

MEASURING RETURN ON INVESTMENT OF TOURISM MARKETING

A Review of Sixteen State Tourism Offices

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12/24/2010



Prepared for Explore Minnesota Tourism, with funding provided by Explore Minnesota Tourism
and the Carlson Chair for Travel, Tourism & Hospitality

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Executive Summary

State travel offices' justifications for funding are increasingly being scrutinized as states seek to balance budgets. These justifications are expected to contain well-stated objectives and measurable results, including indications of cost effectiveness. Advertising is a big portion of the budget for state travel offices and is perhaps the budgetary consideration most frequently investigated for its cost effectiveness. In order for Explore Minnesota Tourism (EMT), the state agency responsible for promoting travel to and within Minnesota, to better gauge the return on investment (ROI) of its recent marketing activities, a review of state-level reports and assessments for the tourism marketing of Minnesota and 15 other states was completed in December 2010 and is presented in this report.

This report does not replace the need to conduct an ROI study of tourism marketing for the state of Minnesota, which has not been done since the year 2000. Tourism trends, tourism marketing, and measuring ROI have changed considerably since the last study was conducted. The increasing complexity and integration of marketing and communications tactics makes an ROI study a major undertaking requiring significant financial resources. EMT is increasingly aware of the need to update Minnesota's ROI measurements and intends to conduct an ROI study when the resources allow for it. EMT collaborated with the University of Minnesota Tourism Center and University of Minnesota Extension to complete this project efficiently. The study and report were paid for by EMT and the Carlson Chair for Travel, Tourism & Hospitality and was undertaken as an interim measure to determine a range of what Minnesota's ROI likely is by comparing the ROI analyses of other states.

The most recent ROI study of tourism marketing in Minnesota was conducted for the spring/summer of 2000 advertising campaign (6 months). The Minnesota Department of Trade and Economic Development (now known as MN Department of Employment and Economic Development) was contracted to do the study which surveyed customers who had asked the travel office to send them travel information about Minnesota. Estimates of visitors-days and daily expenditures from the survey served as the primary input parameters, while output from the REMI econometric input-output model provided the economic impact measures that were central to the ROI analysis. The resulting impacts included direct, indirect and induced impacts. Results showed that every dollar spent in marketing generated \$52.64 in incremental gross sales and \$4.62 in incremental state and local tax revenues¹.

The details regarding Minnesota's ROI analysis serve as a caution when comparing with the ROI results for other states. For example, some studies in this report measured the ROI of a single seasonal advertising campaign (like Minnesota), others measured the ROI of a number of

¹ "Analysis of the Minnesota Office of Tourism's Return on Investment for Consumers Receiving Mail Fulfillment, Spring/Summer 2000" by MN Dept of Trade and Economic Development

campaigns conducted over the course of a year, while a few measured the ROI of campaigns that spanned multiple years. Secondly, many of the reports from which ROI information was derived were bereft of details. Thus when comparing the marketing ROI measurements (see Table 1 and Table 2) between the different state tourism offices please take into account the following factors:

- Whether the investment portion considered in the analysis covers all costs associated with marketing and fulfillment; including salaries and office supplies, or just the cost of the advertising?
- Companies contracted to do ROI analysis have varying methodologies on how to measure incremental visits and visitor spending.
- Whether the economic impact measurements just include direct spending on industries that “touch” the visitor (i.e. hotels, restaurants, museums), or also include indirect spending that considers industries that supply those that touch the visitor, and induced spending that affects workers of industries that supply those that touch the visitor?
- Does incremental tax revenue due to advertising include state tax, local tax or both?
- Whether ROI measurements are based on long term or short-term effects of advertising? Oregon was the only state in the study to explicitly state and give both long term and short term results.

The fifteen states that served as the starting point for this investigation of tourism marketing ROI were selected based on the following factors: geographic proximity to Minnesota, similarity of product and/or marketing efforts to Minnesota’s, prominence within the tourism marketing community, and indications that an ROI study or studies had been undertaken for the state. This review found that most states are using a number of market research organizations to determine three distinct pieces of data in their attempts to measure marketing ROI : (1) visitor or traveler profiles, (2) economic impact due to visitor spending, and (3) effectiveness of the advertising campaign(s) on incremental visits.

Including Minnesota, eleven states measured the effects of advertising campaigns on incremental visits and the resulting ROI of marketing. Of these states, seven hired Longwoods International, three hired Strategic Marketing & Research Inc (SMARI), while one, Minnesota, utilized a government agency². Additionally, different organizations, and hence methodologies, were used to measure visitor expenditures and the economic impact of tourism.

ROI estimates of visitor spending per advertisement dollar ranged from \$48.53 (Michigan) to \$305.00 (California), with an average of \$122.80 and median of \$123. Five states (MI, MT, VA, MN, and MO) had a spending ROI of less than \$70 per advertising dollar while six states (ND,

² Economic Development and Evaluation Office of MN Dept of Trade and Economic Development

OR, AZ, CO, FL, and CA) had a spending ROI of more than \$123 per advertising dollar. Similarly, ROI estimates of state and local tax revenue per advertisement dollar ranged from \$2.54 (Missouri) to \$20 (California), with an average of \$8.18 and median of \$5.00. Five states (ND, AZ, CO, FL and CA) had a tax ROI of more than \$9 per advertising dollar, while six states (MI, OR, MT, VA, MN, and MO) had a tax ROI of less than \$5 per advertising dollar.

Further exploration of California, Michigan, North Dakota, and South Dakota illustrate the differing ways states conduct tourism marketing research. It would be quite problematic for another state travel office to attempt to estimate its marketing ROI based on the state level information provided in this report. Advertising effectiveness, target markets, visitor spending profiles, the cost of goods and services, and many other variables all serve to limit the degree to which comparison can be made. However, the detailed assessment of other states' tourism marketing ROI measurements found in this report provides Explore Minnesota Tourism with the range of likely ROI estimates for its own marketing activities.

Introduction

Considerable resources are invested in marketing Minnesota as a destination to potential travelers. The expectation is that marketing efforts will enhance positive perceptions of Minnesota as a travel destination, increase brand awareness, and increase travel and associated economic impacts throughout the state. State travel offices' justifications for funding are increasingly being scrutinized as states seek to balance budgets. These justifications are expected to contain well stated objectives and measurable results, including indications of cost effectiveness. In order for Explore Minnesota Tourism (EMT), the state agency responsible for marketing the state as a travel destination, to better estimate the return on investment (ROI) of its marketing activities, a review of state-level reports and assessments for tourism marketing of Minnesota and 15 other state level agencies was completed in December 2010 and is presented in this report.

