

MINUTES OF THE HOUSE WILDLIFE, PARKS AND TOURISM COMMITTEE

The meeting was called to order by Vice-Chairperson Judy Morrison at 3:30 P.M. on March 2, 2005 in Room 241-N of the Capitol.

All members were present except:

- Representative Don Myers- excused
- Representative Broderick Henderson- excused
- Representative Margaret Long- excused
- Representative L. Candy Ruff- excused

Committee staff present:

- Hank Avila, Kansas Legislative Research
- Dennis Hodgins, Kansas Legislative Research
- Lisa Montgomery, Revisor of Statutes Office
- Betty Caruthers, Committee Secretary

Conferees appearing before the committee:

- Scott Allegrucci, Director, Division of Travel and Tourism, Department of Commerce

Others attending:

- See attached list.

Moved by Representative Ohara, seconded by Representative Beamer for approval of Minutes of the House Committee on Wildlife, Parks and Tourism held on February 21, 2005 be approved.

Motion carried.

Vice-Chair Morrison recognized Scott Allegrucci to present an overview of the activities of the Division of Travel and Tourism Development. (Attachment 1)

Six priorities of the division were presented which include:

1. Brand Image
2. Research/Market Intelligence
3. Product Development
4. Communication
5. Internet Development
6. Accountability

Important values for Kansas Tourism success were noted as:

1. Cooperation
2. Sustainability
3. Accountability
4. Quality

The mission of the Kansas Department of Commerce was noted to be "to empower communities and businesses through bold leadership using strategic resources to realize prosperity in Kansas."

Vice-Chair Morrison adjourned the Committee at 4:35.

Next meeting scheduled for Monday, March 7.

Scott Allegrucci

Chairman Myers and members of the Committee, my name is Scott Allegrucci and I am the director of the Division of Travel and Tourism Development in the Department of Commerce. It is my pleasure to appear before you today to provide an overview of the activities of the division. My written testimony is provided to you in an outline form. I will not read or repeat all elements and details from the written material, but have included information in the written testimony that I hope may be of use to you as a reference.

Staff:

Scott Allegrucci, Director
Regina Nicol, Fiscal Manager
LeAnn Stephens, Getaway Guide/Websites
Jim Owens, Customer Service Rep.
Shonda Titsworth, KANSAS! subscriptions

Richard Smalley, Marketing Manager
Kelli Hilliard, Group/TICs/Community Projects
Katie Bartkoski, Guide/Special projects/Ad Grant
Priscilla Humphrey, Administrative support
Julia Crotinger, Goodland TIC management

Contractors:

Kansas Speedway Corp., Speedway TIC
Lisa Weigt, International Marketing
Nancy Ramberg, KANSAS! editorial
Midwest Living, Getaway Guide Production
RUF Strategic Solutions, Research/Market Intel.

We-Care Manpower, Belle Plain TIC
Beverly Hurley, Public Relations
Callahan Creek, Advertising, Market Research
Peterson Publications, Guide/TIC Ad Sales
USA 800, call center, fulfillment, lead sharing

In brief, Kansas Travel and Tourism is ten F/T Commerce staff, ten current contract entities, two major partner agencies (KDOT and KDWP), five partner Commerce Divisions, and the Governor's Council on Travel and Tourism.

There are also packets with materials related to division activities at your desks – I will briefly guide you through those materials at this time.

Division Priorities:

• **Brand Image**

○ Why?

- If we do not take some control of our image in the larger marketplace, we are at the mercy of media powers we can never control.
- The marketplace is very crowded and very competitive. Without brand identification, we are lost in the crowd and lose opportunities.
- Mandated by the Prosperity Summit process:
 - Top priority in all of the regional meetings across the range of participants (private sector, economic development, community development, and tourism leaders)
- Market research clearly demonstrates that the image of Kansas is mostly unformed (not mostly negative or positive) and as a result, Kansas is overlooked by business and travel decision-makers.
- We cannot sell our diverse assets without first identifying for our customers the unified whole to which they belong. Branding is to distinguish, not describe.
- Brand Image development and market success takes time.

