



GREATER PHILADELPHIA TOURISM MONITOR:
MAKING THE CASE FOR INVESTING IN TOURISM MARKETING

■ EXECUTIVE SUMMARY ■

COMPILED BY GPTMC BASED ON RESEARCH CONDUCTED BY:

- ECONSULT CORPORATION
- SMITH TRAVEL RESEARCH
- HORWATH HOSPITALITY ADVISORS
- DK SHIFFLET & ASSOCIATES
- LONGWOODS INTERNATIONAL
- PARTER INTERNATIONAL
- PLACES



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MISSION STATEMENT

GPTMC, PHILADELPHIA'S REGIONAL TOURISM MARKETING AGENCY, IS A PRIVATE, NON-PROFIT ORGANIZATION DEDICATED TO BUILDING THE REGION'S ECONOMY AND POSITIVE IMAGE THROUGH TOURISM AND DESTINATION MARKETING.

For more information contact
DEBORAH DIAMOND PH.D. 215.599.0231
deborah@gptmc.com

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EXECUTIVE SUMMARY

April 2004

For at least a decade prior to 1995 there had been almost no marketing by Philadelphia to the leisure tourist.¹ As a result, tourism and the image of the city as a whole suffered. The founding study, commissioned by the Pew Charitable Trusts, that motivated the creation of the Greater Philadelphia Tourism Marketing Corporation (GPTMC) concluded:

“Lack of any sustained or focused image marketing over the past decade has lead (sic) to a lack of awareness among the travel agent community and a lack of awareness and demand on the part of travelers...Despite the fact that Philadelphia does have a good product, the perceptions – and therefore the reality – among potential travelers is that the product is weak.”²

GPTMC was founded in 1996 with the vision that by improving the region’s status as a tourist destination, the economic life of the region and the quality of life for residents would be transformed as well. Again, to quote from the original Pew study: *“The idea is to develop a new organization to accomplish something in tourism marketing that is not currently and has not been done adequately in Philadelphia for more than a decade.”³* In the seven years since GPTMC’s founding, tourism has generated significant impact in the region with results evident in both tangible, economic terms and less tangible ways, raising the profile of the region and quality of life for its residents.

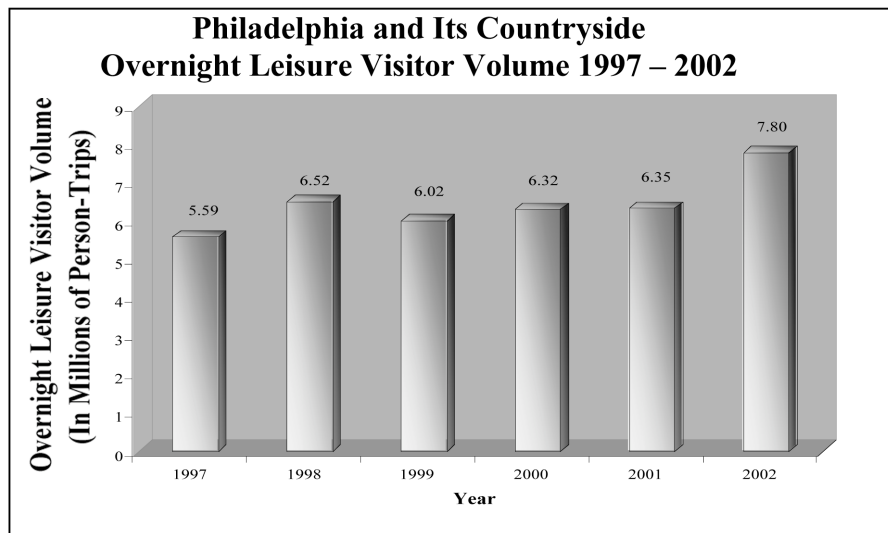
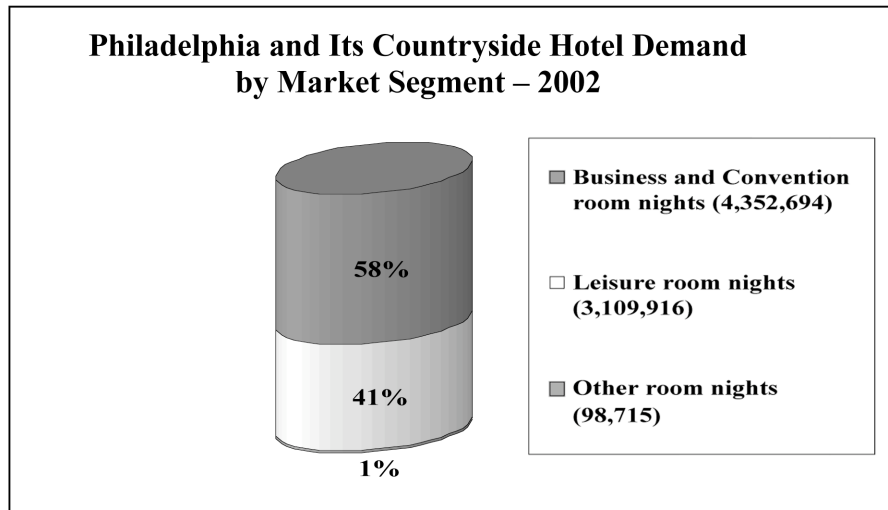
¹ The travel market consists of three key travel segments: leisure, convention, and business travelers. Often, these three segments blend into one another – with business travelers adding time to their business trips to sightsee or vacation, for instance. GPTMC’s mandate is to impact the leisure travel market, keeping in mind that such marketing has an effect on those making decisions to attend a convention here or come to the region for a business trip. Within this case statement, the travel segment impacted is always identified. The ROI and economic impact study demonstrates the impact of advertising on the leisure traveler only.