This report does not replace the need to conduct an ROI study of tourism marketing for the state of Minnesota, which has not been done since the year 2000. Tourism trends, tourism marketing, and measuring ROI have changed considerably since the last study was conducted. The increasing complexity and integration of marketing and communications tactics makes an ROI study a major undertaking requiring significant financial resources. EMT is increasingly aware of the need to update Minnesota's ROI measurements and intends to conduct an ROI study when the resources allow for it. EMT collaborated with the University of Minnesota Tourism Center and University of Minnesota Extension to complete this project efficiently. The study and report were paid for by EMT and the Carlson Chair for Travel, Tourism & Hospitality and was undertaken as an interim measure to determine a range of what Minnesota's ROI likely is by comparing the ROI analyses of other states.

The most recent ROI study of tourism marketing in Minnesota was conducted for the spring/summer of 2000 advertising campaign (6 months). The Minnesota Department of Trade and Economic Development (now known as MN Department of Employment and Economic Development) was contracted to do the study which surveyed customers who had asked the travel office to send them travel information about Minnesota. The survey was conducted via mail and phone and measured travel volume and travel expenditures as the return component of the analysis. The investment portion was based on expenditures for marketing and all fulfillment functions (mailing, printing, staffing) to U.S. residents. Lastly, the REMI econometric input-output model was used to simulate the effect of travel spending on the Minnesota economy. Estimates of visitors-days and daily expenditures from the survey served as the primary input parameters, while output from REMI provided the economic impact measures that were central to the ROI analysis. The resulting impacts included direct, indirect and

induced impacts. Results showed that every dollar spent in marketing generated \$52.64 in incremental gross sales and \$4.62 in incremental state and local tax revenues³.

The details regarding Minnesota's ROI analysis serve as a caution when comparing with the ROI results for other states. For example, some studies in this report measured the ROI of a single seasonal advertising campaign (like Minnesota), others measured the ROI of a number of campaigns conducted over the course of a year, while a few measured the ROI of campaigns that spanned multiple years. Secondly, many of the reports from which ROI information was derived were bereft of details. Thus when comparing the marketing ROI measurements (see Table 1 and Table 2) between the different state tourism offices please take into account the following factors:

- Whether the investment portion considered in the analysis covers all costs associated with marketing and fulfillment; including salaries and office supplies, or just the cost of the advertising?
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- Does incremental tax revenue due to advertising include state tax, local tax or both?
- Whether ROI measurements are based on long term or short term effects of advertising? Oregon was the only state in the study to explicitly state and give both long term and short term results.

Methodology

The fifteen states that served as the starting point for this investigation of tourism marketing ROI were selected based on the following factors: geographic proximity to Minnesota, similarity of product and/or marketing efforts to Minnesota's, prominence within the tourism marketing community, and indications that an ROI study or studies had been undertaken for the state. The six states included due to their geographic proximity to Minnesota were Wisconsin, Michigan, Iowa, North Dakota, South Dakota and Missouri. Additional states on the list included Pennsylvania, Oregon, Florida, Arizona, Montana, California, Colorado, Kentucky and Virginia.

The states' respective tourism websites were "searched" for studies focusing on the measurement of ROI. Where none were found the "research director" of the state tourism office was contacted directly for information. The relevant reports and subsequent findings are summarized in Table 1 and Table 2.

³ "Analysis of the Minnesota Office of Tourism's Return on Investment for Consumers Receiving Mail Fulfillment, Spring/Summer 2000" by MN Dept of Trade and Economic Development

Table 1 – Summary of Recent State Level Tourism Assessments of Selected States

State and Summary	Most Recent Advertising Campaign ROIs and Economic Impacts	Relevant Tourism Studies
<p>Arizona Longwoods Int'l did an advertising effectiveness report in 2007. The report is not publically available but references to it are made in a 2008 marketing presentation on the AZ tourism website. The AZOT Tourism Research Director supplemented the information in an email exchange.</p> <p>Dean Runyan and Tourism Economics provided economic impact analysis.</p>	<p>2007 - 21 month campaign Advertising expenditure: \$4.4 M Incremental trips: 5.5 million Avg expenditures per overnight visitor: \$358 Avg expenditures per day tripper: \$89 Incremental revenue: \$1.5 B Incremental state tax revenue: \$66 M Incremental local tax revenue: \$57 M ROI: Visitor spending per ad dollar: \$180 ROI: State and local tax revenue per ad dollar: \$14.95 Economic impact –2009 total direct travel spending: \$16.6 B</p>	<p>Main source of ROI info: "Marketing the State of Arizona" pg 20-21</p> <p>Further AZ tourism research available at: http://www.azot.gov/research-and-statistics</p> <p>State tourism website: http://www.azot.gov/</p>
<p>California California Tourism (CTTC) has tracked the effectiveness and ROI of its advertising efforts for many years, using the same methodology since 2004. The research efforts follow the same pattern so that results will be comparable to past years. Advertising research is conducted in two phases. (See Pg 4 for more detail)</p> <p>Dean Runyan has done economic impact analysis for CA on yearly basis since 2000</p>	<p>2009 campaign - including 2009/2010 winter campaign. Advertising expenditure: \$13.7 M Incremental trips: 3.35 M Avg expenditure per trip: \$1248 Incremental state and local tax revenue: \$268 M ROI: Visitor spending per ad dollar: \$305 ROI: State and local tax revenue per ad dollar: \$20 Economic impact –2008 total direct travel spending: \$97.6 B</p>	<p>Main source of info:: "California Domestic Advertising Total 2009 ROI Research Summary" by SMARI – March 2010 pg 22</p> <p>Further CA tourism research available at: http://tourism.visitcalifornia.com/Research/Advertising-Effectiveness-and-ROI/</p> <p>State tourism website: http://tourism.visitcalifornia.com</p>
<p>Colorado The latest advertising evaluation was completed in 2008 by Longwoods Int'l for a 2007 ad campaign. Longwoods is the only organization doing ROI analysis for CO. The previous ROI analysis was done in 2003.</p> <p>Dean Runyan has done economic impact analysis of tourism in CO since 2003.</p>	<p>Based on 15 month Ad campaign Apr07 – Jun08 Advertising expenditure: \$10.74 M Incremental trips: 5.97 M Incremental visitor spending:\$2078 M State taxes generated: \$62.4 M Local taxes generated: \$76.9 Million ROI: Visitor Spending per ad dollar: \$193 ROI: State and local tax revenue per ad dollar: \$12.96 Economic impact – 2009 total direct travel spending: \$13.4 B</p>	<p>Main source of info: "Colorado 2007 Ad Campaign Evaluation" by Longwoods August 2008 Pgs 18-21</p> <p>Further CO tourism research available at: http://www.colorado.com/IndustryPartners/Research.aspx</p> <p>State tourism website: http://www.colorado.gov</p>

