

State of Alaska FY2009 Governor's Operating Budget

Department of Commerce, Community, and 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 Result	Strategies to Achieve End Result
<p>A: Increase interest and awareness of Alaska as a travel destination.</p> <p><u>Target #1:</u> 2% increase the number of high potential visitors to Alaska. <u>Measure #1:</u> % increase in high potential visitors (measured through Images of Alaska research).</p> <p><u>Target #2:</u> 2% increase in domestic and international visitors between May 1 and September 30 on each year. <u>Measure #2:</u> % increase in all visitors between May 1 and September 30.</p>	<p>A1: Distribute information to consumers via marketing brochures.</p> <p><u>Target #1:</u> 500,000 brochures distributed to potential Alaska visitors. <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> Media selection converts to travel at a rate of 12% or higher. <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> 5% increase TravelAlaska.com unique visitors. <u>Measure #1:</u> % increase in unique visitors to TravelAlaska.com.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase the number of domestic visitors to Alaska.</p> <p><u>Target #1:</u> 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30. <u>Measure #1:</u> % of annual increase in domestic visitors</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><u>Target #1:</u> 150 Alaska Destination Specialist Graduates (through Alaska destination training to 560 travel agents/year). <u>Measure #1:</u> Number of Alaska Destination Specialist</p>

	Graduates.
End Result	Strategies to Achieve End Result
<p>C: Increase international visitors to Alaska from Japan.</p> <p><u>Target #1:</u> 2% increase in visitors from Japan. <u>Measure #1:</u> % increase in number of visitors from Japan.</p> <p><u>Target #2:</u> 2% increase in annual visitors to Alaska from Germany. <u>Measure #2:</u> % increase in number of visitors to Alaska from Germany.</p>	
End Result	Strategies — to Achieve End Result
<p>D: Promote travel to Alaska by generating stories of interest to both national and international media outlets.</p> <p><u>Target #1:</u> 2% annual increase in value of media coverage generated through public relations activities. <u>Measure #1:</u> % increase in 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> 2% annual increase in the number of Alaska Media Road Show participants (to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters). <u>Measure #1:</u> % annual increase in the 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> 2% annual increase in the number of journalists assisted. <u>Measure #1:</u> % increase in the number of journalists assisted.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> • Distribute information to consumers via marketing brochures. • Conduct a consumer marketing program to include direct mail, television and magazine advertising campaigns using the most effective media channels. • Develop TravelAlaska.com as trip planning tool for visitors that will enhance and in some cases replace trip planning information distributed by mail. • Increase number of North American travel trade selling Alaska by increasing the number of travel agents graduating from the Travel Institute's Alaska. • Host Alaska Media Road Show, Alaska's premiere media market place designed to connect Alaska business with influential travel writers and editors. • Assist journalists and media outlets by providing Alaska editorial suggestions, photography, fact checking and itinerary assistance.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$4,205,100

Personnel:

Full time	0
Part time	0
Total	0

Performance Measure Detail

A: Result - Increase interest and awareness of Alaska as a travel destination.

Target #1: 2% increase the number of high potential visitors to Alaska.

Measure #1: % increase in high potential visitors (measured through Images of Alaska research).

Number of High Potential Visitors (Millions)

Year	YTD	Target
2000	22.5	22.5
2006	20.0 -11.11%	22.95 +2.00%

ATIA is currently analyzing possible reasons for decline in high potentials. Discussions focus on national trends that indicate that people tend to take shorter vacations closer to home. Alaska marketing programs must continually address perceptions that Alaska is "too far away."

Analysis of results and challenges: The 2006 Images of Alaska study is complete. Data shows that 20 million people or 9% of all U.S. adults are identified as being high-potential prospective visitors (adults who state a high likelihood of visiting Alaska in the next 5-7 years).

Previously, 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 prospective visitors.

Target #2: 2% increase in domestic and international visitors between May 1 and September 30 on each year.

Measure #2: % increase in all visitors between May 1 and September 30.

