

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4c
Date of Meeting July 14, 2015

DATE: May 20, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Jane Kilburn, Director, Tourism Development
SUBJECT: Service agreement for tourism consulting services in the United Kingdom

Amount of This Request:	\$750,000	Source of Funds:
Est. Total Project Cost:	\$750,000	Operating
Est. State and Local Taxes:	n/a (international)	Est. Jobs Created: n/a
Net Proceeds to the Port:	none	

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for tourism consulting services in the United Kingdom, for a cost not to exceed \$750,000 with a contract duration of one year plus 2 one- year option.

SYNOPSIS

Commission authorization is requested in order for the Port to contract with a tourism marketing and public relations firm conducting business in the United Kingdom. This contract will support and provide continuity for the Port's international tourism program, which began in the UK 30 years ago.

The UK is one of the oldest and most prolific overseas tourism markets for Seattle and Washington State. UK visitors usually spend up to two weeks on vacation, and are interested in "authentic" US experiences. This firm will promote Seattle and Washington State in the United Kingdom with tourism industry representatives, such as tour operators, travel agents and consumer, travel, and 'new' media. The firm may also be involved in specific, targeted cruise- and -stay promotions in the French market on our behalf.

The result of this representation is the inclusion of our area in travel trade promotional material, special promotions, and media coverage that keeps this destination visible to consumers when they are planning their vacations. In 2014, the advertising-equivalency media coverage value generated in the UK market through our contract was \$3 million. Our destination is featured in approximately 115 tour products in the UK, including many that feature niche itineraries (e.g., wine touring, shopping, and fly/drive) and cruise.

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BACKGROUND

Tourism is Washington State's fourth largest industry and an important contributor to export growth in the region and state, and was responsible for more than 163,400 jobs in the state last year.

The Port's international tourism program works in partnership with destination promotion agencies and private businesses across the state to bring international visitors to the region. The private sector companies committed to international tourism include hotels, restaurants, and attractions across the state. Our efforts focus on five overseas markets to which Seattle has direct air routes: the UK, France, Germany, Japan and China. In partnership with Visit Seattle, the other four markets are covered in a separate contract.

Over the years, we have maintained a strong presence in the UK, and this market continues to be a special focus of the Brand USA campaign to rebuild inbound tourism to the states. Our efforts will continue to leverage upon the visibility the Brand USA campaign in the UK.

PROJECT JUSTIFICATION AND DETAILS

Project Objectives

To increase tourism from the United Kingdom to Seattle/Washington State, through:

- --Generated media coverage, increase a minimum of five percent per year
- --Development and support of tour products offered in the UK, increase a minimum of ten percent per year
- --Development and support of promotional opportunities in cooperation with travel partners, such as UK tour agencies, media promotions, etc.

Scope of Work

The contracted firm will serve as the strategic advisor, coordinator, and/or tactical implementer of all travel trade public relations, marketing, and media services required to promote Seattle and Washington State as a travel destination to the United Kingdom. As such, the firm will develop (in consultation with the Port's tourism development department and partners) a comprehensive media and travel trade strategic plan, with detailed work plans. The firm will conduct media relations services, including representing the partnership to the travel/tourism media in the UK and gaining media coverage; conducting travel trade services, including regular contact with tour operators to encourage promotion of the destination and identifying cooperative marketing strategies; and maintaining appropriate databases and contacts on behalf of the partnership. The firm also may be asked to perform targeted promotions of our destination in France, especially regarding cruise-and-stay programs. We have conducted preliminary outreach in France regarding this program, and the timing is right to make a limited commitment to develop the cruise and stay product there.

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Schedule

We anticipate executing a contract by December 1, 2015.

FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

This request is for up to \$250,000 for one year, with the option to renew for two additional years at the same amount, with the total not to exceed \$750,000. The one-year amount will be included in the 2016 Economic Development budget and in subsequent budgets in 2017 and 2018.

STRATEGIES AND OBJECTIVES

Tourism is the state's fourth largest industry, generating direct visitor spending of \$19 billion in 2014. The Port is a founding member and significant sponsor of Washington Tourism Alliance, the organization dedicated to establishing a sustainable, long-term funding mechanism to promote the state as a tourist destination. The WTA was formed when the State's Department of Tourism was closed in 2011. Prior to that time, the State was a strong partner with the Port and Visit Seattle in the international tourism partnership. WTA was the third partner in international tourism promotion with the Port and Visit Seattle in 2014, leveraging state matching funding. It is expected that within two years the Alliance will have adequate funding so that it can contribute to the POS and Visit Seattle tourism efforts overseas without the need for a state match.

