

State of Alaska FY2007 Governor's Operating Budget

Dept of Commerce, Community, & Economic Development Qualified Trade Association Contract RDU/Component Budget Summary

RDU/Component: Qualified Trade Association Contract

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

Promote Alaska as a top visitor destination, communicating and promoting the Alaskan tourism industry as one of the state's major economic forces.

Core Services

- Promote and facilitate travel to and throughout the State of Alaska.
- Provide a broad-based association of individuals and companies with an interest in the visitor industry in Alaska.
- Increase awareness of the economic importance of the visitor industry.
- Work cooperatively with the state on tourism development and long-range planning.

End Results	Strategies to Achieve Results
<p>A: Increase interest and awareness of Alaska as a travel destination in the US and Canada.</p> <p><u>Target #1:</u> Increase the number of high potential visitors to Alaska by 5%.</p> <p><u>Measure #1:</u> Number of high potential visitors measured through Images of Alaska research.</p>	<p>A1: Distribute information to consumers via marketing brochures.</p> <p><u>Target #1:</u> Distribute 500,000 brochures to potential Alaska visitors.</p> <p><u>Measure #1:</u> Number of brochures distributed.</p> <p>A2: Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels.</p> <p><u>Target #1:</u> Select media that converts interest to actual travel at a rate of 12% or higher.</p> <p><u>Measure #1:</u> Conversion rates.</p> <p>A3: Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail.</p> <p><u>Target #1:</u> Increase TravelAlaska.com unique visitors by 3% over FY04.</p> <p><u>Measure #1:</u> Number of unique visitors to TravelAlaska.com.</p>
End Results	Strategies to Achieve Results
<p>B: Increase the number of domestic visitors to Alaska.</p> <p><u>Target #1:</u> Increase the number of domestic visitors to</p>	<p>B1: Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Travel Institute's Alaska Destination Specialist course.</p>

<p>Alaska by 5% between Summer 2004 and Summer 2005. <u>Measure #1:</u> Number of domestic visitors to Alaska.</p>	<p><u>Target #1:</u> Provide Alaska destination training on annual basis to over 560 travel agents to result in a target of more than 150 Alaska Destination Specialist Graduates. <u>Measure #1:</u> Number of Alaska Destination Specialist Graduates.</p>
End Results	Strategies to Achieve Results
<p>C: Increase international visitors to Alaska from Japan.</p> <p><u>Target #1:</u> Grow international visitation annually from Japan by 5%. <u>Measure #1:</u> Number of visitors from Japan.</p> <p><u>Target #2:</u> Increase international visitors annually to Alaska from Germany by 5%. <u>Measure #2:</u> Number of international visitors to Alaska from Germany.</p>	<p>C1: Increase international air carrier service offered to Alaska.</p> <p><u>Target #1:</u> Increase international air carrier flights to Alaska by 5% additional flights. <u>Measure #1:</u> Number of International Flights to Alaska.</p>
End Results	Strategies to Achieve Results
<p>D: Promote travel to Alaska by generating stories of interest to both national and international media outlets.</p> <p><u>Target #1:</u> Increase the value of media coverage generating through public relations activities annually by 5%. <u>Measure #1:</u> Value of media generated through ATIA's public relations efforts.</p>	<p>D1: Host Alaska Media Road Show, Alaska's premiere media market place designed to connect alaska business with influential travel writers and editors.</p> <p><u>Target #1:</u> Increase annually the number of Alaska Media Road Show participants by 5% to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters. <u>Measure #1:</u> Number of Alaska Media Road Show participants.</p> <p>D2: Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.</p> <p><u>Target #1:</u> Increase number of journalists assisted by 10% <u>Measure #1:</u> Number of journalists assisted.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> • Increase interest in Alaska as a visitor destination by targeting visitors who have an active interest in visiting Alaska • Attract a diverse group of travelers to Alaska travelling by a variety of travel modes • Position Alaska as a year-round destination • Increase independent visitation to Alaska • Increase the rate of repeat visitation to Alaska • Increase awareness and participation of businesses in the Statewide tourism marketing program

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$5,005,100	Personnel:	
	Full time	0
	Part time	0
	Total	0

Performance Measure Detail

A: Result - Increase interest and awareness of Alaska as a travel destination in the US and Canada.

