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Visit Anchorage: 2017 Report to the Community

Presented by Julie Saupe, Visit Anchorage President & CEO, on Jan. 18, 2018. Speech as prepared.

Why do we exist? What did we set out to do back in 1975? Is our aim different now than it was more than 40 years ago? To remember where we come from, I want to show something from Visit Anchorage's founding, called "Object and Purpose." This was approved in July 1975.

"The objects and purposes of the Bureau are to promote travel by the public to and through Anchorage; to maintain a continuing interest in the quality of the visitor experience in Alaska..."

Now this is Alaska, and there are about 170 of us gathered here today. So there's a possibility one of you was actually in the room when they settled on this wording. I promise not to make fun. But let's put this in plainer terms. Our mission was to promote travel to Anchorage, and focus on the quality of the visitor experience. This was the mission that we were created for. Just those two things.

I'd argue that those two aims remain at the core of what we do today. We have to drive demand for the destination, and we're specially equipped to elevate our community to a wider audience. To be successful, we have to resist the temptation to chase the new shiny. We have to avoid getting pulled off in other directions and diluting our resources in the process. This is the mission that should remain at the heart. We should focus the maximum amount of our energies to these two parallel and complimentary goals. I hope that Visit Anchorage's current strategic plan continues focusing all of our attention on travel promotion and visitors experience. The Visit Anchorage board approved this new, multi-year strategic plan this past summer. This long-term framework is meant to guide our actions not for the year ahead, but for the next five years and beyond. Going forward, it should shape more of our work, and serve as a guide as we measure our results. I anticipate a lot more work on strategic planning coming in February at the board retreat, but here's a look at the five long-range objectives in the plan as it stands.

We have to position Anchorage as a preferred choice for travelers. We should use research to better understand travelers, their desires and their behavior, and then structure our programs to focus on those high-value consumers with the greatest likelihood to convert. We have to maintain a good physical and interpersonal experience for visitors to our city. We have to secure state, national and international meetings and tradeshows for the entire community and also guide management of the convention centers to ensure the financial viability of Dena'ina and Egan. And finally, we have to make sure our own residents know about tourism's benefits and act in ways that *support* travel for years to come.

And while these objectives often support one another, this is still complicated stuff. And at the end of the day, we're just a *part* of Anchorage's economic equation. But these big tasks are why this organization exists. Because when our community, when we all sat down in 1975 to try and improve our city through tourism, when we came together and created Visit Anchorage to better market the city, when we all

invest in this organization, we acknowledge that only by combining forces will we have a shot at success. The weight is too big for one. But together, we don't just market mountains, we move mountains.

When we succeed, more people choose to visit. And those that come stay longer – if we could get every Anchorage visitor to add one extra night to their stay, we wouldn't know what to do with them all! Success keeps the convention centers an engine of economic development and stability for our city. And sharing our results and expertise with our stakeholders and city leaders here in Anchorage ensures that our industry has a seat at the table in our community's decisions.

There's much to be done. And we have to run as hard as we can to even keep up, let alone pull ahead. I want to thank our board and particularly our 2017 officers and Chair Dale Wade for their guidance and leadership, Visit Anchorage's staff for their tireless dedication to the work at hand, and each of you for your continued partnership.

And that partnership continues to deliver results. In 2017 we saw some great wins for our city and kept the centers on a path for future success.

When all is said and done, we anticipate that hotel revenue will be \$215 million for 2017. That translates to more than \$25 million in bed tax revenues – an increase of about 3% over 2016. Please note that this is only a prediction as we are still awaiting fourth quarter bed tax reports. But, in doing a check of our math, it appears that this is precisely in line with the municipal rental car tax, also up about 3% through the first three quarters.

So there's been modest growth, but there is room for improvement. A disproportional percentage of the revenue growth was realized in increased demand for Airbnb and non-traditional properties, led by rentals of entire houses rather than individual rooms. Our lodging revenue grew in 2017, with growth driven by rate, not occupancy percentages.