² *Philadelphia Tourism: Assessment, Analysis & Recommendations*. Vol. 1; Parter International, Inc., LDR International, Inc., and Madigan Pratt & Associates. 1995: p. vi

³ *ibid.*, p. 122.

Now, travel's impact on the region is huge:

- Business, convention, and leisure visitors spend a tremendous amount here: \$14.5 million per day in our region on lodging, dining, attractions, and purchases.⁴
- 3.1 million hotel room nights – or 41% of all hotel room nights in the region – were taken up by leisure travelers in 2002.⁵
- Those 3.1 million room nights created \$331.5 million dollars in revenue for hotels in the five counties (given the average daily rate for a hotel room at \$106.96 in 2002).
- More leisure travelers are coming to the region: the number of overnight leisure visitors has grown 39.5% between 1997 and 2002, from 5.59 million to 7.8 million.⁶



⁴ Economic Impact of Travel in Pennsylvania, 1999-2000, DK Shifflet Associates.

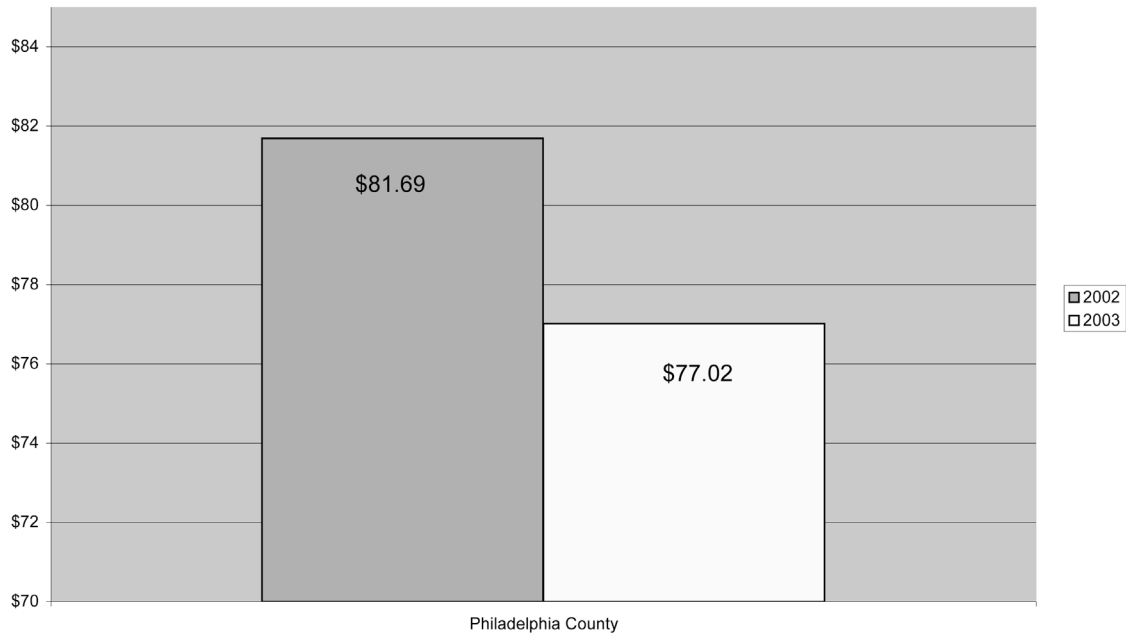
⁵ Calculation by GPTMC based on 2002 Pennsylvania Travel Profile, Pennsylvania State Tourism Office (DK Shifflet Associates) and Five County Philadelphia Lodging Market Analysis, 1990-2003 (Smith Travel Research).

