

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6e
Date of Meeting November 10, 2015

DATE: November 2, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Jane Kilburn, Director, Tourism Development
SUBJECT: Service agreement with Visit Seattle for tourism consulting services

Amount of This Request: \$640,000 **Source of Funds:** Tourism operating budget,
Economic Development
Division

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract with Visit Seattle to promote tourism travel to Seattle and Washington state, for a cost not to exceed \$640,000 over four years, including one base year and three one-year options.

SYNOPSIS

Commission authorization is requested in order for the Port to contract with Visit Seattle, the largest and best-funded Destination Marketing Organization (DMO) in the state, to work with Port tourism staff to promote inbound tourism from select overseas markets.

This action will replace a one-year contract for \$157,000 that expires in December 2015.

Tourism is a vital aspect of the Port's airport and cruise ship operations. This contract will support and provide continuity for the Port's international tourism program, which began 30 years ago.

For many years prior to 2011, Visit Seattle and the Port were in a partnership to promote our destination, and we were joined by the Washington State Office of Tourism. Since the state office was closed in that year, Visit Seattle and the Port have together taken on the job of promoting tourism to Seattle and the state to key foreign markets. Each year the Port has had a contract with Visit Seattle. Airlines, destinations, lodging, restaurants and attractions around the state contribute substantially to the program, with in-kind contributions in 2014 of \$1 million. This level of involvement from colleagues across the state shows considerable support for the international tourism promotion program.

Visit Seattle is dedicated to bringing leisure and business travelers to Seattle and the state through its robust international tourism program and convention services. It is the only organization that has the matching funds and capabilities to provide international tourism promotion services to the Port. This firm will promote Seattle and Washington state alongside the Port in selected foreign markets through in-country representation. The representation firms,

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in turn, will promote our destination with tour operators, travel agents and consumer, travel, and 'new' media. The firms also will be involved in specific, targeted cruise-and-stay promotions 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 keep this destination visible to international consumers when they are planning their vacations. In 2014, the advertising-equivalency media coverage value generated through our work with Visit Seattle was over \$30 million. Our destination is featured in hundreds of tour products, including many that feature niche itineraries (e.g., wine touring, shopping, and fly/drive) and cruise.

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 has worked together in a series of agreements with Visit Seattle for more than a decade to promote international leisure visits to our area. The program has evolved over the years to include new long-haul markets where we have acquired direct flights and to promote cruising in certain target markets.

At this time, no other DMO has the staffing, breadth of members, or scope that will allow us to work in partnership to promote international tourists to this area. Other destination organizations are relatively small and are focused on bringing tourists to their local area but do not have the budget or staff to support overseas tourism efforts.

Visit Seattle also provides unique skills and knowledge required by this contract such as knowledge of international tourism markets, which complements and augments that which the Port possesses. The Port executed a sole source waiver on October 14, 2015, to Visit Seattle for this scope of services.

Our efforts focus on five overseas markets to which Seattle has direct air routes: the UK, France, Germany, Japan and China. The Port has the sole contract with the UK, Visit Seattle has the Germany contract, and the Port contract with Visit Seattle provides the vehicle for us to share funding of the other three markets (Japan, China and France) as well as to support Visit Seattle's day-to-day management of four country programs (not including the UK, which the Port manages on behalf of the program).

PROJECT JUSTIFICATION AND DETAILS

The 2016 contract will be negotiated by the end of 2015. The objectives and scope of work will remain generally the same as this year's contract.

Project Objectives

- To increase tourism from select countries to Seattle/Washington state, through:
 - Generated media coverage, increase a minimum of five percent per year

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- Development and support of tour products offered in the markets (such as multi-day tour packages to Seattle and the state), increase a minimum of ten percent per year
- Development and support of promotional opportunities in cooperation with travel partners, such as tour agencies, media promotions, cruise lines, airlines, etc.

Scope of Work

Visit Seattle will participate as an equal participant in international tourism promotion with the Port to:

- Cooperatively and jointly market Seattle and the state as a destination in mutually identified international markets – United Kingdom, Germany, Japan, France and China.
- Develop an overall tourism development strategy that includes a strategic framework for each of the joint markets, outlining: outcomes expected, key audiences, approach to the market, tactics, outbound sales trips, special promotions and trade show participation and targets for performance.
- Collaborate on decisions regarding hiring of in-country representation in jointly-funded markets - France, Japan and China. These representatives will provide market intelligence, conduct tourism activities and missions and report on activities to the partnership.
- Visit Seattle will fund the German tourism representation contract and manage all planning, execution and follow-up of inbound trips for Germany, Japan, France and China. Activities may include staff sales mission, inbound tour operator and travel trade and consumer media familiarization trips, participation in select tourism trade events, and promotional and financial support for tour development and advertising opportunities.
- Share intelligence, feedback and relevant follow-up information from the markets and activities; equal access to information, reports and the in-country tourism representatives.
- Jointly decide on funding for new international tourism markets intended to be supported by the partnership.
- Participate in selected trade shows, which could include but are not limited to Japan Association of Travel Agents, International Pow Wow and International Travel Trade Berlin in order to further promote development of new and expanded tour products targeted to international markets.
- Visit Seattle will host inbound familiarization tours of domestic tour operators brought here under the auspices of the cruise lines.

Schedule

We anticipate executing a contract before December 30, 2015.

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FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

Funding is in annual tourism budget, part of Economic Development Division. The current contract is for \$157,000. For 2016 and the term of this action the contract will be for “up to” \$160,000 to allow for minor additions to the scope.

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. It is expected that within two years the Alliance will have adequate funding so that it can contribute to Port and Visit Seattle tourism efforts overseas.

International tourism development supports the Port’s Century Agenda primary goal of adding 100,000 jobs to this region. 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 with Visit Seattle directly supports this accomplishment.

While we cannot quantify the number of leisure visitors on inbound flights, 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. This is an indication of the breadth of support our tourism promotion program has across the state.

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 international flights and destinations. Additionally, the UK and Germany are the strongest European 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, as well as Japan as an emerging cruise market.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) –Do not propose a contract with Visit Seattle in 2016 and beyond.

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Pros:

- Reduces specific budget request by up to \$160,000 a year, which could be used for other types of tourism promotion.

Cons:

- The vitality of the international tourism promotion effort depends upon both partners (Port of Seattle and Visit Seattle) contributing funding and staff time; to drop this program 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 markets at this point would do harm to the destination's momentum and standing in the marketplace, having just celebrated 30 years of tourism promotion.
- It would eliminate the possibility of leveraging the good will and successful promotions over the past few years, and would erode support for the hundreds of 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.

Alternative 2) –Develop a contract with a reduced scope of work, limiting resources for cooperative in-market promotion and production of in-bound familiarization trips for 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:

- Our current markets are diverse; they have considerable momentum as a result of the Port/Visit Seattle partnership over the years. 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 these important and growing markets.
- 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 Visit Seattle contract for up to four years total and an estimated cost not to exceed \$640,000.

Pros:

- This would maintain and grow the momentum in these markets and would increase funding targeted promotions, media familiarization projects, and pro-active planning and outreach.
- We would take advantage our the status in the markets created by our strong and steady presence over the years, as well as the increase of major motion pictures featuring our destination and the global business reputation of our city.

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Cons:

- Budget request of dedicated \$160,000 per year for up to four years.

Alternative 3 is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None