<p>Florida In January, Visit Florida announced the launch of their new spring 2010 "Your Florida Side" marketing campaign, which ran through early May. Strategic Marketing & Research, Inc. (SMARI) was contracted to conduct research quantifying the 5 month campaign's ROI.</p> <p>Visit Florida is a for-profit organization that the State of FL contracts to perform and evaluate state level tourism promotion, including economic impact.</p>	<p>2010 spring campaign Advertising expenditure: \$2.78 M Trips generated: 180,000 Incremental visitor Spending: \$417 M Local and state tax revenue generated: \$25 M ROI: Visitor spending per ad dollar: \$147 ROI: State and local tax revenue per ad dollar: \$9 Economic impact –2009 total direct travel spending: \$60.9 B</p>	<p>Main source of info; The 2010 SMARI study is not publically available but a reference was made to it in Visit Florida's official blog.</p> <p>Further FL tourism research available at: http://media.visitflorida.org/research.php</p> <p>State tourism website: http://www.visitflorida.org</p>
<p>Iowa: Iowa has not specifically measured ROI on marketing due to budgetary constraints. A number of other studies have been conducted to measure economic impact of tourism.</p>	<p>Economic impact –2008 total direct travel spending: \$6.4 B 2008 Tax revenue to state: \$303.2 M Iowa Tourism Dept budget FY08: \$5.05 M</p>	<p>Main source of info: "Iowa Tourism Results" by the Iowa Dept of Economic Development - Tourism Office</p> <p>Further IA tourism research available at: http://www.traveliowa.com/travelindustryresearch.aspx</p> <p>State tourism website: http://www.traveliowa.com</p>
<p>Kentucky The Kentucky Tourism Research program has not done an ROI study in 10 years but intends to within the next 3 years. They are developing an RFP to have a visitor profile, conversion study, and an ROI study done.</p>	<p>Economic impact –2009 total direct travel spending: \$10.8 B</p>	<p>Further KY tourism research available at: http://www.kentuckytourism.com/industry/research.aspx</p> <p>State tourism website: http://www.kentuckytourism.com</p>
<p>Michigan: Michigan has had Longwoods Int'l conduct ROI studies annually from 2004 to 2007. Three reports have been made public: 2004, a brief summary of 2005, and a more detailed presentation from the combined years of 2004 - 2007.</p> <p>D.K. Shifflet did the economic impact studies for MI from 2000 to 2004</p>	<p>2005 advertising campaign Advertising investment: \$3.4 M Visits: 0.89 Incremental visitor spending: \$165 M Incremental state tax revenue: \$11.6 M ROI – Visitor spending per ad dollar: \$48.53 ROI – State tax revenue per Ad dollar: \$3.43 Economic impact – 2004 total direct travel spending: \$17.5 B</p>	<p>Main source of info: "Michigan Image and 2005 Advertising Evaluation Study" by Longwoods – March 2006 pg 7</p> <p>Further MI tourism research available at: http://ref.michigan.org/mtr/research/</p> <p>State tourism website: http://www.travelmichigan.com/</p>

<p>Minnesota ROI study done in 2000 by MN Dept. of Trade & Economic Analysis for the spring/summer of 2000. Travel volume (visitor days) and expenditures determined via survey of MN Office of Travel customers. Traveler spending and economic impact simulated through the REMI econometric input-output model.</p>	<p>For spring/summer 2000 6-month ad campaign Advertising investment: \$3.05 M Incremental visitor days: 1,957,237 Gross sales impact: \$160.6 M State and local tax impact: \$14.1 M ROI: Gross sales per ad dollar: \$52.64 ROI: State and local tax revenue per ad dollar: \$4.62 -ROI figures include direct, indirect and induced impacts. Economic impact – 2008 total direct travel spending: \$12.1 B</p>	<p>Main Source of Info “Analysis of the MN Office of Tourism’s Return on Investment for Consumers Receiving Mail Fulfillment, Spring/Summer 2000” by Analysis and Evaluation Office of MN Dept of Trade and Economic Analysis, 2001</p> <p>Further MN tourism research available at: http://industry.exploreminnesota.com/minnesota-travel-tourism-research/</p> <p>State tourism website: http://www.exploreminnesota.com</p>
<p>Missouri: SMARI did advertising / public relations effectiveness analysis, including ROI, for MO. The ROI information was only briefly shared in the “Missouri Division of Tourism FY09 Annual Report”.</p> <p>TNS Travels America and University of Missouri did economic impact analysis of tourism for MO</p>	<p>2009 advertising campaign Advertising expenditure: \$7.6 M ROI - Visitor spending per ad dollar: \$46.81 ROI – State tax revenue per ad dollar: \$2.54 Economic impact – 2009 total direct travel spending: \$7.87 B</p>	<p>Main Source of Info: “Missouri Division of Tourism FY09 Annual Report”. Pgs 8, 13, 23</p> <p>Further MO tourism research available at: http://industry.visitmo.com/IndustryInsight/ResearchandReports.aspx</p> <p>State tourism website: http://www.visitmo.com/</p>
<p>Montana Has not had marketing effectiveness research done since 2004. The last marketing effectiveness research study was done in 2004 by Longwoods Int’l .</p> <p>University of Montana did the economic impact of tourism study in 2008</p>	<p>2003 - 2004 12-month advertising campaign Advertising expenditure: \$1.41 M Incremental visits: 0.5 M Incremental visitor spending: \$68 M Incremental state & local tax revenue: \$4.9 M ROI state and local tax revenue per Ad \$: \$3.50 ROI Visitor spending per Ad \$: \$50 Economic impact – 2007 total direct travel spending: \$3.18 B</p>	<p>Main source of info: “2004 Tourism Advertising Evaluation –Final Report” Pgs 69 – 74</p> <p>Further MT tourism research available at: http://travelmontana.mt.gov/research/conversion.asp</p> <p>State tourism website: http://travelmontana.mt.gov</p>

