

Cassie Koenigsknecht (MEDC)

From: Case Notification <noreply@salesforce.com>
Sent: Wednesday, June 03, 2015 12:10 PM
To: Xiamei Xu
Subject: Case # 00142427: [Tourism] Addressing a Challenge to the Pure Michigan Advertising Campaign ROI has been assigned to you.

*** NEW CASE ASSIGNMENT NOTIFICATION ***

The following case has been assigned to you.

Company:
Contact Name:
Case #: 00142427
Subject: [Tourism] Addressing a Challenge to the Pure Michigan Advertising Campaign ROI
Description: From: Lori Langone
Sent: Wednesday, June 03, 2015 11:09 AM
To: 'Adam Sacks'
Cc: David West; Chris Pike TE; 'Tom Curtis'; 'Victor Feliciano'; Kelly A. Wolgamott
Subject: RE: State Tourism Spending Ineffective

Thanks very much for your quick response, Adam (and yours also, Tom). We're very pleased to have the expertise of both of you and your organizations providing the 3rd party validation that we need when the effectiveness and impact of our work is challenged. I'll keep you informed as this latest challenge further evolves.

David, please share this message thread with anyone else here in the MEDC that should be informed. I'm going to loop in Kelly Wolgamott, our Director of Travel Marketing & Brand.

Kindest Regards,

Lori Langone
Research Specialist
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[travelMi_01_86840_7_119661_7]

From: Adam Sacks [mailto:adam@tourismeconomics.com]
Sent: Wednesday, June 03, 2015 10:57 AM
To: Lori Langone
Cc: David West; Chris Pike TE; 'Tom Curtis'; 'Victor Feliciano'
Subject: RE: State Tourism Spending Ineffective
Importance: High

Lori and David,

I can tell you right off the bat that the Mackinac study is spurious. It is simply not possible to estimate the impacts of an ongoing advertising campaign with a statistical (read: econometric) model. "Controlling" for other factors sounds intelligent but makes a major assumption - that the model could predict, with an extreme degree accuracy, what would

have happened in the absence of tourism marketing. Believe me when I tell you that this is a stretch. We build tourism forecast models every month and our most accurate forecasts still have enough margin of error that disentangling the effect of the state's marketing campaign from economic effects, new developments, private sector initiatives, and weather (not to mention a dozen other factors) is not possible.

It is clear to me without even reading it that the study started with its conclusion and worked backwards. We have tried what they did. It doesn't work given the complexity of so many factors.

The Longwoods approach is the industry standard method for advertising effectiveness. You have to estimate awareness and the effect on behavior by talking to the market. It is a bottom up approach compared to a very blunt tool being used by Mackinac.

We would be happy to draft a critique as a third party to both sets of research once the study is released. Showing the counterfactual of what unemployment would be in the absence of tourism marketing could be a powerful counterpoint as well.

Best regards,
Adam

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From: Lori Langone [mailto:langonel@michigan.org]
Sent: Wednesday, June 03, 2015 10:39 AM
To: Adam Sacks
Cc: David West; Chris Pike
Subject: FW: State Tourism Spending Ineffective

Hi Adam.

Tom Curtis called me this morning and said that his advice is that we not do anything at this point, except to also alert you to this situation, and hope that this challenge gets dropped quickly. He suggested that once the full report has been released that perhaps you could review the author's methods, given that you're the most respected economist currently working in the field of tourism economic impact. Tom also reminded me that Pure Michigan's ROI was also challenged by the Mackinac Center in 2010 and said that he would send to me the text that Longwoods prepared for George Zimmermann and Dave Morris at that time. I will also share that with you.

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From: Lori Langone
Sent: Tuesday, June 02, 2015 4:45 PM

To: Tom Curtis; 'vfeliciano@longwoods-intl.com'
Cc: David West
Subject: FW: State Tourism Spending Ineffective

Hi Tom and Victor.

Our Pure Michigan ROI is being challenged. See below and attached. What are your thoughts?

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Advice from our public relations firm:

Given that the full study isn't out yet, my recommendation would be to continue using the talking points from the reports we do have (included the talking points that Nate put together for the PhotoWalk and that resonated with the media) to talk about the importance of the campaign and tourism to Michigan's economy as you are talking to media, industry, etc., but not call attention to the forthcoming study yet, until we see it or are asked specifically about it.

The nice thing that the Center did was allow for a heads up. Here are a few recommendations when we do see the results of the study. Let me know your thoughts.

Discredit findings and pitch

When the study does come out, see what points we can discredit and proactively talk to the media, create an op-ed and pitch to media. The Center has been cited in WSJ editorial, so I definitely think we'll need to pitch them.