Of course, leisure travel is just one of the ways we bring people to Anchorage.

The city's convention centers continue their solid performance, meeting the ambitions outlined by the original funding model. We said the buildings wouldn't need property taxes. True to the promise, they haven't needed property taxes. Rather than a burden, they are a benefit.

The Dena'ina Center will mark 10 years of operations in September. Ten years! Think about how the Centers have contributed to our community during that time. I believe Dena'ina and Egan are keeping pace with the demands of meetings today, and will continue to welcome delegates for many decades to come. More importantly, our national meeting planners agree.

And this coming year will bring more improvements; working with our operating company, SMG, and the Municipality of Anchorage, we are excited for several 2018 capital projects, including solar panels at the Egan to improve energy efficiency and to meet shifting expectations from the meetings market. We keep the centers to high standards, and we'll keep filling them with excellent meetings. In fact last year was an exceptional year for meetings *sold* with an estimated future economic impact of \$114 million, up 8% from 2016.

I could pick any number of stories to show the work that goes into reaching such a goal. There's one that stands out for me, and it's also a great bit of hot-off-the-press news to share.

I'm pleased to announce that in June of 2019, Anchorage will host the National Veterans Golden Age Games. This event will bring 1,200 athletes and generate nearly 5,000 room nights in Anchorage, as well as provide Anchorage a means to support our veterans participating in the U.S.'s premier adaptive rehabilitation program.

It is a powerful example of the support and collaboration that we enjoy in this community. Hoteliers, Mayor Berkowitz and his administration, Senator Murkowski, Senator Sullivan and Congressman Young and their staff, the leadership at our local Department of Veterans Affairs: they all had vital roles in bringing this business to the city.

We enjoy tremendous support from our political leaders day-in and day-out, and the support of these leaders and governmental offices was CRITICAL in securing this piece of business. I'd like to publicly thank three of the folks who made it happen in the room today: Mayor Berkowitz, and our Alaska contacts from the Department of Veterans Affairs Dr. Tim Ballard and Scott Kelter.

It took a communitywide effort to win the games. It will take a community to host the games just 16 months from now. We look forward to working with the VA, the Municipality and our members to welcome the athletes, their families and provide the best experience.

And, while I have you all here, there's another significant win to share.

We have learned that North American Journeys has selected Anchorage for their China Summit next April (yes, just prior to the Golden Age Games – be ready to have a good and busy spring next year)! This summit will deliver 80 China-based tour operators into our community, ready to experience and learn about your products and to build itineraries for this booming market. Along with the 80 buyers, another 120 North American suppliers will also be in attendance.

And, while I have you all here, there's another piece of good news to share.

This news is much more internally focused than a sales or marketing opportunity for your business... but *since I have you all here* and we just received notification last week, this is our first opportunity to share that Visit Anchorage has received accreditation from Destinations International, following a rigorous application process over the past six months. What does this mean for you? It means that you can trust that *your* destination marketing staff execute our mission according to best practices. I hope most of you already knew that, but the application process, and the outcome, is nice confirmation of our work and partnerships in the community.

And while I'd love to, and could, continue with stories of our shared success this past year, I would like to spend more of my time today talking about what else is coming. I'd like to share a little about what 2018 is expected to look like.

There's continued concern about international travel to the U.S. in the year ahead. A strong U.S. dollar, shaky signals on whether America welcomes overseas visitors: I won't speculate on all of the factors at play, but international travel spending in the U.S. was down more than 3 percent last year. International visitors are responsible for somewhere near 17 percent of all summer overnights in the municipality. Any time our potential audience shrinks, it is cause for concern...especially when it's an audience known to have higher than average spending habits.

Thankfully, there's incredible strength in our core market. Domestic travelers from the U.S. make up 83 percent- the vast majority of our overnight visitation. Alaska may be in a financial pinch, but it's important to remember that most Americans have a rosier outlook than we Alaskans do. The national economy is humming. With the market at record highs, retirees with one eye on their investment portfolio hopefully have a little more comfort in spending on a trip to Alaska.