⁶ DK Shifflet Associates, 2002.

It is clear that tourism has become a major industry for Philadelphia and Its Countryside, with growth consistently mirroring the amount of resources devoted to it.

At the same time, the city has had declining success in booking conventions, and business travel has remained flat, resulting in an overall downturn for hotel revenue in 2003.⁷ Hotel revenue in Philadelphia – as measured by RevPAR⁸ – has declined between 2002 and 2003, from \$81.69 to \$77.02.

Hotel RevPAR: 2002 & 2003
(RevPAR measures revenue per available room, not average daily rate)



In this context, tourism travel becomes even more important to pick up the “slack” created by declining convention bookings and flat business travel.

Yet, given GPTMC’s primary funding source – a 1% hotel tax – declining hotel revenue negatively impacts GPTMC’s ability to market and advertise the region in the one area that is experiencing growth – leisure tourism. GPTMC’s core funding from the hotel tax declined in 2003 and is anticipated to decline further in 2004 and 2005.

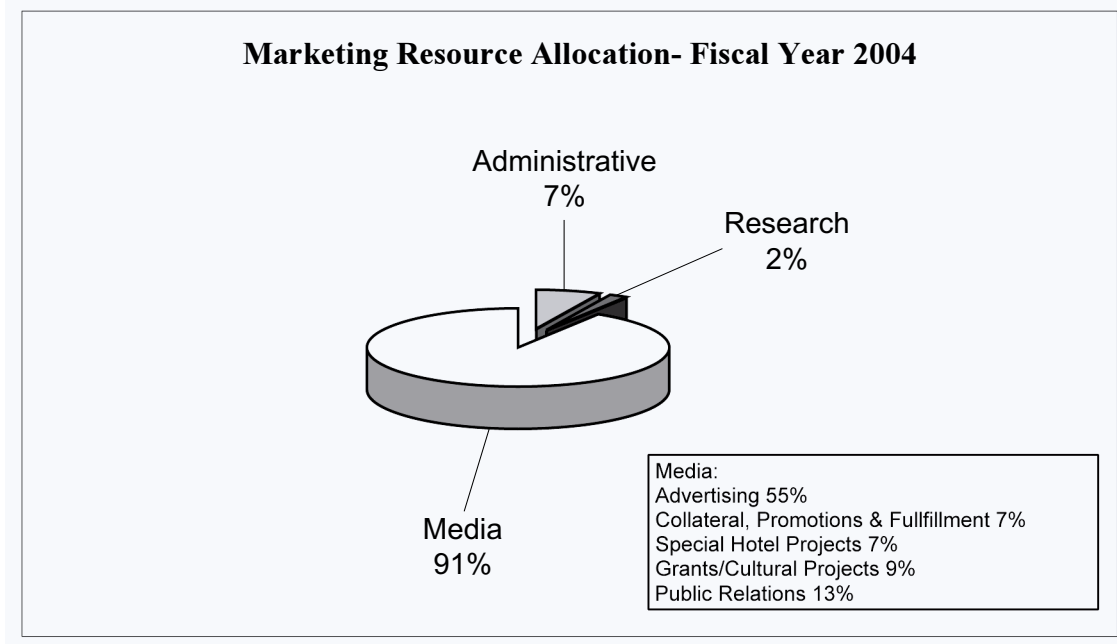
⁷ It has been projected that results from 2003 bookings will show that the Pennsylvania Convention Center booked 423,000 room nights, down from 574,900 in 2002, a 26.4% decline in one year. *Center City Snapshot, 2002 Lodging Survey Results*. Horwath Hospitality Advisors.

