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COMMISSION

AGENDA MEMORANDUM Item No. 8I

ACTION ITEM Date of Meeting March 14, 2023

DATE: Feb. 28, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director EDD

Nick Leonti, Director of Tourism Development

SUBJECT: International Tourism Marketing Initiative

Amount of this request: \$800,000

Total estimated project cost: \$800,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to approve a contract with State of Washington Tourism designated for collaborative international tourism marketing efforts.

Request Commission authorization for the Executive Director to execute a joint marketing agreement with State of Washington Tourism, a state government agency, to promote international tourism to Seattle and Washington state in Japan, Korea, China, Benelux, France, for one year with three additional one year options at the rate of \$150,000 per year for a total not to exceed \$800,000 and that the commission determine a competitive process is not appropriate or cost effective and exempt this contract from a competitive process consistent with RCW 53.19.020.

Staff is also requesting that the commission determine a competitive process is not appropriate or cost effective and exempt this contract from a competitive process consistent with RCW 53.19.020

EXECUTIVE SUMMARY

Reestablishing international tourism is a top priority for the Port of Seattle and its partners Visit Seattle and the State of Washington. Dollars spent in international markets return exponentially to the region to support jobs, businesses and the livelihoods of our communities. International travel has been disrupted by the pandemic and Washington's tourism economy won't fully recover until we get more international travelers to our state. A strong partnership between the three organizations is vital to achieve shared common goals in international tourism and boosts the region's brand awareness in an increasingly competitive market.

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Not only do international visitors stay longer and spend more than their domestic counterparts, but they tend to visit during off-peak seasons including midweek dates. Plus, they explore both urban and rural destinations and provide economic impact throughout the state. Reestablishing and expanding Washington's share of the international tourism market in a responsible way is a top motivation for enhancing the Port/SWT partnership. These key international visitors have many destinations competing for their travel dollars and this partnership allows Washington to compete on a global scale.

Post-pandemic international tourism recovery continues to be uneven. The UK and Europe were the first overseas markets to return in a significant way and this partnership will allow the Port and SWT to maintain positive momentum in those established markets while strategically exploring other opportunities with an ROI-focus.

REQUEST FOR COMPETITION WAIVER

As Washington's official destination marketing organization, State of Washington Tourism (SWT) provides unique services and global positioning for the outlined international marketing activities. The Port and SWT have worked collaboratively to promote the region on a global scale with previous Port-funded initiatives (e.g., 2020's Tourism Recovery Initiative) which have helped establish the region's tourism brand. There is no other statewide organization that can collaborate on this scale. Due to this unique relationship, we are requesting a competition waiver for this initiative.

JUSTIFICATION

This initiative supports Goal 2 of the Port's Century Agenda: Advance this region as a leading

tourism destination and business gateway. Through our international marketing efforts, we will increase brand awareness of our region, drive visitation, and strengthen SEA Airport's global positioning.

The initiative will also support the Port's DEI values by driving economic impact throughout the state, embracing responsible/sustainable practices and supporting WMBE both locally and abroad.

DETAILS

By working together on international marketing, the Port and SWT (in addition to Visit Seattle) maximize tourism's positive impact in Seattle and the state of Washington. Cooperation between these organizations helps increase opportunities and reduce duplication of efforts.

The strength of the partnership will be reflected in more impactful sales events, increased quality of fam tour attendees, further reach and – ultimately – more passengers through SEA and more visitor-related spending throughout the state.

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The partnership brings value to all of Washington's destinations by impacting the global tourism market in a much more significant way than the state's industry partners could do on their own.

The organizations will work together to prioritize international markets. Key criteria to consider while analyzing a market's potential include:

- Non-stop flights to SEA
- Impact of B2B travel trade marketing in market
- Visitor profile: vacation time, disposable income, responsible travelers
- Strength of cruise market
- Affinity for US travel
- Visa waiver status

International Marketing Strategy and Plan

Over the past six months Port of Seattle tourism staff has been meeting with the State of Washington Tourism Department and Visit Seattle to develop collective plans and strategies for generating international travel to Washington State. We evaluated our current efforts and used the criteria above to prioritize countries for international marketing efforts.

