

Marketing Advisory Committee Meeting
Hyatt Regency Sacramento
January 24, 2008

Commissioner Meunier called the meeting to order at 1:01 p.m. Roll was taken and the following Committee members were present: Anderson, Bilby, Burba, Cohn, D'Alessandro, Fat, Handlery, Jamison, Klein, Kurzweil, Lawrance, Liberman, Mazzoni, Meunier, O'Modhrain, Patel, Plott, Turner, Wagnon and Westrope.

Others in attendance included Bob Amano, Kathy Anderson, Wendy Arzaga-Messersmith, Wayne Austin, Brian Baker, Ted Balestreri, Lori Bartle, Caroline Beteta, Emily Bird-Hrivnak, Jenny Boneen, Cori Boone, Matthew Boone, Brad Burlingame, Kat Burnside, Brooke Byrd, Brian Carey, Lynn Carpenter, Mary Casanova-Poland, Leslee Gaul, Guy Chambers, Daniel Chang, Andy Chapman, Joan Clark, Shellie Cook, Jan Decker, Rene Dennis, Damon Eberhart, Antonette Eckert, Mike Gallagher, Pettit Gilwee, Marilyn Hannes, Rachel Harris, Tammy Haughey, Irene Hollensteiner, Ross Hutchings, Jeremy Jacobson, Jennifer Jasper, A.J. Jimenez, Jean Johnstone, Jim Kellett, Mike Kvarme, Francoise Legrand, Sandy Lyon, Diane Mandeville, Anastasia Mann, Teri Marshall, Evelyn Matteucci, Mo McElroy, John McMahon, Dave Mering, Michael Merner, Denise Miller, Amelia Neufeld, Barbara Newton, Fernando Olivera, Suzanna Orzaga, Jason Pacheco, Jo-Anna Palmer, Kathy Paver, Woody Peek, Jeff Philips, Christine Pierson, Leona Reed, Cynthia Reynolds, Carl Ribaud, Mina Robertson, John Robinson, Barbara Scott-Blakely, Thomas See, Terry Selk, Nancy Sikes, Janice Simoni, Cathy Smith, Gwynne Spann, Jeanne Sullivan, Jonelle Tannahill, Glenda Taylor, Doug Traub, Jon Trumbull, Tiffany Urness, Nick Vine, Martin Walter, Bob Warren, Jonah Whitaker, Karen Whitaker and Patty Youngclaus.

Motion by Commissioner Anderson to approve minutes of October 24, 2007. Second by Diane Mandeville. Motion unanimously approved.

CEO Report

President and CEO Beteta reported that CTTC has compiled a five-minute video to summarize all the work staff has done since the meeting in October. She reported that the referendum was passed by a staggering 91% of the votes. The referendum will be held again in six years. She reported that over the last year, staff and committees have been focused on the \$50 million marketing plan, and this year will be focusing efforts on operations. Staff will be developing a full operations plan over the next year to verify that CTTC's infrastructure can support the organization over the next six years.

She reported that the draft FY 2008-2009 operations budget will be presented at this meeting, and will remain open for public comment and review until the May meeting, when it will be presented for ratification.

Proposed FY 08-09 Strategic Marketing Plan

Commissioner Bilby reported on the guiding principles of the strategic plan. She reported that the overall plan is remaining the same and we have continued to research and refine the plan.

She reviewed the spending from the budget and reported on a few changes that have been made. Communications is up to support additional co-op events and travel trade. She reported that International marketing line items are just placeholders. Canada's line item has increased, Mexico is showing as being down right now. The Committee will come back with further recommendations.

She reported that there will not be a Governor's mission this year so the miscellaneous line item has been reduced. The marketing budget is currently at \$42 million.

Domestic Advertising Campaign 2007 Spring Summer ROI Results

Denise Miller of SMARI reviewed the advertising ROI results. The media budget went up significantly, so the awareness fortunately increased as well. All led to incremental trips, and SMARI was able to look at the trips only affected by the advertising. She reported that ROI went from 1.5 million to 2.1 million incremental trips. She reported that the ROI is the highest that SMARI has ever measured from any other state. She reported that the increase is working, the ROI is among the highest, and increased spending is working. SMARI has completed some segmentation research, and wine and food (culinary tourism) is a perfect campaign segmentation strategy. SMARI will continue to track ROI and how we can refine the numbers for specific campaigns.

Report on "Work" Mainstream Brand Advertising

David Mering of MeringCarson reported that the new "Work" spot will be on air from February through May on all national cable. The budget for "Work" is \$7.2 million and is 75% of the budget for this time period. The "Work" spot is also running in the United Kingdom. He also reported that the California Snow Campaign will be developing new broadcast creative. The Snow Campaign spot has been on air for three years, and a new story board has been fine-tuned that will align with the "Work" spot.

David Mering also reported on the launch of "You'll Be Back" (Wine and Food) which will be running on all networks as well as some exclusive networks such as Food Network. MeringCarson is also working with *Fine Living* on custom vignettes for the campaign.

Wine and Food Program Update

Commissioner Klein reported that the Wine Institute shows that visitors who drink wine spend more money, stay longer, and produce more revenue for the local and state economies. He reported that the launch of this new advertising campaign will put California wine on the map. The spot will not show any specific wineries or names. Commissioner Klein reported that the committee is looking for participants.

