Pure Michigan***" brand, its performance in traditional markets in the Great Lakes Region, the impact it made in just one year when it was launched nationally, and the battle for sustained funding since then.

Building the Brand

Great Lakes. Great Times TV Spot.

Longwoods International was first hired in 2004 by the Michigan Economic Development Corporation to conduct image and accountability research measuring the equity of the state's tourism brand and the effectiveness of Travel Michigan's advertising campaign. Back then, with a budget of only $5 million, the state's ongoing regional branding campaign, ***"Great Lakes. Great Times,"*** was producing an adequate but not exceptional return.

The campaign focused on listing Michigan's amenities – things to see and do— and did not resonate with travelers, who were inundated with similar messages from other regional destinations. It also violated one of the cardinal rules of marketing - ***Sell the benefit, not the features.***

By 2006, the evidence was in from the tracking research that the campaign was showing signs of wearing out. The research also demonstrated that Michigan suffered from a weak image within the region. However, the experience of recent visitors to the state was very positive, indicating that the issue was a communications challenge not a product problem.

That year, McCann Erickson was awarded the Travel Michigan account. Their mandate was to:

- Go beyond listing Michigan's tangible attributes, and create a focused, emotional message that resonated with the family values of Michigan's core audience.

- Expand the message beyond the state's regional audience, and put Michigan on the leisure traveler's map across the United States.
- Drive traffic to the state web portal, **michigan.org.**
- Ultimately, increase visitor travel to Michigan and, by extension, boost tax revenues to the state.

The new campaign, ***"Pure Michigan,"*** was a stunner. Using a celebrity Michigan native, the actor and comedian Tim Allen as spokesperson, a haunting musical theme from the movie **"The Cider House Rules,"** magnificent photography showcasing a myriad of attractions across the state, and evocative narrative, the campaign felt like poetry, not crass commercial hard sell. "Pure Michigan" quickly became a phenomenon, generating critical acclaim and going viral on the web.

From the outset, most of the media weight was placed in television and radio. This allowed it to reach a broad audience with a story-telling approach to engage the consumer emotionally. Broadcast was supplemented with out-of-home, including billboards, wallscapes, and bus wraps, print, and digital media.

In the beginning, "Pure Michigan" ran in regional markets only. The research demonstrated that it was building equity in the marketplace, impacting Michigan's image positively, and generating a positive financial return for the state. Then in 2009, the legislature approved a one-time doubling of the Travel Michigan budget to $28 million, allowing the state to promote itself nationally for the first time ever.

Business Results

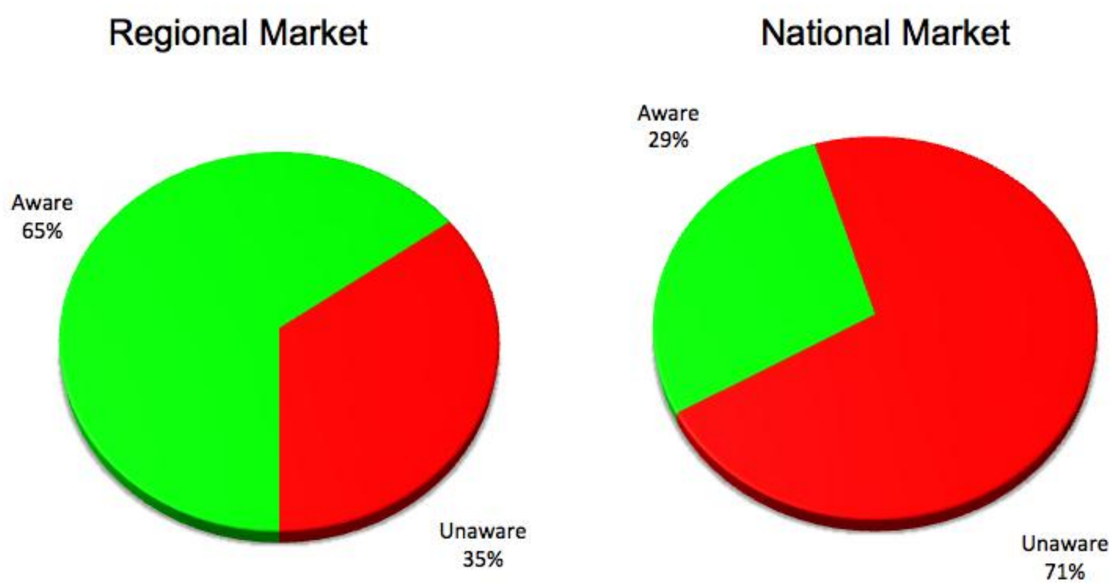


Figure 1. Awareness of 2009 ***"Pure Michigan"*** Campaign

Based on post-campaign tracking research, three out of ten national travelers were aware of this campaign.

- Two out of three in regional markets recalled seeing ***"Pure Michigan*** ads**.**

In its first year, the national campaign dramatically increased unaided awareness of Michigan across the U.S. as a place in the Midwest U.S. ***"you would really enjoy visiting."***

- Michigan moved to **2nd** place against competitors after the campaign, vs. **9th** place before the campaign launched only months earlier.