⁸RevPAR is a performance metric in the hotel industry which stands for "revenue per available room." RevPAR is typically calculated by multiplying a hotel's average daily room rate (ADR) by its occupancy rate. It may also be calculated by dividing a hotel's total guestroom revenue by the room count and the number of days in the period being measured.

It is, therefore, essential that marketing resources be marshaled to protect the region’s considerable investment and to ensure that the positive economic benefits, which contribute so greatly to the financial health and image of the region, continue. Travel and tourism is one of the key and growing components of our region’s economy, contributing more than \$5.3 billion per year in direct spending to the region’s gross product and employing, directly and indirectly, more than 125,000 people. Statewide, the numbers are even more dramatic: \$19.5 billion in direct spending and more than 520,000 jobs.⁹

Best of all, tourism is by definition an export industry, drawing dollars from outside, while imposing relatively few costs on the regional economy. Clearly, boosting tourism is good economic development policy for the region. GPTMC’s marketing has not only improved the region’s competitive position relative to other tourist destinations – increasing the region’s share of the tourism pie¹⁰ – but the organization’s marketing has expanded the tourism pie itself, creating repeat tourists and weekenders out of existing visitors.

GPTMC’s current budget – \$11 million annually – aggressively uses advertising, public relations, Web marketing and sales to raise the image of the region and visitation. This level of investment in regional advertising and marketing has been consistent for three years now and has moved the needle on tourism visitation and spending in the region and has had substantial economic impact for the region.



⁹ Economic Impact of Travel in Pennsylvania, 1999-2000, DK Shifflet Associates.

¹⁰ The Philadelphia and Its Countryside region had the largest leisure travel market share among all regions in Pennsylvania in 2001 and 2002 (18.3% market share in 2002). 2002 Pennsylvania Travel Profile, Pennsylvania State Tourism Office, p. 16.

In the face of declining revenues from the hotel tax, the increased cost of advertising, and the fact that GPTMC's efforts have catapulted Philadelphia into a new tier of competition (with New York, Boston, Atlanta and Washington, D.C.), a new level of funding will be necessary to sustain and build on past achievements.

This report, *Greater Philadelphia Tourism Monitor: Making the Case for Investing in Tourism Marketing*, details the difference an active tourism industry can make to the region – including residents' quality of life and the impact on jobs, businesses, and tax generation – and demonstrates the need for increased investment in tourism marketing to sustain and grow the gains to date. An outline of the report's findings include:

BEFORE AND AFTER: The difference an investment in tourism advertising and tourism product can make to a region and its residents.

- In addition to visitorship rising 39.5% between 1997 and 2002, visitors' length of stay has increased from 1.8 days in 1990 to 3.6 days in 2002.¹¹
- As visitorship and length of stay have grown, so has demand for hotel rooms. Between 1995 and 2003, the demand for hotel room nights has risen 24.5% from 6,072,497 to 7,560,473.¹² And, regional hotel room night revenue rose 55% between 1995 and 2003, from \$498 million to \$775 million.¹³
- As increased room night revenues indicate, visitors are spending more per day on their trips to the region. In 2001, the average daily trip expenditure for overnight leisure visitors was \$78 and in 2002 that figure rose to \$98, an increase of 26% in visitor spending in one year.¹⁴
- In the 1980s only 15%-17% of all hotel room nights were taken up by leisure travelers. As of 2002, a full quarter (26%) of all Center City hotel room nights were taken up by leisure travelers and the projections are that this will continue to grow, so that by 2007 – assuming continued investment in tourism marketing – one third (32%) of Center City hotel rooms will be occupied by tourists. This proportion of hotel rooms translates into 782,649 room nights occupied by tourists in Center City in 2007.¹⁵
- Hotel packages were introduced in 2001 at a starting price of \$89 for two nights. In 2003, the starting price of the hotel package was \$149 for two nights, with no significant diminution in hotel packages sold.