<p>North Dakota: Longwoods Int'l did ROI research for ND in 2008 to determine North Dakota's image as a tourism destination within its advertising markets and evaluate the Department's 2007 tourism advertising campaigns in both the U.S. and Canada in terms of: awareness, the impact of the advertising on image, the impact of the advertising on incremental travel to North Dakota, and the associated incremental visitor spending.</p> <p>IHS Global Insight did the Economic Impact Analysis:</p>	<p>2007 advertising campaigns Advertising investment: \$1.7 M Visits: 1.2 M Incremental spending: \$203.9 M Local and state tax revenue: \$14.7 M ROI – Visitor spending per ad dollar: \$123 ROI – Local and state tax revenue per ad dollar: \$9 Economic impact – 2009 total direct travel spending: \$0.94 B</p>	<p>Main source of info: "An Evaluation of North Dakota's 2007 Advertising Campaign" by Longwoods May 2008 pg 42</p> <p>Further ND tourism research available at: http://www.ndtourism.com/industry/research/</p> <p>State tourism website; http://ndtourism.com</p>
<p>Oregon Oregon has had Longwoods International measure the effectiveness and ROI of its advertising periodically in 2002, 2004, & 2008. The current report provides a summary of the short-term, longer term and combined impacts of the 2008 advertising program, with comparisons to 2004 campaign results.</p> <p>Economic impact data provided by Dean Runyan & Assoc.</p>	<p>2008 campaign - short term Advertising investment: \$1.7 M Incremental spending: \$228.2 M Incremental local and state taxes generated: \$9.1 M ROI – Visitor spending per ad dollar: \$134 ROI - Local and state tax revenue per ad dollar: \$5</p> <p>2008 campaign longer Term Advertising investment: \$1.7 M Incremental spending: \$100.4 M Incremental local and state taxes generated: \$4.0 M ROI – Visitor spending per ad dollar: \$59 ROI - Local and state tax revenue per ad dollar: \$3 Economic impact – 2009 total direct travel spending: \$7.7 B</p>	<p>Main source of info: "Oregon - 2008 Advertising - Long Term Conversion Report" by Longwoods May 2010 Pgs 48 – 56</p> <p>Further OR tourism research available at: http://industry.traveloregon.com/</p> <p>State tourism website: http://www.traveloregon.com</p>
<p>Pennsylvania: Only the 2006 annual report for tourism stats was available on the PA tourism website. D.K. Shifflet & Associates and IHS Global Insight provided the analysis for the report. The report did not mention measuring ROI of tourism marketing.</p>	<p>Economic impact – 2006 total direct travel spending: \$26.9 B Tax revenue: \$2.6 B Visits: 110 M</p>	<p>*PA Dept of Tourism: "Pennsylvania Tourism 2006 Report to the Industry"</p> <p>State tourism website; http://www.visitpa.com</p>

<p>South Dakota: Has not done analysis on ROI of tourism marketing however they are examining various scenarios following the Colorado example to see how the elimination of the Office of Tourism would affect the number of visits, tourism expenditures of visitors, and state and local tax revenue. CO had stopped their promotional efforts from 1993 to 1997 and had seen their leisure travel decline by 7.7% for those 4 years.</p> <p>Economic impact analysis done by IHS Global Insight</p>	<p>2009 SDOT budget: \$11.3 M Direct economic impact: \$1.2 billion</p>	<p>Main source of info: "SD Tourism Satellite Account" by IHS Global Insight – January 2010 pgs 15, 20</p> <p>Further SD tourism research available at: http://www.sdvisit.com/tools/research/</p> <p>State tourism website: http://www.sdvisit.com</p>
<p>Virginia ROI information is available from an excerpt of 2006 Longwoods Int'l evaluation in the 2009 marketing plan.</p> <p>Economic impact data is provided by the U.S. Travel Association and focuses on domestic travelers.</p>	<p>2006 advertising campaigns Advertising expenditure: \$2.5 M Incremental visits: 688,000 Avg spending for day trips: \$112 Avg spending for overnight trips: \$338 Incremental visitor spending: \$177 M Incremental state tax revenue: \$7.2 M Incremental local tax revenue \$5.2 M ROI: Visitor spending per ad dollar: \$70.8 ROI: State and local tax revenue per ad dollar: \$5 Economic impact – 2009 total direct travel spending: \$17.7 B</p>	<p>Main source of info: "Virginia Tourism FY09 Marketing Plan" pgs 8-9</p> <p>Further VA tourism research available at: http://www.vatc.org/research/index.asp</p> <p>State tourism website: http://www.virginia.org/</p>
<p>Wisconsin: Has not done any formal research to determine ROI on tourism but annually contracts Davidson-Peterson Associates to conduct economic impacts of expenditures by travelers to Wisconsin.</p>	<p>WI Tourism Dept budget FY10: \$13 M WI Tourism Dept budget FY09: \$15 M 2009 Marketing budget: \$10 M 2009 Tourism generated expenditures: \$12 B 2009 Tax revenue to state: \$1.36 B 2009 Tax Revenue to local: \$611 M 2008 Tourism generated expenditures: \$13.1 B 2007 Tourism generated expenditures: \$12.8 B</p>	<p>Main source of info: "The Economic Impact of Travelers on Wisconsin: Calendar year 2009" by Davidson Peterson Associates</p> <p>Further WI tourism research available at: http://tourism.state.wi.us/ http://industry.travelwisconsin.com/</p> <p>State tourism website: http://tourism.state.wi.us/</p>

Table 2 - Comparison of Selected States that have Measured ROI of Tourism Marketing in the last 10 years.