• **Research/Market Intelligence**

○ Why?

- If we don't know what the travel market is doing, what our customers want, how to reach them, how they make decisions, or what our competition offers or is doing to influence them, we cannot make responsible investments in product development or marketing.

- Currently, habit and anecdote are driving too much of our tourism activity. As such, many communities have no verification of how effective their products or marketing are, what their real tourism potential is (as determined by the travel market), or how to learn from past patterns or plan for future tourism trends.
- We are helping to develop standardized visitation and economic impact reporting for the Kansas tourism industry.
- **Product Development**
 - Why?
 - Marketing/branding is a promise made. If we don't have the experiences travel customers want, we break the promise, waste our marketing investment, and lose customers and revenue.
 - Kansas can capture significant travel market share and significant revenue **IF** we invest in sustainable travel products and experiences that we know travel customers want.
 - Current product development efforts are often uncoordinated, not strategic or in-line with market demand, and insufficiently funded.
 - Visitation:
 - Out-of-state visitation from multiple states should represent greater than 20% of total annual visitation to be considered a major, unique, destination attraction.
 - A minimum of 30% of total annual visitation should be drawn from greater than 100 miles distant from the attraction community.
 - Total annual visitation should compare very favorably to existing attractions in the state, as well as to comparable attractions and markets elsewhere.
 - Economic impact:
 - Direct expenditures: visitor spending that directly supports the jobs and incomes of people and firms that deal directly with visitors.
 - Indirect expenditures: changes in sales, incomes or jobs in regional sectors that supply goods and services in support of "direct expenditure" entities.
 - Induced expenditures: increased sales within the region from the household spending of the income earned in the "direct" and "indirect" sectors.
 - Environmental effects: changes in regional quality-of-life indicators as a result of tourism development that impact other sectors.
 - Enabling effects: increasing the ability to attract compatible industries based upon all of the above.
 - Direct job creation: the total number of jobs (distinguished as F/T or P/T) supported by the target attraction
 - The unique quality of the project, relative to:
 - The national destination attraction market, and/or
 - A defined regional (multi-state) market area, and/or
 - The Kansas destination attraction market, and/or
 - The ability of the proposed attraction to leverage or utilize the nature, culture or heritage that is unique to Kansas, and/or
 - The ability of the proposed attraction to capture for Kansas a valuable, national market brand identity (i.e. sports organization, consumer product brand, entertainment brand, etc.)
 - The ability of the project (all things being equal) to capture sufficient market share to:
 - Remain profitable past the term of repayment
 - Maintain status as a significant market and travel decision driver
 - Integration and collaboration with other resources and/or businesses, as determined by:
 - Creation of overnight stays, and/or
 - Collaboration/competition with other available retail and destination experiences, and/or

- The ability of the proposed attraction to leverage and utilize the nature, culture or heritage that is unique to Kansas, and/or
 - Short and long-term marketing plans, with emphasis upon cluster, niche and cooperative marketing.
 - Quality of service and experience provided, as measured against national consumer standards for the specific target market.
 - Project accountability:
 - Any and all of the above should be accountable and verifiable according to best industry or comparative practices.
 - Methodologies should be transparent and detailed.
 - Third-party verification, wherever possible, is recommended.
- **Communication**
 - Why?
 - One role the division can play is as a clearinghouse for travel market intelligence, consumer data, best industry practices, development and marketing tools, and program information. We cannot make tourism efforts successful, but we can help businesses and communities make more informed decisions.
 - Provinciality, lack of unity and cooperation, and lack of knowledge about the larger travel market are significant impediments to successful growth of the industry in Kansas. No other entity can or will play the role of obtaining and sharing critical information.
- **Internet Development**
 - Why?
 - More than 60% of travelers currently get their primary information about their chosen destinations from the internet.
 - About 40% of travelers purchase travel product/experiences over the internet.
 - Internet convenience, speed, and flexibility all reinforce the most significant American leisure travel consumer trends.
 - These trends are accelerating annually.
- **Accountability**
 - Why?
 - The travel industry is generally misunderstood and undervalued in Kansas. The significant economic power of this industry must be demonstrated by clear, accurate reporting of the economic and quality of life impact the industry delivers.
 - The travel industry is undercapitalized in Kansas. In order to earn sufficient funding to compete in the marketplace, sustain effective marketing, and develop quality, sustainable products and experiences, we must account for the return on investment of tourism.
 - The interstitial, diverse nature of the tourism economy and the absence of gates at the state borders or standardized reporting in the industry, make tourism's impact very difficult to track.

