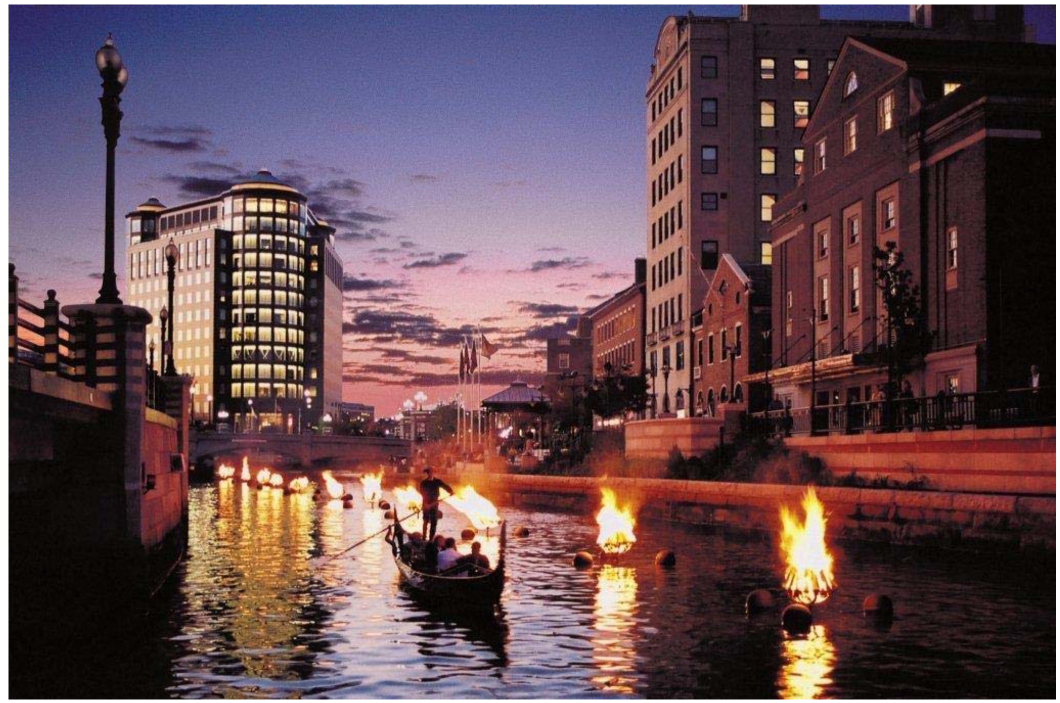
Tourism Marketing and Branding Investment Plan



Rhode Island Commerce Corporation

Nichols Tourism Group
Advisory services for an evolving tourism industry

Radcliffe Company
Destination Solutions

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December 2, 2014

Mr. Marcel Valois
Executive Director
Rhode Island Commerce Corporation
315 Iron Horse Way, Suite 101
Providence, RI 0290

Dear Mr. Valois,

We are pleased to present our Tourism Marketing and Branding Investment Plan for your review. As discussed more fully in our report, the lack of an effective overarching state brand and marketing initiative has resulted in a loss in market share nationally and allowed other regional competitors that are investing more to increase their visitor spending.

We believe that these trends can be changed through the implementation of an aggressive new branding and marketing initiative. We have outlined recommendations for new resources and an associated deployment plan. Through effective implementation of these new efforts, we believe the state will more than recoup their expenditure with regained visitor attraction and their associated spending.

We look forward to reviewing these findings in greater detail with you.

Sincerely,

Mitch Nichols
President, Nichols Tourism Group

David Radcliffe
President, The Radcliffe Company

1.0 Summary of Key Findings

- For almost two decades Rhode Island has dis-invested in a statewide brand. In order to grow its market share, the State must re-invest in a statewide brand, in addition to funding regional marketing initiatives.

- The limited resources available for the state agency has been influenced by legislative decisions which began in the mid-1990s. In Fiscal Year 1996, the funds used to execute the statewide brand were redirected to the State's general fund, in turn disinvesting in a statewide brand.

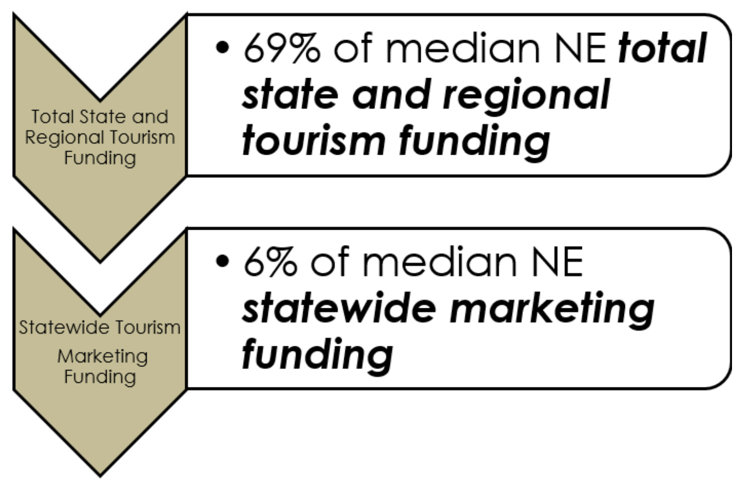
- Rhode Island invests just under $7 million annually in tourism through regional and statewide marketing efforts. Rhode Island's funding structure is unique in that limited investment is being placed on statewide marketing and branding.

- The lack of investment in a statewide brand puts Rhode Island at a competitive disadvantage when competing with neighboring states.

- Effective state destination promotion can have catalytic impacts that help raise the state destination profile, attract strategic events, build transportation networks and raise the quality of life for state residents.

- When total state funding level are considered, Rhode Island is positioned at approximately 69 percent of the median average funding level. However, it's funding level is only 6 percent of the median average when resources dedicated to statewide marketing in each of these competitors is considered. This places Rhode Island at a competitive disadvantage in its ability to develop and execute on an effective statewide brand.

