



Governor's Tourism Advisory Council Meeting (TAC)

Wednesday, July 16, 2014

11:00 a.m. – 2:00 p.m.

Sheraton Downtown Phoenix

340 N. 3rd Street

Laveen A

Phoenix, Arizona 85004

Meeting Minutes

I. Call to Order/Approval of May 6, 2014 Governor's Tourism Advisory Council (TAC) Meeting Minutes.

Jody Harwood opened the meeting at 11:05 a.m.

The following TAC members were present: Jody Harwood, Stacey Button, Teresa Propeck, Michael Luria, Lorraine Pino, Delcie Schultz, Jeff Serdy, Richard Vaughan, Raphael Bear, Bruce Lange, Kelly McCullough, Susan Sternitzke, Victoria Yarbrough; and, Kate Fassett.

Arizona Office of Tourism (AOT) staff present: Sherry Henry, Chris Mardian, Mark Stanton, Linda Yuhas, Karen Churchard, Kiva Couchon, Mary Rittmann, Karen Cahn, Andy M. Bacon; and, Laura Franco French.

Sherry introduced Andy M. Bacon, the new Director of Painted Cliffs Welcome Center (PCWC).

Motion was made by Susan Sternitzke to approve meeting minutes of the May 6, 2014 meeting. Motion was seconded by Jeff Serdy. Minutes of May 6, 2014 meeting were approved unanimously.

II. Arizona Office of Tourism (AOT) Updates

AOT's Director, Sherry Henry stated that the budget for FY2015 had not changed; the \$2,000,000 for the Pro Bowl is a separate line item, allocated by the Governor's office. The \$2,000,000 is specifically earmarked for the Pro Bowl. AOT will be operating from the same budget discussed earlier in the year. AOT's budget submittal is due in September. AOT will be asking for additional funding. In the various presentations, there will be a lot about the additional funding, which AOT is hopeful the new Governor will approve. AOT's Assistant Deputy Director, Karen Churchard, and her team have sought resources regarding how to reach potential visitors to Arizona. AOT still needs the resources to make this happen. Until the legislature meets and the new Governor is in place, AOT will not know what the budget will be. AOT will look to council members to talk with elected officials, when legislative session begins, regarding the importance of supporting AOT and its economic vitality in the state. As a state agency, AOT will be putting together transition documents based on who the new Governor will be and what they want. Regarding the Pro Bowl funding, Bruce Lange asked if the funds will "live" in a different world from

where AOT money lives. Sherry replied that the funds will be separate. When the Pro Bowl was in Hawaii, Hawaii paid the National Football League (NFL) \$5,000,000. The NFL sees Pro Bowl as an infomercial for the location. When Michael Bidwell proposed having the Pro Bowl in Arizona as the kick off to the Super Bowl, the idea was to move it out of Hawaii and make it a week-long celebration. Somebody had to pay the NFL the money. Most of the money is to pay the NFL. Setting that aside, they have engaged our team as part of the planning process and are working very hard at looking at ways AOT can use this Pro Bowl broadcast, which is the most watched all star sporting event. They changed the format and made it a more exciting celebration event rather than a game. So, yes and no are the answers to the question. It was stated that the NFL indicated that AOT ask for what is wanted and the sky is the limit. NFL will then respond regarding what they can then offer. AOT's Director of Advertising, Karen Cahn, will review some of the concepts and ideas AOT has. In terms of promoting the Pro Bowl and Arizona, AOT will be meeting with ESPN. Bruce Lange says his fear is that someone will send AOT a Pro Bowl invoice for \$2,000,000. Karen Churchard explained that AOT will be doing a contract and that they do know we have \$2,000,000. Sherry said AOT has put together a seven page wish list of everything AOT thinks is appropriate. AOT wants to make sure the agreement is put together and we are really getting everything asked for. In a conversation with Michael Bidwell and Scott Smith, the Governor's Chief of Staff, Sherry said that with the extra \$2,000,000 we could do other things. They feel so strongly about it and they really do think that this investment will absolutely showcase our state. And, ESPN will be promoting this during the football games throughout the NFL season. Again, the Super Bowl and the Pro Bowl will be here in Arizona and the actual broadcast will be built around showcasing Arizona, as a media buy.

Karen Churchard reported on the results of a recent ad effectiveness study completed by SMARI, a reputable marketing company that works with many state and city DMOs. The study was based on AOT's new national campaign. The primary take-a-ways of that report include 1) that the 2014 campaign reached 39% of the targeted audience, which is a significant increase compared to the last study done in 2012; 2) it cost AOT 17 cents to reach a target household, which indicates an efficient media buy compared to the industry average of 22 cents; and, 3) 31% of households that recalled seeing the campaign are likely to visit Arizona.