Due to varying methodologies and units of measurement, please refer to more detailed presentation of the data elsewhere in this report when using this information for comparative purposes, such as when making comparisons between states.												
State	AZ	CA	CO	FL	MI	MN	MO	MT	ND	OR	VA	Average
Organization measuring the ROI	Longwoods Int'l	Strategic Marketing & Research (SMARI)	Longwoods Int'l	Strategic Marketing & Research (SMARI)	Longwoods Int'l	MN Dept. of Trade & Economic Development	Strategic Marketing & Research (SMARI)	Longwoods Int'l	Longwoods Int'l	Longwoods Int'l	Longwoods Int'l	
Most recent year	2007	2009	2008	2010	2005	2000	2009	2004	2007	2008	2006	
ROI – Visitor spending per Ad dollar	\$ 180.00	\$ 305.00	\$ 193.00	\$ 147.00	\$ 48.53	52.64 ³	\$ 46.81	\$ 50.00	\$ 123.00	\$ 134 ⁷	\$ 70.80	68.18
ROI – State and local tax revenue per Ad dollar	\$ 14.95	\$ 20.00	\$ 12.96	\$ 9.00	\$ 3.43 ⁶	\$4.62 ¹	\$2.54 ⁶	\$ 3.50	\$ 9.00	\$ 5.00 ⁷	\$ 5.00	4.73
Visits (millions)	5.5	3.35	5.97	0.18	0.89	1.957 ⁴		0.5	1.2	1.04 ⁷	0.68	
Visitors per Ad dollar	1.25	0.24	0.56	0.06	0.26	0.56 ⁵		0.35	0.71	0.61	0.27	
Campaign length (months)	21	12	15	5	12	6	12	12	12	12	12	
Advertising expenses (millions)	\$ 4.40	\$ 13.70	\$ 10.74	\$ 2.78	\$ 3.40	\$ 3.50	\$ 7.60	\$ 1.41	\$ 1.70	\$ 1.70	\$ 2.50	
Annual economic impact of all travel - total direct travel spending (billions)	\$ 16.60	\$ 97.60	\$ 13.40	\$ 60.90	\$ 17.50	\$12.10	\$ 7.87	\$ 3.18	\$ 0.94	\$ 7.70	\$ 17.70	
Organization measuring economic Impact	Dean Runyan and Tourism Economics	Dean Runyan	Dean Runyan	Visit Florida Research Dept.	D.K. Shifflet & Associates	MN Dept. of Trade & Economic Development	TNS Travels America and University of Missouri	Univeristy of Montana ²	IHS Global insight	Dean Runyan	U.S. Travel Association	
Tourism office budget (millions)	\$ 31.00	\$ 50.00	\$ 15.80	\$ 67.50	\$ 30.00	\$ 8.90	\$ 10.00	\$ 11.60	\$ 3.30	\$ 11.50	\$ 18.10	
Year	2009	2010	2009	2010	2009	2010	2010	2011	2009	2008	2010	

¹ Includes direct, indirect and induced impacts

² University of Montana - Institute for Tourism & Recreation Research

³ Gross Sales per Ad Dollar

⁴ Visitor Days

⁵ Visitor Days per Ad Dollar

⁶ Only includes state tax

⁷ Includes only short term results

Analysis and Discussion

This review of sixteen state tourism agencies, including Minnesota's, shows that states are using a number of market research organizations to determine three distinct pieces of data in their attempts to measure marketing ROI: (1) visitor or traveler profiles, (2) economic impact model of that spending, and (3) effects of an advertising campaign on incremental visits.

- (1) Visitor or traveler profiles – this seeks answers to questions like: how much do visitors spend, what they buy, and what are their demographics. Companies that provide market research services, like MarketTools Inc.⁴, are often used to gather such information. These companies maintain consumer panels, whose demographics are claimed to resemble the overall population that other companies can survey with detailed questions about their consumption habits, such as spending on vacations.
- (2) Economic impact model – this explains how visitor expenditures impact the economy both directly and indirectly. The two principal methods for estimating recreation and tourism-related spending and economic impacts are (a) satellite accounts and (b) visitor surveys/input-output models. Satellite accounts are primarily used to give an overall aggregate estimate of the contribution of tourism activity to state and national economies. They extract tourism-related activity from a system of national (or state) accounts. When spending and impacts are desired for particular market segments or for local regions, survey approaches are generally used. Spending data is gathered in visitor surveys and applied to estimates of the volume of tourist activity in an area. Spending totals are then applied to regional economic models or multipliers to estimate economic impacts on the local area, usually including secondary or "multiplier effects".⁵
- (3) Effectiveness of the advertising campaign(s) on Incremental visits - A certain amount of visitors will travel to a destination whether they have or have not been exposed to advertisements of that destination. For ROI studies it is relevant to know how many visitors came as a result of the advertising campaign. The two prevailing methods for determining destination advertising effectiveness and ROI are (1) surveys of households or persons in markets exposed to advertising and who resemble the targets of advertising and, (2) surveys of persons who contacted the destination in response to advertising. Respondents are asked if they remember the ads, how it affected their image of the destination, and how likely they were to travel to the advertised area. A few months later (to allow time to

⁴ Longwoods int'l tends to subcontract this work to MarketTools Inc. See "Longwoods Travel USA 2008 Visitor Report for West Virginia"

http://www.wvcommerce.org/App_Media/assets/pdf/industryinformation/reports/West_Virginia_-_2008_Overnight.pdf

⁵ Michigan State University – Economic Impacts of Recreation & Tourism Web Site
<http://web4.msue.msu.edu/mgm2/econ/methods.htm#sat>

travel) the likely travelers are surveyed again to see if they did indeed travel and how much they spent during their travels.

Thus (3) incremental visits and the demographics of the visitors are multiplied by (1) visitor spending profiles to provide a measurement of incremental spending due to advertising. Economic impact modeling (2) then provides the economic impact of that spending. Common ROI measures include incremental travel spending per dollar of advertising investment, and incremental state and local tax revenue per dollar of advertising investment.

All of the sixteen states covered in this study have had at least an “economic impact” analysis of tourism completed in the last ten years. Eleven states have gone one step further and have measured the effects of advertising campaigns on incremental visits and marketing ROI. Of these eleven states, seven hired Longwoods International, three hired Strategic Marketing & Research Inc (SMARI), while one, Minnesota, utilized a government agency⁶ to measure ROI. The research organizations employed to measure economic impact were more numerous and included: Dean Runyan, IHS Global Insight, D.K. Shifflet, Oxford Tourism Economics, universities, and state agencies. In terms of visitor profiles, California employed D.K. Shifflet, MarketTools Inc. was used in the states that commissioned Longwoods Int’l, while SMARI maintains its own consumer panels from which it develops visitor profiles.