Target #1: Increase the number of high potential visitors to Alaska by 5%.

Measure #1: Number of high potential visitors measured through Images of Alaska research.

Number of High Potential Visitors (Millions)

Year	YTD Total
2005	22.5

Analysis of results and challenges: The 2000 Images of Alaska study identified the size of the prospective/potential/high potential Alaska visitor market. 22.5 million people or 11% of all U.S. adults are identified as being high-potential visitors (adults who state a high likelihood of visiting Alaska in the next 5-7 years).

New data will be added when the next Images of Alaska study identify the potential Alaska visitor market.

A1: Strategy - Distribute information to consumers via marketing brochures.

Target #1: Distribute 500,000 brochures to potential Alaska visitors.

Measure #1: Number of brochures distributed.

Number of Alaska Marketing Brochures Distributed

Fiscal Year	YTD Total	Target
FY 2003	536,043	0
FY 2004	518,693 -3.24%	0 0%
FY 2005	495,227 -4.52%	500,000 0%

Analysis of results and challenges: Each year, the Alaska Travel Industry Association (ATIA) establishes a goal in regards to the number of marketing brochures distributed to potential visitors.

ATIA will continue to measure the number of brochures being sent each week, along with the total for the year, and share this information with the state and ATIA's member businesses. This is important data because it substantiates how effectively ATIA marketing programs deliver Alaska's message.

The number of marketing brochures being distributed in 2005 is consistent with 2004 and represents the limit that can be achieved within a \$5.0 million budget.

A2: Strategy - Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels.

Target #1: Select media that converts interest to actual travel at a rate of 12% or higher.

Measure #1: Conversion rates.

ATIA Conversion Rates

Fiscal Year	YTD Total	Target
FY 2001	12%	0
FY 2002	14%	0 0%
FY 2003	15%	0 0%
FY 2004	16%	0 0%
FY 2005	0 0%	12%

Analysis of results and challenges: FY 2005 data will be available in the summer of 2006.

A3: Strategy - Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail.

Target #1: Increase TravelAlaska.com unique visitors by 3% over FY04.

Measure #1: Number of unique visitors to TravelAlaska.com.

Unique Visitors to TravelAlaska.com

Fiscal Year	YTD Total	Target
FY 2003	850,924	0
FY 2004	1,451,151 +70.54%	.05 ^
FY 2005	1,494,488 +2.99%	.03 ^

B: Result - Increase the number of domestic visitors to Alaska.

Target #1: Increase the number of domestic visitors to Alaska by 5% between Summer 2004 and Summer 2005.

Measure #1: Number of domestic visitors to Alaska.

North American Visitors (Domestic) to Alaska (millions)

Year	YTD Total	Target
2004	1.42	0
2005	1.55 +9.15%	2 0%
2006	0 -100.00%	5% ^

The Alaska Visitor Statistics Program year runs from October to September of each year. 2001 numbers measure Alaska Visitors from October 2000 to September 2001. The major baseline study was last conducted in 2000-2001, and the study established that 91% of Alaska's visitors for the entire year were domestic travelers. AVSP V planned for 2006-07 will provide us with an updated percentage to apply to total visitors to determine the number of domestic travelers to Alaska each year.

Analysis of results and challenges: Domestic visitors to Alaska increased over 9% between 2002-2003 visitor season (1.42 million visitors) and the 2003-2004 visitor season (1.55 million visitors). Data is not yet

available for the 2004-2005 visitor season.

On an ongoing basis, ATIA's Tourism Planner also collects information from the airports, cruise lines and U.S. customs office to ensure current information is available for planning and reporting purposes. In addition, ATIA and DCCED proposed and received funding for the Alaska Visitors Statistics Program V (AVSP) to begin in FY06.

B1: Strategy - Increase the number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Travel Institute's Alaska Destination Specialist course.

Target #1: Provide Alaska destination training on annual basis to over 560 travel agents to result in a target of more than 150 Alaska Destination Specialist Graduates.

Measure #1: Number of Alaska Destination Specialist Graduates.