The partnership will leverage pre-existing relationships with in-market representation agencies and project contractors. If one party of the partnership already has a contractor in a market, then the rest of partnership will have shared access to that contractor. When appropriate, in-market reps will also collaborate with each other on campaigns, familiarization tours, press trips, sales missions and more.

The Port has established contracts with in-market representation in the UK/Ireland and Germany and will strategize with SWT in those markets to leverage these pre-existing relationships.

As the three organizations with international reach, The Port, SWT and Visit Seattle have regular meetings to discuss strategies and opportunities. The organizations strongly hold the belief that no matter which organization takes the lead on a specific project, that the results benefit the entire partnership and – in turn – all of Washington. This agreement will help strengthen the foundation of the partnership to achieve greater success in the international market for years to come.

Currently, the Port, SWT and Visit Seattle have some shared and some individual international spends and efforts. As the partnership strengthens, there will be opportunities for greater collaboration and streamlining of efforts. As determined by the partnership, some markets benefit from the commitment of full-time in-market reps while others benefit from direct projects with travel producers and media. Here is a look at the current status of key markets.

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Current Active Markets

United Kingdom/Ireland

The UK is the USA's biggest overseas market and, in-turn, a top priority for Washington. With a variety of daily non-stop flights (and the shortest route to the West Coast), the Port and Visit Seattle both have full representation in-market while SWT has contracted some individual projects. Our in-market teams have been introduced and work together as needed and the

approval of this agreement will greatly enhance our group efforts through tour operator co-ops, fam tours, media trips, sales missions, in-market activations and more.

Germany

Germany is the largest and wealthiest source market in continental Europe and has direct air service into SEA. It is also a rapidly growing source market for cruise vacations. Visit Seattle and the Port each currently have separate in-market representation. This agreement will set the foundation for more cohesive, combined efforts in the future and the potential for shared representation.

Australia

One in 17 Australians went on a cruise in 2019, making them one of the top cruise source markets in the world. Plus, Aussies (and Kiwis) tend to take long trips - often 21 days or more - so they have plenty of time enjoy a cruise and also explore all Washington has to offer. That's why the partnership of the Port, SWT and Visit Seattle selected Australia to be the first market where the organizations share an in-market agency.

The contract launched in February 2023 and will provide full-time marketing efforts in Aus/NZ including management of the Port's membership with the Cruise Lines International Association (CLIA).

This agreement will further strengthen the Washington/Seattle brand in a vital market for the region.

Key Markets for Activation with Approval of Agreement

Asia

The markets of China, South Korea and Japan – all powerhouses of visitor-generated impact prepandemic – are starting to return in a significant way. While still experiencing some speed bumps to full recovery, these markets remain crucial to restoring tourism to 2019 levels.

This agreement will allow the partnership to begin reestablishing Washington/Seattle as a top-of-mind destination for travelers. In an example of the advantages of partnership, the Port and SWT will be able to leverage Visit Seattle's currently established relationships with in-market agencies.

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France/Benelux

With direct flight to Paris and Amsterdam, abundant time-off and disposable income, this market has the pieces in place to show significant growth in Washington. As a top-target for the Port, SWT and Visit Seattle this agreement will enable the partnership to commit fully to brandbuilding strategies that will recapture and expand market share.

The Nordics

As a market that shares much in common with our area, a passion for more sustainable travel and high average visitor spend, the Nordic countries are an attractive target for increased travel trade efforts. Plus, direct flights with Finnair and Icelandair provide the infrastructure for growth. Approval of this agreement will allow the partnership to explore options in what could be a valuable market in the future.

Other Markets

Other international markets such as India, Mexico, South America, and others have not been identified via the above criteria for immediate activation. The partnership will continue to monitor the potential in all markets and will advise accordingly.