Year	YTD
2001	1.2
2002	1.28 +6.67%
2003	1.3 +1.56%
2004	1.48 +13.85%
2005	1.63 +10.14%
2006	1.63 0%
2007	1.69 +3.68%

The Alaska Visitor Statistics Program measures visitation between May to September of each year. The last baseline study was conducted in 2006. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The 2001 study established that 91% of Alaska's visitors come during the Summer (May 1 through September 30). This table shows summer visitors from summers 2001 to 2006.

Analysis of results and challenges: Preliminary estimates for 2007 reflect an increase of 54,400 visitors, a 3 percent increase over Summer 2006.

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

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

Measure #1: Number of brochures distributed.

Number of Alaska Marketing Brochures Distributed

Year	YTD
FY 2003	536,043
FY 2004	518,693
FY 2005	495,227
FY 2006	589,082
FY 2007	562,904

Analysis of results and challenges: The role of ATIA consumer marketing programs is to find potential visitors throughout North America and provide them with compelling information about Alaska in an effort to convert their interest in Alaska to actual travel to the state. Aggressive direct response programs in FY07 allowed ATIA to reach millions of potential visitors and resulted in 562,904 qualified requests for Alaska travel information. Although the goal for the year was exceeded, the total number of brochures distributed to consumers responding to the marketing campaigns decreased slightly over the prior year.

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.

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

Target #1: Media selection converts to travel at a rate of 12% or higher.

Measure #1: Conversion rates.

ATIA Conversion Rates

Year	YTD	Target
FY 2001	12%	12%
FY 2002	14%	12%
FY 2003	15%	12%
FY 2004	15.6%	12%
FY 2005	14.7%	12%
FY 2006	16.11%	12%

Analysis of results and challenges: The 2006 Alaska Conversion Study was conducted to measure the effectiveness and cost efficiency of selected advertising sources used in the 2006 Alaska Tourism Industry Association program. The overall 2006 conversion rate for all sources tested is 16.11%, which is slightly higher compared to 2005 (14.7%).

Conversion rates are highest in the West (18%), followed closely by the East (14%), South (14%) and the Midwest (13%).

The overall return on investment (including transportation costs) for all 2006 sources combined is \$168.19 per visitor, a small decrease compared to 2005 (\$174.54 per visitor).

The 2006 Alaska Conversion Study report became available in January 2007.

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: 5% increase TravelAlaska.com unique visitors.

Measure #1: % increase in unique visitors to TravelAlaska.com.

Unique Visitors to TravelAlaska.com

Year	YTD
FY 2003	850,924
FY 2004	1,451,151 +70.54%
FY 2005	1,494,488 +2.99%
FY 2006	2,043,808 +36.76%
FY 2007	2,582,221 +26.34%
FY 2008	0 -100.00%

Analysis of results and challenges: ATIA tracks web site statistics throughout the year and shares the information with the marketing committee so their decisions can be based on relevant and reliable information.

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

Target #1: 2% annual increase in the number of domestic visitors to Alaska between May 1 and September 30.

Measure #1: % of annual increase in domestic visitors

Summer-Domestic Visitors to Alaska (in millions)

Year	YTD
2001	1.09
2002	1.16 +6.42%
2003	1.19 +2.59%
2004	1.32 +10.92%
2005	1.39 +5.30%
2006	1.48 +6.47%
2007	0 -100.00%

The Alaska Visitor Statistics Program measures visitation between October to September of each of year. Baseline studies were conducted in 2000-2001 and 2006-2007. Data in between baseline years is determined by applying ratios developed in the baseline year to actual arrival data from airports, U.S. customs, Alaska Marine Highway System, etc.

The 2006 study established that 91% of Alaska's visitors are domestic travelers and 9% are from overseas markets. The 2006-2007 AVSP is currently underway and results will be available in December 2007. This table shows summer domestic visitors from summers 2001 to 2006.

Analysis of results and challenges: The AVSP Summer 2006 report shows that 958,900 cruise ship passengers traveled to Alaska in 2006, a .6% increase over summer 2005.

Currently, we know that domestic visitors to Alaska increased about 7% between the summer 2005 visitor season (1.39 million domestic visitors) and the summer 2006 visitor season (1.48 million domestic visitors).

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: 150 Alaska Destination Specialist Graduates (through Alaska destination training to 560 travel agents/year).

Measure #1: Number of Alaska Destination Specialist Graduates.

