Validation of Travel Michigan's Rate of Return On Advertising Estimating System – A Case Study Approach

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and

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Introduction

While the often-asked question of what return is realized from advertising investments (a.k.a. ROI) is relatively simple, deriving a reasonably objective and defensible estimate is a complex undertaking. Reasonably good estimates can be derived for a single short term advertising campaign in a specified market (usually small geographically) employing generally accepted conversion study methodologies. Results from even these carefully crafted "experimental designs" are often subjected to influences (e.g., competitors advertising) beyond the researcher's control. Estimating ROI for an extensive advertising campaign involving multi-media, with multiple ads, in multiple markets is an even more complex undertaking. Were one to undertake a totally independent study to assess ROI associated with Travel Michigan's advertising campaign in the three DMAs it targeted in 2003, the cost of such a study would fall within a six figure range; it would be very expensive!

Travel Michigan is interested in validating the process it is using to estimate return to the state in taxes collected by the state for each tax dollar invested in its travel advertising campaign. This state tax return on investment (ROI in this report) is but one measure of the benefits attributed to the campaign. While estimating these many other benefits is important to account for the total benefits associated with the campaign, doing so is beyond the scope of this investigation. However, it is important to keep in mind that the ROI metric reported herein is not the total ROI for the campaign which is certainly far higher were one to include returns beyond simply these occurring to the state treasury. In fact, these other benefits come at no cost so long as the state tax ROI is equal to one or higher.

There are two obvious approaches to validate the ROI measure derived by Travel Michigan. The first approach is to conduct a detailed review of the process it uses beginning with how input data are collected through how they are analyzed. While this approach can be enlightening, it is often limited by lack of total transparency and by a host of details across the process which would require costly replication to totally confirm. The second approach is to conduct an independent ROI study in the same markets at the same time and compare the ROI estimates generated in the two studies. In most cases, this would essentially double the cost and would be prohibitively expensive. Fortunately, however, there were independent studies underway at Michigan State University (MSU) in 2003 which generated the base data needed to estimate tax revenue ROI for Travel Michigan's advertising campaign that year. Unfortunately, these studies ended in 2003, so it is the only year for which comparable ROI measures can be developed.

In passing, we note just a few of the other positive outcomes from the campaign below.

- The campaign will influence travel to Michigan in future years. Accounting for these additional trips, while difficult, would boost the ROI estimate.
- Travel Michigan's ROI estimate only accounts for state taxes generated by the trips tied to the advertising campaign. In effect, the ROI metric used reflects only about 10% of the benefits accruing to Michigan with the other 90% garnered by tourism businesses, their suppliers and employers.
- A large body of tourism research has revealed that people who visit Michigan have a significantly higher image of the state as a travel destination than those who haven't visited, and they are more likely to become repeat visitors. Data were not collected to estimate first time travelers converted by the campaign (and would be a useful statistic to collect in the future), but their future trips to Michigan are lasting campaign benefits not accounted for in the current ROI measure.

- The vast body of tourism research has found that "word of mouth" is the leading source utilized in planning pleasure trips. Thus, the campaign not only impacted the travel decisions of those counted in the ROI measure, but, in essence, created a body of additional people "spreading the word" about Michigan as a desirable travel destination.
- Finally, a less tangible but nonetheless important benefit of the campaign is the offsetting role it plays in countering negative media coverage of Michigan. Visitors see first hand that this state remains a desirable place to visit, live and invest in new businesses.

The central study used in developing our ROI estimate is the Certec, Inc. DMA study conducted under contract with Travel Michigan with MSU as a subcontractor. It was designed to be a comprehensive longitudinal tracking study rather than a ROI study per se. But, the study included questions needed to generate the campaign's conversion rate, a primary input for a ROI study.