Budget

With existing commitments in the UK, Germany and Australia, the Port is already active in key international markets, but with the support of the proposed agreement with SWT (and in partnership with Visit Seattle) the reach, influence and ROI of our marketing efforts will be far more impactful. It will also enable the partnership to activate key markets in Asia and Europe to drive further visitor-related spending to our region.

These efforts include B2B marketing through tour operator co-ops, paid content, in-market activations, trainings, trade shows, fam hosting, media trips, and more.

Current Funding With Recovery Funds

United Kingdom & Ireland \$125,000 \$180,000

Germany \$60,000 \$120,000

Australia \$50,000 \$110,000

Asia \$0 \$75,000

France/Benelux \$0 \$75,000

Fams/Media/Trade Events \$55,000 \$130,000

TOTAL \$290,000 \$690,000

The above totals will be further enhanced by Visit Seattle's projected \$1.175 million spend in international markets in 2023.

Approval of this agreement allows the partnership to establish foundational B2B trade and media efforts in Asia, France/Benelux and the Nordics while elevating and enhancing efforts in the UK, Australia and Germany.

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Industrywide ROI on tourism marketing has shown that the more you put in, the more you get out. For example, Brand USA reported an ROI of over \$23 per dollar invested in international tourism marketing in 2019.

Scope of Work

The Port of Seattle (Port) and State of Washington Tourism (SWT) agree to work cooperatively and jointly to market Washington state as a destination for international travelers. The Port and SWT agree to work and coordinate efforts in order to achieve maximum possible benefits from the respective resources invested in tourism promotion. Based upon actual costs of proposed programs, market conditions or other marketing opportunities that arise in the year, actual projects may be adjusted. Agreed upon adjustments will be authorized by the Port.

The partnership will aim to:

- Educate the travel trade on Washington destination experiences, itineraries and new content.
- Build relationships that create loyalty among travel trade, media and other tourism producers.
- Inspire consumers to choose Washington as their vacation destination.
- Reflect the diversity and inclusivity of Washington throughout the program of work.
- Establish the partnership as the expert source for quality, reliable content.
- Support the full diversity Washington destinations and experiences to make the tourism economy work for all Washingtonians.
- Maintain a global presence to keep Washington at top-of-mind for the travel trade and consumers.
- Attract international visitors who will contribute to sustaining Washington's infrastructure and resources.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Do not approve an agreement with SWT.

Pros:

- Reduces specific budget request by up to \$800,000.

Cons:

- Eliminates the possibility of leveraging the collaborative efforts with SWT to drive visitor-related economic impact to Washington state.
- Erodes the Port's leading role as a tourism advocate and economic asset for our region

This is not the recommended alternative.

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Alternative 2) - Work with SWT to implement a tourism promotion plan will increase international visitor travel and positively impact statewide tourism while promoting SEA International airport as a major US gateway. Total dollar amount, \$800,000.

Pros:

- No other organization has the ability, breadth or capability to deliver a national tourism marketing project for all of Washington state.
- By aligning with SWT, the POS will be leveraging both organizations funding which will allow for a stronger marketing plan.
- SWT and POS are currently working collaboratively on a number of marketing projects (SEA airport spotlight advertising, tourism grants, travel trade shows) and this project will be an effective continuation of cooperatively bringing additional tourism dollars to Washington.

Cons:

- Not applicable as no other organization has the ability, breadth or capability to deliver a national tourism marketing project for all of Washington state.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

\$800,000

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$0 \$800,000 \$800,000

AUTHORIZATION

Previous authorizations 0 0 0

Current request for authorization 0 0 0

Total authorizations, including this request 0 0 0

Remaining amount to be authorized \$0 \$800,000 \$800,000

ESTIMATED SPEND BREAKDOWN PER YEAR

United Kingdom \$60,000

Germany \$60,000

Australia \$60,000

France/Benelux \$50,000

Asian Markets \$50,000

Nordic Markets \$20,000

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Fams/Missions/Trade Shows \$100,000

TOTAL \$400,000

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

July 28, 2020 – The Commission authorized \$1.5 million joint marketing agreement with Washington Tourism Alliance to promote tourism recovery.

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