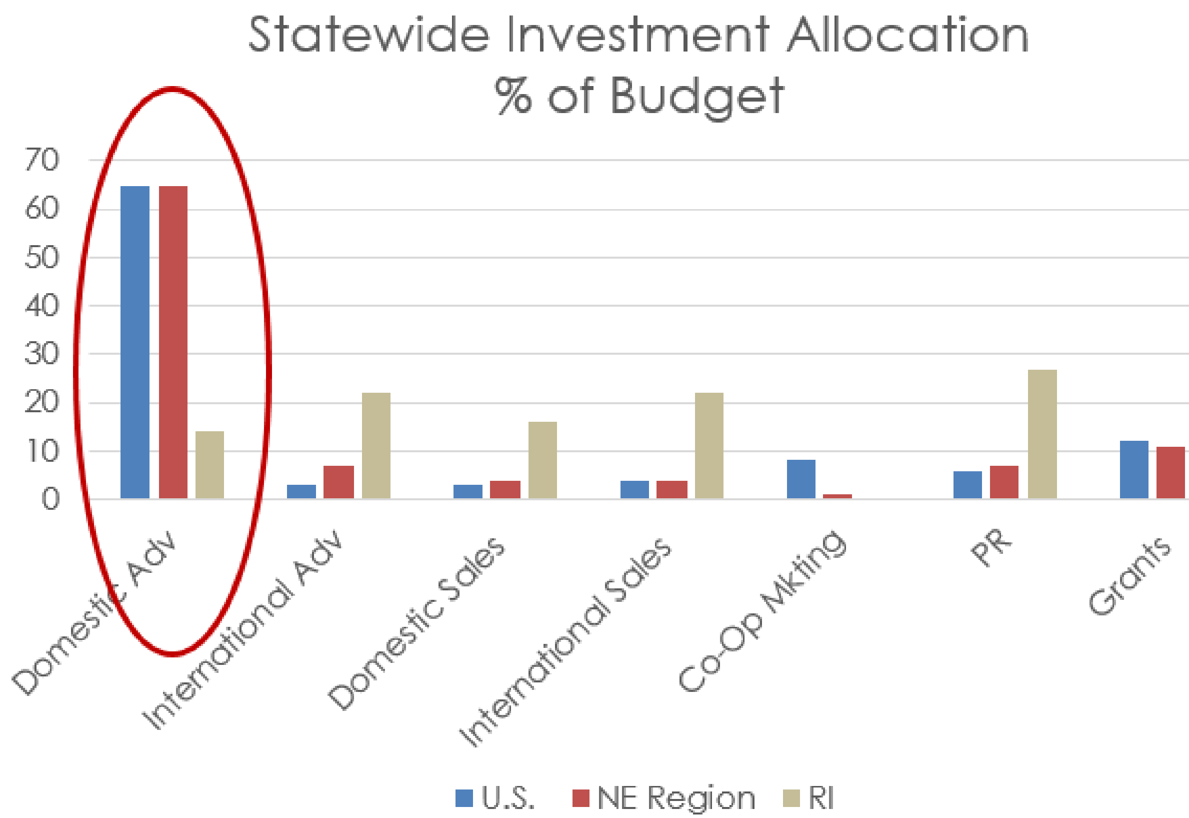
Source: Oxford Economics



Source: NTG/TRC based on USTA data

- At a time when Rhode Island has limited resources to develop and build a statewide brand, other regional competitors are increasing their investments to engage prospective visitors. Connecticut reversed its $1 state tourism allocation in 2012 by committing $24 million to regain momentum. Similarly, Massachusetts increased its FY13/14 budget to $16 million from levels of $6 to $8 million in the past three years and Maine has maintained a commitment of $7.5 to 9 million in their mission to "Become the Premiere Four Season Destination in New England."

- Most statewide tourism investments deploy their promotional resources among seven main categories: Domestic Advertising, International Advertising, Domestic Sales Promotion, International Sales Promotion, Cooperative Marketing, Press and Public Relations and Grants. Rhode Island's current deployment of resources is primarily allocated to international, domestic sales and public relations efforts. Most similar organizations deploy much more to domestic advertising initiatives, but the lack of Commerce Rhode Island/Tourism resources does not allow it to significantly address this area.