¹¹Longwoods International and DK Shifflet Associates, 2002

¹²Smith Travel Research, *Five-County Philadelphia Area Lodging Market*, Historical Performance 1990 Through 2003

¹³Ibid.

¹⁴DK Shifflet Associates, 2002.

¹⁵Horwath Hospitality Advisors, Center City Snapshot, 2002.

- Average daily rate (ADR) of the two-night packages went up 8% between fall 2002 and fall 2003, from \$86 in 2002 to \$93 in 2003. General hotel ADR went down 4.2% between 2002 and 2003.¹⁶
- The region's tourism products – including hotels, attractions, and restaurants – have contributed both to the rise in leisure visitorship and the quality of life for residents.

Philadelphia has become the home of national attractions in history, the arts, culture, and sports, with the opening of the National Constitution Center, the Kimmel Center for the Performing Arts, and three new sports stadiums.

In 2004, Southwest Airlines and Frontier Airlines chose to enter the Philadelphia market, with Southwest offering nonstop flights to seven destinations, and Frontier offering nonstop flights to two destinations; both introduced competitive pricing for travelers to and from the region.

Twelve new Center City hotels were created between 1998 and 2000, and regional hotel room supply grew 46% between 1990 and 2003, from 7.9 million to 11.6 million.

There has been a 206% increase in the number of restaurants in Center City between 1992 and 2003 (from 65 to 199). The number of outdoor cafes has increased in virtually every neighborhood in the downtown area between 2001 and 2003, to reach a total of 109.¹⁷

ROI AND ECONOMIC IMPACT: The economic value and impact of tourism advertising investment

- In a recent study commissioned by GPTMC, Econsult Corporation examined the results from three GPTMC campaigns and found that, for every dollar spent in advertising, \$185 in direct, indirect, and induced¹⁸ spending was generated and \$13 in regional and state taxes were produced.
- The same study determined that the return on investment from the advertising campaigns included \$41 in additional wages for every dollar of advertising spent. Looked at another way, for \$6,700 of investment in tourism advertising over 10 years, one full time, permanent job can be created (at a salary of \$30,000).

¹⁶ Smith Travel Research, Smith Travel Research, *Five-County Philadelphia Area Lodging Market, Historical Performance 1990 through 2003*.

¹⁷ *State of Center City, 2003*, Center City District, pp. 15-17.

¹⁸ Direct spending represents what visitors spend on hotels, dining, attractions, and purchases. An example of indirect spending are the things the hotel buys to run the hotel, and an example of induced spending are the things the hotel employees buy with their salaries.

- When compared to other Pennsylvania job creation and retention programs, investments in tourism can be more effective than traditional economic development programs. Pennsylvania job creation and retention programs vary in per employee subsidy amounts, typically ranging from \$10,000 to more than \$50,000. GPTMC has the potential to generate 15 jobs for every \$10,000 spent on tourism advertising and marketing, or one permanent job, over 10 years, for every \$6,700 of public investment (assuming an annual salary of \$30,000 per year).

**EFFICIENT MARKETING PROGRAMS & GPTMC AS A PARTNER:
GPTMC as the most effective vehicle for tourism advertising and marketing**

- The economic impact of tourism advertising is built on the foundation of GPTMC's fully integrated marketing, advertising, public relations, and Web programs. In a vacuum, the advertising campaigns analyzed above would never have produced the kind of economic impact described. The impact of these ad campaigns emerges only in the context of GPTMC's total integrated marketing approach, which includes advertising, Web site, and public relations efforts.

And, as the single regional tourism marketing agency, GPTMC has opportunities to create efficiencies in marketing, public relations, and advertising that no other organization in the region possesses.