ROI estimates of visitor spending per advertisement dollar ranged from \$48.53 (Michigan) to \$305.00 (California), with an average of \$122.80 and median of \$123. Five states (MI, MT, VA, MN, and MO) had a spending ROI of less than \$70 per advertising dollar while six states (ND, OR, AZ, CO, FL, and CA) had a spending ROI of more than \$123 per advertising dollar. Similarly, ROI estimates of state and local tax revenue per advertisement dollar ranged from \$2.54 (Missouri) to \$20 (California), with an average of \$8.18 and median of \$5.00. Five states (ND, AZ, CO, FL and CA) had a tax ROI of more than \$9 per advertising dollar, while six states (MI, OR, MT, VA, MN, and MO) had a tax ROI of less than \$5 per advertising dollar.

The variation in the two main aspects of marketing ROI, visitor expenditures and tax revenue, in each state may be due to any number of factors including:

- How creative and effective the advertising was in inducing people to visit the target destination?
- Variation in visitors’ socio-economic profiles (i.e. discretionary income) from the target market.
- The state’s unique tourism products - for instance visitors spend more at ski resorts than they do camping in the wilderness.
- How relatively expensive goods and services are in the state.

⁶ Analysis and Evaluation Office of MN Dept of Trade and Economic Development

- Whether the incremental tax revenue generated includes state tax, local tax or both? MI and MO only measured state tax revenues while the rest of the states measured both state and local tax revenues. Complete results can be seen in Table 2.
- Whether the investment portion considered in the analysis covers all costs associated with marketing; including salaries and office supplies, or just the cost of the advertising?
- Companies contracted to do ROI analyses have slightly varying methodologies on how to measure incremental visits and visitor spending.
- Whether the economic impact measurements just include direct spending on industries that “touch” the visitor (i.e. hotels, restaurants, museums), or also indirect spending that considers industries that supply those that touch the visitor, and induced spending that affects the wages of workers in industries that supply those that touch the visitor?
- Whether ROI measurements are based on long term or short term effects of advertising? Oregon was the only state in the study to explicitly state and give the results both long term and short term results.
- The different and varying ways states and localities tax visitors. For instance, is there a lodging tax and is it local or statewide.

Brief Methodology of Longwoods International and Strategic Marketing & Research Inc (SMARI)

State tourism offices engaged Longwoods International primarily to determine the state’s image as a tourism destination within its advertising markets and to evaluate tourism marketing campaigns. Longwoods evaluates tourism marketing campaigns in terms of awareness in the mind of the potential visitor, the impact of the advertising on destination image, and the impact of the advertising on the incremental travel to the state and the associated incremental / additional visitor spending. Longwoods surveys travelers in the state’s primary advertising markets to profile the state’s image as compared to key regional competitors and determine the impact (short or long term) of a particular advertising campaign(s)⁷.

Longwoods International has conducted large scale syndicated visitor research since 1990. In 2007 the methodology changed from mail surveys to online surveys and continues to utilize a proprietary questionnaire⁸. The survey is distributed to a representative sample, with the desired attributes, through a market research company called MarketTools, Inc. This company maintains a sizeable number of on demand panelists that Longwoods profiles, in terms of travel

⁷ North Dakota Tourism: “An Evaluation of North Dakota’s 2007 Advertising Campaign” pg 3, 4
<https://www.ndtourism.com/uploads/resources/592/nd-bm-07-final-report.pdf>

⁸ Longwoods Travel USA - 2008 Visitor Report, West Virginia, April 2008
http://www.wvcommerce.org/App_Media/assets/pdf/industryinformation/reports/West_Virginia_-_2008_Overnight.pdf

spending and other demographic and travel related behavioral characteristics. Their responses are weighted and extrapolated to the overall travelling public.

Strategic Marketing & Research Inc (SMARI) measures awareness through a multi-step process as there are many ways in which advertising can impact consumers. Phase 1 of the research measures: (1) exposure through advertising awareness, (2) messaging through creative evaluation, (3) shift in attitudes through comparative image assessments, and (4) building of interest through comparative interest in visitation. Phase 2 of the research is done some time later, so as to have allowed time for travel to have occurred, and measures incremental travel by comparing the rate of travel among those who were aware of the advertising and the rate of travel by those who were unaware of the campaign⁹.

SMARI maintains its own consumer panel from which it develops visitor profiles but uses a similar approach to that of Longwoods in measuring incremental visits. Both focus on destination image, recall of the advertisement, and likelihood of travel. Where they differ is in what questions are asked. For example, Longwoods¹⁰ asks respondents to rate, from “Strongly Agree” to “Strongly Disagree”, a sampling of destination attributes which then in the analysis are compared to ratings of other destinations from past Longwoods engagements.

- Must-see destination
- Lots to see and do
- A fun place for a vacation
- Excellent vacation value
- An exciting place

Examples of SMARI’s questions are excerpted from “California’s Domestic Advertising - Total 2009 ROI Research Summary¹¹”. Respondents are asked to rate each choice from 1 to 5.

- After seeing these ads I am more interested in visiting this state
- These ads show experiences and places that you are interested in
- These ads show a place with a unique attitude toward life
- These ads portray a place that offers vacationers the best life has to offer all in one place

From the sampling of sixteen states Longwoods appears to have greater depth and breadth in the number of visitors they have surveyed and profiled and the amount of time they have been

⁹ SMARI – Advertising Effectiveness & ROI 2007/2008 Snow Campaign – Pg 5
http://tourism.visitcalifornia.com/media/uploads/files/editor/Research/CTTC_CASnow2007_ROI.pdf

¹⁰ Excerpted from Longwood’s Evaluation of North Dakota’s 2007 advertising campaign:
<https://www.ndtourism.com/uploads/resources/592/nd-bm-07-final-report.pdf>

¹¹ California’s Domestic Advertising - Total 2009 ROI Research Summary – Pg 16
http://tourism.visitcalifornia.com/media/uploads/files/editor/Research/california%202009%20Total%20domestic%20ROI%2003_25_10.pdf

doing this work, compared to SMARI. Both companies tend to use economic impact data provided by the client¹² on per capita visitor spending, and the relationship between visitor spending and state and local taxes, for ROI measurements of visitor spending and state and local tax revenue.