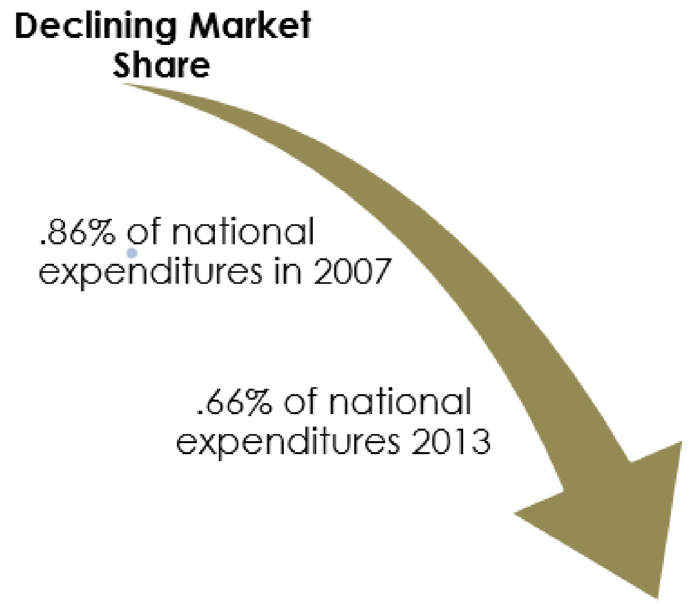


Source: USTA and NTG/TRC

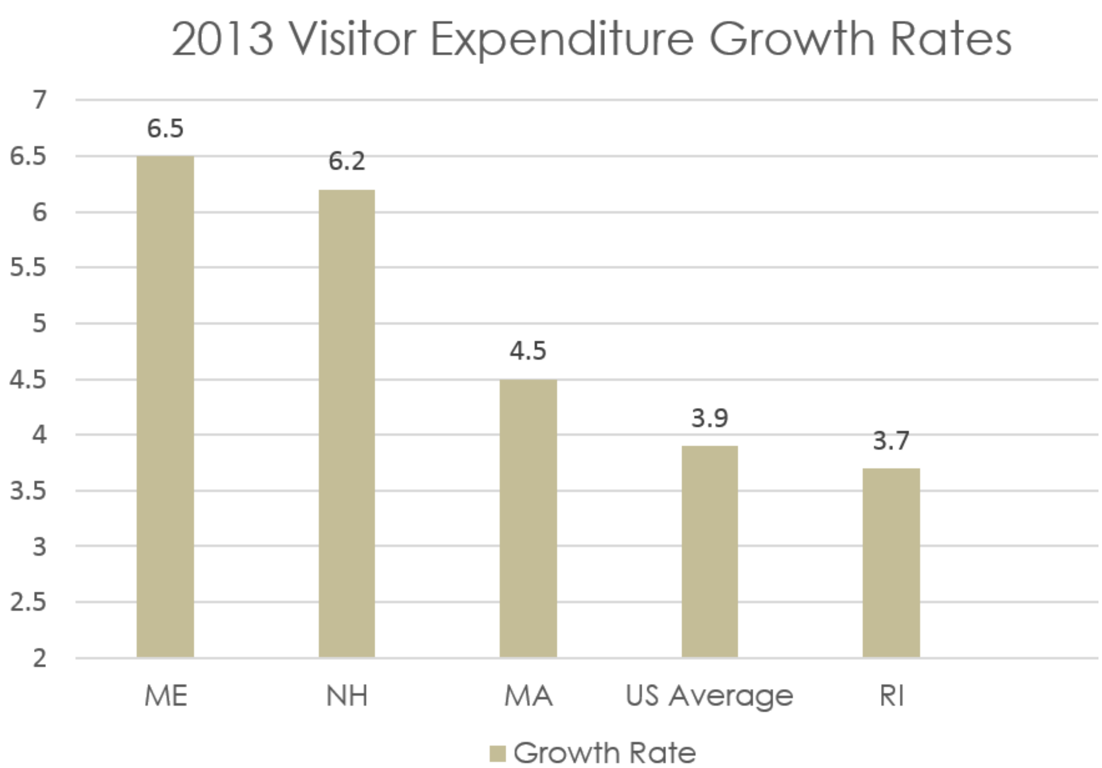
- This lack of proactive state-wide marketing is having a detrimental impact to the state. In past image studies conducted for the state, other regional competitors rank significantly higher on many attributes that are key in connecting and engaging visitors.

- Other regional competitors have undertaken advertising effectiveness studies that demonstrate their expanded branding and marketing efforts are connecting and engaging prospective visitors. Given the ongoing funding commitment of these competitors, these trends can be expected to continue in future years.

- This lack of marketing and brand presence is also an influencing factor on the state's declining market share of national tourism expenditures. Its share of national tourism expenditures has declined consistently since 2007. If the state had maintained a market share similar to what it had achieved in 2007, an additional $1.78 billion of additional visitor spending would have been attracted to the state in 2013 alone.



Source: NTG/TRC based on data from IHS and USTA

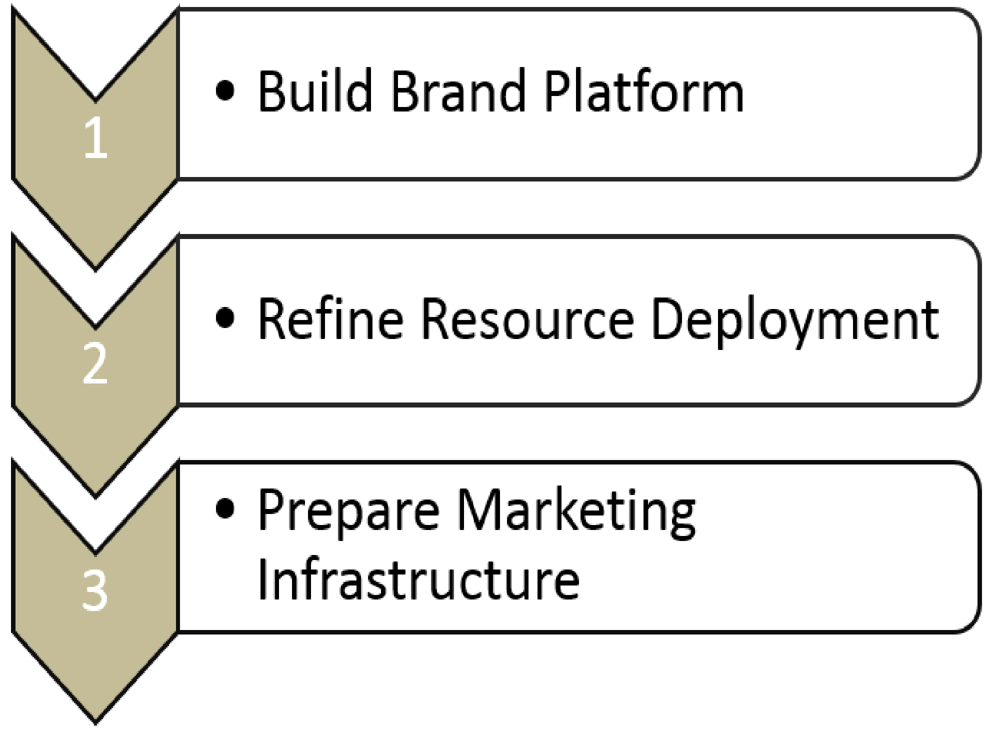


Source: NTG/TRC based on individual state visitor expenditure estimates 2013 over 2012

- These more aggressive branding, marketing and funding actions are also allowing regional competitors to achieve growth rates at levels of visitor expenditures significantly higher than Rhode Island.

- In order to reverse these trends, a new commitment to funding at a state-wide level needs to be made. A stabilized $4 million budget would position the state just above the median levels nationally when the state's population base or hotel room inventory is considered.