The Division of Travel and Tourism is not the travel industry. Commerce is an economic development agency. Economic development is measured primarily through jobs, investment, and revenue. The above priorities are identified by the industry and the agency as those things the state office can best do to support the industry. This is a critical time for travel and tourism in Kansas. Because of the changing nature of the industry and the travel market, Kansas has real potential to engage that market. Success depends upon the Kansas travel industry's ability to address the challenges facing development and marketing, and maximize the available opportunities. We have outlined the role we think the division and its partners can play. We have established our priorities. We are moving toward a long-term strategic plan.

A sustainable plan amounts to a unified vision of goals and methods. This process includes ongoing internal work – focus, priorities, strategy – as well as further statewide, industry-wide strategic planning under the auspices of the Governor’s Council. All efforts must be informed by current, comprehensive market research, intelligence and understanding.

Once a plan is in place, our goal is to build and maintain strategic partnerships based upon that plan (travel and tourism as a means to help our partners meet their own challenges). The Kansas travel industry must be unified and must take credit and/or responsibility as a whole for its impact upon the Kansas economy and quality of life. Strategic planning, implementation, and development must occur in an organized, collaborative environment. Tourism by welfare will not work in Kansas. Tourism is consumer-driven, service oriented, and entrepreneurial. There are real limits to what government can and should do.

We cannot eat our cake and have it too. In our quest for government efficiency, we ask that government “behave like a business.” Fair enough. But keep in mind that, as a division within a state agency, we are by law not allowed to realize or keep savings across fiscal years. What business successfully behaves that way? Without dependable, budget forecasting, we cannot make long-term plans across fiscal years. What business successfully behaves that way? When we attempt to apply business principles by focusing resources on those areas and projects that provide maximum verifiable return, the political process forces us to focus resources based upon geographical parity and constituent complaint, rather than consumer demand and market opportunity. What business successfully behaves that way? Legislative, industry, and community expectations for tourism performance increase steadily, even as our funding decreases to levels insufficient to responsibly take advantage of market opportunities or to match our competition in the marketplace. What business successfully behaves that way?

Important Values for Kansas Tourism Success:

Cooperation

- Among communities
- Public/private partnership
- With the state office
- With other economic development organizations
- Across national, state, regional and county boundaries
- With entities other than traditional, recognized “tourism” partners

Sustainability

- Do travelers have regular, convenient access to the things they want to do in Kansas?
- Is our marketing coordinated with permanent, quality travel product or experience within the state and driven by verifiable market intelligence?
- Does our travel product have ongoing, effective marketing driven by verifiable market intelligence?
- Is Kansas tourism capturing sufficient visitation to:
 - Remain profitable or meet expenses into the future
 - Maintain status as a significant travel destination in the future

Accountability

- What is tourism’s economic impact, as follows:
 - Direct expenditures – visitor spending that directly supports the jobs and incomes of people and firms dealing directly with visitors.
 - Direct job creation – the total number of jobs (distinguished as F/T or P/T) supported.
 - Indirect expenditures – changes in sales, incomes or jobs in regional sectors that supply goods and services in support of “direct expenditure” entities.