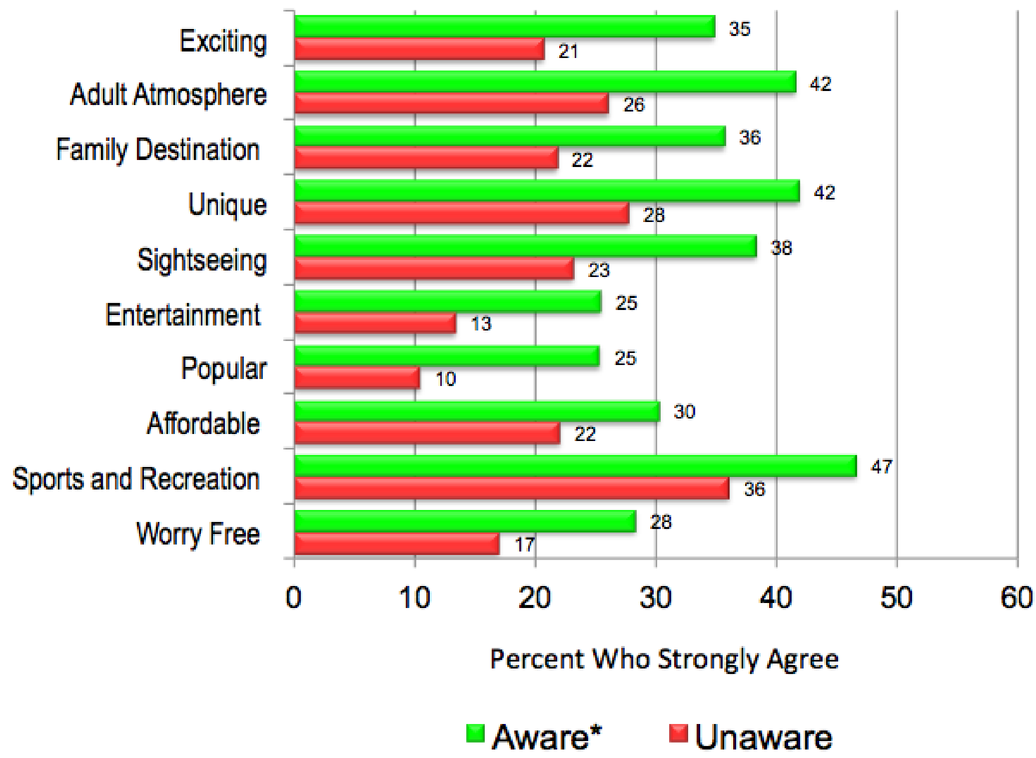


Figure 2. ***"Pure Michigan"*** Campaign's Impact on State's National Image

The campaign greatly enhanced the image of Michigan among national travelers, overall and on most specific attributes that drive visitation, creating a positive perceptual halo effect for the state.

"Pure Michigan" was also doing an excellent job of driving visitation to the website, **michigan.org.** Since launching in 2006, unique visitors to this portal have increased each year.[5]

- 2010 visits totaled 13,354,331, up 19% over 2009
- 2009 visits up 8% over 2008
- 2008 visits up 41% over 2007
- 2007 visits up 23% over 2006

[5] Source: Google Analytics and Web Trends

As a result of this dramatic growth, **michigan.org** has been named the most visited state tourism website in America for four years in a row. And this year, the ***"Pure Michigan"*** Facebook page became the first among states to reach over 200,000 fans.

Longwoods' ROI research yielded the following impacts of the 2009 ***"Pure Michigan"*** campaign:

	Media Budget (Millions)	Trips Generated	Visitor Spending (Millions)	State Taxes Generated (Millions)	State Tax ROI per Ad Dollar
2009 Regional	$4.4	1,265,000	$338	$23.6	$5.36
2009 National	$7.8	681,000	$250	$17.5	$2.23
2009 Total	$12.2	1,946,000	$588	$41.0	$3.36

Table 1. ***"Pure Michigan"*** 2009 Campaign Impacts

The 2009 summer campaign generated almost 2 million additional trips to Michigan. That produced $588 million in direct expenditures within the state, which yielded $41 million to the state's treasury, for an ROI to the taxpayer of over 3:1 for every dollar invested.

The regional campaign, which ran in Chicago, Cleveland, Indianapolis, Cincinnati, Dayton, Columbus, St. Louis, Milwaukee, and Ontario, increased its return on investment to the state from $2.86 in 2004 to $5.34. The national campaign produced a lower but still positive return of $2.23 for each dollar invested. This was the result of several factors:

- It was a brand new campaign and had not built up equity from prior exposure in the national marketplace.
- Michigan was further away and compared to regional markets.
- For more distant markets, the planning cycle for a Michigan trip is considerably longer, and we were only including short-term conversion in our ROI calculations.

- In addition to trips actually taken, the 2009 ***"Pure Michigan"*** generated an incremental 4.36 million ***planned*** trips from national markets, versus 1.16 million from the near markets.

- While only a percentage will convert their plans into action, nevertheless the combination of awareness building, image enhancement, short-term trips taken, and trip planning suggest that the new ***"Pure Michigan"*** national campaign was a winner.

"Pure Michigan's" success in the marketplace has achieved recognition in the media and by numerous peer awards:

- Among the 10 all-time best travel campaigns by Forbes (2009).

- Rated first in Social Media Tourism Promotion (2010).

- Mercury Awards from the National Council of State Tourism Directors for:

    - Best State Tourism Advertising Campaign (2007)
    - Best State Tourism Television Commercials (2007)
    - Best State Tourism Radio Campaign (2008)
    - Best State Tourism Radio Advertising (2009)
    - Best State Tourism Niche Marketing (2009)
    - Best State Tourism Television Commercials (2010)
    - Best State Tourism Radio Commercials (2010)
    - Best State Tourism Co-op (Partnership) Program (2010)
    - Best State Tourism Welcome Center Program (2010)

As a researcher, I am especially proud of the fact that this year, ***"Pure Michigan"*** received a prestigious David Ogilvy Award from the Advertising Research Foundation in New York City. According to ARF, the David Ogilvy Awards honor extraordinary and creative use of research in the development of successful advertising campaigns.

However, my favorite endorsement remains this quote by Lewis Lazare, Advertising Critic of The Chicago Sun-Times, who said***: "Pure Michigan" is a pure delight. Every time we watched a commercial during the peak summer travel season last year (and now again in 2009), we felt the urge to jump right out of the seat in our living room and make a beeline for Michigan. It didn't matter where. Just anywhere, as long as it was Michigan."***

Epilogue

Despite the demonstrated success of ***"Pure Michigan,"*** the legislature in 2010 was divided on the issue of further funding. There was a serious threat that it would drop to only $5.4 million for the fiscal year. Questions were raised as to the validity of the ROI numbers, and I was summoned to Lansing, the state capital, to explain the methodology and findings to key staff budget advisors and lawmakers. The research was endorsed, and at the 11th hour, an additional $10 million was allocated to the campaign, allowing it to run nationally, but a diminished level of funding.

Now it is 2011, and Rick Snyder, a successful businessman from Ann Arbor, is the new Republican Governor of Michigan. Inheriting a projected budget shortfall of approximately $1.5 billion, Governor Snyder was elected on a platform of fiscal restraint and responsibility. In his first budget, he stressed the need for shared sacrifice to get the state's financial house in order.