Number Destination Specialist Graduates

Year	YTD
FY 2004	150
FY 2005	151
FY 2006	136

Analysis of results and challenges: Destination Specialist graduates from the Travel Institute's training program decreased in FY06. ATIA designed its own specialist course for travel agents call the Alaska Certified Expert (ACE) and launched it in FY07. The program is a comprehensive training of how to package and sell Alaska including region and product information. The ACE program differs from the Travel Institute's program because it is free and is available online at www.TravelAlaska.com/trade. By making the training more interactive and accessible the ACE program will produce more graduates and trained travel agents.

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

Target #1: 2% increase in visitors from Japan.

Measure #1: % increase in number of visitors from Japan.

Number of Japanese Visitors to Alaska

Year	YTD
FY 2004	4,200
FY 2005	5,850 +39.29%
FY 2006	6,800 +16.24%

Analysis of results and challenges: Data above reflects the number of visitors from Japan who traveled via a direct flight. In FY06 that included 18 Japan Airlines charters. JAL more than doubled the amount of winter charters which had a significant impact on visitation numbers and winter tourism to Alaska.

In FY06, ATIA commissioned a detailed study of international visitors in conjunction with the Alaska Visitor Statistics Program. Summer visitation results are available and the Japan market is estimated to include 13,000. This higher number reflects the number of Japanese visitors who are traveling to Alaska by means other than Japan Airlines such as cruise ship or via a domestic gateway. Results of the winter study will be available later in the year.

Target #2: 2% increase in annual visitors to Alaska from Germany.

Measure #2: % increase in number of visitors to Alaska from Germany.

Number of German visitors to Alaska.

Year	YTD
FY 2004	6,663
FY 2005	7,721 +15.88%
FY 2006	8,569 +10.98%

Analysis of results and challenges: Data above reflects the number of visitors who traveled directly to Alaska via Condor German Airlines summer charter flights. The program has been steadily growing every year and in

FY06 Condor added an additional weekly direct flight to Alaska which significantly increased the amount of visitors to the State from Germany.

However, results from the international report of AVSP estimate the market size from German Speaking Europe to Alaska in the summer of 2006 was close to 15,000 which reflects the additional travelers who arrived in Alaska by other means than Condor.

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

Target #1: 2% annual increase in value of media coverage generated through public relations activities.

Measure #1: % increase in value of media generated through ATIA's public relations efforts.

Print Media Value (million)

Year	YTD
FY 2006	7.4
FY 2007	0
	-100.00%

In addition to media value, the B4UDIE Billboard campaign generated 8.5 million audience impressions and B-roll distributed to networks on baby bison generated 7.2 million audience impressions.

Source: Independent third party review, Bacons, October 1 2005 through June 30, 2006

Analysis of results and challenges: No new data is available. The return on investment analysis has been discontinued until funds are available to conduct the research.

The public relations program works with the media to generate travel stories featuring a wide variety of Alaska travel products, regions and market segments.

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: 2% annual increase in the number of Alaska Media Road Show participants (to allow more Alaska businesses to gain more exposure with influential travel publications, broadcasters).

Measure #1: % annual increase in the number of Alaska Media Road Show participants.

Number of Media Road Show Participants

Year	YTD
FY 2005	33
FY 2006	46
	+39.39%
FY 2007	64
	+39.13%
FY 2008	46
	-28.13%

Analysis of results and challenges: In FY07, ATIA staff and the public relations contractor hosted the fifth annual Alaska Media Road Show in New York City, matching 44 members and community partners with 60 national travel writers to generate Alaska stories. An additional 100 writers attended an Alaska reception and were able to learn about Alaska while enjoying Alaska seafood. The Alaska Media Roadshow is the flagship event of the public relations efforts and has proven to be an effective tool in reaching a variety of media. The FY08 road show is planned for Santa Barbara, CA. The event will be held in a smaller venue, which limits the number of participants. Therefore, the anticipated number of members participating will return to FY06 levels.

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

Target #1: 2% annual increase in the number of journalists assisted.

Measure #1: % increase in the number of journalists assisted.

