Importance of Tourism and Marketing
House Committee on Commerce and Economic Development
Amy Spear, Vice President of Tourism
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The Vermont Chamber of Commerce represents over 1,000 members. The vast majority of our members are small businesses and many of them are part of the tourism industry. Informed by routine engagement with our diverse membership, we maintain an informed perspective on issues impacting Vermont's economy.

We are advocating for a $500,000 increase destination marketing funds for the Vermont Department of Tourism and Marketing (VDTM) to be used to attract out-of-state visitors to Vermont. The Vermont economy depends on a healthy tourism industry. An investment in destination marketing is also an investment in rural economic development. The investment will support our towns, local businesses, workers, taxpayers and our future in an ever-increasing global market.

Vermont's destination marketing capitalizes on distinct local characteristics which define towns and regions, amplifying Vermont's authentic experiences to the 80 million people within a day's drive of Vermont. Rural Vermont communities have a strong sense of place, and the tourism industry is the heartbeat of the Vermont brand. The same assets that provide for quality of life for rural Vermonters also attracts visitors. Many of Vermont intrinsic qualities in our rural communities are not available to those living in major metros, and they are desirable qualities in a tourist destination.

It's not just vacations that benefit Vermont, but visitors who become residents contribute even more to our economy. When out-of-state people visit our communities, they experience a glimmer of what life could be like for them to live and work here. During their vacation, they might meet future colleagues and neighbors, discover a new business adventure, engage in a conversation that sparks a job idea, stumble upon their perfect community or home, or reaffirm a desire to make a life change and move to Vermont. Many Vermonters were once visitors who chose to become residents.

VDTM and the Vermont Chamber have a strong public/private partnership to support the tourism industry; VDTM lures the visitor to Vermont and the Vermont Chamber connects Vermont businesses to visitors with digital and print resources. The cornerstones of the collaborative marketing efforts include content on VermontVacation.com via the Stay & Play directory and the Official Vermont Vacation Guides (300,000 distributed that are distributed throughout New England and the U.S., Canada, and Europe). This strong partnership helps potential visitors continue their vacation planning journey in Vermont's marketing funnel.

Brick and mortar tourism businesses are selling something tangible. It is relatively easy to assign return on investment to transactional based marketing tactics. The Vermont Department of Tourism and Marketing is not selling a tangible product or deploying transaction-based campaigns, but rather an idea, the idea of Vermont. VDTM's top of the funnel brand awareness marketing is crucial to the Vermont tourism industry. These marketing tactics tell the story of Vermont's most iconic experiences, and without increased investment Vermont's voice will be muted.

There are a number of metrics that can be used to determine the effectiveness of earned, owned, or paid marketing tactics, all of which are deployed by VDTM. As marketing tactics are developed, key performance indicators (KPIs) are established such as impressions, desired actions, time on site, click through rates, and engagement. In addition to metrics directly tied to destination marketing tactics, there are also economic indicators of success which are tracked by both U.S. Travel Association and the Agency of Commerce and Community Development. These indicators may include visitor spending, tax revenue, visitation, and employment. The aggregate of marketing KPIs and economic indicators can demonstrate the effectiveness of the top of funnel destination marketing.

Investing in tourism can have a positive economic impact. Conversely, not investing tourism can have adverse economic effects. The U.S. Travel Association publication, "The Power of Travel Promotion: What Destination Marketing Means to Communities Nationwide" provides several case studies which can be applied to Vermont. The Pennsylvania case study parallels Vermont's story (Attachment A). Like Vermont, Pennsylvania's investment in destination marketing decreased resulting in slower growth compared to their competitive set, loss in market share, and loss in potential tax revenues.

Our neighboring and competing states, like New Hampshire, New York and Maine, have much larger budgets. What's more, according to the U.S. Travel Association, Vermont is losing visitor spending market share. Without a commitment to destination marketing, Vermont risks losing more of our market share and having the story of our iconic experiences muted compared to other states.

It's time to work together as Vermonters to reverse the trend and increase spending on destination marketing efforts. A $500,000 increase in the budget of the Vermont Department of Tourism and Marketing is an investment that will support our towns, local businesses, workers, taxpayers and our future.