Cruise capacity will increase across the Gulf of Alaska by 20 percent or more this summer. This surge will give us our largest cruise year ever. 2019 is too soon to tell, but early indicators look very good. And, as announced on Tuesday, our friends at National Geographic Traveler have named us "Best of" for the second year in a row. We'll be on their list of America's top cities when the February edition lands. Cash in people's pockets is a good sign, as is capacity. So is a little national love and attention like National Geographic Traveler. But we can't count the cash if they don't come. I think all of us can attest to the immense amount of work that goes into convincing someone to visit any destination in a loud, crowded, and competitive quest for attention in a global travel market. To that end...

Alaska's destination marketing efforts are still greatly hindered by the financial straits, and frankly, political deadlock, of our state government. The research firm Tourism Economics is finalizing a report that shows the Alaska travel economy *should* be growing faster than it has recently; we need to break this cycle. I think I've said this every year for the past 5 at least, but I'm afraid it still needs to be said: a strong, stable state marketing effort puts Alaska on the best footing to attract visitors. Without a robust state marketing program, Alaska will continue to lose market share and see returns well below full potential. Given some of these headwinds, we need to get the most bang for our collective marketing buck locally. Anchorage is in a better spot than many smaller Alaska communities in that regard. Given continued uncertainty with statewide tourism marketing, we've shifted and adapted some of our own, local programs to ensure our message stays strong. We're in a better position to attract travelers because of the sustained support of our community, you in this room, and our elected officials.

Even with that support, there's more good work to be done out there than we have budget for. We can't take on every good idea. We cannot always say yes, even to worthy projects. However, we can pursue the best ideas, the best investments, the best results, and the greatest good for all.

I'm sure we can all agree that tourism marketing is one of the best investments a community can make. If we want to ensure growth, we have to protect and renew that investment. When things get tight, there seems to be a natural drive to scale back, to reserve, even to cut corners or let things slide. But I'd argue tight times are exactly the moment where we need the full power of our programs to unlock the maximum potential of travel for our businesses and our community.

Keeping all that in mind, in the years to come you'll see a greater emphasis on our part for collecting detailed information and making decisions on real-world findings. We now have a dedicated research budget, and we intend to use it to get the inside track on our visitors, better shape our programs and serve our community. By evaluating outcomes we can best determine future strategies and the shape of programs.

I want to share some of the initial fruits of that research with you today. We commissioned McDowell to recut the big, state summer visitor research to zoom in on overnight visitors to the municipality. The results have been insightful, and I hope you find something valuable in it as well.

Where the full, statewide visitor report covers all summer visitation across Alaska, this new report provides a more complete, more detailed view of one particular piece: overnight leisure visitors to the municipality of Anchorage.

By focusing on overnight visitors to Anchorage, Girdwood, Eagle River and Chugiak, we can get a better sense of the piece of business most vital to tourism's continued success, and more importantly to our community's benefit.

There are some thought-provoking and at times surprising results.

For example, how old is the average visitor....anybody? Just throw it out there.

So the average Anchorage visitor is 55. That is the quick take, but don't write off youth. Younger travelers spent more nights in Anchorage and Girdwood on average. There's a solid, linear decline in average Anchorage/Girdwood overnights with age. The older you are, the shorter the stay. Now I need to qualify that. Don't go chasing a whole new audience just yet. First of all, older travelers (age 50-69) make up more than half of all overnights. They may stay shorter, but there are still more of them visiting Anchorage. Second, when we talk about young travelers, I want to be really clear about my meaning. The younger travelers Anchorage gets are a very particular set of high-income, geographically connected 25 to 45 year olds.

In the end, the key indicator of likely visitation is probably not age, so much as ability. High household income is a common uniting factor across a whole host of demographic differences. Across all age brackets, average household income for overnight visitors to Anchorage was near or above \$100,000. We are near the West Coast of the U.S. just as the region ascends as an economic powerhouse. Our era's largest companies are perched on the Pacific shore. That business success puts a growing number of well-paid, adventurous travelers one flight away from Anchorage.