There are fundamental differences in the set of questions in the survey used by MSU/Certec, Inc. and Longwoods International, the firm Travel Michigan employs to generate the conversion rate it uses in its ROI analysis – Longwoods appears to base its estimates on "lift," the difference in visit rate of those aware and unaware of Travel Michigan advertising. The MSU/Certec, Inc. approach builds on a survey question that directly asks respondents the degree to which Travel Michigan's advertising influenced their decision to visit the state.

There are also fundamental differences in how the surveys were administered. The Longwoods survey is distributed by the mail to members of a consumer panel after the campaign is over. The MSU/Certec, Inc. survey was administered by telephone to a random sample of households before and after the summer advertising campaign.

Both approaches have been used extensively and are defensible ROI estimating tools. Which of the two yields the most accurate measure of a campaign's conversion rate is an open question; one which may not be subject to a quantitative resolution since the "real" conversion rate in unknown and next to impossible to derive given the many variables involved, many beyond the control of the researcher.

Major Data Inputs and Sources

1. Advertising influence on pleasure travel decisions

In the pre- and post-campaign surveys conducted in the Chicago, Cleveland, and Indianapolis DMAs, we included a question extensively tested in previous conversion studies conducted by Certec, Inc. The question used is reproduced below:

Did the information you saw or heard on Michigan have...

a) A primary influence on your decision to travel to Michigan?
b) A partial influence on your decision to travel to Michigan?
c) No influence on your decision to travel to Michigan?
d) Did not visit Michigan?

Data derived from each DMA were weighted by volume of pleasure trips to Michigan (See point 2 below), and revealed that 5% of travelers from the three DMAs stated that Michigan advertising had a primary influence on their decision to travel to Michigan and 30% indicated that it had a partial influence. It is customary to credit all "primary influence" responses and half of "partial influence" responses to the campaign of focus in conversion studies. Adopting this convention results in the estimate that 20% (5% primary + 30%/2 partial = 20%) of pleasure travel originating in these three DMAs was generated because of Michigan advertising transmitted to respondents. It is probable that other ads promoting Michigan were appearing in these markets in addition to those purchased by Travel Michigan, but a more in-depth study would be required to link the travel decision to a specific ad or advertiser. We did attempt to proportion the Michigan advertising influence between Travel Michigan and other Michigan advertisers, who may have been in the market during the period (summer season) that the surveys were conducted, using estimates from the earlier Certec study. From what we have discerned, Travel Michigan was the dominate Michigan advertiser in each of the markets during this period, but our bottom line estimate will likely still be inflated to the degree that other Michigan advertisers were also engaged in these markets at this time at a level beyond the precision of this estimate.

2. Proportion of Michigan pleasure travel derived from these DMAs

The MSU regional Michigan Travel Market Survey was exercised to reveal that 7.6% of pleasure trips to Michigan originate in the Chicago DMA, 2.8% in the Cleveland DMA and 2.6% in the Indianapolis DMA. Together the three DMAs account for 13% of Michigan's pleasure travel market.

3. Total "influenceable" direct pleasure traveler expenditures in Michigan

A Travel Industry of America (TIA) study of domestic US travel[1] indicates that Michigan captured about $12.0 billion in domestic traveler expenditures in 2000. This includes all types of travel some of which are not significantly influenced by advertising, in particular business and visiting friends and relatives (VFR). Again, we were able to draw upon MSU's data to eliminate business travel (9% of Michigan trips) and VFR travel (37% of Michigan trips) to arrive at the estimate that 54% of the $12.0 billion total direct travel expenditures or $6.5 billion is subject to being influenced by advertising. This is somewhat conservative since at least some VFR travel is influenced by advertising. Since VFR travelers spend about 40% less than the average pleasure traveler, total pleasure travel expenditures in Michigan after deducting the VFR and business traveler expenditures were further adjusted to $8.5 billion. Thus, the amount of direct travel expenditures subject to the influence of Michigan travel advertising was estimated to be at least $8.0 billion. The 1995 conversion study for Travel Michigan further enables us to adjust this estimate by the proportion due to Travel Michigan versus the remainder of the Michigan travel industry. This adjustment is 51.5%.