Further Investigation into States – See Table 1 and 2 for more detailed comparisons

California – has the most visible and accessible catalog of tourism market and impact research of the states covered in this study. California’s brand advertising has been continuously tracked from a quantitative standpoint over the past decade by D.K. Shifflet & Associates and Strategic Marketing & Research, Inc. (SMARI). California Tourism (CTTC) has tracked the effectiveness and ROI of its advertising efforts for many years, using the same methodology since 2004. The research efforts follow the same pattern so that results will be comparable to past years.

Advertising research is conducted in two phases. Phase 1 is conducted immediately after the conclusion of an advertisement run and measures: (1) the reach of the campaign; (2) reactions to the creative aspects of the campaign; (3) the impact of the campaign on changing attitudes toward California and; (4) the ways in which the campaign influenced consumer interest in visiting the state.

Phase 2 of the advertising research is conducted after a period of time deemed reasonable to allow for travel that is related to advertising exposure. It measures: (1) incremental travel and spending associated with California Tourism’s marketing efforts and (2) ROI as determined by this travel spending in relation to campaign expenditures.

CTTC utilized D.K. Shifflet to prepare an extensive visitor profile in 2009¹³. This was after the SMARI 2009 advertising evaluation and thus the economic impact numbers were not used in calculating the ROI from the 2009 campaign. CTTC employs Dean Runyan to measure the economic impact¹⁴ from tourism on a yearly basis and SMARI to measure incremental visitation and ROI. The \$13.7 million 2009 advertising campaign¹⁵ generated 3.35 incremental visits per ad dollar, \$305 in visitor spending per ad dollar, and \$20 in state and local tax revenue per ad

¹² Michigan Image and 2005 Advertising Evaluation Study: http://ref.michigan.org/cm/attach/7FCE50AA-1D21-411D-A4CE-B2C55EE09612/2005_ROI_report.pdf

¹³ California 2009 Visitor Profile Report:

<http://tourism.visitcalifornia.com/media/uploads/files/editor/Research/2009%20California%20Data%20Report%20-%20Public%20Version.pdf>

¹⁴ Economic Impact of Tourism in California 2009

<http://tourism.visitcalifornia.com/media/uploads/files/editor/Research/CA09pRptrev.pdf>

¹⁵ California’s Domestic Advertising - Total 2009 ROI Research Summary

http://tourism.visitcalifornia.com/media/uploads/files/editor/Research/california%202009%20Total%20domestic%20ROI%2003_25_10.pdf

dollar. This was the highest ROI generated for any of the eleven investigated states that had undertaken ROI studies.

California Tourism has had a lot of tourism marketing research done in the past decade. Their strategy has been to evaluate large and focused marketing initiatives. The reports listed below illustrate this approach. Their website¹⁶ allows others to easily find and access this information. Some of the tourism marketing research California has done since 2005 are:

- Domestic advertising effectiveness - [2006-Spring](#), [2007-Spring](#), [2008-Fall](#), [2009-Fall](#), [2009-Spring](#), and [2010-Spring](#) by SMARI
- Domestic ROI on marketing - [2006-Spring](#), [2007-Spring](#), [2008-Spring](#), [2008-Total](#) , [2009-Spring](#), [2009-Total](#) by SMARI
- Winter travel advertising effectiveness - [2007](#) , [2008](#), [2009](#), [2010](#) by SMARI
- Winter travel marketing ROI - [2007](#) by SMARI
- Digital advertising effectiveness - [2009](#) by SMARI
- Economic impacts of travel in California - [California Travel Impacts by County 2009](#), by Dean Runyan Associates, April 2009. Prior years: [2008](#), [2007](#), [2006](#), [2005](#)
- Domestic Travel to California - [California Domestic Travel Report, 2009](#), by D.K. Shifflet & Associates, July, 2009. Prior years: [2008](#), [2007](#), [2006](#), [2005](#)

Michigan – Though Michigan has had Longwoods Int’l conduct ROI studies annually from 2004 to 2007, they only published three reports on their travel research website¹⁷; one from 2004, a brief summary from 2005, and the other is a summary of the combined four years 2004 - 2007¹⁸. Travel Michigan’s marketing activities in 2004 and 2005 involved the “Great Lakes Great Times” advertising campaign run in the Chicago, Cleveland, and Indianapolis-Lafayette DMA’s (Designated Marketing Areas). For 2006, the markets were expanded to include the DMA’s of Cincinnati, Milwaukee and South Western Ontario and the launch of the Pure Michigan campaign in those markets. In 2007, the Pure Michigan campaign replaced “Great Lakes Great Times” campaign in Chicago, Cleveland, and Indianapolis-Lafayette.

The purpose of the image and advertising evaluation studies was to provide: fundamental strategic insights about the image of Michigan and its key competitors with respect to key destination choice factors; an evaluation of the impact of the Travel Michigan advertising campaign including the financial return on the advertising investment (ROI); messaging and

¹⁶ Visit California website - research page: <http://tourism.visitcalifornia.com/Research/>

¹⁷ Michigan Tourism Research Website: <http://ref.michigan.org/mtr/research/>

¹⁸ Michigan Tourism and Advertising Evaluation Studies 2004 to 2007: http://ref.michigan.org/cm/attach/7FCE50AA-1D21-411D-A4CE-B2C55EE09612/LongwoodSummary_final_04to07.pdf

media diagnostics to illuminate contributing factors to campaign performance and, in turn, insights to help optimize the impact and yield of future activities.

The objectives of the ongoing advertising evaluation research are to profile Michigan's image as a travel destination, including its strengths and weaknesses among key competitors, and to identify what is important to travelers in choosing Michigan and key competitors as destinations for travel. Secondly, Travel Michigan's advertising campaigns were evaluated in terms of: the awareness that they generate; their impact on Michigan's image and on travel to the state; the incremental bottom-line impact of that travel, and the resulting rate-of-return on the advertising investment (ROI).

From 2004 to 2007, Travel Michigan invested \$19.97 million in advertising. This investment generated 3.8 million incremental visits, \$40.29 in visitor spending per advertising dollar, and \$2.82 in state tax revenue per advertising dollar. The 2005 Longwoods ROI evaluation resulted in slightly better numbers with \$48.53 in visitor spending per advertising dollar, and \$3.43 in state tax revenue per advertising dollar¹⁹. This is the lowest in terms of ROI of visitor spending per advertising dollar. Keep in mind that the other nine states who measured ROI also included local tax revenue in addition to the state tax revenue and that is probably why MI and MO are at the bottom of the pack in tax revenue.