His budget proposed contentious cuts to essential services, such as education, mental health care, health promotion, and correctional services. State employees would now pay 20 percent of their health insurance premiums.

In this context of cost cutting, it may surprise you that in March, 2011 one of the first bills signed by Gov. Snyder added $10 million to the "Pure Michigan" advertising campaign, raising the promotion budget to $25 million per year for the next two years. "It brought in more tax revenue than it has cost our state," he said of the campaign.[6]

This is in my judgment a perfect illustration that fiscal conservatism need not equate to indiscriminate cutting. I commend Michigan's Governor Snyder for using a scalpel instead of a chainsaw. Nobody likes to be cut, but at least a surgeon deserves respect. For government, cutting tourism promotion, one of the few revenue generators in the system, will likely backfire, leading to a fewer jobs and less revenue to pay for essential social programs.

[6] Source: Bloomberg Businessweek, March 10, 2011.

The Philadelphia Story

The last few decades of the 20th century were a difficult period for the Philadelphia region, with population and employment growth one of the worst in the nation among major metro areas.[7] In 1995, a study sponsored by the Pew Charitable Trusts[8] examined the potential for tourism to play a key role in revitalizing Philadelphia's economy. It concluded that:

- "Philadelphia's record of attracting tourists is weak and there is considerable room for improvement."
- "For almost a decade, Philadelphia has concentrated on marketing to the convention business and has, with the exception of a few token efforts, neglected marketing geared to attracting extended stay vacationers."
- "Lack of any sustained or focused image marketing over the past decade has led to a lack of awareness among the travel agent community and a lack of awareness and demand on the part of travelers."
- "Philadelphia has a negative image as a vacation destination."
- "Despite the fact that Philadelphia does have good product, the perceptions – and therefore the reality – among potential travelers is that the product is weak."
- "There is very little awareness of the fact that Philadelphia possesses modern, interesting and exciting urban vacation experiences such as world class dining."
- "An effective marketing campaign will not be implemented and Philadelphia will not reach its goal of becoming a destination city without sufficient and sustainable funding."
- "Implementation of the marketing recommendations will take an organization that has a vision for the future, a commitment to and expertise in tourism marketing, the confidence of the hospitality industry and the power to strongly and steadily move the tourism agenda forward."

Following this critical report, the City of Philadelphia, the Commonwealth of Pennsylvania, and the Pew Charitable Trusts jointly founded a new public-private partnership, the Greater Phila-

[7] Parter International, Inc., and Econsult Corporation, *Analysis of GPTMC Five-Year Tourism Marketing Initiative*, 2004.

[8] Parter International, Inc., LDR International Inc., and Madigan Pratt & Associates, *Philadelphia Tourism: Assessment, Analysis & Recommendations*, Vol. 1, Report. The Pew Charitable Trusts, 1995.

delphia Tourism Marketing Corporation (GPTMC). Its mandate was to promote tourism and economic growth for Philadelphia and four surrounding counties - Bucks, Chester, Montgomery and Delaware. In 1996, Longwoods International was hired by the newly formed marketing corporation to conduct visitor and image research that would help guide the development of GPTMC's marketing strategy, and we continue to track Philadelphia's progress today.

Having witnessed the initial obstacles to be overcome and the continual progress generated over 15 years, I am fortunate to be able to share this case study that unequivocally demonstrates the power of a well-managed marketing program. The evidence comes from multiple sources:

1. Longwoods International:
    - National and Philadelphia regional visitor profiles and trends from 1997 to 2010.
    - Image and advertising effectiveness studies.
2. Tourism Economics, a division of Oxford Economics:
    - Economic modeling.
    - Information on spending (direct, indirect and induced), jobs, and taxes.
3. PKF Consulting and Smith Travel Research:
    - Hotel occupancy.

Despite different data and methodologies, each provides hard data supporting the conclusion that GPTMC continues to successfully mastermind a dramatic turnaround of Philadelphia's tourism business.

1996 Strategic Research

Our initial research program for GPTMC[9] confirmed key conclusions of the Pew report about Philadelphia's awareness and image among potential leisure visitors, and provided direction for the road ahead. Not surprisingly, as the birthplace of America, home of the Liberty Bell, Valley Forge, and Independence Hall, ***history and landmarks*** were seen as Greater Philadelphia's core asset. However, neighboring competitors like New York City, Washington, Boston, and Williamsburg are also steeped in American heritage, suggesting that Philadelphia needed additional hooks to lure the consumer.

[9] Longwoods International, *Philadelphia Strategic Research*, 1996.

Our research validated the Pew report's position that, in the absence of a strong marketing program, Philadelphia suffered from a weak image compared to its regional competitors, and a lack of awareness of the region's attractions and amenities. Based on a large-scale survey of travelers living in GPTMC's target markets, the perception of Greater Philadelphia relative to its competitors in 1996 can be encapsulated as follows:

- Lacking excitement and adventure; somewhat boring.
- Other than historical monuments, not much to see or do in terms of shopping, galleries, theater, nightlife, live music, fairs, festivals, events.
- Weak on both fine dining and unique local cuisine.
- Lacking luxury hotels, as well as inns and B&Bs.

We concluded that Philadelphia lagged behind the competition on those attributes that are most important for driving destination choice. Moreover, with no strong marketing program in place, the city's blue-collar image was likely being driven by a series of Sylvester Stallone movies that portrayed Philadelphia as more like "Rocky" than the Museum of Art, whose iconic steps he triumphantly scaled. The region's image was clearly not aligned with the wants and needs of the upscale consumers that GPTMC wished to attract.

Seeing these data for the first time, and as a first-time visitor to Philadelphia myself, my first concern was that the negative stereotype expressed by survey respondents might indeed be an accurate reflection of the place - great for a day trip to see a few historical monuments, but not enough amenities and activities to warrant an overnight stay or vacation. If this was true, then an image campaign might generate short-term results, but ultimately visitors would be disappointed.

Fortunately, the research clearly demonstrated that the Philadelphia visitor experience dramatically exceeded its perception. Image ratings by knowledgeable individuals, those who had recently traveled to the region, were much more positive than those who had never experienced it.[10]

The bottom line: ***To know Philadelphia is to love it.*** Now there was strong quantitative evidence demonstrating the need for a marketing campaign to build awareness of Greater Philadelphia and close the gap between the reputation and the reality of the region.