4. State taxes paid by tourists

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[1] Since 2000, data available in the Tourism Resource Center's Michigan Travel Activity system point to a probable decline in domestic travel expenditures in Michigan; however, the data suggest that the bulk of the decline is due to business travel while pleasure travel expenditures have been relatively flat since 2000.

The majority of direct expenditures by tourists are subject to the 6% state sales or, in the case of lodging, to the use tax. The state collects additional taxes on selected tourist expenditures including gasoline, alcohol and gaming. Businesses and their employees pay additional taxes on money earned from tourists. We estimate that the state collects 10% of tourists' expenditures in the form of the taxes mentioned above.

5. Total impact of tourists' expenditures on the Michigan economy

Out-of-state tourists' expenditures stimulate economic activity as they are re-spent and course through the economy. This is referred to as the multiplier impact. The multiplier impact varies with the type of purchase made, but an average tourist multiplier of 1.5 was used in our analysis. This average multiplier is consistent with results from more data rich and robust analyses that have been performed of tourism's economic impact in Michigan.

6. Level of investment in advertising in the three DMAs

Current media costs for the three DMAs ($2.4 million) were added to advertising production costs of $240,000 (assumed to be 10% of media costs). The earlier research determined that these expenses ($2.64 million) account for 56% of total expenses (advertising, literature, personnel, postage, telephone costs, etc.). Applying this relationship to current data gives a total spending of $4.7 million.

Deriving ROI estimates

Four ROI estimates were derived – Net ROI and state tax revenue ROI for both direct expenditures and direct plus indirect (multiplier) expenditures.

1. Net ROI (direct expenditures only)

Total "influenceable" direct expenditures	$8.0 billion
*	*
Three DMA share of above expenditures	13%
*	*
Travel Michigan share of the above expenditures	51.1%
*	*
Percentage of 3 DMA expenditures generated by Michigan travel advertising	20%
	$107.1 million

$107.1 million / $4.7 million spent in three DMAs = Net ROI = $22.79

2. State Tax Revenue ROI (direct expenditures only)

Direct expenditures attributable to Michigan travel advertising in three DMAs	$107.1 million
*	*
State taxes paid on direct expenditures and related business and employee incomes	10%
	$10.7 million

$10.7 million / $4.7 million spent in three DMAs = Tax ROI = $2.28

3. <u>Net ROI (direct plus indirect expenditures)</u>

Net ROI (direct only) * 1.5 = Net direct + indirect ROI

$107.1 million * 1.5 = $160.6 million

or $22.79 * 1.5 = $34.18

4. <u>State Tax Revenue ROI (direct plus indirect expenditures)</u>

Tax ROI (direct only) * 1.5 = Tax direct + indirect ROI

$10.7 million * 1.5 = $16.0 million

or $2.28 * 1.5 = $3.42

Conclusions

Assessing ROI on advertising is inherently a complex undertaking as is amply evident in this case. But when one has access to good data and employs them objectively and in a transparent way, meaningful estimates can be obtained. While it is reasonable to assume that the estimates we obtained are associated with a wide confidence interval, they nonetheless are likely to be adequate for many purposes. Since our procedures, data inputs, and critical assumptions are provided, it would be relatively simple for other analysts to modify our analyses and arrive at their own estimates.

Our analyses reveal the Travel Michigan advertising generated about $107.1 million in direct pleasure traveler expenditures from these three DMAs. One in ten trips from these DMAs would not have been taken to Michigan without the investment made in them promoting travel to Michigan. The direct and indirect (multiplier) benefit to the Michigan economy was estimated to exceed $160 million.

Net ROI is calculated by taking into account both the revenues generated ($107.1 million) and the expenses incurred by Travel Michigan to generate the revenues. The estimate used here is a combination of current advertising media costs and cost relationships determined in an earlier conversion study conducted for Travel Michigan by Certec Inc.