Number Destination Specialist Graduates

Fiscal Year	YTD Total	Target
FY 2004	150	
FY 2005	151 +0.67%	150

C: Result - Increase international visitors to Alaska from Japan.

Target #1: Grow international visitation annually from Japan by 5%.

Measure #1: Number of visitors from Japan.

Number of Japanese Visitors to Alaska

Fiscal Year	YTD Total	Target
FY 2004	4,200	
FY 2005	5,850 +39.29%	5%

Analysis of results and challenges: Between FY04 and FY05, visitors from Japan to Alaska increased by over 39%.

It is increasingly important to track the number of visitors coming from overseas markets, especially given the changes that occurred as a result of 9/11 and homeland security issues. In FY03, ATIA conducted an international research study to determine the size of the prospective and high potential visitor markets in Japan, Australia, UK and German-speaking Europe. This study provides a baseline measurement tool for future assessment. The AVSP also provides information regarding the number of visitors coming from specific international markets. The Travel Industry of America reports that international arrivals to the US increased by 11.8% in 2004 over 2003. However, Korea reported that it is difficult to increase visitation to Alaska unless the United States will issue a visa-waiver for Koreans visiting Alaska.

Target #2: Increase international visitors annually to Alaska from Germany by 5%.

Measure #2: Number of international visitors to Alaska from Germany.

Number of German visitors to Alaska.

Fiscal Year	YTD Total	Target
FY 2004	6,663	0
FY 2005	7,721 +15.88%	5%

Currently data is not available, but will be added before the end of FY2006

Analysis of results and challenges: Between FY04 and FY05, visitors from Germany to Alaska increased by nearly 16%.

C1: Strategy - Increase international air carrier service offered to Alaska.

Target #1: Increase international air carrier flights to Alaska by 5% additional flights.

Measure #1: Number of International Flights to Alaska.

Number of International Flights to Alaska

Fiscal Year	YTD Total	Target
FY 2004	0	0
FY 2005	0 0%	0 0%

Data will be added.

Analysis of results and challenges: Although the number of flights has been increased, it is difficult to measure without the help from outside agencies.

D: Result - Promote travel to Alaska by generating stories of interest to both national and international media outlets.

Target #1: Increase the value of media coverage generating through public relations activities annually by 5%.

Measure #1: Value of media generated through ATIA's public relations efforts.

Analysis of results and challenges: An independent third party will conduct return on investment analysis in FY06. Analysis was not conducted in FY05, however, quarterly numbers will be available beginning January 2006.

D1: Strategy - Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors.

Target #1: Increase annually the number of Alaska Media Road Show participants by 5% to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters.

Measure #1: Number of Alaska Media Road Show participants.

Number of Media Road Show Participants

Fiscal Year	YTD Total
FY 2004	27
FY 2005	33 +22.22%

D2: Strategy - Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.

Target #1: Increase number of journalists assisted by 10%

Measure #1: Number of journalists assisted.

Number of Journalists Assisted

Fiscal Year	YTD Total	Target
FY 2004	330	0
FY 2005	450 +36.36%	.10 0%

Key Component Challenges

- In fiscal year 2006, Governor Murkowski proposed an increase in tourism marketing to a \$1 million increase in state funding. Alaska Travel Industry Association (ATIA) will use the additional state dollars to hit its target markets harder, faster, and better. Nonetheless, competition from other destinations continues to be fierce and ATIA must work to secure additional funding for tourism marketing to ensure Alaska's message is being heard.
- Worldwide issues such as war, homeland security and natural disasters continue to impact the travel industry. Recently, the American Automobile Association predicted that gasoline prices would need to increase \$2.50 or \$3.00 a gallon before travel behavior would be affected. Those prices have been reached and even been exceeded in some parts of the country. Fuel prices for automobile and air transportation are expected to be of concern to visitors traveling to Alaska and for operators who provide services in Alaska.
- The national trend toward taking shorter trips that are closer to home works against Alaska, especially as it relates to long-haul driving vacations.
- Accessibility to Alaska's public lands will continue to impact Alaska tourism product offerings.

Significant Changes in Results to be Delivered in FY2007

No significant changes.

Major Component Accomplishments in 2005

Increased interest in Alaska as a visitor destination.