Number of Journalists Assisted

Year	YTD
FY 2004	330
FY 2005	450 +36.36%
FY 2006	500 +11.11%
FY 2007	525 +5.00%

Analysis of results and challenges: In FY07 ATIA provided itinerary planning, b-roll duplication, fact checking, image fulfillment and editorial suggestions to roughly 525 domestic journalists and over 100 international media outlets.

Key Component Challenges

- Alaska spends less on tourism marketing than competing states, countries and cities. The cost to market (media placement, paper, postage) has increased substantially. Alaska's message to "take a vacation in Alaska" is not being heard. Instead people are choosing to travel to destinations that are being featured on TV, in magazines and in other media.
- New taxes and fees on the tourism industry have debilitated Alaska Travel Industry Association's (ATIA's) ability to raise industry funds in order to meet the matching formula outlined in our contract with the State.
- Continuing passport regulation changes have the potential to reduce visitation to Alaska.
- Research shows that consumers are traveling less, are not using all their vacation time, are traveling closer to home and personal savings are lower than the previous generation. These national trends do not bode well for Alaska travel.

Significant Changes in Results to be Delivered in FY2009

None.

Major Component Accomplishments in 2007

Increased interest in Alaska as a visitor destination.

- Will generate roughly 500,000 qualified requests for Alaska trip planning information.
- Ran Alaska television commercials on two cable networks in 2008.
- Mailed over 3 million direct mail packages to potential Alaska visitors.
- Generated approximately 80,000 responses to requests for highway travel information from independent travelers choosing to drive north to Alaska.
- Maintained conversion rate (percent of people who request trip planning information and come to visit during the year they requested the information) at 16 percent. The conversion rate increases to over 31 percent over four years.
- Received roughly 2 million individual consumers coming to ATIA's website, TravelAlaska.com. ATIA believes

traffic to TravelAlaska.com is stronger than any other Alaska visitor related site.

- Hosted Alaska Media Road Show, ATIA's premiere media event which brings qualified writers/editors to meet one-on-one with Alaska tourism businesses. Major national newspapers and radio networks such as the Associated Press, Los Angeles Times, New York Times, Chicago Sun-Times, USA Today, Dallas Morning News, Copley News Service, ABC Sports, CBS Sports, Robb Report attended the two-day event.

Programs aimed at increasing international visitors

- ATIA worked with businesses, DMOs and Japan ATIA office to promote use of direct non-stop service between Japan and Alaska. This successful effort will result in a 30% increase of service in the winter and summer of 2008.
- Used research conducted in FY07 to enhance the ACE training program making it more effective in equipping travel agents with the information they need to book independent travel to Alaska.
- Continued participation in the Travel Industry Association's annual Pow Wow event that brings together roughly 1,500 international and domestic travel buyers so they can develop new or expanded travel packages.

Positioned Alaska as a year-round destination

- Featured winter travel in State Vacation Planner by including winter images, listing winter activities in the Calendar of Events, and highlighting average temperatures and clothing tips to increase interest in travel to Alaska during the winter.
- Included comprehensive winter information on TravelAlaska.com so potential visitors could see what was unique to Alaska in the winter and begin planning their trips.
- Highlighted winter topics in e-newsletter sent to 750 travel writers/editors each month: northern lights viewing, cross-country skiing, hot springs in Alaska, Iditarod, Yukon Quest, All Alaska Sweepstakes, USPS Northern Lights postage stamp, World Classic and Great Alaska Shootouts basketball tournaments.
- Expanded the winter questions in the ATIA Conversion Study to obtain more detailed information on the specific winter activities visitors to Alaska participate in.
- Posted an electronic winter press kit on TravelAlaska.com/media so travel writers/editors have access to Alaska winter travel information anytime they need it.

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

	FY2007 Actuals	FY2008 Management Plan	FY2009 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	5,000.0	5,005.1	4,205.1
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	5,000.0	5,005.1	4,205.1
Funding Sources:			
1200 Vehicle Rental Tax Receipts	5,000.0	5,005.1	4,205.1
Funding Totals	5,000.0	5,005.1	4,205.1

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	5,005.1	0.0	0.0	5,005.1
Proposed budget decreases:				
-Reduce Qualified Trade Association Contract	-800.0	0.0	0.0	-800.0
FY2009 Governor	4,205.1	0.0	0.0	4,205.1