- Induced expenditures – increased sales within the region from the household spending of the income earned in the “direct” and “indirect” sectors.
- Environmental effects – changes in regional quality-of-life indicators as a result of tourism developments that impact other sectors.
- Marketing and development decisions informed by comprehensive, accurate, current consumer research and market intelligence.

Quality

Admittedly subjective, but can be objectively informed by:

- Quality of our products and experiences as measured against national travel consumer standards.
- Favorable national and regional press coverage.
- Uniqueness of our products and experiences:
 - Within the national market
 - Within a defined regional market area
 - Within the state market
 - The ability to leverage or utilize the nature, culture and/or heritage unique to Kansas
 - The ability to capture a valuable, national or regional market brand identity (i.e. sports organization, retail product line, entertainment brand, etc.)
 - The ability to leverage the Kansas brand image regionally and/or nationally
- Visitation
 - Multiple state, out-of-state (ideally, greater than 20%)
 - Greater than 100 miles distant (ideally, greater than 30%)
 - Repeat visitors/customer loyalty
 - Total visitation

Important:

- Any and all of the above should be accountable and verifiable according to the best industry or comparative practices.
- Methodologies for accounting should be transparent and detailed.
- Third-party verification, wherever possible, is highly recommended.

While each of the above is necessary for success, alone they are insufficient. They must be combined and sustained. Implementation (product development and marketing) must be measured in order to realize sustainable, accountable, meaningful progress. How to measure or recognize progress? This should sound familiar:

1. **Visitation.**
2. **Economic impact.**
3. **Uniqueness of Kansas tourism product.**
4. **Profitability of the industry.**
5. **Cooperation and collaboration with other resources and/or businesses.**
6. **Quality of service and experience provided.**
7. **Accountability.**

Agency Economic Development Metrics:

- Good, sustainable JOBS
- Payroll and tax REVENUE
- Durable CAPITAL INVESTMENT
- Significant VISITATION

Initial suggestions for Travel and Tourism Division metrics:

- Capital invested in or leveraged towards businesses providing tourism experiences (quantitative - measured against division standards for product development)
- Travel customer leads generated (actual, quantitative), based upon:
 - Website visitation and use analysis
 - Fulfillment/call response
 - Advertising Conversion studies
 - Standardized industry reporting
- Travel customer leads converted (actual, quantitative), based upon:
 - Standardized industry reporting
 - Advertising Conversion studies
 - TIC surveys
 - Internet bounce-back surveys
- Estimates of annual visitation to the state, based upon:
 - TIC surveys
 - Advertising Conversion studies
 - Standardized industry reporting
 - Internet bounce-back surveys
- Estimated travel spending in the state, based upon:
 - Standardized industry reporting
 - Advertising Conversion studies
 - Analysis of Transient Guest Tax collections
 - Analysis of NAICS revenue figures

Mission of the Kansas Department of Commerce:

To empower communities and businesses through bold leadership using strategic resources to realize prosperity in Kansas.

NOT: "To guarantee the success of individuals, businesses or communities."

"To do the work of individual communities and businesses."

"To eliminate all risk for businesses and communities."

Our job is to help Kansas businesses start, thrive, and grow.

In my first weeks on this job, a colleague in the tourism industry reminded me that 'the language of promotion is not necessarily the language of problem-solving'. I would like to give you real and specific examples of this maxim, as it relates to Kansas tourism:

- Tourism signage
- Agritourism
- Market data, industry opinion, and the Wizard of Oz
- The Attraction Development Grant

Remember the story two summers ago: Kansas - Flatter Than a Pancake? An image I'd like to leave you with: a Kansas-sized pancake. Consider the results we get spreading meager rations of butter and syrup from edge to edge, as opposed to applying what rations we have based upon where our customers want to bite first.

Thank you for your time and attention. I will now stand for questions from the committee.