- Elevated Alaska's logo and tagline from a service mark status to full registered trademark.
- Received 500,000 requests from consumers for Alaska trip planning information who have a high level of interest in visiting Alaska in the near future.
- With scaled back budget for television advertising, ATIA still exceeded goal for television responses by 104%.
- Increased unique visitors to TravelAlaska.com by at least 3% percent every year.
- Executed a national magazine campaign estimated to reach an audience of 22 million readers.
- Reached more than 2.6 million consumers throughout the U.S. through direct mail campaign with a personal message from the Governor inviting them to visit Alaska. Average response rate was 12%.

Implemented programs aimed at increasing independent visitors.

- Conducted Alaska/Yukon campaign with Yukon Government to promote travel to Alaska and Yukon via highway.
- Targeted high potential highway travelers by sending 460,000 direct mail packages to consumers and 94,000 emails to consumers. The program generated over 75,000 responses (128% of goal).
- Participated in nine consumer shows in key markets that cater to adventure travel, sport fishing and highway travel. Nine member businesses participated with ATIA at the booth and 18 businesses participated through brochure distribution.
- Worked with National Park Service to build awareness of Alaska's National Parks to increase overall visitation to Parks and to ease congestion at well-known parks by generating interest in lesser-known parks.
- Highlighted Alaska's scenic byways in state vacation planner in an effort to increase awareness of the highway routes that have earned official designation and recognition for their significant resources.
- Provided press kits created for specific market niches including highway travel, adventure travel, cultural tourism, sport fishing and winter travel.
- Conducted press trips and provided itinerary assistance, new visitor opportunity information (in many off-the-beaten path areas of the state) and images to over 750 national and international writers.

Implemented programs aimed at increasing domestic and international visitors to Alaska.

- Conducted training seminars and renewed sponsorship of the Destination Specialist Alaska course which resulted in 151 new certified travel agents.
- As a cost control measure, changed international contractual obligations in German speaking Europe, UK and Australia to allow ATIA to be more proactive in working directly with trade partners and to develop the most effective marketing programs in key markets.
- Provided media assistance for 53 international travel writers resulting in media coverage in five key markets with a total public relations value of \$12.9 million.
- Coordinated familiarization tour for 20 Taiwanese tour operators for the Governor's Office.
- Participated in Taiwan-Alaska Trade & Investment Cooperation council meeting in Taipei and one outcome was to conduct a series of travel agent/tour operator training sessions in Taipei to better educate agents about Alaska.
- Increased international visitors to Alaska by working with partners to secure winter charters (Japan Air Lines).

Positioned Alaska as a year-round destination.

- Featured winter images in marketing efforts to increase interest in winter activities.
- Participated in the effort to bring 3 direct winter charter flights from Japan non-stop to Fairbanks for the first time.
- Provided *A Winter in Alaska* press kit on the www.travelalaska.com/media website.
- Included stories on Helisking in Chugach National Forest, Winter Flights from Japan, Bidding Online for a Seat in an Iditarod sled, Ice Carving in Fairbanks in ATIA's electronic newsletter that is sent to over 750 travel journalists.

Statutory and Regulatory Authority

AS 44.33.119-125 Tourism Marketing Contracts

Contact Information

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**Qualified Trade Association Contract
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	4,000.0	5,005.1	5,005.1
74000 Commodities	0.0	0.0	0.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,000.0	5,005.1	5,005.1
Funding Sources:			
1004 General Fund Receipts	2,000.0	2,505.1	2,505.1
1166 Commercial Passenger Vessel Environmental Compliance Fund	0.0	250.0	250.0
1175 Business License and Corporation Filing Fees and Taxes	2,000.0	2,250.0	2,250.0
Funding Totals	4,000.0	5,005.1	5,005.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Managem nt Plan	FY2007 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Business License Receipts	51173	2,000.0	2,250.0	2,250.0
Comm Passenger Vessel Environmental Fund	51436	0.0	250.0	250.0
Restricted Total		2,000.0	2,500.0	2,500.0
Total Estimated Revenues		2,000.0	2,500.0	2,500.0

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	2,505.1	0.0	2,500.0	5,005.1
FY2007 Governor	2,505.1	0.0	2,500.0	5,005.1