Richard Vaughan questioned how the ad effectiveness study relates to actual visitation numbers and percentage of occupancy. Karen Churchard replied that there is a correlation with propensity to visit. She stated that the study completed was approximately \$35,000 compared to a more robust study that would include more detail on the actual Return on Investment (ROI) priced at \$85,000. The Executive Staff determined that an Ad Effectiveness & ROI Study would not be beneficial at this time because of the upcoming change in administration.

Richard Vaughan expressed his concern that these types of studies may not accurately reflect hotel occupancy and mentioned approximately 20% of visitors do not stay in hotels. Another member asked Karen Cahn what was spent on the Summer Campaign. Cahn responded approximately \$1.2 million. Discussion ensued about occupancy and hotels, which the AOT staff could not answer specifically. However, Karen Churchard noted that AOT commissioned a new study by Buxton, which will be released

today that is based on nine spend categories of Visa transactions by people visiting regions of our state. One of the spend categories is accommodations.

Karen Cahn provided an update on the website design, which is in Phase One production. She also stated that Sherry Henry will announce during GCOT that ArizonaGuide.com will officially change to VisitArizona.com effective immediately. The target date to launch the new website is January 2015.

Karen Cahn reported on the upcoming Pro Bowl mentioning that AOT recently submitted a wish list to the NFL and ESPN that includes a variety of items to promote Arizona ranging from B-Roll to requesting Hall of Fame alumni players to travel to a region in our state and then showcase these items on ESPN. AOT anticipates hearing back from the NFL and ESPN in late August. Comments ensued about the broadcasting of the Pro Bowl game. Karen Churchard stated that the game will be broadcast on ESPN, not the NFL Network. She noted that NFL Network will cover a lot of events and activities leading up to the Pro Bowl.

In regard to the Super Bowl, Karen Churchard reviewed several items within the contract including a \$50,000 spend towards the Media Center to promote Arizona, to a \$100,000 spend for an American Indian Village event to be held at the Scottsdale Civic Park, to the opportunity to participate in other events such as the Visiting CEO Program. Karen Cahn also mentioned additional opportunities including representation in the Social Media Command Center, the Media Guide and Super Bowl Central.

Kelly McCullough suggested that AOT consider streaming 15 second ads on other platforms during the Super Bowl. Bruce Lange asked what AOT's interest would be in Super Bowl. Karen Churchard responded \$1 million. He also asked about tracking the value of our investment and the importance of knowing such information for future mega events, including Super Bowl. Karen Churchard noted that an impact study was done by the Arizona Host Committee for the 2008 Super Bowl and that the NFL does a study every 2-3 years. Lange noted the importance of Arizona doing its own study. Churchard offered to find out if the Arizona Host Committee plans on completing a study for the 2015 Super Bowl.

Karen Cahn also provided a recap of the summer campaign. She showed the creative that was used in the print ads and billboards and she explained the objective of the campaign, which is to inspire the local and drive market to travel throughout the state. Karen also noted AOT's target audience of Gen Y and Gen X in the LA/Inland Empire as well as the Baby Boomers and Gen X in the Phoenix market. In addition, she highlighted the results of the campaign to date including 36,178 number of visits to SummerinAz.com as well as 50,532 page views. The conversions to date are 706 OSVG's ordered, 559 E-newsletter sign-ups and 672 itineraries downloads.

Kiva Couchon, Public Information Office and Director of Communications at AOT did a brief update of her division. www.azot.gov is switching over to www.tourism.az.gov. It is still very much under construction and is set to go live July 22, 2014. This is being managed by Arizona Department of Administration. AOT will keep TAC updated in AOT in Action. Chris Mardian asked if TAC will still be listed under Office of Executive (OOE). Kiva said the format will be slightly different and have different headers, but TAC will still be found under OOE. Richard Vaughan asked if all the old data will be transferred. Kiva answered that those sites are being redirected

currently, as the first step. Kelly McCullough asked about At a Glance; questioning some of the website metrics. He wanted to know about the visitor guide shift, which is down year over year 10%. Kelly also made mention that the site is not very "sticky". There is not much video on the website according to Kelly. Mark Stanton replied that as we move forward, OMA is our strategic general partner, but we have many of other components to explore. The biggest challenge with the website is too much content. Restaurants are always a challenge and there is much turnover in the industry. AOT would like to build a strategic alliance with Arizona Restaurant Association (ARA) wherein they can help maintain the restaurant database, according to Stanton. Stanton also said the redesign of the site will give us better ability to look at metrics and tracking. Richard Vaughan said Kelly McCullough is correct in that the video component is vital and it is where the exponential growth is. Richard said it would be fairly easy to facilitate a tracking of how much traffic is being sent. This is what people want to see, according to Vaughan. Kelly also suggest AOT partner with TripAdvisor.