Dividing revenue by spending gives a Net ROI of $22.79 for each $1 invested on advertising.

We also estimate that Travel Michigan advertising in these three DMAs generated over $10 million in state tax revenues from direct traveler expenditures and about $16 million when both direct and indirect impacts are included.

The Tax ROI is calculated by taking into account both the tax revenues generated ($10.7 million) and the expenses incurred by Travel Michigan to generate these tax revenues. The expense estimate derived above, the $4.7 million, is used in this calculation. Dividing tax revenue by spending gives a direct Tax ROI of $2.78. When estimated indirect expenditures are accounted for, the direct plus indirect TAX ROI is estimated to equal $3.42. This indicates that for every dollar spent on the campaign, $3.42 is returned to the state in the form of taxes.

Recognizing that the possible confidence interval for our estimate is wide, even reducing our estimates by 25% would result in favorable ROI estimates. And, since we choose to error on the conservative side throughout our analyses, it is not improbable that our estimates are too low, which would mean that Travel Michigan's advertising is even more productive than we have estimated it to be.

Finally, Travel Michigan's tax return ROI including direct plus indirect expenditures is $3.42, identical to our estimate. This is certainly an unlikely outcome given the marked differences in the two approaches and would unlikely be repeated in other comparative analyses. The importance of this study to validating Travel Michigan's rate of return on advertising estimating system is not that the results are identical, rather it is that they are comparable even were one to "tweak" some of the data used. Researchers are never comfortable drawing firm conclusions from limited observations, such as here when only comparisons could be made for a single year; however, the work we performed is strong evidence that Travel Michigan's approach to estimating tax return ROI is valid.

DOC-1077

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION PROFESSIONAL SERVICES CONTRACT WITH CERTEC, INC.

The Michigan Economic Development Corporation (the "MEDC") enters into a binding agreement for professional services (the "Agreement") with Certec, Inc. (the "Contractor"). The MEDC and Contractor shall sometimes be referred in this Agreement individually as "Party" or collectively as "Parties."

Contractor: Certec, Inc.
111 West Short Street
Lexington, KY 40507

NATURE OF SERVICES:

To develop an independent estimate of return on investment (ROI) for the 2003 advertising campaign.

PERFORMANCE SCHEDULE:

Starting Date: June 15, 2007 Ending Date: October 31, 2007

The term of this Agreement (the "Term") shall begin on the Starting Date and end on the Ending Date, unless terminated earlier as permitted under Paragraph 10 of the Section titled "Terms and Conditions."

COMPENSATION INFORMATION:

1. The MEDC agrees to pay Contractor an amount not to exceed $5,000.00 during the Term. This amount includes all embedded expenses.

2. Payment under this Agreement shall be made by the MEDC to Contractor upon receipt and approval by the Contract Manager of Contractor's billing statement stating that the work for which payment is requested has been appropriately performed. Contractor shall provide the Contract Manager with Contractor's billing statement on a monthly basis.

3. Changes in the budget will be allowed only upon prior review and written approval by the Contract Manager.

4. Contractor's billing statement (s) may be subject to a final audit prior to the release of final payment.

MEDC CONTRACT MANAGER: Contractor should communicate with the following MEDC representative or designee regarding this Agreement:

Maria Mendez
Michigan Economic Development Corporation
300 N. Washington Square
Lansing, Michigan 48913
Telephone: (517) 373-1421

TERMS AND CONDITIONS:

1. **CONTRACTOR DUTIES.** Contractor agrees to undertake, perform, and complete the services described in **Exhibit A**, which is incorporated herein by reference.

