



## **NORTH CAROLINA TRAVEL & TOURISM BOARD**

### **MEETING MINUTES**

August 13, 2019

**BOARD MEMBERS PRESENT:** Sally Ashworth, Rolf Blizzard, Stephanie Brown, Mike Butts, Representative Kevin Corbin, Representative Holly Grange, Mike Hawkins, Richard Moore, Sharon Sexton, Paula Wilber

**BOARD MEMBERS ABSENT:** Christopher Chung, Secretary Anthony Copeland, Senator Chuck Edwards, Jonathan Fussell, Senator Rick Gunn, Joel Griffin, Kim Hufham, Joe Pierce, William Traurig

**LIAISONS, STAFF AND GUESTS PRESENT:** Annie Baggett, Don Cason, Jane Duncan, Guy Gaster, Scott Gilmore, Adam Glaser, Bryan Gupton, Dave Huether, Lex Janes, Karen Johns, Madison Lahey, Brooks Luquire, Andre Nabors, Mark Shore, Angela Sumner, Marlise Taylor, Cyndi Tomblin, Wit Tuttell, Heidi Walters, Kara Weishaar

Mike Butts, Chairperson, called the meeting to order at 10:01 am.

#### **WELCOME/COMMENTS FROM THE CHAIR**

Butts welcomed Board members and guests to the NC Legislative Office Building. Liaisons, staff, guests and Board members introduced themselves. Butts read aloud the Ethics Statement in accordance with Executive Order No. 35.

#### **EDPNC UPDATE**

Wit Tuttell, Executive Director of Visit NC (VNC), provided the Economic Development Partnership of North Carolina (EDPNC) update. Legislation to renew the EDPNC contract has been passed by the Legislature and approved by Governor Cooper and should be finalized soon. A memorandum of understanding between Commerce and the EDPNC is being worked on. Commerce liaison Lex Janes noted that the General Counsel is currently working out terms and working closely with EDPNC CEO Chris Chung as well as the EDPNC Board.

#### **WEAPONIZATION OF TRAVEL**

Butts introduced David Huether, Senior VP of Research at U.S. Travel Association, who took the floor to present some of U.S. Travel's latest findings to the board. Huether began with an overview of the travel industry. Its economic impact is substantial – last year Americans took 2.3 billion trips and the U.S. saw roughly 80 million international visitors. Together they spent \$1.1 trillion and generated \$2.5 trillion in economic output for the U.S. economy. This supported close to 16 million jobs and directly supported just under 9 million jobs.

The travel industry is a unique industry - it's spread across all 50 states, employing over 100,000 people in nearly 30 states and over 500,000 people in four states. Being such a labor-intensive industry also sets it apart, with every \$1 million spent supporting more than eight jobs. The travel industry is very trade intensive – international visitors spent nearly \$156 billion across the U.S in 2018., directly supporting 1.2 million American jobs. Money spent by international visitors makes the travel industry the second largest U.S. export and represents roughly 10% of all U.S. exports. The industry is much more immune to

outsourcing as well, with only 4% of jobs expected to be displaced in the next decade. From 1977 to 2013, almost 40% of all first jobs were in the travel industry. The industry provides essential skills as well as ample flexibility. 32% of those who began their careers in travel earned at least a bachelor's degree and earned an average salary of \$82,400 by the end of their career. Travel is also the number one way that states and destinations introduce themselves to potential new employers and workers.

The U.S. Travel Association began research in 2016 on the "weaponization of travel", examining whether controversial legislation can be a deciding factor in Americans travel decisions. Regarding "anti-LGBT" legislation most were familiar (80%) and views were mixed, with 33% favorable and 42% unfavorable. Households with children had a more favorable view than those without children. Americans that did not support travel bans or boycotts outnumbered those that did by almost a two to one margin.

U.S. Travel next looked at consumers who had traveled or planned to travel to states that had passed "anti-LGBT" laws. About 78% said it did not affect their travel or travel plans over the previous 12 months. However those with favorable, unfavorable and neutral views all reported higher instances of cancelling at least one trip or traveling to another state. The same was seen in households with and without children, as well as consumers in the West, Northeast, Northcentral and South regions of the country. To distinguish the effects on business travel as opposed to leisure travel, 215 meeting planners were asked to what extent different types of legislation impacted their location choices. Roughly 25% of respondents relocated meetings due to LGBT laws. A surprising find was a higher inclination to travel to states with medical/recreational marijuana laws.

Such impacts on travel can be seen not only domestically, but on an international scale. International travel across the globe has grown by 54% since 2010 and increased from 220 million travelers in 2017 to 343 million in 2018. Unfortunately, the U.S. has not shared similar increases - underperforming all but one of its top 15 competitors from 2015 through 2018. The U.S. market share of global travel reached a peak of 13.7% in 2015 before declining to 11.7% in 2018. This loss in market share represents a loss of 14 million international visitors, \$59 billion in travel spending, and the spending to support 120,000 U.S. jobs.