Karen Churchard reported that there would be a 45 minute presentation at the conference from Buxton. Visitor volume and economic impact study is done yearly, per Churchard. She gave an in depth presentation of the latest data from calendar year 2013, which can be found on the agency's website. Karen stated that the research being done now with Off Madison Avenue (OMA) and the research division at AOT is very powerful. There was much discussion, beginning with Jody Harwood, regarding classification of visitors. For the next TAC meeting, Churchard will do a presentation regarding changes of business and leisure travel. Kelly asked if this information is given to the legislature. Churchard replied that much of it is used in "Tourism Works for Arizona" Kelly suggested producing slides relative to the data. Bruce Lange pointed out that it is vital to show cause and effect.

Laura Franco French, Director of Community Relations at AOT, presented on the Cooperative Marketing Program. She referred to a list included in the packets; stating there are 30 communities, tribes and associations, which have applied. The total spend is \$1.6 million and the program is in it third year. Last year there were 24 and this year there are 30 communities who have applied.

Mark Stanton, Deputy Director of AOT, did an overview of economic development. He stated AOT is moving the media buy earlier in the season. In addition, he stated AOT is still in ongoing efforts with Arizona Commerce Authority (ACA) preparing the MOU. AOT and ACA are supporting each other's efforts. We are also teaming up to do some work in the rural communities to tell the Arizona story statewide. We are also doing work with GPEC; working closely with Arizona Mexico Commission (AMC), the Arizona Chamber of Commerce, etc. AOT is also reaching out to developmental entities such as Maricopa County Association of Governments. AOT needs to arm such entities with this economic development information. AOT is also doing much work with ACA's board, their planning efforts and efforts they are making in other markets. If AOT has the opportunity to work with an economic development entity they will, according to Stanton. AOT is also working closely with DMOs to work with Sky Harbor regarding the Tourism Works for Arizona, which has received great reviews.

Richard Vaughan asked how the economic development entities receive tourism as a viable economic driver. Mark Stanton said that since he and Director Henry came to AOT; he has seen a dramatic increase in interest in tourism. This may have come from the trauma and drama around SB 1070. AOT

has worked for a long time and now is viable. There has been marked increase from the economic development engines.

III. Area Reports

Area 1: Maricopa County

Jody Harwood reported for Raphael Bear. The Indian Village for Super Bowl will involve all 22 tribes and will be in the Scottsdale location for the first time. More information on the Indian Village will follow.

Katherine Fassett stated that being in the political/public affairs industry, with elections being eminent, the importance of registration and voting will impact the industry greatly. She did a report on recent polling data. She reported that voter registration indicated that Republicans are registered at just over 1 million and Democrats at just under 1 million, with Independents just slightly over Republicans. Her company expects this election cycle primary to reflect Republicans projected turnout at 48-53%, which is approximately 600,000 registered voters. The figures are down from last year. Democrats are expected to come in at 28-31%, which is about 300,000 voters. Recent polling done by her firm indicates the top issues considered: 62.8% immigration and border issues, jobs and economy come in at 20.9%; education, state budget, state health care, taxes and transportation follow. If the Republican primary were held today, voting would reflect- 17.3% -Doug Ducey, 15.3% Christine Jones; 9.8% Scott Smith and then down the line. She went on to say that the survey asked what people would do regarding the 50,000 children, who entered the United States illegally in recent months? The poll indicates that 66.3% say, "Immediately return the unaccompanied children to their country of origin." This is obviously a huge issue facing the country and our state as we are going into an election year.

Kelly McCullough reported that Arizona PBS is the clean elections channel and that as the election cycle moves along, Director Henry and Deputy Director Mark Stanton should feel free to contact Ted Simons, Arizona PBS-Horizon. For the past year, Kelly has been attempting to educate many leaders of the arts and culture realm to get the community more involved in GCOT and tourism in general. Kelly reports there will be attendees from various arts at the conference and the Gala this year. He also noted the fact that there are more museums in America than Starbucks and McDonalds combined.

Bruce Lange reported that as the weather has gotten hotter, the leisure demand has begun to wane. Optimism relative to staycation demand is also diminishing significantly. We are at 8-9% now in RevPAR growth and likely to finish at 4-5% by the time we are done. As the vacuum of leisure transient has clouded the marketplace, there has been no group demand to replace it. Big group houses are really suffering. There is much data available to find out what is going on from a group perspective. For 2015, there is a huge expectation that the market is going to recover thanks in large part to Super Bowl. There are a lot of people whose expectations are riding on this, which is why the data collection information is so vital. Despite the fact that we have been enduring 10% or more increases in fares, Sky Harbor continues to be in the top five regarding value. Price is where everybody expects RevPAR to rest in the marketplace something to the tune of 6-9% price increase expected next year, some of which is Super Bowl influence with very little demand increase from the traveler-maybe 1%. There is a lot riding on Super Bowl and little turnaround from a group perspective.