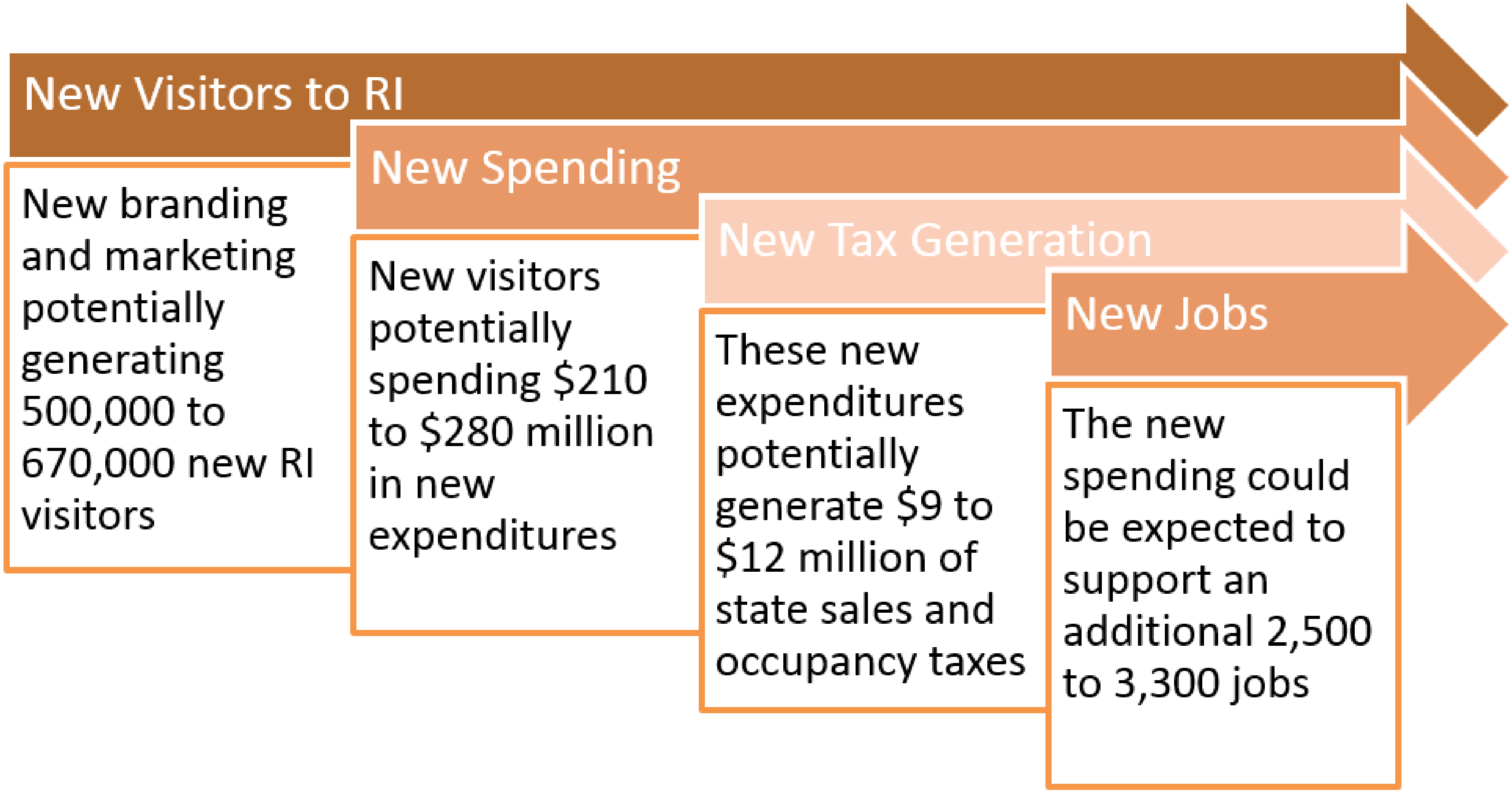
- These new resources would be directed towards three primary objectives: 1) Build a new Rhode Island statewide brand platform and associated marketing campaign, 2) Refine statewide marketing resource deployment, focusing much more on domestic advertising initiatives and aligning more closely with national norms, and 3) Prepare marketing infrastructure to support the more aggressive statewide position of the efforts.



- With these new resources and brand/marketing initiatives, the loss of market share trends can be reversed. Considering performance of a wide range of other state tourism marketing campaigns, NTG/TRC believes new visitor attraction and their spending should allow Rhode Island to be able to achieve between a 3 to 4 times return on investment when state sales and occupancy tax generation is considered.

Potential 3 to 4 times return on new tourism branding and marketing investment

- Considering performance ratios of IHS, an effective statewide campaign with these levels of return would result in approximately 500,00 to 670,000 new visits to the state. When the spending of these new visitors are considered, approximately $210 to $280 million of expenditures would be attracted to the state generating $9 to $12 million in state sales and occupancy tax. Importantly, this new spending could be expected to support an additional 2,500 to 3,300 additional jobs for the state.



- If the state continues with a "status quo" approach to a statewide branding and marketing presence, continuation of the past loss of market share can be expected. Based on tourism expenditure estimates from IHS Consulting and the US Travel Association, NTG/TRC estimates that for each one-tenth of a percentage point loss in market share, Rhode Island will lose approximately $900 million to other more aggressive competitors.
- A variety of new metrics should be tracked as new initiatives are launched to track and evaluate effectiveness.