2. **INDEPENDENT CONTRACTOR.** Contractor will act as an independent contractor under this Agreement, and neither Contractor nor any employee or agent or contract personnel of Contractor is, or shall be deemed to be, an employee of the MEDC due to this Agreement and the relationship between Contractor and MEDC. In its capacity as an independent contractor, Contractor agrees to and represents the following:

    - Contractor will provide the services under this Agreement free from the direction or control of the MEDC as to means, manners, and methods of performance.
    - Contractor has the right and does fully intend to perform services for third parties during the Term.
    - Contractor acknowledges that any work product developed by Contractor in performance of this Agreement shall be the sole property of the MEDC and the MEDC shall have the right to copyright or otherwise protect its rights in and ownership of the work product.
    - The services required by this Agreement shall be performed by Contractor, or Contractor's employees or contract personnel, and the MEDC shall not hire, supervise, or pay any assistants to help Contractor.
    - Neither Contractor nor Contractor's employees or contract personnel shall receive any training from the MEDC in the professional skills necessary to perform the services required by this Agreement.
    - Neither Contractor nor Contractor's employees or contract personnel shall be required by the MEDC to devote full time to the performance of the services required by this Agreement.
    - Contractor does not receive the majority of its annual compensation from the MEDC.

    The Parties acknowledge and agree that the MEDC is entering into this Agreement with reliance on the representations made by Contractor relative to its independent contractor status.

3. **PERMITS AND LICENSES.** Contractor declares that Contractor has complied with all federal, state and local laws requiring any business permits, certificates or licenses required to carry out the services to be performed under this Agreement, and Contractor will maintain those permits, certificates and/or licenses throughout the Term.

4. **MATERIALS.** Contractor will furnish all materials, equipment and supplies used to provide the services required by this Agreement.

5. **STATE AND FEDERAL TAXES.** The MEDC will not:

   - Withhold FICA (Social Security and Medicare taxes) from Contractor's payments or make FICA payments on Contractor's behalf;
   - Make state or federal unemployment compensation contributions on Contractor's behalf, or withhold state or federal income tax from Contractor's payments.

   Contractor shall pay all taxes incurred while performing services under this Agreement, including, but not limited to all applicable income taxes. If requested by the MEDC, Contractor shall provide the MEDC with proof that such payments have been made.

6. **FRINGE BENEFITS.** Contractor understands that neither Contractor nor Contractor's employees or contract personnel are eligible to participate in any employee pension, health, vacation pay, sick pay, or other fringe benefit plan of the MEDC.

7. **WORKERS' COMPENSATION.** The MEDC shall not obtain workers' compensation insurance on behalf of Contractor or Contractor's employees. If Contractor hires employees to perform any work under this Agreement, Contractor shall cover them with workers' compensation insurance and shall maintain such insurance during the Term. The MEDC may, in its discretion, require Contractor to provide evidence of such coverage.

8. **UNEMPLOYMENT COMPENSATION.** The MEDC shall make no state or federal unemployment compensation payments on behalf of Contractor or Contractor's employees or personnel. Contractor will not be entitled to these benefits in connection with work performed under this Agreement. If Contractor files a petition for and receives unemployment compensation, the total amount of unemployment compensation awarded to and received by Contractor shall be deducted from and be an offset against the amount of compensation due and payable to Contractor by the MEDC under this Agreement.

9. **ACCESS TO RECORDS.** Contractor shall maintain reasonable records, including evidence that the services actually were performed and the identity of all individuals paid for such services, and shall allow access to those records by the MEDC or its authorized representative.

10. TERMINATION. Either Party may terminate its obligations under this Agreement by giving the other Party thirty (30) calendar days' prior written notice of such termination. The MEDC may immediately terminate this Agreement upon written notice to Contractor if Contractor materially breaches its obligations under this Agreement or engages in any conduct which the MEDC, in its sole discretion, determines has or could have an adverse impact on the State of Michigan's (the "State") or the MEDC's reputation or interests. In addition, the MEDC may immediately terminate this Agreement upon written notice to Contractor without further liability to the MEDC or the State, its departments, agencies, and employees if Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense relating to a State, public, or private contract or subcontract; or convicted of a criminal offense including, but not limited to, any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State of Michigan employees; convicted under state or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of the MEDC, reflects on Contractor's business integrity.