Jody Harwood reported that the first six months in the boutique sector, most all group business was traded for leisure. Summer has been “iffy” and is almost all staycation and rate driven. The consumer profile has changed dramatically from March until now. In the fall, we do not have as much in the pipeline as in the winter. One boutique hotel in the market has closed for part of the week through the end of September. For the 100 rooms and under properties; the Air B & B needs to be focused on. Bruce commented that golf business is up and the spa business is down.

Lorraine Pino reported that hotel data year to date is up 2.7%. Average Daily Rate is up 3% and RevPAR is up 5.8%. Cardinals Training Camp is July 26-August 22, 2014. Arizona Coyotes – September 22, 2014. Super Bowl is 200 days away. Chocolate Affaire will be moved to Super Bowl weekend to capture the market.

Area 2: Pima County

Michael Luria reported Tucson trailing in growth. The last four months have been strong for RevPar, led by the resorts, which are up to 10%. The Convention of Jehovah Witnesses is on the horizon and will occupy 35,000 room nights. Modern Street Car, which the federal government invested \$160,000 in, is opening.

Richard Vaughan commented that Tucson still struggles with group activity – still lagging and continues to be a challenge. Accenture is leaving next year and will be replaced by the Champions Tour, which will be great for the local community.

Area 3: Apache, Coconino, Navajo and Yavapai Counties

Teresa Propeck suggested a possible shift in interest from metro areas to rural areas. With all the wine tasting rooms, wineries, etc., all is thriving with communities in the area. The events are all attracting much interest. October brings Camp Verde’s Fort Verde Days, which is in its 58th year. Other events coming to the areas include Sedona’s Hummingbird Festival, Sedona’s Wine Fest, Rhythm and Ribs; and, Jerome’s Art Walk.

Jody Harwood commented on the Junipine Resort in Oak Creek Canyon. She stated business in the canyon being greatly affected by the road closure with almost all attractions closed as well. The area had been expecting their best year, but with the fires, the area is suffering instead.

Stacey Button reported that Flagstaff is doing great. Airport is up 32% with 1,000-1,200 more passengers each month since February. Hotel RevPAR-calendar year to date is up 8.2% BBB revenues.

- Cool Zone – Legends District – Saturday 4 PM, ribbon cutting and activation

Button just returned from New Zealand, where she shared best practices in tourism and economic development around the whole country with a variety of cities.

Area 4: La Paz and Yuma Counties

Susan Sternitzke reported on Area 4. Agritourism is continuing to build and grow. Yuma Lettuce Days is moving this year. It will be in a lettuce field, making it more hands on and interactive. Field to Feast is sold out again. They were in USA Today's Travel Section. The Yuma Visitor's Bureau's event is December 31 –Lettuce Drop on downtown Yuma. This is Susan's ninth or tenth GCOT and tomorrow night the Mayor, Administrator, Assistant Administrator, and Event Planner for the City of Yuma will be in attendance at GOCT. They are attending because the Yuma Centennial is up for an award.

Area 5: Pinal County

Jeff Serdy reported on the damage from the fires to the outlying areas. The restrictions have been lifted now. The City of Apache Junction will be doing a report primarily related to retail leakage. Mesa Gateway just announced a direct flight to Cincinnati.

Area 6: Cochise, Santa Cruz, Graham and Greenlee Counties

Victoria Yarbrough reported that a group from Southeastern Arizona teamed up with Mexican Consulate office in Douglas. The group took a trip to the first vineyard in Sonora. The intent was to establish an international wine trail in the future. The vineyard will be picking and bottling for first time this year and will be constructing a winery and tasting room next year. The expected price point for the wine is about \$70-80 per bottle. Generally, the wines in the areas are at \$15-20 per bottle. There is a very high demand for Mexican wines however, the Mexican wineries can only provide about 30% of the demand.

Delcie Schultz reported Upcoming events include:

- 63rd Annual Rex Allen Days Celebration – October 3-5
- Annual Bike Ride over Labor Day weekend
- Willcox is getting two new billboards on I-10

Hotel occupancy is up 13% ahead of last year. There is a new city manager, who is making great improvements.

Chris Mardian reported the next meeting being September 9, 2014, at the Arizona Office of Tourism, 10:00 a.m. to 2:00 p.m., as stated in the meeting schedule, which is included in each meeting packet.

Call to the Public: none.

Lorraine Pino moved to adjourn and Victoria Yarbrough seconded the motion. Meeting adjourned at 2:10 p.m.

IV. Adjournment