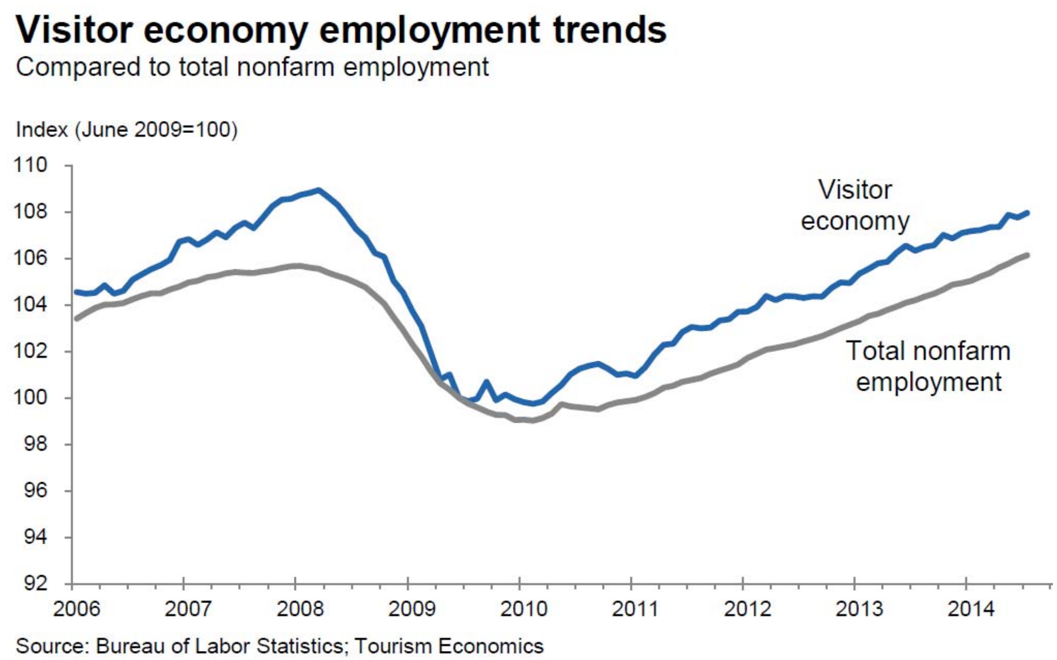
"Status Quo"
=
Likely Continued Loss in Market Share

2.0 Rhode Island in a Competitive Context

2.1 Funding of State Tourism Organizations

One of the most important factors influencing the successful attraction of both domestic and international visitors is the level to which a state competes and works to convince prospective visitors that their destinations should be at the top of the list. That is why every state in the nation operates and/or assists in funding a destination marketing organization (DMO,) most often a state tourism agency.

A recent study by Oxford Economics helps place the role of the visitor industry and its impacts to other economic elements of a destination's economy into perspective.



They demonstrated that the visitor industry has outpaced other industry sectors in terms of rebounding employment since the depths of the 2009 recession.

In the report, they also noted that destination marketing plays an integral and indispensable role in the competitiveness of the visitor economy by addressing the unique challenges and opportunities that each possess.

Destination marketing plays an integral and indispensable role in the competitiveness of the visitor economy by addressing its unique challenges.

That is why so many states have not only maintained, but increased their investments in statewide tourism marketing efforts. They recognized the healthy orientation of this economic cluster and recognize that much of the spending by external visitors can be directed to a certain destination with effective marketing and promotional activities.

This study also recognized that the impacts of successful destination marketing and promotion not only raises the profile of a destination and the likelihood of attracting additional visitors, it also can be a key factor in helping to stimulate new events and meetings that can often provide exposure to prospects that are sought by other statewide economic development efforts.

Improvements to air and road transportation accessibility can also evolve as a state's visitor industry expands, providing improved access and supply logistics to other non-related industries.

Finally, Oxford Economics recognizes that the amenities and experiences enjoyed by visitors are also important quality of life elements for residents. The additional spending that is attracted generated by outside visitors helps expand these amenities beyond what local resident expenditures alone could support.

Given this background, Rhode Island and its statewide tourism marketing can be evaluated. Most applicable to Rhode Island is the scale and orientation of funding within its regional New England competitors.

Source: Oxford Economics

The table on the following page outlines the level of funding for each of the six New England states for FY13/14 from the United States Tourism Association (USTA). The table reflects the level of funding to the state tourism agency, as well as that directed towards other regional destination marketing organizations within the individual states.

As shown in the table, Vermont, Maine, New Hampshire and Connecticut provides resources to grants or other regional organizational marketing purposes as part of the state's overall tourism budget and ranges from 3 to 13 percent of the total budget amounts. In the case of both Massachusetts and Rhode Island, the regional funding is in addition to the funds directed to the state agency. In the case of Massachusetts, the regional resources account for 38 percent of the total state agency and regional funding, while 93 percent is directed to the six tourism regions in Rhode Island.

New England State Tourism Funding FY13/14

State	State Agency Funding	State Agency Grants/Regional Funding *	External Grants/Regional Funding	Total Tourism Funding	Regional % of Funding
Maine	$9,271,000	$1,250,000	$0	$9,271,000	13%
New Hampshire	$6,891,425	$500,000	$0	$6,891,425	7%
Vermont	$3,137,885	$143,500	$0	$3,137,885	5%
Massachusetts	$15,900,000	$2,270,000	$6,000,000	$21,900,000	38%
Connecticut	$12,795,901	$350,000	$0	$12,795,901	3%
Rhode Island	$468,230	$0	$6,500,000	$6,968,230	93%
Average	$8,077,407			$10,160,740	
RI % of Average	6%			69%	

Source: USTA Survey of State Tourism Office Budgets and NTG/TRC
* Included in overall State Agency Funding amount

The table also reflects that while the $6.9 million of Rhode Island's total state tourism funding is approximately 69% of the average total funding commitment of the New England states, the $468,230 that was available for statewide marketing and building a statewide brand was only 6% of the New England regional average.

These regional resources are directed towards five DMOs located throughout the state: Blackstone Valley Tourism, the Providence/Warwick Convention and Visitor's Bureau, the Warwick Economic Development Council, Discover Newport, the South County Tourism Council, and the Block Island Tourism Council.

These resources are utilized to help market and promote the unique regional assets and experiences that are located in varying areas throughout the state and play an important role in connecting these regions with external visitors.
While these additional regional resources play an important role

Blackstone Valley Tourism	$348,852
Providence /Warwick CVB	$1,890,617
Warwick EDA	$644,900
Discover Newport	$2,531,155
South County Tourism Council	$857,081
Block Island Tourism Council	$264,825
Total Tourism Regions	$6,537,433

Source: RICC

in the overall marketing of the state, it allows only limited resources to be directed and focused on building a statewide brand and identity.

In the case of Rhode Island, the limited resources available for statewide branding have been influenced by legislative decisions which began in the mid-1990s. In Fiscal Year 1996 the funds used to execute the statewide brand were redirected to the State's general fund, in turn disinvesting in a statewide brand. It was at that time that the Economic Development Corporation became responsible for funding the activities that support statewide branding through its appropriation. Over the years, the agencies appropriation has significantly declined and therefore it has not received additional resources that can be invested.