The MEDC shall have no obligation to Contractor for any fees or other payments with respect to the period after the effective date of termination. Upon termination, all work product prepared or produced by Contractor pursuant to this Agreement shall be immediately delivered to the MEDC. Payment for any undisputed services rendered and expenses incurred through the effective date of termination will then promptly be made by the MEDC.

Notwithstanding the foregoing, Contractor acknowledges that MEDC's performance of its payment obligation is dependent upon the MEDC Executive Committee's continued approval of funding and/or the continued receipt of State funding. In the event that the State Legislature, the State Government or any State official, public body corporate, commission, authority, body or employees, including the MEDC Executive Committee: (a) takes any legislative or administrative action which fails to provide, terminates or reduces the funding that is related to the source of funding for the MEDC; or (b) takes any legislative or administrative action that is unrelated to the source of funding for this Agreement, but affects the MEDC's ability to perform obligations under this Agreement, then the MEDC may choose to terminate this Agreement by providing thirty (30) calendar days notice prior to the effective date of cancellation. In the event, however, that the action of the State Legislature, the State of Michigan or MEDC's Executive Committee results in an immediate absence or termination of funding, this Agreement may be terminated effective immediately upon delivery of notice to the Contractor. In the event of immediate termination of funding, the MEDC will make payment through the effective date of termination for any undisputed services rendered and expenses incurred. MEDC has no further obligation to pay under this Agreement beyond the effective date of termination for obligations Contractor may incur in connection with this Agreement.

11. **MEDC EMPLOYEES.** Contractor will not hire any employee of the MEDC to perform any services covered by this Agreement without prior written approval from the Chief Executive Officer of the MEDC.

12. **CONFIDENTIAL INFORMATION.** Except as required by law, Contractor shall not use or disclose, either before, during or after the Term, any proprietary or confidential information, including, but not limited to, applications, business proposals, business plans, economic development analyses, computer programs, databases and all materials furnished to Contractor by the MEDC (collectively "Confidential Information") without the prior written consent of the MEDC. Confidential Information does not include information obtained by Contractor from third party sources that is already in the possession of, or is independently developed by, Contractor, or that becomes publicly available other than through breach of this Paragraph, or is released with the prior written consent of the governmental entity or entities that provided the Confidential Information to Contractor. Contractor acknowledges that all information provided by the MEDC in connection with Contractor's duties under this Agreement shall be treated as Confidential Information unless otherwise stated in this Paragraph.

13. **CONFLICT OF INTEREST.** Contractor affirms that to the best of its knowledge there exists no actual or potential conflict of interest between the Contractor, Contractor's project manager(s) or its family, business, or financial interests and the services under this Agreement. In the event of change in either the interests or services under this Agreement, Contractor will inform the MEDC regarding possible conflicts of interest which may arise as a result of such change. Contractor agrees that conflicts of interest shall be resolved to the MEDC's satisfaction or the MEDC may terminate this Agreement. As used in this Paragraph, "conflict of interest" shall include, but not be limited to, conflicts of interest that are defined under the laws of the State of Michigan.

14. **REPRESENTATIONS OF CONTRACTOR.** Contractor affirms to the best of its knowledge that it or its owners:

- Do not have any criminal convictions.
- Are not a subject of any pending criminal investigation.
- Are not a subject of any past, present or pending investigations by the Internal Revenue Service or any other federal or state taxing body or court.
- Are not a subject of any past, pending or present litigation regarding its conduct.

15. **STATE OF MICHIGAN COMPETITORS.** Any information or knowledge Contractor gains during the course of this Agreement concerning the economic development efforts of the State of Michigan, the MEDC or the business conditions or business community in Michigan shall not be disclosed to any public or private party, sovereign authority or foreign government, during the Term and for a period of two (2) years after the effective date of termination of this Agreement or so long as any information remains confidential pursuant to any contract, law, treaty, resolution or other enforceable promise.