[10] Figure 3

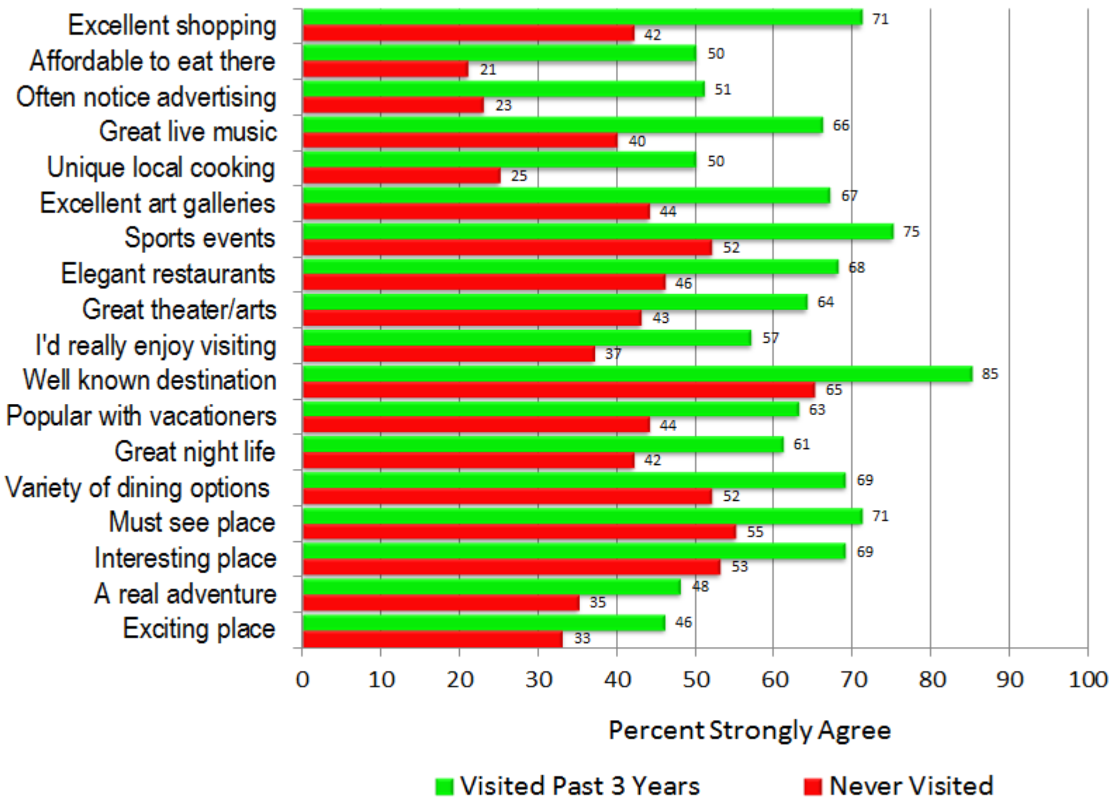


Figure 3. Philadelphia's Visitor Experience vs. Image in 1997

Building the Brand

GPTMC kicked off its first marketing program with an advertising campaign in the New York City and regional markets, the goal of which was to lure people within driving distance to visit Philadelphia and its countryside.

The tag line was a play on Philadelphia's nickname, "The City of Brotherly Love," and a tongue-in-cheek rejoinder to **"I ♥ NY**."

"Philadelphia: The place that LOVES YOU BACK"

"Loves You Back" TV Spot.

This message was clearly aligned philosophically with the English novelist Somerset Maugham's dictum: ***"The important thing (is) to love rather than be loved."***[11]

A series of television spots featured different celebrities talking about "My Philadelphia," and what makes it special to them. Ken Burns, the filmmaker, reinforced Philadelphia's core strength, history and heritage. The actor Kevin Bacon pitched music and nightlife, designer Nicole Miller the fashion scene. Others included comedian Bill Cosby and Julius Erving, a basketball player better known as Dr. J.

Our role was to conduct research that would quantify the effectiveness of the new campaign in terms of creating awareness, enhancing Philadelphia's image, and most crucially, motivating enough new people to visit and spend their money in the region to justify the marketing cost.

Did it work? Very well indeed for a new campaign with a limited budget in an expensive and highly competitive marketplace:

- With only $1.8 million in media expenditures, 9.4 million adults in Philadelphia's advertising markets saw the campaign.

[11] W. Somerset Maugham, "In Search of Human Bondage," 1915.

- Those exposed to the ads had a significantly more positive image of Philadelphia on the majority of the attributes we measured.
- Using a highly conservative methodology for measuring ROI,[12] we estimated that the 1997 ***"Loves You Back"*** campaign generated an additional 1.1 million overnight and day trips to Philadelphia and its countryside that would not have occurred without advertising.
- Large as that number may seem, it represents only 4% of the 26.7 million people who visited the Philadelphia region that year. In other words, our conservative control procedures backed out 96% of trips to Philadelphia on the basis that they were motivated by factors other than the campaign.
- Each dollar spent on advertising generated $55 in direct visitor spending.

	Media Budget (Millions)	Trips Generated	Visitor Spending (Millions)	Visitor Spending per Ad Dollar
1997	$1.8	1,133,000	$97	$55
1998	$1.9	1,068,000	$114	$62
1999	$1.6	1,059,000	$124	$80
2001/2002 "Philly Overnight"	$1.2	1,453,000	$139	$116

Table 2. Summary of GPTMC Campaign Impacts

Despite a drop in the media budget in 1999, the campaign was building equity in the marketplace, and its efficiency increased from 55:1 in 1997 to 80:1 two years later.

[12] Research employing Longwoods International's proprietary methodology has been recognized by a number of peer awards for our company and its clients for best practices, including the Advertising Research Foundation (David Ogilvy Award), the Travel & Tourism Association, the American Hotel/Motel Association, Georgia Tech, the Travel Industry Association of America, and the Professional Marketing Research & Intelligence Association.

In the fall of 2001, the American tourism industry was devastated by the events of 9/11. GPTMC responded to this crisis by launching **Philly's More Fun When You Sleep Over®** campaign, shifting its focus from image advertising to promoting hotel package deals through the **Philly Overnight®** program. With a media budget of $1.2 million from November 2001 through March 2002, our ROI research showed it to be the most efficient Philadelphia campaign to date, with $116 in direct visitor spending for every dollar spent on advertising.