- GPTMC's advertising department created more than 373 million impressions in 2003, using print, television, radio, and billboards. The advertising department is able to *leverage bonus media buys and advertising slots, provide regional partners opportunities to advertise that they would otherwise not have, and obtain bonused promotions from advertising partners.* The advertising department creates added value through extended media buys obtaining \$1.40 in ad value for every \$1 it spends and through the co-op advertising program¹⁹ which generates more than \$2 for every \$1 spent on co-op ads.
- GPTMC's public relations department reaches national markets and media with a frequency that the company could not afford with advertising. With a public relations budget of \$1.7 million in 2003, GPTMC's in-house PR agency generated press coverage valued at \$50.6 million in advertising equivalency. This represents a 166% increase in efficiency over 2002, when the PR budget was relatively the same.
- GPTMC's Web site, www.gophila.com, has been the source of high-value returns through national and international marketing; hotel package sales; the cultivation of affinity groups through newsletters; and marketing for Philadelphia's and the

¹⁹ GPTMC purchases large blocks of ad space in high distribution publications (like *AAA World*) for reduced fees and sells smaller spaces within these ads to regional destinations, attractions, and hotels, passing on significant savings and maximizing ad value.

region's cultural attractions. The site received more than 3.6 million unique visits in 2003, 5% of which are from foreign countries; 60% of hotel packages are now booked online (as compared to 20% when packages were introduced in 2001); and the site has become the official visitors' site for the City of Philadelphia, the Greater Philadelphia Chamber of Commerce and the Philadelphia Cruise Terminal at Pier 1.

- GPTMC's grant program has involved dozens of attractions in tourism marketing, has acted as a catalyst in getting the attractions to work together, has expanded the outreach of Philadelphia's tourism promotion, and has extended the brand.

Since 1997, GPTMC has awarded 173 grants that total \$3.5 million to the region's arts, culture, and heritage organizations to supplement their advertising and marketing efforts. Grantees are required to match the grant \$1:\$1 in additional out-of-region marketing. In many cases the grantees exceed the minimum requirement, thus the total spent to market GPTMC-funded cultural tourism projects is \$9.7 million.

- Through the *Philly Friends* initiative, GPTMC is training residents to be tourism marketers, equipping them with the information and encouragement they need to motivate their family and friends to visit and to direct their family and friends to the destinations, attractions, and overnight opportunities in the region.

In a recent poll of the *Philly Friends* cohort (1,600 members since June 2003), participants report that they have told an average of eight people about an event, hotel package, destination or tourism opportunity in the region as a result of their *Philly Friends* affiliation. This eight-fold extension of the reach of *Philly Friends* yields 12,800 people who have been influenced by word-of-mouth to enjoy and explore a tourism-related activity in the region.

The same poll demonstrates the power of word-of-mouth as a marketing tool: 86% of *Philly Friends* report that a friend or family member has taken action, attended an event, booked a hotel, or visited a destination as a result of the information they received from their *Philly Friend*. (Typical tourism advertising yields an action response rate in the area of 10%-12%.)

THE REGION'S COMPETITIVE POSITION

- There is evidence that decreasing spending on tourism marketing can have serious negative consequences to a region's economy. That is, it can prove "penny-wise and pound foolish." The recent experience of four states – Colorado, New York, California, and Illinois – illustrates this point.

When Colorado cut back in promoting itself as a travel destination from 1993-97, its share of domestic travel dropped 30%. It also dropped from first place in the “summer resort” category to 17th and still has not broken back into the top 10. It has been estimated that the state had a \$2.4 billion reduction in tourism spending and a \$134 million reduction in direct taxes.²⁰

New York State’s “I Love NY” program began in 1977. Regular tracking has shown that advertising awareness and the resulting share of the tourism market have been directly proportional to the state’s commitment to advertising.²¹ In an interview, Mario Cuomo listed as one of the two most important regrets of his term as governor his reduction of funding for the “I Love NY” tourism promotion campaign.²²

In the mid 1990’s, California’s tourism marketing was severely reduced. As a result, its market share dropped from 10.1% to 9.7% resulting in a loss of \$1.72 billion in tourism spending, \$106.8 million less in direct tax revenue and 24,000 fewer jobs.²³

Chicago is currently facing cutbacks in its tourism marketing dollars, with many pointing out the counter-productive nature of such cuts. At the Chicago Convention and Tourism Bureau, state grants make up \$4.7 million of its \$14.1 million budget. Under a new proposal, the grants would fall to \$2.1 million in the next fiscal year: *“The last thing you want to cut in tough times is something that brings in more dollars than you spend – that’s basic economics.”* – Marc Gordon, President, Illinois Hotel and Lodging Association.²⁴

These cases also demonstrate that the cost of re-starting a tourism marketing campaign is staggering and results are not immediate. In contrast, by continuing to invest in a marketing strategy that has proven successful, the region has an opportunity to realize continued and increased economic returns.