16. **INDEMNIFICATION AND CONTRACTOR LIABILITY INSURANCE.** To the extent permitted by law, Contractor shall indemnify, defend, and hold harmless the MEDC and its employees (the "Indemnified Parties") from any and all liability arising out of or in any way related to Contractor's performance of services under this Agreement during the Term, including any liability resulting from any acts of Contractor's employees or agents. Contractor shall purchase and maintain such insurance to protect the Indemnified Parties from claims that might arise out of or as a result of Contractor's operations. Contractor will provide and maintain its own errors and omissions liability insurance for Contractor's indemnification obligation under this Agreement. The insurance shall be written for not less than One Million ($1,000,000) Dollars of coverage, but does not limit Contractor's indemnification to this amount.

17. **TOTAL AGREEMENT.** This Agreement, together with **Exhibit A**, contains the entire agreement between the Parties superseding any prior or concurrent agreements as to the services being provided, and no oral or written terms or conditions which are not contained in this Agreement shall be binding. This Agreement may not be changed except by written agreement signed by the Parties.

18. **ASSIGNMENT/TRANSFER/SUBCONTRACTING.** Contractor shall not assign, transfer, convey, subcontract, or otherwise dispose of any duties or rights under this Agreement without the prior specific written consent of the MEDC. Contractor agrees that any of Contractor's future successors or subcontractors will be bound by the provisions of this Agreement unless MEDC otherwise agrees in a specific written consent. The MEDC reserves the right to approve subcontractors for this Agreement and to require Contractor to replace subcontractors who are found to be unacceptable.

19. **NON-DISCRIMINATION AND UNFAIR LABOR PRACTICES.** In connection with this Agreement, Contractor shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 *et seq.,* the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101 *et seq.,* and all other federal, state and local fair employment practices and equal opportunity laws and covenants that it shall not discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions, or privileges of employment, or any matter directly or indirectly related to employment, because of his or her race, religion, color, national origin, age, sex, height, weight, marital status, or physical or mental disability that is unrelated to the individual's ability to perform the duties of a particular job or position. Contractor further agrees that every subcontract entered into in connection with this Agreement will contain a provision requiring nondiscrimination in employment, as required in this Agreement, binding upon each subcontractor. A breach of this covenant not to discriminate in employment is a material breach of this Agreement. In addition, as provided in Executive Directive 2003-24, Contractor shall not discriminate against any employee or applicant for employment with respect to his or her hire, terms, tenure, conditions or privileges of employment, or any matter directly or indirectly related to employment because of sexual orientation unrelated to the individual's ability to perform the duties of a particular job or position.

20.

Pursuant to 1980 PA 278 (the "Act"), MCL 423.321 *et seq.*, the State shall not award a contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled by the United States National Labor Relations Board. Contractor, in relation to this Agreement, shall not enter into a contract with a subcontractor, manufacturer, or supplier whose name appears on this register. Pursuant to section 4 of the Act, the MEDC may void this Agreement if, after the Starting Date, the name of the Contractor as an employer or the name of the subcontractor, manufacturer or supplier of Contractor appears on the register.

20. JURISDICTION. The laws of the State of Michigan shall govern this Agreement. The Parties shall make a good faith effort to resolve any controversies that arise regarding this Agreement. If a controversy cannot be resolved, the Parties agree that any legal actions concerning this Agreement shall be brought in the Ingham County Circuit Court in Ingham County, Michigan, USA. Contractor acknowledges by signing this Agreement that it is subject to the jurisdiction of this court and agrees to service by first class or express delivery wherever Contractor resides, in or outside of the United States.

21. COMPLIANCE WITH LAWS. Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the services under this Agreement.

22. NO PARTNERSHIP OR AGENCY RELATIONSHIP. This Agreement does not create a partnership relationship. Further, neither Contractor nor Contractor's employees or other representatives shall hold themselves out to third parties as an agent or representative of MEDC, nor shall they have any authority to take any action or enter into any agreement on behalf of MEDC.