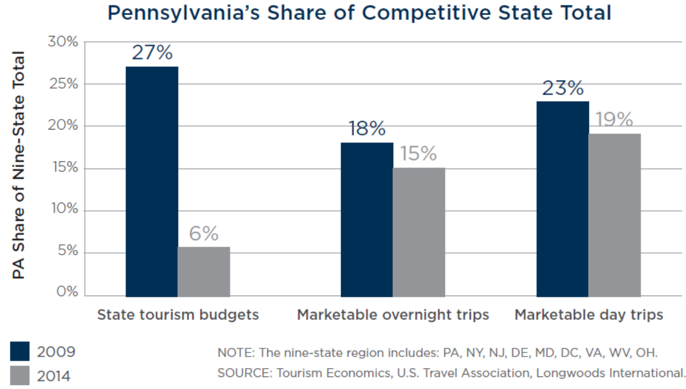
THE ECONOMIC RISKS OF CUTTING **TRAVEL PROMOTION**

The travel industry is essential to Pennsylvania's economy. In 2014, travelers spent **$24.4 billion** in the Keystone State, directly supporting nearly **225,000 jobs**.[99] Visitors to the state generated $3.6 billion in total tax revenue, including $1.4 billion in state and local taxes.[100] Without travel and tourism, the state unemployment rate would rise to 9.3 percent compared to the current 5.8 percent.[101] Since the start of the economic recovery in 2010, travel employment growth has contributed 11 percent of total Pennsylvania state employment growth.[102]

Even though travel has grown in recent years, Pennsylvania has been losing out to regional competitors. While many states have stepped up their marketing and promotion efforts, the Pennsylvania legislature has pursued a penny-wise/pound-foolish approach that has cost the state visitors, market share and tax revenues.

As recently as FY 2008-09, Pennsylvania spent more than $30 million on travel marketing and promotion efforts. The FY 2008-09 budget for the Commonwealth's office was competitive, representing 27 percent of their nine-state region.[103, 104] But when tax revenue slowed and budgets tightened, tourism was seen by policymakers as an easy target to cut. By FY 2014-15, tourism funding fell 77 percent to just $7 million, representing just 6 percent of the nine-state total.[105]

Pennsylvania's Share of Competitive State Total

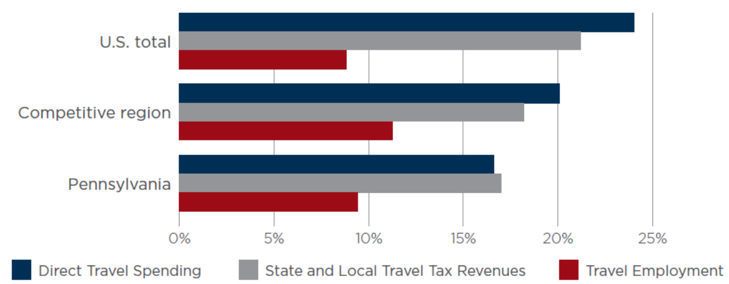


NOTE: The nine-state region includes: PA, NY, NJ, DE, MD, DC, VA, WV, OH.
SOURCE: Tourism Economics, U.S. Travel Association, Longwoods International.

Pennsylvania Representative Jerry Stern, Chairman of the House Tourism and Recreational Development Committee, has warned about the dangers of Pennsylvania's destination brand being "out of sight, out of mind when people are planning vacations." The impact of those budget cutbacks bear out his warning:

- **Declining Market Share:** In 2009, Pennsylvania attracted 18 percent of marketable overnight trips[106] within a nine-state region[107] and 23 percent of marketable day trips.[108] By 2014, that share had declined to 15 percent and 19 percent respectively.
- **Lost Tax Revenues:** Tourism Economics calculates that every dollar cut from the Pennsylvania tourism budget cost the state $3.60 in lost tax revenue.[109] Between 2009 and 2014, the state lost more than **$600 million** in state and local tax revenue that travelers would have generated had promotion been sustained.[110]
- **Falling Behind:** Between 2010 and 2014, direct travel spending increased 24 percent, and state and local tax revenues increased 22 percent across all 50 states.[111] Yet during this period, travel spending and state and local tax revenues increased by only 17 percent in Pennsylvania.[112]
- **Losing Out on Overseas Visitors:** Since 2007, overseas visitors to the U.S. increased by 44 percent, compared to just 19 percent in Pennsylvania.[113] If Pennsylvania had kept pace with U.S. growth since 2007, the state could have welcomed about 206,000 additional overseas visitors in 2014.

2014/2010 Growth Rates



NOTE: The nine-state region includes: PA, NY, NJ, DE, MD, DC, VA, WV, OH.
SOURCE: U.S. Travel Association.

To reverse this trend, a strong coalition of tourism marketing organizations in Pennsylvania published a report in the spring of 2016 outlining the economic losses the state has suffered from cutting travel promotion. The state tourism office is optimistic that funding will increase in 2016 and fully recover by 2017. Yet it will take years for Pennsylvania to recover the losses to the state's economy.

Decreases in funding at the state level affect all of the regions and cities within the Commonwealth. Not only has the state suffered economic losses, but local destinations' marketing efforts are limited without sustained funding.