- The 1% city hotel tax has provided multi-year dedicated revenue for tourism marketing and advertising, but revenue from this source is declining (due to declining convention bookings and flat business travel which make up the bulk of hotel room nights in an urban destination like Philadelphia), and advertising costs are increasing. At the same time, alternative sources of continuous funding – the Delaware River Port Authority (DRPA), the region’s foundations, etc. – are declining.

²⁰ Longwoods International. “Colorado Restores Tourism Funding,” from <www.longwoods-intl.com/case-study-Colorado.htm>.

²¹ Parter International et al., 1995.

²² Ibid: p. 76.

²³ “California Tourism’s Contributions to the California Economy 1998-2002,” from <www.clia.org/tourism.cfm>

²⁴ “Plan to Halve Tourism Spending Jolts Illinois Sector, Kathy Bergen, *Chicago Tribune*, February 20, 2004.

Without dedicated revenue to make up for hotel tax declines and meet increased advertising costs, GPTMC's accomplishments could be eroded.

- The region's competitors continue to advertise and market aggressively, and in so doing have already made a dent in Philadelphia's convention business. With the completion of the new convention centers in Washington, D.C. and Boston, Philadelphia's competitors will become more attractive and will be in a position to attract the larger conventions.

Philadelphia needs to market aggressively and differentiate its total product over the Washington and Boston experience to the convention audience (to stem the losses to the other cities) and the tourist audience (to try to make up the difference in visitation that lost convention business is likely to mean).

- Philadelphia's new tier of competition creates new pressure to maintain and add to its existing marketing and advertising campaigns. New York, Boston, Atlanta and Washington, D.C. are now Philadelphia's competition. These regions have a longer track record – and, with that, more money – invested in tourism marketing than the Philadelphia region.

Philadelphia's post-9/11 recovery was swifter and better than other national destinations, but leisure travel is now on the upswing nationally and many destinations are increasing their advertising and marketing budgets to take advantage of this growth.

- Tourism marketing is increasingly expensive, both because advertising costs are rising and because new media and advertising vehicles create more places and opportunities to advertise. Consumers, now confronted with advertisements virtually all the time and in all places, become harder to “interrupt” and more expensive to reach.
- Tourism is an industry that will not leave. The attractions and destinations within the region – including natural resources, the built environment, and our historical treasures – are not going anywhere. Either the tourism product is supported – in part, by generating more tourists – or it will deteriorate and will begin to work against the region by discouraging visitors from spending time here.

With the advent of The Kimmel Center, the Independence Visitor Center, and the National Constitution Center, GPTMC needs to increase its selling and packaging of history and culture. Now that the region has invested all this money into capital improvement, it must market it or else the capital investment will not see an adequate return.

SECURING THE REGION'S COMPETITIVE POSITION

All of these conditions point to the importance of sustaining and growing tourism's gains by increasing investments in tourism marketing. To make forward movement possible, advertising needs to accomplish three distinct goals:

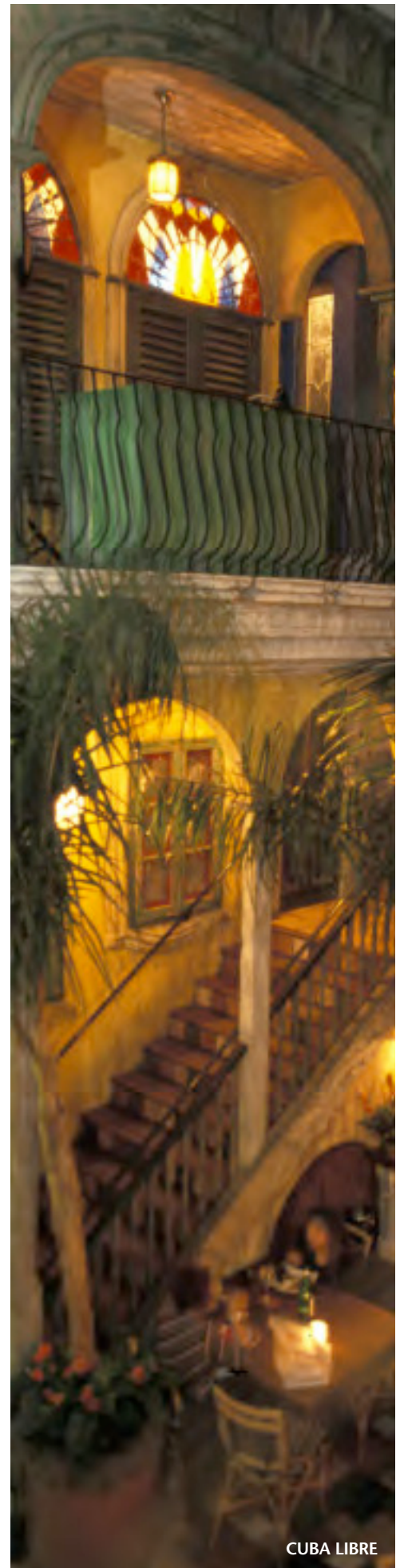
- Ensure that those who have visited once come again. This requires new messages to market all that is new to do in the region (on a continuous basis).
- Reach those who have not heard the Philadelphia and Its Countryside message. The reach of GPTMC's message that the region is accessible, affordable, and desirable needs to extend to new geographic and demographic markets.
- Maintain and build on current levels of awareness and positive perceptions of the region as a destination. As soon as the region's tourism message to consumers diminishes, their attention turns to travel alternatives. GPTMC's advertising, public relations, and Web departments have as their goal to present constant reminders to consumers that Philadelphia and Its Countryside is worth visiting again and again.

GPTMC has developed a five-year, \$50 million tourism marketing plan that will supplement current advertising spending to reach new audiences (including national audiences); build on current successes (like the Web); and respond to growing trends (like AAA, commuter and multi-cultural travel). The advertising plan is based on additional spending of \$10 million per year over five years and includes:

- National advertising campaigns in key feeder markets, such as CA, FL, TX, IL, NY
- Increasing advertising to growing consumer segments, such as multicultural, heritage travel, etc.
- Regional and national advertising through AAA and airlines
- Bolstering the Internet and new media marketing
- Marketing to the regional consumer through Amtrak, outdoor, Philly Friends, etc.
- Expanded use of public relations (PR) to amplify the advertising message
- Research to measure impact, ROI, visitor volume and profiles

- Manuel N. Stamatakis, chairman of GPTMC board and founder and CEO, Capital Management Enterprises
- Robert Asher, co-chairman of the board, Asher's Chocolates
- Robert W. Bogle, president and CEO, *The Philadelphia Tribune*
- Donald R. Caldwell, president and CEO, Cross Atlantic Technology Fund
- Robert Cima, regional vice president and general manager, Four Seasons Hotel
- Bernard Guet, general manager, Park Hyatt Philadelphia
- Janet Haas, M.D., chair, The William Penn Foundation
- David L. Hyman, Esquire, partner, Kleinbard, Bell & Brecker, LLP
- Honorable James R. Matthews, vice chairman, Montgomery Board of Commissioners
- Jonathan Newman, chairman, Pennsylvania Liquor Control Board
- Pedro Ramos, Esquire, vice president and chief of staff, University of Pennsylvania
- John F. Street, Mayor of Philadelphia

■ Meryl Levitz
President and CEO





SWANN FOUNTAIN

GREATER PHILADELPHIA TOURISM MONITOR: MAKING THE CASE FOR INVESTING IN TOURISM MARKETING

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Tourism is one of Philadelphia's **most productive export industries**. Our study demonstrates that investment in tourism marketing and promotion works: more visitors mean significant dividends to the region in the form of increased economic activity, personal income, employment, and tax revenues.

■ STEPHEN P. MULLIN, SENIOR VICE PRESIDENT AND PRINCIPAL, ECONSULT CORPORATION