Other recent tourism marketing research publications (all by Longwoods Int'l) Travel Michigan has released are²⁰:

- [2004 TO 2007 Michigan Tourism Advertising Evaluation Studies](#)
- [2007 Research and Review](#)
- [2004 Advertising Evaluation and ROI Study](#)
- [2005 Michigan Image and Advertising Study](#)

North Dakota - The North Dakota Tourism Division utilizes multitude of research methodologies, and organizations. These include²¹:

- Canadian Travel - Provided by Statistics Canada, measures travel and spending by Canadians to the United States; gathered through Stats Canada's International Travel Survey.
- Domestic Travel Expenditures - Comparative data provided by the United States Travel Association, using tax revenue from the U.S. Bureau of Labor Statistics.

¹⁹ Michigan Image and 2005 Advertising Evaluation Study: http://ref.michigan.org/cm/attach/7FCE50AA-1D21-411D-A4CE-B2C55EE09612/2005_ROI_report.pdf

²⁰ All of these studies can be found at: <http://ref.michigan.org/mtr/research/>

²¹ North Dakota Tourism Division: <http://www.ndtourism.com/industry/research/>

- Economic Base - Comparative analysis provided by North Dakota State University (NDSU) of the state's six primary industries; measures non-resident travel spending.
- Return on Investment (ROI) - Contracted through Longwoods International, measures the awareness and effectiveness of advertising campaigns.
- Tourism Satellite Account - A measurement of the economic impact of travel and tourism, contracted by IHS Global Insight that uses jobs, wages and taxes to quantify the contribution tourism makes to the gross state product (GSP).
- Visitor Studies - A survey of recent visitors to North Dakota, documenting their travel habits and spending and comparing to U.S. travel data; contracted through Longwoods International.

The 2007 campaign invested \$1.7 million in advertising that generated \$203.9 million in incremental visitor spending and \$14.7 million in state and local taxes. This amounted to an ROI of \$123 in visitor spending per ad dollar and \$9 in state and local tax revenue per ad dollar. These results are right about average for the states that have information available on ROI.

South Dakota - South Dakota Tourism employs IHS Global Insight to maintain a tourism satellite account that measures the economic impact from tourism but have not yet formally tried to measure the ROI of tourism marketing / advertising. They are however taking a novel approach to compare themselves to Colorado who had stopped their promotional efforts from 1993 to 1997 and thus had seen their leisure travel decline by 7.7% for those 4 years. SD is basically looking at various scenarios following the Colorado²² example to estimate how much visitor loss, tourism expenditure declines, and state and local tax losses would follow elimination of the tourism office.

Conclusions

State travel office justifications for annual allocations of state funds are increasingly being scrutinized as states seek to balance budgets. Thus, these justifications are expected to contain well stated objectives, measurable results, and clear standards of cost effectiveness. Advertising is a big portion of the budget for state travel offices and they need to justify this expense by measuring and showing the return on investment.

Of the sixteen state travel offices reviewed in this study, eleven of them had conducted ROI studies since 2000, including Minnesota. Longwoods Int'l and SMARI are the dominant companies that state travel offices hire to conduct the studies. Seven out of eleven states hired

²² CO had tourism marketing ROI studies done by Longwoods Int'l and economic impact of tourism by IHS Global

Longwoods Int'l while three hired SMARI. Only one state, Minnesota, hired a different entity – “MN Dept. of Trade & Economic Analysis” in 2000 to conduct the ROI and economic impact research. The two main measurements of ROI were “incremental state and local tax revenue generated per advertising dollar” and “incremental visitor spending generated per advertisement dollar”.

Visitor expenditures vary in each state depending on the visitors’ socio-economic profile and the state’s unique tourism products. But another likely reason that may artificially increase the spread may be the practice of state travel offices to hire a variety of third parties to conduct economic impact assessments to estimate per capita visitor spending and the relationship between visitor spending and state taxes. The companies hired to measure ROI tend to use the economic impact data provided to them by the state while states employ a variety of organizations to measure the economic impact of tourism. The varying organizations that perform the economic impact studies and the methodologies they utilize contribute to the variation in ROI.

Further exploration of California, Michigan, North Dakota, and South Dakota illustrate the differing ways states conduct tourism marketing research. It would be quite problematic for another state travel office to attempt to estimate its marketing ROI based on the state level information provided in this report. Advertising effectiveness, target markets, visitor spending profiles, the cost of goods and services, and many other variables all serve to limit the degree to which comparison can be made. However, the detailed assessment of other states’ tourism marketing ROI measurements found in this report provides Explore Minnesota Tourism with the range of likely ROI estimates for its own marketing activities.

Appendix - Tourism Marketing ROI Study Initial Agreement



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October 1, 2010

Tourism Marketing ROI study

Overview: Explore Minnesota Tourism (EMT) is the state agency responsible for promoting travel to and within Minnesota. Considerable resources are invested in marketing Minnesota as a destination to potential travelers. The expectation is that marketing efforts will enhance positive perceptions of Minnesota as a travel destination, increase brand awareness, and increase travel and associated economic impacts throughout the state. In order for EMT to better estimate the return on investment (ROI) of its marketing activities a review of state-level reports and assessments for tourism marketing of other states is proposed until budgetary constraints allow for more direct assessments.

Purpose: To identify and compare state-level approaches, and results of tourism marketing return on investment analyses

Methods: Review of state-level reports and assessments for tourism marketing to document:

- Marketing budgets (total)
- Marketing strategies where return on investment (ROI) is calculated
- Methodologies used to calculate ROI
- Results of ROI studies

Initial state tourism agencies assessed:

- *Wisconsin
- *Michigan
- *Iowa
- *North Dakota
- *South Dakota
- *Missouri
- Pennsylvania
- Oregon
- Florida
- Arizona
- Montana
- California
- Colorado
- Kentucky
- Virginia

Process: For this study, different state marketing programs are of varying levels of interest due to geographic proximity (e.g., the first six states listed above with asterisks) similarity of product and/or marketing efforts, and prominence within the tourism marketing community. In addition, it is anticipated that states will vary considerably in how they address tourism marketing ROI, including instances where multiple states may be very similar due to using the same research contractor, impacting their relevance to this study. With this in mind, a higher level review of the ROI efforts of states will be useful in paring the list to states that warrant additional, more in-depth investigation. An initial comparative table of higher level ROI-related information will provide information for all of the states listed above, and will facilitate the paring down process.”

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