Vice President Schumann reported that staff has received feedback to re-craft and reshape the program. The initial findings of the program were that partners wanted larger, all-in-one programs with a focus to get people to use "The Land of Wine and Food" Web site as an incentive. She reported that the Wine and Food Campaign was modeled after the California Snow Campaign, where both the ski industry and the wine industry paid for production of the spots. These campaigns are weighted in about 20-25% of the domestic spend.

International Report

JoAnn Palmer from Gate 7 in Australia reported that Australia is a climbing market for California. She reported that when Australians come to the U.S., they typically stay for 22 days with 8.6 days in California. Virgin Airlines will start service in September, and Qantas will receive their A380 planes to accommodate an additional 6,000 seats per week to the United States. Australian outbound travel is currently at record highs.

Guy Chambers from Black Diamond in the United Kingdom reported that California is the most desired overseas market for the U.K. He reported that despite a drop in 2005, the U.K. is seeing a 3-5% increase this year. The California market has five years of continued growth. Opportunity markets are expected to grow by 30%, and the UK is the #1 destination to come back after 9/11.

Martin Walter of MSi in Germany reported that Germany is smaller in size than California, but with a population of 82 million. The German economy is back with the Euro being strong. The GDP is up and unemployment is low. He reported that 64 million trips were taken of five days or more. A decline was seen after 9/11, but there was a strong comeback last year. A projection of about 2 million visitors to the United States by 2010 was reported.

Fernando Olivera of Facto in Mexico reported that research started last week. Mexicans have been traveling heavily in the past few years and feel that the United States is the best place to travel. 15 million Mexico residents are traveling outside México. He reported that California has the opportunity to be the food and wine destination for the Mexican people. He reported that 35% of visitors are traveling for leisure and 31% of visitors rent cars. There are currently 65 daily flights to California from Mexico and 40,000 seats per week.

Michael Merner of Aviareps Marketing Garden in Japan reported that the Japan market has three key market segments that represent 66% of the population. They are still the number one spenders per traveler. In 2007, the industry reported that travel to the United States dropped 5% and California dropped 8%. He reported the biggest challenge is airlift.

CEO Beteta reported that the budget for emerging markets has been squeezed, and the committee should consider additional money for India in May if we have some carryover funds.

Technology

Bob Warren stated that CTTC will be rolling technology into the New Media Committee. With the transition from the state Web site to a consumer Web site, this committee will be very important. A content submission system that allows anyone to have the ability to add content to the Web site has been launched. He also asked for volunteers for the New Media Committee.

Vice President Schumann stated that staff has been focused on technology to get people compelled and active on the Web site. She also stated that 7 percent of the budget is focused on technology.

Communications

Vice President Jasper reported that ROI was up over 100% from last year. The New York media event will be held next week, along with the launch of the Wine and Food program. An exclusive lunch will be held for the top 18 media.

Welcome Center and Rural Strategic Plan

Bob Warren reported that the most significant item about rural tourism is that it represents \$1.3 million jobs in the industry within California. He reported that the goal was to support the domestic marketing efforts. The committee is also trying to extend the resources they have in the rural area. The committee has had regions that have not been able to utilize the CTTC funds. Mo McElroy reported on the Welcome Centers and reviewed the mission and purpose of the Welcome Centers. She reported that the California Welcome Centers have served 1.2 million visitors. The business model operates as franchises overseen by the Office of Tourism. There is no state funding for Welcome Centers, and they pay California \$5,000 annually as well as for their own highway signage.

Carl Ribaldo reported on the integration of the Welcome Centers and Cultural Heritage. In order to do this we had to create an inclusive way to incorporate everything - resulting with the new strategic plan.

Commissioner Anderson asked to have the budget for the Rural Co-op increased to \$50,000 per region at a 50/50 match level.

Other Business

Commissioner Bilby reported that the Commission in the past year has received numerous requests for funds and/or staff time that would involve incentive travel. She reported that at the last Commission meeting a request to hold an incentive show in Germany was reviewed. It was decided that the Commission would develop a task force to decide if CTTC should get involved in incentive travel. All international offices have stated that this would require additional funds and staff to support.

Motion by Anderson to have CTTC staff establish a task force on what they want the Commission to do for incentive travel and IMEX. Report to be given to the Executive Committee before the next Executive Committee Meeting. Second by Woody Peek. Motion unanimously approved.

Commissioner Bilby reported on the request from the County of Placer for funds to go after the 2016 winter bid. The request asks the Commission to match the funds of \$125,000. It was stated that in the past no state funds have been given to support past Olympic bids.

Motion by Diane Mandeville to graciously decline the request. Second by John McMahon. Motion unanimously approved.

CEO Beteta reported that CalTIA in the past has hosted the California Travel Market (CTM). CalTIA's board has asked that the Commission take over the production of the show since it is the repository for marketing. As such, this was actually raised in the International Summit with the CTTC international offices and other key industry partners. It was acknowledged by all that the market has changed significantly, and many trade shows such as CTM have struggled with attendance. In fact, all of the international offices' directors recommended that neither CalTIA nor the CTTC continue with a California travel product showcase like CTM. Discussion ensued, and international summit participants recommended that the CTTC take the lead in producing a series of educational fam tours that are packaged globally and have a certification component. In addition to fam tours, the CTTC will help coordinate a California presence at GoWest as well as actively advocate for GoWest in California.

Public Comment

Doug Traub reported on the request to support a campaign on California Beaches. A beach advocacy group has been created to represent all beaches in California.

Ross Hutchings reported that the Conference on Tourism will be held June 16-18, 2008.

Adjournment

Motion by Commissioner Anderson to adjourn meeting. Second by Woody Peek. Meeting adjourned at 4:30 p.m.