The challenge of these agency resources can also be considered in relation to the broader array of funding for states across the country.

When Rhode Island is considered within a national context, the $468,230 level of funding positioned the state at the bottom of the list. This level of funding is low even given the small size of the state. When Rhode Island's budget is considered in relation to their population base, the state funds invested in statewide branding are at a level of $.45 per capita. When population levels of the states noted in the previous table are contrasted to their budgets, a national

US State Tourism Office Budget FY 2013/14

Hawaii	$82,000,000	15.5	South Dakota	$12,665,000	1.5
Florida	$69,556,042	22.1	Alabama	$11,632,431	16.5
California	$60,379,016	–3.0	Wyoming	$11,626,134	–9.1
New York	$60,000,000	215.8	Maryland	$11,426,332	7.8
Illinois	$51,477,609	1.2	Kentucky	$10,588,000	–7.9
Texas	$42,503,619	4.2	New Mexico	$10,332,300	24.5
Michigan	$31,440,000	14.6	North Carolina	$9,914,457	–1.6
Arizona	$24,723,353	22.8	Maine	$9,271,000	4.6
Virginia	$20,814,380	19.7	New Jersey	$9,000,000	0.0
Tennessee	$19,200,400	79.6	Pennsylvania	$7,435,000	28.0
Louisiana	$18,768,245	–18.0	New Hampshire	$6,891,425	–0.1
Alaska	$18,700,000	0.0	Georgia	$6,707,699	–1.4
South	$17,337,043	38.2	Mississippi	$6,420,243	1.8
Arkansas	$16,919,142	–0.4	North Dakota	$5,537,331	15.7
Massachusetts	$15,900,000	24.2	Nebraska	$4,888,931	10.8
Nevada	$15,340,702	7.5	Iowa	$4,822,132	19.2
Wisconsin	$15,232,200	2.0	Vermont	$3,137,885	–2.1
Colorado	$15,000,000	10.0	Indiana	$2,400,000	0.0
Oklahoma	$14,286,994	7.4	Delaware	$2,200,000	0.0
Montana	$14,243,528	–2.4	Rhode Island	$468,230	NA
Minnesota	$13,928,000	62.8	Total	$837,593,580	15.5
Oregon	$13,725,000	7.5	Average	$19,036,218	15.5
Utah	$13,401,150	27.3	Median	$13,563,075	12.9
Missouri	$13,024,956	12.9			
Connecticut	$12,795,901	24.5			

Source: United States Travel Association - Survey of State Tourism Office Budgets and RICC median of $2.77 per capita is derived, thus Rhode Island is 85% below this national median. This funding level can also be considered in terms of the number of hotel rooms in the state. With just over 10,000 rooms in the state, Rhode Island statewide marketing funding translates to $45 per room, a level approximately 85% below the $272 average for the six state New England region.

A closer examination of some of Rhode Island's more aggressive competitors also puts these competitive realities into perspective.

Maine - Since 2005, this state has consistently funded its tourism industry at annual levels of between $7.5 and $9 million dollars. The funding is provided through a dedicated 5% allocation of the state's 7% meals and room sales tax. The Maine Office of Tourism commits approximately 10% of their annual budget to 8 regions throughout the state for cooperative marketing initiatives through their Maine Tourism Marketing Partnership Program.

This has allowed the state to maintain an aggressive marketing campaign designed around "The Maine Thing." A mix of paid media, public relations, email marketing, social media, fulfillment, international marketing and trade shows are incorporated to build new visitor interest and demand in the state.

The campaign works to "evoke emotional connections" with prospective visitors and incorporates a range of themes and targets, all around "The Maine Thing" brand. This level of fiscal commitment and aggressive initiatives is targeted to help them fulfill their mission to "Become the Premiere Four Season Destination in New England."

Connecticut - After two years of committing no resources to tourism marketing, in 2012 the Governor announced a two year, $24 million marketing initiative to develop, foster and stimulate the state's brand identity and bolster its reputation as a business and tourism destination. Governor Mallory has recognized the power and potential of using the visitor industry for broader economic development purposes.

> ***"For the last two years, Connecticut has been the only state in the region to have allocated no marketing money for stimulating business development and tourism. As we looked at competing states' branding plans, we knew we needed to advertise the state aggressively as a great place to do business and visit. This smart new strategy, leveraging the state's investment in tourism to further economic development goals for attracting new business and recruiting new talent, will help us get there."***
>
> **Governor Dannel P. Malloy**

Approximately $13 million was expended in FY13/14 and focused on a new branding initiative and rollout built around a "Connecticut Still Revolutionary" theme. These recent investments are estimated to have generated $219 million of tourism spending, with the associated tax generation more than paying for the state's investment.

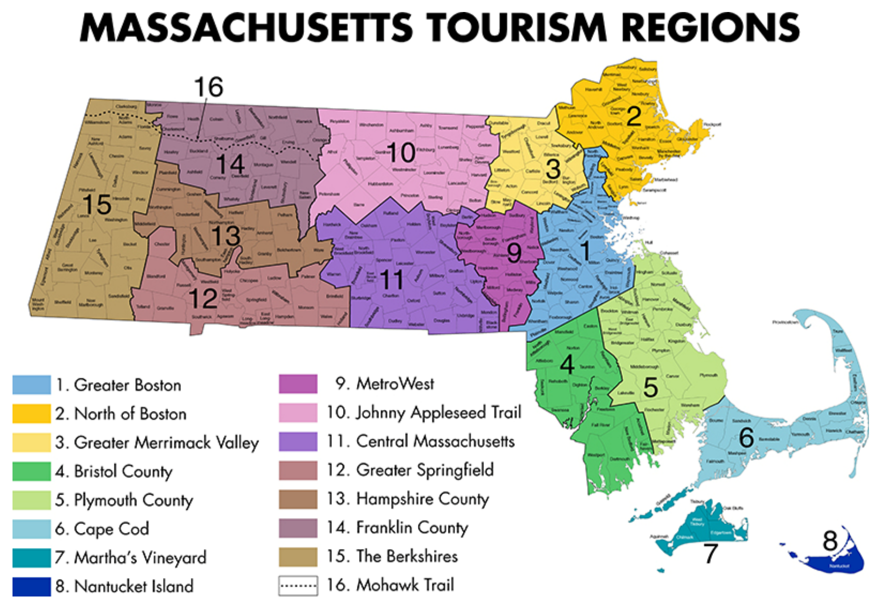
The state is supported in its marketing efforts with 3 tourism regions, representing the eastern, central and western regions of the state. Connecticut has refined these regional operations a number of times in the past. In the 1990s the state possessed 11 regions, but this was reduced to 5 regions in 2003. The state reduced these further in 2009 to the current 3 regional operations. There have been discussions of refining the regional allocation further, in favor of a broader grant program in which the regional entities, as well as other organizations, would compete for the funds. While these revisions were discussed in relation to the state's new funding commitment, the current regional allocation has been maintained.