Reverse ROI stat

See if we can have Longwoods or Tourism Economics do a "reverse ROI" stat to show what could have been if the PM campaign did not exist.

For example, how would losing the 22.4 million out-of-state trips to Michigan and \$6.6 billion have negatively affected our state? Or, what would it do even if just one year? (i.e. if funding would be reduced, how could that impact)

Create a Tourism Specific kicker card/graphic

Similar to the MEDC graphic we were working on, I can pull stats that we use that the industry can continue to share

IMPORTANCE OF MICHIGAN'S TOURISM INDUSTRY/PURE MICHIGAN CAMPAIGN

* 113.4 million visitors spent \$22.8 billion in Michigan last year and directly supported 214,000 Michigan jobs.
(Tourism Economics)

* Without tourism jobs, the state's 2014 unemployment rate of 7.3 percent would have been 13.3 percent.

* The Pure Michigan campaign directly influenced more than 4.1 million trips to the state by out-of-state visitors in 2014. (Longwoods International.)

* In return, those trips generated \$1.2 billion for Michigan businesses and generated \$85.4 million in tax revenue received by the state.

* For every dollar spent on the Pure Michigan campaign, \$6.87 returns to the state.

* Since 2006, Pure Michigan has generated 22.4 million out-of-state trips to Michigan. Those visitors spent \$6.6 billion at Michigan businesses and generated \$459 million in state revenue.

SHARE THIS: [Twitter] <http://twitter.com/intent/tweet?text=State%20Tourism%20Spending%20Ineffective%20-%20http%3A%2F%2Ffeepurl.com%2FboS_hD> [Facebook] <<http://www.facebook.com/share.php?u=http%3A%2F%2Fus1.campaign-archive1.com%2F%3Fu%3D6ea474825112d1aef8c572d68%26id%3D3b13b65de7&t=State%20Tourism%20Spending%20Ineffective>> [Google] <<http://www.google.com/bookmarks/mark?op=edit&bkmk=http%3A%2F%2Fus1.campaign-archive1.com%2F%3Fu%3D6ea474825112d1aef8c572d68%26id%3D3b13b65de7&title=State%20Tourism%20Spending%20Ineffective>>

View this email in your browser<<http://us1.campaign-archive1.com/?u=6ea474825112d1aef8c572d68&id=3b13b65de7&e=8d86799183>>.

[Mackinac Center for Public Policy Press Release]<<http://mackinac.us1.list-manage.com/track/click?u=6ea474825112d1aef8c572d68&id=7eedef4836&e=8d86799183>>

Friday, May 29, 2015

Contact:

Anne Schieber

Mackinac Center for Public Policy

989-430-6131

Study: State Tourism Promotion Ineffective Every \$1.00 Spent Generates 1 Cent Extra Spending at Motels and Hotels

MIDLAND - The Mackinac Center for Public Policy today released preliminary findings<<http://mackinac.us1.list-manage1.com/track/click?u=6ea474825112d1aef8c572d68&id=ce6fd016fd&e=8d86799183>> from its forthcoming study about the state's tourism promotion efforts, including the large subsidies appropriated for its "Pure Michigan" campaign. The analysis is being released as government policymakers meet at the annual Mackinac Policy Conference, hosted by the Detroit Regional Chamber.

The statistical analysis was constructed to measure whether government expenditures on tourism promotion were effective and if so, to what extent.

"We found an actual link between state tourism spending and an increase in spending at state hotels and motels but it was microscopic and more than completely offset by taxpayer losses," said Michael LaFaive, director of the Morey Fiscal Policy Initiative and co-author of the study.

Specifically, the Mackinac Center reports that from 1973 through 2012, every \$1.00 spent by the state on tourism promotion generated an extra penny in economic activity for the accommodations industry.

"The opportunity cost here is huge," said Michael Hicks, director of the Center for Business and Economic Research at Ball State University and adjunct scholar with the Mackinac Center for Public Policy. "Every dollar spent on this program is one that cannot be used for some higher purpose, such as fixing Michigan's roads or cutting taxes."

The model was constructed to control for other factors that may influence tourism in Michigan, such as access to large bodies of water, elevation, recessions and more. It is part of a larger study to be released by the Mackinac Center for Public Policy this fall.

For more on this subject, see the essay "State Tourism Spending Ineffective in Job Creation<<http://mackinac.us1.list-manage1.com/track/click?u=6ea474825112d1aef8c572d68&id=a0d4ab016e&e=8d86799183>>,<<http://mackinac.us1.list-manage2.com/track/click?u=6ea474825112d1aef8c572d68&id=060883461a&e=8d86799183>>" by the authors.
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You are receiving this because of your interest in policy matters.

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