The loss in market share can be explained by several reasons, the first of which being the "trade war" developing between the U.S. and China. International travel has become part of this largely through travel warnings issued by the Chinese government. The international perception of the President also impacts this, though it differs greatly from country to country. Huether highlighted the vastly negative perceptions held by travelers from Germany as compared to the more positive perceptions out of India. Visitation to the U.S. from Germany has generally underperformed Western Europe since 2015. Visitation from China decreased in 2018 for the first time in 15 years while visitation from India has remained strong. This is particularly important as travel is the number one U.S. export to China, with Chinese travelers spending \$35 billion in 2018.

U.S. Travel surveyed travelers from the top 15 markets and asked what impacted their decision to not visit America. "Too expensive" was by far the number one reason, largely due to the dollar outperforming other currencies. Huether noted that the number one reason given by Chinese respondents was "personal safety concerns" – illustrating just how impactful the Chinese safety

warnings have been. In conclusion, most Americans are aware of “LGBT” legislation and views of it are mixed. While most travel to these states has not been affected, the negative impact outweighs the positive impact. Meeting planners are focused on possible controversy and the impact it can have on their business more than anything. Lastly, the “weaponization” of travel is international and is affecting us right now. Butts thanked Huether and noted the importance of private and public entities working together to create environments conducive to the travel industry, citing Las Vegas and Orlando as prime examples.

### **VISIT NC UPDATE**

Marlise Taylor, Director of Tourism Research, began the update by presenting the board with 2019 commercial lodging data through June. Tuttell briefly returned to note that the Travel and Tourism Research Association had recently given Taylor the Shifflet Award for Research Excellence - given to Taylor for her work on hurricane perception research following Hurricane Florence. Taylor turned attention back to the lodging report, noting demand growth through June is on track to beat last year’s and is higher than demand growth across the U.S. and South Atlantic Region. Revenues are also on track to beat 2018 – up 8.5% compared to 4.4% at the same time last year. The Southeast Region of the state currently holds the highest YTD demand growth, 13%, though some of this may be lingering effects of the hurricane recovery efforts.

Taylor reviewed an occupancy and ADR trendline spanning the last two decades, noting we currently have the highest ADR (\$105.13) and occupancy (66.2%) on record. Supply (28.2 million) and demand (18.7 million) have also hit record highs. Lodging revenues have seen tremendous growth and are at record numbers – reaching more than \$1.9 billion year-to-date through June 2019. North Carolina currently leads its competitive set with demand growth of 5.6%. While shared economy growth seems to be outpacing commercial and vacation rentals, it’s important to note that it’s a much smaller piece of the pie (18% of total lodging revenues statewide). Vacation rentals appear to be suffering from closures due to last year’s hurricane, though a lack of data may impact this as KeyData is still in the building process of obtaining clients.

Tuttell returned to discuss the 2019-2020 proposed state budget, which includes \$1.5 million in non-recurring funding for tourism marketing. Until the budget issue is resolved and passed, VNC operates on the previous year’s budget less any non-recurring funds. Due to this VNC is currently receiving \$1 million less in funding – TV advertising plans have been altered because of this. The board noted the substantial ROI on media spend and voiced enthusiasm for the additional funding. The EDPNC office lease ends in December and a new lease or office move would result in additional expenses.

### **MARKETING**

Mark Shore, Director of Tourism Marketing, provided the VNC marketing update. Website traffic from target markets is up 118% and Arrival Lift from these markets sits at 62.1% - more than twice that of the US. YouTube placements have generated about 51 million impressions and about 50,000 click-throughs. Website sessions are up 29% year over year since the campaign launch and the digital campaign has been a success thus far. Shore also noted the “Firsts That Last” campaign had recently been named a Mercury Award finalist by the U.S. Travel Association’s National Council of State Tourism Directors. Due

to a lack of finalists, VNC will be competing against Oregon and Michigan – states with substantially larger tourism budgets.

The “Firsts That Last” campaign will still be utilized going forth – as well as new “First Expressions” segments, which look to capture not just what travelers do, but what they feel. The segments will have a more organic feel, capturing expressions as travelers walk across the swinging bridge at Grandfather Mountain or drink wine with llamas for the first time. Coinciding with National Dog Day on October 26, VNC will launch a recruitment video and applications searching for the first “dog travel agent”. Once a dog is chosen VNC will push out content and look to develop the campaign from a dog’s perspective. Tips for beach safety - ranging from marine encounters to sun exposure, have been highlighted on the VNC website.