Massachusetts

In FY2009, the state dropped its commitment to the Massachusetts Office of Travel and Tourism (MOTT) from approximately $12 million, to between $6 and $8 million in each of the next 3 years. It reversed this trend in FY2013/14, increasing funding to approximately $16 million.

Massachusetts' current campaign is focused around a tagline "Its All here" and is directed towards positioning Massachusetts as a place to study, live, work, vacation, or grow a business. While the campaign had previously been used for broader economic development purposes, the tourism industry has now embraced it and is leveraging the visitor industry to build interest in Massachusetts.

In addition to the state directed funds, an additional $6 million is allocated to the state's 16 tourism regions and their associated Regional Tourism Councils through a Regional Grant program. The grant program is administered by MOTT and requires a one to one match of non-governmental resources.



2.2 Deployment of Tourism Resources

In addition to the overall level of resources the Rhode Island state tourism office possesses, it is also important to consider how the resources are deployed. Typically, state resources are directed to one of the following seven main promotional categories:

1. Domestic Advertising (including media and production)
2. International Advertising (including media and production)
3. Domestic Sales Promotion
4. International Sales Promotion
5. Cooperative Marketing (Including Domestic and International)
6. Press and Public Relations
7. Grants (including matching and direct grants)

The following table identifies the average percentage allocation of promotional resources across the seven categories and further explanation within each area follows.

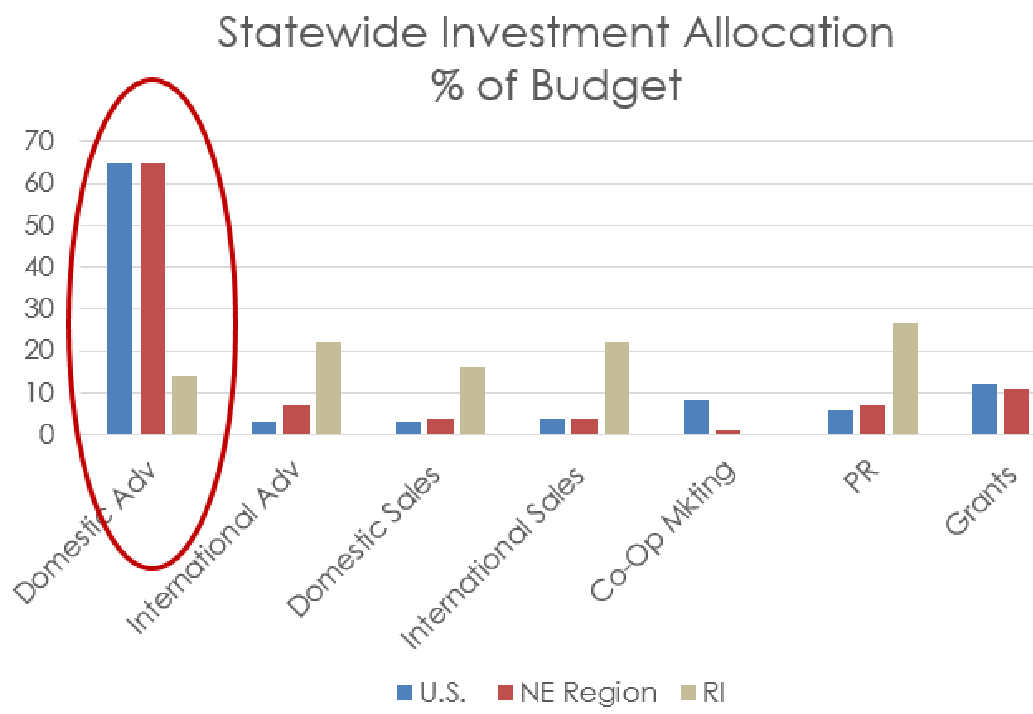
Percentages and Amounts of Total Budgets Allocated by Deployment Categories

	Domestic Advertising	Int'l Advertising	Dom. Sales	Int'l Sales	Coop. Marketing	Public Relations	Grants
US Average	65%	3%	3%	4%	8%	6%	12%
New England Regional Average	65%	7%	4%	4%	1%	7%	14%
Rhode Island	14%	22%	16%	22%	0%	27%	0% **

Source: United States Travel Association - Survey of State Tourism Office Budgets
**Does not include the $6.5 million in regional grants made outside of RI state agency

Domestic Advertising
Expenses in this category reflect all expenses associated with any advertising within either regional feeder or US national consumer markets. Print, broadcast and digital media advertising expenses for space or air time, plus all production expenses are included in this category.

As shown in the previous table, this is where most states dedicate the bulk of their promotional resources, with approximately two thirds of the promotional resources dedicated to these uses by both national and regional groups. By comparison, Rhode Island has undertaken very little domestic advertising, and that has occurred and been refocused in digital marketing initiatives. With the very limited funds available, the state has relied on regional organizations to develop awareness and brand positioning in external visitors' minds.



Source: USTA and NTG/TRC

International Advertising
Media expenses in this category are associated solely with placements that reach markets outside of the US. In some states, a significant portion of this advertising is often part of a broader co-op advertising program often led by the state or, in some cases, a regional partnership like "Discover New England."