The Western U.S. is an exceptionally effective and efficient area to target for Anchorage overnight visitation. According to the study, the western U.S. makes up a third of Anchorage overnights. Considering the region's overall population, Westerners visit Anchorage at far greater rates than people from other areas of the country or overseas markets.

Anchorage and Alaska visitors are less reliant on travel agents than in the past. Travel agents are funded by commissions, and as a result they are often focused on selling cruises. So despite the downward trend

in agent use, if *your* product bundles inside a cruisetour package, or logically make sense to sell pre/post with commission, travel agents remain a relevant channel.

But if you don't cater to cruisers, don't expect your best results by focusing here. Even if you factor in the potential lifetime value of an agent relationship, year-after-year sales don't mean much if what their selling skips over your location. On average, cruise visitors to Anchorage have the shortest length of overnight stay in our municipality, and they don't participate in as many activities here in the muni as other types of travelers typically do. That's something to keep in mind, even as we anticipate, and eagerly so, the biggest cruise season ever for our region.

So we believe that engaging independent travelers with travel habits aligned with Anchorage product will be ever more important. I want to highlight a particular pattern as one with increasing importance and potential for overnight visitation. It might sound obvious aloud, but our best results come from travelers who fly up from their homes in the Lower 48, spend at least one overnight in Anchorage and also use a rental vehicle – either car or RV – during their visit.

For brevity's sake, we'll call these folks "fly/drive visitors." At face value, this is likely no surprise to anyone in this room, but the further we dive into the research, the more strongly we believe that fly/drive visitors are key to our future tourism prosperity.

Fly/drive visitors currently make up only 33 percent of the people staying the night in our area, yet they are responsible for 41 percent of overnights. They index above average for participation in all the activities included in the study. They don't just do more things, they do all things more. And since they stay longest, and do a lot of activities, we can speculate that they likely spend more. A lot more... and they are reaching more of your businesses. They also tend to have shorter booking and planning windows than other visitors, suggesting opportunities for us to reach them closer in to the start of the season and convince them to come on a shorter timeline.

The three buckets – Fly/drive, Western U.S. and younger - may seem at first glance to be wholly independent audiences, but there's an incredible amount of overlap. These interlocking indicators begin to paint a more complete picture of who will be interested in Anchorage and Girdwood in the years ahead. And who we will be talking to.

We seek to better understand our customers and their desires, and identify ways to better serve them here in Anchorage. But research like this only makes a difference if we all take it to heart. So I want to leave you with a few other items that are not only vital to travel, but also relatively easy to start working on, now and always.

For our community and for your specific business, positive word-of-mouth is key. Destination Analysts is a well-trusted research firm in tourism. I want to show you what sources American travelers say are most used and best in planning a trip. The *State of the America Traveler* report has lots to say about this dominant influence across the travel industry.

I know this is small so bear with. Basically the far right, at the top, as a big bubble means the source is frequently used, trusted, and highly valued. You want to be a big circle at the top right to get a lot of attention as people plan.

Word-of-mouth, in-person recommendations from family and friends are by far the most influential resource. Face-to-face recommendations your customers make to their real, flesh and blood family and friends is of paramount importance.

Official destination websites, visitor guides, and face-to-face advice from visitor center staff are strong too.

I'm not talking about social media. Not online buzz, not "going viral." Don't go posting a bunch more on the company Facebook page if you want to get into the travel plans of a whole new crop of Americans. Company social media accounts are among the least used, least valued, least trusted sources of planning information. If you feel like fewer people see you company's social media stuff, you're probably right. Just last week, Facebook very directly indicated that they'll prioritize friends and family, and suppress brands in the hopes of keeping their customers engaged and online.