The success of the **Philly Overnight®** program was corroborated by visitor statistics demonstrating that overnight leisure visitors to Greater Philadelphia grew from 8.11 million in 2000 to 9.35 million in 2002, an astounding increase of 15% in the aftermath of 9/11, when the rest of the nation was suffering.[13] Smith Travel Research called this the number one post-9/11 hospitality recovery initiative in the U.S.

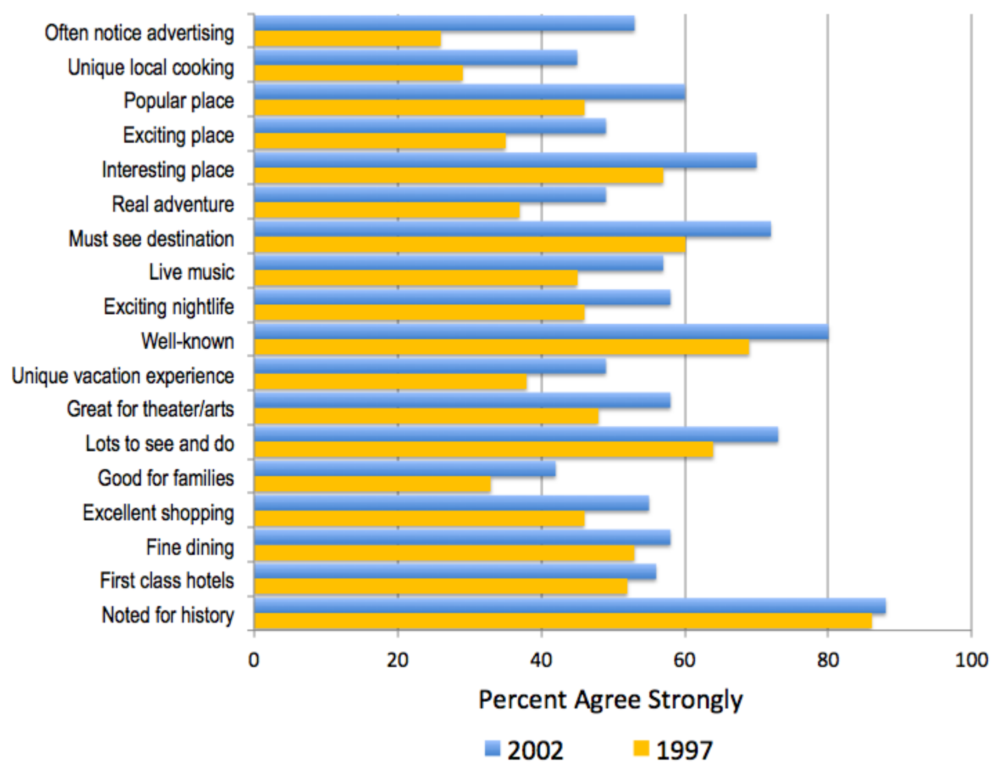


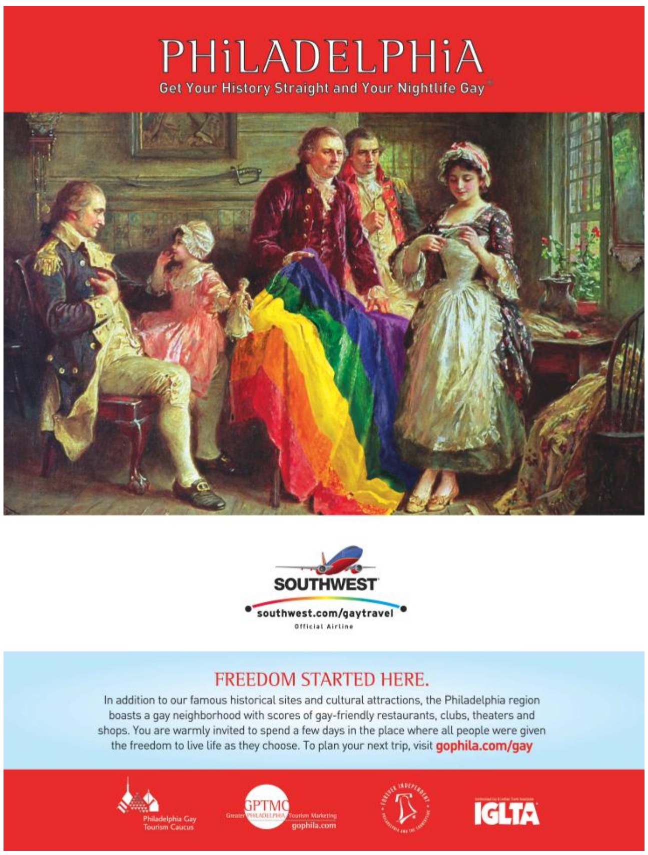
Figure 4. Philadelphia's Image Improves Significantly

In addition to the increased efficiency of the GPTMC marketing program as it built up equity over time, the research also showed a significant turnaround in Greater Philadelphia's image

[13] Source: Longwoods International and Tourism Economics.

across a number of important attributes from 1997 to 2002.[14] The ongoing marketing efforts were beginning to close the gap between the reality of Philadelphia and the "Rocky" stereotype.

Over the next few years, GPTMC developed a series of promotions homing in on key segments of interest with relevant messages, to enhance its more general themes. One compelling example, the **Philadelphia – Get Your History Straight and Your Nightlife Gay®** campaign was introduced in 2003. At the time, Philadelphia failed to make the list of the top 20 LGBT[15] destinations. In response, it became the first destination to run a gay TV commercial. By 2010, Philadelphia moved up to a tie for 9th position in terms of places visited by gay and lesbian travelers, according to a survey conducted by Community Marketing, a San Francisco firm specializing in the LGBT segment.[16]



Philadelphia – Get Your History Straight and Your Nightlife Gay® has been honored by the U.S. Travel Association, the Association of National Advertisers, Hospitality Sales and Marketing Association International, the Public Relations Society of America, and *PRWeek* for its creativity and performance in the marketplace.