## **PUBLIC RELATIONS**

Shore provided the PR update, noting great success with Canadian coverage. Through June of this year NC media coverage has generated 26.3 million impressions from the Canadian market. The Toronto Sun ran a Wilmington story which generated about 7 million online and 600,000 print impressions. 22 stories have been placed in the PR team’s targeted top 100 media outlets, resulting in 181 million domestic impressions. Tuttell spoke on a recent pitch to Forbes about Mary Webber Baggett and The Blockade Runner. Thanks to collaborative efforts from the Wilmington CVB, VNC PR team, and JPR – VNC’s PR agency, it resulted in a huge story on the Forbes website.

## **FILM**

Guy Gaster, Director of Film NC, provided an update on the film program and productions in the state. CY2019 has already surpassed the previous two years, with spending of over \$122 million. Over \$34 million has been allocated from the film grant fund for fiscal year 2019. Gaster said the relationship-building that he and the regional film offices do in combination with a stable incentive, availability of funds, and studio space in Wilmington have all worked to bolster this year’s numbers. “Reprisal” from A+E Studios shot in the Wilmington area and will be available on Hulu starting December 4. Feature film “The 24<sup>th</sup>” has been filming in Cabarrus and Rowan counties. \$15 million is the current figure being given to production companies in terms of available funds. \$31 million to remain in recurring funds has been widely agreed upon – although differences in the proposed transfer of funds remain.

## **PARTNER AND INDUSTRY RELATIONS**

Heidi Walters, Director of Partner and Industry Relations, provided an update to the board. Walters and Tuttell recently attended IPW - a large international tradeshow which saw great turnout. The two also traveled to China just two weeks after the travel bans were announced. Despite this a record number of media and tour operators were in attendance and the mission was a success. Over the past five years international visitation to the state has grown by 9% and growth of 14% is expected over the next five years. The board inquired as to whether there is an opportunity to promote less expensive parts of the country to international travelers, citing Huether’s research. Tuttell noted that N.C. is promoted as a budget-friendly destination and this may be why international visitation to N.C. continues to rise while the U.S. is seeing a decline overall. Walters noted the only decreases were seen in Korea, China, and Japan – all other countries saw an increase.

VNC has been heavily utilizing social media in marketing to China as a cost-effective approach. Because of this N.C. recently ranked 14<sup>th</sup> in international travel destinations across the globe on the popular Chinese social media platform WeChat. Walters played for the board a video produced by Chinese journalists who attended the recent familiarization tour. VNC recently partnered with Visit Raleigh to produce a print and digital campaign promoting the new Air Canada to Raleigh flight. The campaign generated 3.6 million impressions and saw a 110% increase in directional flight searches.

#### **LEGISLATIVE UPDATE**

Representative Holly Grange provided an update on legislative activity. Speaker Moore has been traveling the state to highlight things that would be funded if the proposed budget is passed. One being Fort Fisher, who's visitor center is set to receive a non-recurring appropriation of \$7.5 million along with \$500,000 for an underwater archeology branch. The continued replenishing of the rainy-day fund is important to keep in mind, especially in the current hurricane season. Rep. Davis and Rep. Grange worked to resolve issues regarding funding of the film program.

The Association Health Plan Bill recently passed the General Assembly and will allow small businesses to partner with associations in providing health insurance to employees. Rep. Corbin noted that he and Rep. Grange co-sponsored legislation that fixed the HB2 situation. They also co-sponsored previous legislation which implemented a rainy-day fund. Rep. Corbin is currently sponsoring HB 431, which looks to expand broadband infrastructure across the state – particularly in small, rural areas. He's also introduced the "Hands Free NC Act", which looks to prohibit the use of cell phones while driving. Butts thanked them both for the advocacy they do on behalf of the tourism industry.

#### **COMMERCE UPDATE**

Lex Janes provided the board with an update on Commerce activities. Beth Gargan has been working with VNC and the Governor's Office to coordinate the release of county tourism statistics. Tuttell briefly elaborated, noting it allows partners to showcase increased visitation to their area and that VNC hopes to see an increase in all 100 counties. Janes stated that Commerce was excited about the county numbers as well as Rep. Corbin's HB 431 Bill's passage through the assembly.

#### **WELCOME CENTER UPDATE**

Bryan Gupton provided an update on N.C. Welcome Centers. Two of the nine welcome centers are currently closed for renovations. The remaining seven are seeing steady traffic – up roughly 3% YTD, although in total they have seen about 1 million less visitors due to the two closures. The I-40 renovations are set to be completed around Labor Day and the I-95 renovations should be complete in January. Calls are down at the call center but are expected to pick-up once hurricane season begins. The updated state map is expected to increase calls as well.

#### **CLOSING**

Tuttell noted that a few Board members had reached their term limit, one being Paula Wilber, who he presented with a plaque commemorating her time on the board. Tuttell thanked her for her service and stated the importance of having the private industry represented on the board. Rolf Blizzard and Joel Griffin have also termed out and would be given their plaques at a later date. The meeting was adjourned at 11:39 am.