Why not work through your membership instead? Maximize your presence in our guide and website. As I already mentioned, we know it's sought after. But I don't intend this as a sales pitch. Better yet, focus on giving your next customer the experience of a lifetime. How are you delivering exceptional service and value through your product? You can to capitalize on this free publicity. If you do it up right, your customers this year will go home as the best sales person you could ever hope for.

And while you focus on customer service for your company, we need to focus on customer service and our offerings and the total destination experience, "the travel product" as a whole. It's more than marketing the place, it's taking an active role in making and maintaining the place. This is a trend shifting work in travel organizations like ours....CVBs, state and local tourism offices. As a destination, we only get one chance to make a first impression. That's a big task; we have to roll out the welcome mat for travelers, ensure an enjoyable experience, and impart a positive impression of our city and ourselves as citizens. (Remember what I just said about word of mouth?) Just one really small example, there is probably new outreach needed to ensure Airbnb hosts are as well informed as hotel bellmen, so travelers that choose that experience still have an exceptional visit and are informed on local activities no matter where they stay.

I surely hope that by seeking real answers to big questions, and by sharing them with your businesses, we'll be able to enhance the visitor experience, just as outlined more than 40 years ago. It's important to guard against complacency. We should strive to be an exceptional destination, not just a nice one. We have to continue evolving. Fear of complacency, the idea that good is the enemy of great, was the stimulus behind seeking Accreditation. And while we are thrilled with the outcome, it served a purpose in giving us a new lens to assess our current practices and identified areas of improvement for the coming year.

We have to give travelers a compelling and authentic experience; that's something we can't do when we're resting on our laurels, or when we assume they'll come no matter what. We may consider ourselves

an established destination, but recent research has identified an interesting gap between our industry's understanding of where we are, and where the broader community believes we are.

This community assessment indicates Anchorage as a "Trailblazer" destination – the most desirable of the quadrants you see there. However, while our customers, members, staff and board are all in agreement of the maturity and product offerings, you'll see lower perceptions by our community leaders. We all need to continue take ownership of sharing our story and our relevance with our neighbors.

We all share in the obligation to serve as ambassadors of our city, and we all have the power to affect positive community consciousness to help make Anchorage culturally aware, welcoming and wonderful to visit. Tourism is a bridge between cultures. Travel is a way to foster understanding.

If this organization didn't exist, I'm sure some people would still come visit. There's some natural amount of travel that would occur no matter what. What we're after is the incremental lift that we can build on top of that naturally-occurring curiosity.

We're a stable part of our economy. But maintaining stability doesn't mean business as usual. We cannot repeat the same moves forever, and expect different or better outcomes. Even a stable investment has to adapt to new realities to maintain that stability and keep growing.

We have to work hard, but more importantly smart. We have to be shrewd, responsible stewards of the resources at our disposal. And every one of us in this room today have a part to play.

We have to work hard, but more importantly smart. We have to be shrewd, responsible stewards of the resources at our disposal. Every one of us in this room has a part to play, and it is right in front of you– we are calling it the "power of the pen." We hope you use this pen to further the voice and influence of tourism in 2018 by continually communicating our industry's value – whether that be through writing, or using these stats when talking with your friends, neighbors, customers or public officials.

We began this luncheon by examining our roots, our core purpose. Now let's walk out of here using the tools we have to see how far we can go.

Items referred to within speech:

- Travel Research: <https://www.anchorage.net/members/extranet/travel-research/>
- Tourism facts and figures: <https://www.anchorage.net/media/media-kit-and-photos/tourism-facts-and-visitor-statistics/>
- Media kit: <https://www.anchorage.net/media/>
- About Visit Anchorage: <https://www.anchorage.net/about-visit-anchorage/>

Visit Anchorage's mission is to attract and serve visitors to the Municipality of Anchorage while building and diversifying the Anchorage economy. Visit Anchorage's marketing functions are funded by one-third of the bed tax collected by lodging facilities. One-third goes to the Municipality's general fund, and one-third to service the bond debt and operations of the Anchorage Convention Centers. Visit Anchorage receives no state or federal funds. Visit www.Anchorage.net for more information.

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