23. NO THIRD PARTY BENEFICIARIES. There are no express or implied third party beneficiaries to this Agreement.

24. COUNTERPARTS. This Agreement may be executed in one or more counterparts and by facsimile, each of which shall constitute an original, and all of which together shall constitute one and the same instrument.

25. REIMBURSEMENT. If this Agreement is terminated as a result of the misuse of funds as reasonably determined by the MEDC, MEDC shall have no further obligation to make any payments to Contractor. Furthermore, Contractor shall reimburse MEDC for payments which were expended for purposes other than as set forth in this Agreement, as well as any funds which were previously disbursed under this Agreement but not yet expended by Contractor.

The signatories below warrant that they are empowered to enter into this Agreement.

CONTRACTOR ACCEPTANCE:

Dated: 7/17/07

Certec, Inc.

By: James A. Carr

Its: President

MEDC ACCEPTANCE:

Michigan Economic Development Corporation,
A Public Body Corporate

Dated: ____________

By: ______________________________
Lisa Dancsok
Executive Vice President

The signatories below warrant that they are empowered to enter into this Agreement.

CONTRACTOR ACCEPTANCE: Certec, Inc.

Dated: ____________ By: ______________________________

Its: ______________________________

MEDC ACCEPTANCE: Michigan Economic Development Corporation,
A Public Body Corporate

Dated: ____________ By: Lisa Dancsok 7/19/07

Lisa Dancsok
Executive Vice President

EXHIBIT A

CERTEC INC.

111 WEST SHORT STREET • LEXINGTON, KY 40507 • (800) 9-CERTEC • FAX (859) 225-8640

Proposal

Validation of Travel Michigan's Rate of Return on Advertising Estimating System

Submitted by: James A. Carr, Certec, Inc. Date: January 17, 2007

Introduction

Travel Michigan has requested that Certec, Inc. in partnership with Michigan State University perform an independent analysis of the rate of return (ROI) on its 2003 advertising campaign in Chicago, Cleveland, and Indianapolis. Longwoods International has provided Travel Michigan with its estimate of ROI for that year, and Certec, Inc., then under contract with Travel Michigan, collected advertising impact data for the campaign which can be used in developing an alternative estimate of ROI.

The purpose of this project is to develop an independent estimate of ROI for the 2003 advertising campaign to compare to the estimate derived based upon the data supplied by Longwoods International. If the results are comparable (e.g., within 5-10%) of each other, it will provide solid but not conclusive evidence of the validity of the procedures that Travel Michigan is employing to calculate ROI. Further review and replication would be necessary to confirm the results of this evaluation.

Methods – The campaign impact data were derived from surveys of random samples of households in the three DMAs (Chicago, Cleveland, and Indianapolis) administered before and after the campaign. The numbers of interviews completed before and after the campaign were as follows:

	Before	After
Chicago	54	304
Cleveland	72	303
Indianapolis	83	301

Our method for deriving impact estimates differs from that employed by Longwoods International which uses a representative consumer panel of respondents. The amount of investment in the campaign used will be identical to that used by Travel Michigan. Other data needed to complete the analysis will be drawn from secondary sources such as the U.S. Census and Michigan State University's regional Michigan Travel Market Survey. Here again, there are differences in the underlying methods used to generate these data.

The algorithm employed in developing our ROI estimate will be described in detail in our report along with all assumptions that were used in formatting data inputs. This transparency in the details of our approach will allow Travel Michigan to compare the specific elements in both approaches.

Budget

Personnel		
James Carr	20 hours @ $95	$1,900
Don Holecek	20 hours @ $95	$1,900
Teresa Herbowicz	20 hours @ $40	$800
		$4,600
Operations		
Communications, supplies		$400
Total		$5,000

Completion date

60 days after receiving the payment.