International tourism development supports the Port's Century Agenda primary goal of adding 100,000 jobs to this region in the next 25 years. For every 35 international visitors, one job is created. The Century Agenda also calls out a key accomplishment: Advance this region as a leading tourism destination and business gateway. Our work in the UK directly supports this accomplishment.

While we cannot quantify the number of leisure visitors on our flights from the UK (and other US gateways), the tourism industry standard measurement relies on two metrics:

- Earned media coverage, based on advertising rate equivalency of the coverage
- Quantity of tour products featuring the destination

In addition to these metrics, the POS and Visit Seattle have developed an in-kind report. This report quantifies the dollar-value of support given to our program from tourism partners across the state, i.e. lodging, meals, attractions, transportation, etc. This value represents avoided costs that we did not incur for promotional hosting of in-bound journalists and travel trade. In 2014, the total amount of in-kind support for the international tourism partnership totaled \$1 million.

The international tourism program focuses on cities and countries where we have direct international flights, supporting the Century Agenda preliminary goal of doubling the number of

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international flights and destinations. Additionally, the UK is one of the strongest cruising countries, and our efforts through the Century Agenda to double the economic value of cruise traffic to Washington state focuses on this international market.

TRIPLE BOTTOM LINE

Economic Development

Visitor spending in our state in 2014 was \$19 billion, and this industry supported more than 163,400 jobs in the same time period. One job is generated for every 35 international visitors.

This program specifically contributes to air travel and, to a lesser extent, cruise passenger volumes.

Environmental Responsibility

No additional infrastructure is necessary to support this program. Tourists come, spend money on hotels, restaurants, transportation, attractions and shopping—then return to their homes.

Community Benefits

Tourism is the fourth largest export in our state and generates local and state tax revenues upwards of \$1.7 billion. This program contributes to communities throughout King County and the state by providing visibility for the destination through in-bound UK media and travel trade promotions.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) –Do not propose a contract in the UK for 2016.

Pros:

- Reduces budget request by up to \$250,000.

Cons:

- Since this is one of our oldest and most prolific tourism (and international cruise) markets, to drop this market would be contrary to our Century Agenda goals of advancing this region as a leading tourism destination and business gateway, and to double the economic value of cruise traffic to Washington State.
- Leaving the market at this point would do harm to the destination's momentum and standing in the marketplace, having just celebrated 30 years of tourism promotion in the UK with media and travel trade in London.
- It would eliminate the possibility of leveraging the good will and successful promotions over the past few years, and would erode support for the more than 115 UK tour products that currently sell the destination.
- It would erode the Port's leading role as a tourism advocate and economic asset for our region.

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Alternative 2) –Develop a contract with a reduced scope of work, limiting resources for co-operative in-market promotion and production of in-bound familiarization trips for UK media and travel trade.

Pros:

- Reduces budget request, depending on level of reduction, by \$50,000 to \$100,000.
- Staff would focus on only one or two programs, significantly reducing staff time needed to execute programs.

Cons:

- The UK market is mature and diverse, and one with considerable momentum. Our destination appeals to a broad range of consumers from families on fly/drive vacations, to niche markets, to young professionals on a ‘city break’ to cruise passengers who might want to extend their stay before or after the cruise. To focus on only one of these areas would be a detriment to tourism growth from this important and growing market.
- It would erode our market share against competitor destinations, which have ample budgets and aggressive tourism programs in this market.

Alternative 3) –Request authorization for a new UK contract for three years and an estimated cost not to exceed \$750,000.

Pros:

- This would maintain and grow the momentum in this market and would increase funding targeted promotions, media familiarization projects, and pro-active planning and outreach.
- We would take advantage of the status in the market created by our strong and steady presence over the years, the increase of major motion pictures released in the UK featuring our destination and the global business reputation of our city.
- The new scope of work will allow for limited cruise-related projects in France that are not otherwise supported by the tourism partnership.

Cons:

- Request could increase the budget by \$150,000 over 3 years.

Alternative 3 is the recommended alternative.

ATTACHMENTS TO THIS REQUEST (none)

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

(none)