GPTMC continued to refine its marketing programs in the last decade, touching its potential consumers not only with traditional broadcast, print, and outdoors media, but also with PR, online, and more recently social media. Its advertising program continued to drive business, and domestic travel to the region spiked upward by 24% from 2002 to 2008.

Marketing in Tough Times

[14] Figure 4.

[15] Definition: "*Lesbian, gay, bisexual, transgender.*"

[16] Community Marketing, Inc., *"Philadelphia's Gay and Lesbian Visitors,"* February 2011.

Then in 2009, with the most serious recession in years slamming the economy, GPTMC fought back with a clever new campaign entitled **With Love, Philadelphia XOXO.™** [17] It used a number of different media, including television, radio, print billboards, transit shelters, and online. Advertising was supplemented with a hotel program offering gifts at check-in, a major public relations effort including publicity stunts, and social media programs using Twitter and Facebook.

Philadelphia – With Love XOXO

Our latest advertising ROI study for GPTMC was conducted in early 2011 to measure the impact of the 2009/2010 "***With Love***" winter and summer campaigns. The research demonstrated that, once again, GPTMC's continuing marketing efforts were paying off, this time in the middle of a deep recession that created severe pain for the travel industry in across the U.S. and worldwide.

- An expenditure of just over $4 million generated over 3.7 million incremental trips to the Philadelphia region.

[17] Creative agency: Red Tettemer; Media buying agencies: MayoSeitz Media and The Star Group.

- Visitors motivated by the campaign injected $432 million in additional direct spending into the local economy.
  - This represents $100 of revenue for every dollar spent on the campaign. Based on an analysis by Tourism Economics, that resulted in $46.1 million in incremental state and local taxes for a return on investment to government coffers of 11:1.
  - Of this, $24 million went to the state treasury, and $22 million to local government.
- The campaign generated over 7,000 additional jobs for Greater Philadelphia, at a very reasonable cost of $600 in advertising for each job created.

	Advertising Budget (Millions)	Trips Generated	Visitor Spending (Millions)	Visitor Spending per Ad Dollar	State/Local Tax Dollars Generated (Millions)	ROI on Tax Dollars
2009/2010	$4.32	3,720,000	$432	$100	$46.1	11:1

Table 3. Summary of ***"With Love"*** 2009/2010 Campaign Impacts

The results of the advertising effectiveness research were confirmed by the combination of visitor data from our ongoing Longwoods **Travel USA®** syndicated study, the largest ongoing study of Americans' travel behavior, and information provided to GPTMC by Tourism Economics. We examined the impact of the recent recession by comparing what happened to travel volumes between 2010 and 2008, and the results were quite striking:

- For the U.S. as a whole, overnight trips were down across the board.
- Greater Philadelphia, on the other hand, managed to weather the economic downtown very well, with overnight leisure trips leading the way.
- The downtown benefited from the influx of overnight travelers in response to the **With Love, Philadelphia XOXO™** campaign, with its hotels recording a record 827,000 leisure room nights in 2010.[18]

[18] Source: PKF Consulting

- In 2010, Philadelphia welcomed over 37 million visitors, a new all-time high for the region.[19]

Why did this campaign work so well? It certainly was helped by a $1.6 million budget injection coming from a fall 2008 increase in the city's hotel tax. Cooperation from the region's hotels, restaurants, attractions, and other partners was also critical. Strong creative and PR certainly helped.

In addition, the new campaign illustrates a critical learning breakthrough I've had since switching careers from academic psychology to advertising research: ***In marketing communications, emotion almost always trumps logic.*** The "Love" message hit consumers' hot button just as the economy tanked and walloped their pocketbooks. The campaign message resonated, and the payoff for the region and its stakeholders on a modest $4.3 million investment was enormous.

Fifteen Years of Marketing Success

You have seen in this case study that, 15 years ago, when GPTMC was founded, the image of Philadelphia and its countryside was weak – great for a day trip to take in a few historical monuments and chomp on a cheese steak, but lacking excitement, good hotels and restaurants, and variety of things to see and do. Therefore, for many people, it wasn't worthy of an overnight stay - too much "Rocky" and not enough romance for upscale vacationers in the Northeast.

Fortunately our research showed that Philadelphia's image problem was just that, not a product problem. Recent visitors loved Philadelphia, and Philadelphia was prepared to love them back. Properly executed and targeted communications could and did help close the gap between perception and reality.

You have seen how advertising effectiveness research conducted since 1997 has shown that ongoing GPTMC advertising has created awareness for the region, enhanced its image, motivated large numbers of people to come and spend money, and provided a positive ROI to the city and state governments who fund the agency's marketing programs. For them, a return of 11:1 on their taxpayers' investment means that tourism marketing is superlative deal. I wish I could get performance like that from my bank and stockbroker.

[19] Source: Longwoods International and Tourism Economics.

Now let's go beyond advertising research and examine Philadelphia's visitation trends from 1997, when GPTMC launched its first campaign, to 2010. Figure 5 compares leisure visitor volumes to business travel, as well as day vs. overnight trips.[20]

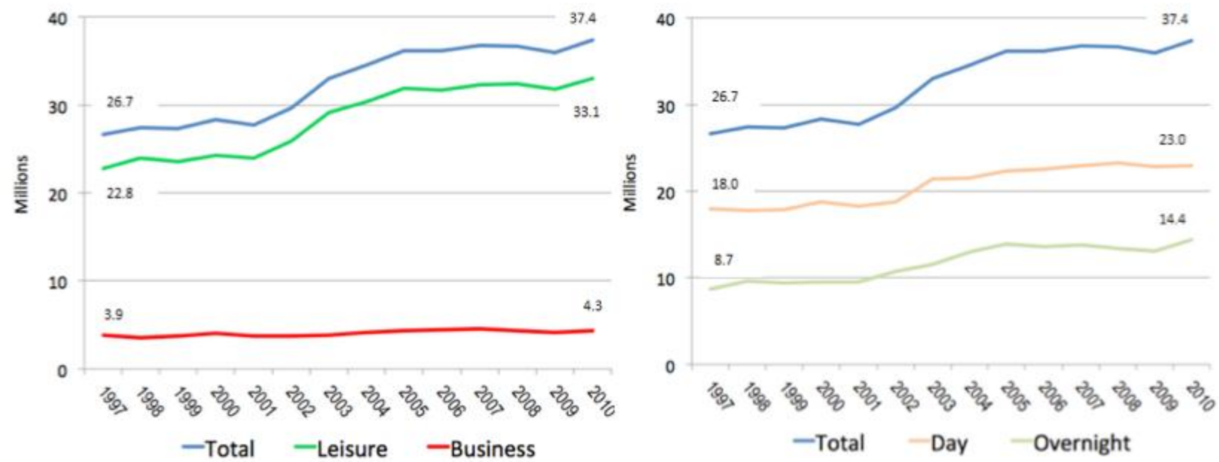


Figure 5. Domestic Visitation to Greater Philadelphia: 1997 to 2011

As you can see:

- Total domestic travel to the Philadelphia region grew dramatically, climbing from 26.7 million visitors in 1997 to 37.4 million in 2010. That's an increase of 40%.
- Most of that growth came from leisure travel, up 45%, versus business, up only 12%.
- Both day trips, up 28%, and overnight trips, up 66%, showed growth, but the more lucrative overnight segment predominated.
- These findings provide strong evidence of the success of GPTMC's marketing efforts, whose mandate is to persuade leisure travelers to visit the Philadelphia region and stay longer.

Additional corroboration of the impact of GPTMC's marketing comes from the respected consulting firm PKF. Focusing specifically on leisure hotel stays in Philadelphia's downtown core, their numbers show that, not only did Philly's business avoid the post 9/11 tourism crash that hit most other U.S. destinations, the growth continued to 2011, with a record 827,000 room

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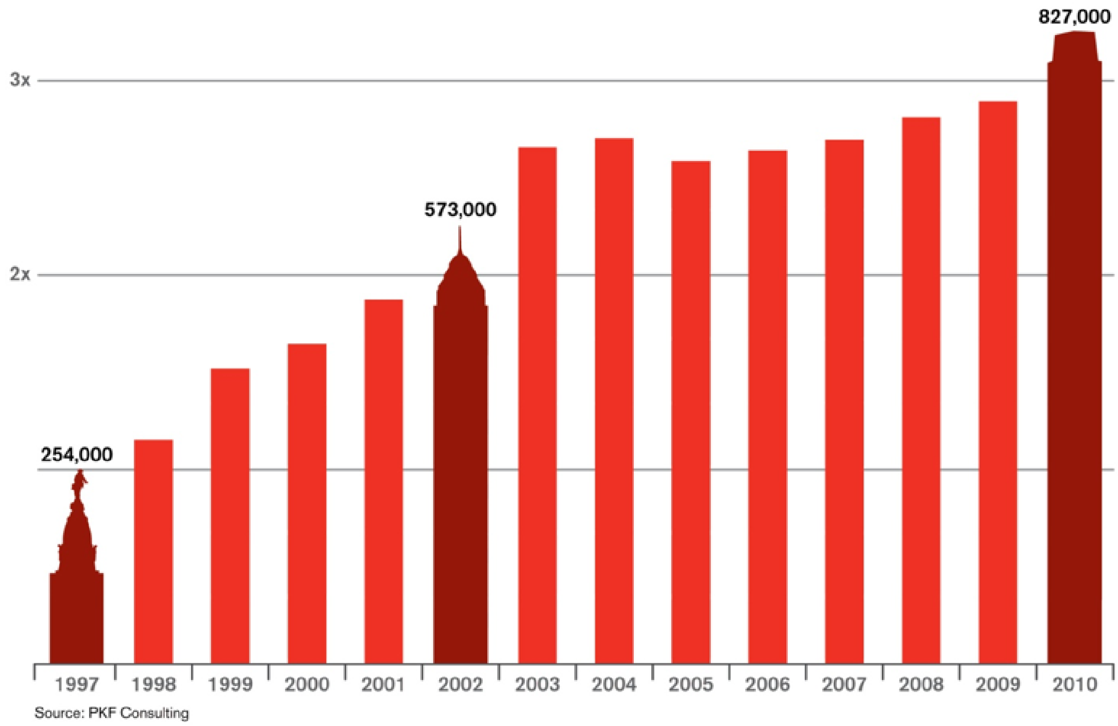

Figure 6. Downtown Philadelphia Leisure Hotel Nights: 1997 to 2007

core, their numbers show that, not only did Philly's business avoid the post 9/11 tourism crash that hit most other U.S. destinations, the growth continued to 2011, with a record 827,000 room nights. **That's more than *triple* the number for 1997!**

These trend data for Philadelphia are certainly impressive, and together with advertising ROI numbers, suggest that the campaign is indeed the underlying driver of the huge increases in visitation, particularly overnight leisure travel. However, I believe that the most compelling evidence of all is the before-after difference between Philadelphia's visitor numbers and the national trend.[21]

Since GPTMC began its first campaign in 1997, growth in U.S. travel has been limp to say the least. A combination of two recessions, the 9/11 attacks, high fuel costs, the rise of the internet, videoconferencing, and cutbacks by businesses on employee travel have all hurt the travel sec tor. As a result, the national numbers show only a 21% increase in leisure travel since 1997. Business travel actually declined by 25% during this period.

Greater Philadelphia clearly bucked the national trend, both for business and leisure. The 71% growth we measure in overnight pleasure trips to the Philadelphia region was more than three times higher than the nation as a whole. As a market researcher, this is certainly far beyond my normal criterion for a meaningful difference of +/- 3%, 19 times out of 20.

[21] Figure 7.

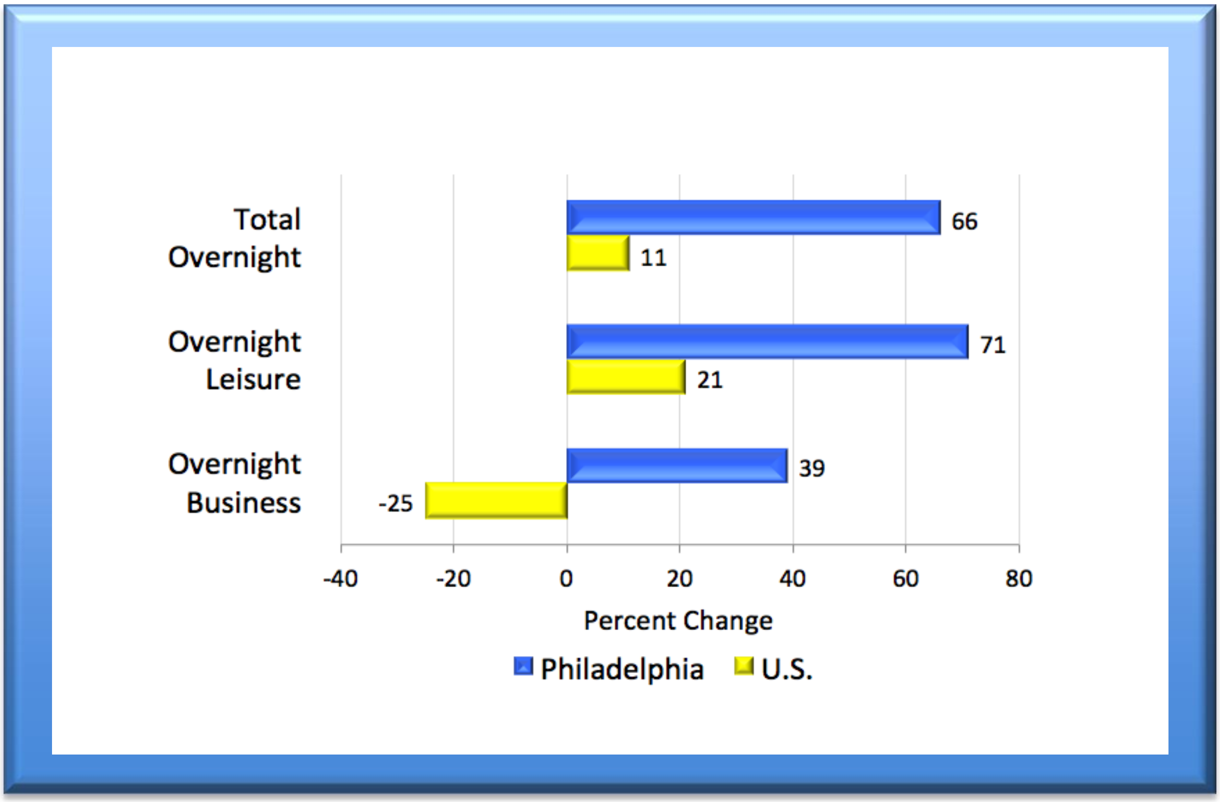

Figure 7. Greater Philadelphia vs. National: Overnight Visitor Growth: 1997 to 2010

I will leave it to the economists to figure out what these numbers translate to in terms of visitor spending, tax dollars generated for the state and municipal governments, and jobs since 1997. Certainly the cost of the campaign is miniscule in comparison to the financial gains that GPTMC has delivered to its community.

Beyond that, Philadelphia would be a very different city than the place it is today in terms of the amenities and the quality of life it offers, both for its residents and the millions of visitors who have been enticed to come and feel the love promised by one of the most effective campaigns we have ever measured.

In Conclusion

At a time of budget cutbacks around the country, the issue of tourism funding is more relevant than ever. Over the past decade, the "Colorado case" has become a cautionary tale for the dangers of cutting back a successful program. The elimination of tourism promotion in that state caused the loss of market share, visitor dollars, and tax revenues that took years to recoup.

The two case studies examined in this white paper, Michigan and Philadelphia, show the flip side of that cautionary tale – the benefits that a state or city destination can derive from sustained, effective tourism marketing. In both cases, return on investment analysis has shown that the marketing dollars allocated in state and municipal governments have been returned many times over in tax revenue – helping to pay for essential services like school and hospitals, rather than competing with them.

The ***"Pure Michigan"*** campaign has created a brand the entire state can rally around, as Michigan works its way back from troubled times. Meanwhile in Philadelphia, marketing has worked in harmony with a continually improving tourism product to deliver more visitors and more dollars year after year, which in turn has lead to more hotels, attractions and restaurants opening their doors. This positive cycle has helped Philadelphia overcome its late 20th century image as a city in decline.

As executives and legislators around the country face difficult choices, many are coming to understand the power of tourism marketing as a revenue generator, just as marketing is the engine for sales and profits in the private sector.

Recently in the state of Wisconsin, Governor Scott Walker, a fiscal conservative, has proposed an increase in the state's tourism marketing budget from approximately $10 million to $15 million annually, at a time when Wisconsin's budget is strained. As in Michigan, the state of Wisconsin recognizes tourism marketing as a positive revenue source – 7:1 in state tax dollars, according to Longwoods' research for the state.

These positive tales of destinations investing in hard times and reaping the rewards stand as a contrast to Colorado's missed opportunities, and provide hope that tourism promotion will be rightfully seen as a solution for, not a cause of, budget deficits.

Dr. Bill Siegel

Bill is Chairman and CEO of Longwoods International, a market research consultancy that has assisted leading corporate and government clients across the U.S. and Canada, Mexico, Europe, and Asia.

After receiving his Ph.D. from the University of Michigan, he taught psychology and research methods at the University of Western Ontario, and was Distinguished Visiting Lecturer at the University of Western Australia. Bill switched from academia to business when he was hired by Bell Canada as Manager of Marketing Research to design and implement a ground-breaking study of advertising ROI for the CEO's of the telephone companies across Canada.

He continues to specialize in marketing accountability at Longwoods, where he developed the firm's award-winning methodology for measuring bottom-line campaign ROI. In addition, he has helped develop and refine many successful branding campaigns, such as Canada: ***The World Next Door***, Hawaii: ***The Islands of Aloha***; Corning NY: ***Finger Lakes Wine Country***; Washington DC: ***Power Trip***, and Michigan: ***Pure Michigan***.

Bill's work has been cited in broadcast and print media around the world, including **The New York Times**, **USA Today**, **Newsweek**, and **The Times of London**. He has been invited to speak at many industry functions, such as governor's conferences, The Brookings Institution, the Advertising Research Foundation, the American Marketing Association, ESOMAR, the Nevada Tourism Summit, the Television Bureau of Canada, the Bureau of Broadcast Measurement, the U.S. Economic Development Administration, and the Public Relations Society of America. He has served on boards for Georgia Tech, Ryerson University, Waterloo University, and the Travel & Tourism Research Association.