On a national basis, approximately 3% of promotional resources are directed to this category. Given the more prominent position of the northeast portions of the U.S. in international markets, a larger 7% is dedicated in the New England states. Rhode Island has participated in these international efforts primarily through its efforts with Discover New England. While a higher percentage at 22%, this is primarily a function of the smaller overall budget the state possesses, the minimum funding required fro Discover New England and its lack of a significant domestic advertising initiative.

Domestic Sales Promotions
Domestic sales promotions are most often associated with specific venues or trade shows that put local sales agents

in direct contact with third party booking agents. Usually, these domestic customers are either package tour wholesalers and/or bus tour operators. Some states would classify direct sales contacts with "receptive travel agents" domiciled and working in gateway destinations in the U.S. as domestic promotions. These agents represent foreign group travel segments to U.S. destinations and travel operators/wholesalers.

Both on a national and regional basis, only 3 to 4% of the overall promotional budget is allocated to these efforts. Rhode Island has participated with entities like Star Destination Family Tour, National Tour Association, American Bus Association and Group Tour Media. These are reasonable deployments and reputable entities, but again because of the small overall budget of the state, this translates into approximately 16% of the total resources being dedicated to these sales initiatives.

International Sales Promotions

Expenses that are classified in this way are most often associated with two primary marketing elements or disciplines. Commonly, many states retain in-market overseas representation to support access to target consumers. These travel professionals act as a day to day contact and information source to overseas travel consumers and tour operators. Secondly, several large, well established trade shows and hosted buyer exhibitions are produced throughout Europe and Asia. Expenses associated with maintaining a direct sales presence at these venues are included and classified within this category.

On both a national and regional basis, 4% of total resources are directed to these sales related efforts. The larger 22% for Rhode Island again reflects its participation and funding of Discover New England, with approximately half of the allocation considered as international advertising and the other half as international sales.

Cooperative Marketing

These are expenses associated with the state's share of any cooperative programs they undertake in conjunction with other tourism marketing organizations located throughout their state. These resources leverage regional resources and work to reinforce statewide branding efforts. Additionally, most states classify research, inquiry fulfillment and printing and production as cooperative marketing expenses. Nationally, approximately 8% of total promotional resources are directed to these uses. It should be recognized that while Rhode Island does not have any cooperative programs, the state does fund six of the regional organizations as previously noted in Section 2.1.

Press and Public Relations

A critical marketing platform supporting brand awareness, public and press relations are important marketing executions that support and in some cases, replace advertising as the primary communications platform for state travel and tourism agencies. These initiatives may include domestic and/or overseas representation that focuses on developing and placing story material in consumer travel-oriented publications, online travel blogs and broadcast media. On both a national and regional basis, approximately 6 to 7% of promotional resources are dedicated to public relations activities. Again, Rhode Island is significantly above these averages at 27%, but this again is primarily a function of the smaller overall budget the state possesses and its lack of a significant domestic advertising initiative.

Grants
Many state tourism agencies offer cooperative matching grant funds to municipal and regional destination marketing organizations or private sector partners that develop localized promotions and direct sales initiatives most often within a broader state promotion or branding program. On average, just over 10% of the total promotional resources are dedicated to these types of grant programs. As previously noted, Rhode Island and Massachusetts both provide regional funding through a separate allocation outside of the state tourism agency.

Comparing Rhode Island to Others
Through this review a variety of key points can be made:

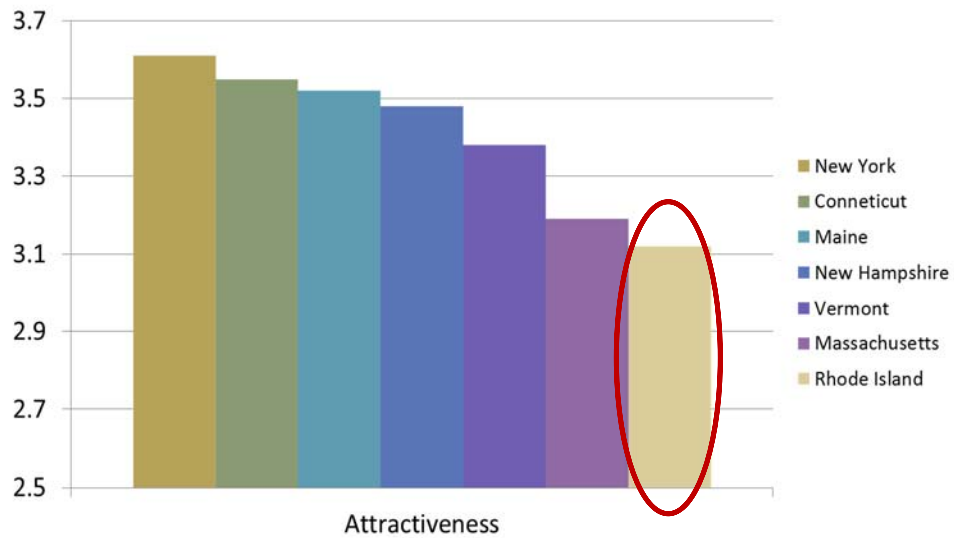
- Rhode Island has recently invested $6.9 million of total tourism related resources, but only $468,230 has been directed to state-wide branding and marketing efforts.
- While the state provides resources to a variety of regional organizations and they perform an import role in communicating unique tourism elements in each of their areas, these entities do not have the responsibility of branding or positioning the overall state in an external visitor's mind.
- Many neighboring states not only have a much larger state agency budget than Rhode Island, they also enjoy increased fiscal commitments and can thus expect to play an even greater competitive role in the near term.
- Rhode Island's variance in its deployment strategy of the promotional resources is largely a function of the small budget. As it relates to its international expenditures, the state has few options as its investment level is directed by the Discover New England organization. As will be shown later in this report, with a more reasonable state budget a deployment structure more similar to national and regional averages can be experienced.

3.0 Competitive Implications

3.1 The Image and Perception of Rhode Island

The limited investment of a statewide marketing effort to position the state as a compelling visitor destination, teamed with the increasingly aggressive competitive environment, has had a clear detrimental impact to the state's visitor industry. One way to consider the state's competitive position is to evaluate how prospective visitors perceive the state, particularly in relation to other New England competitors. This type of Image and Perception study was conducted as part of a broader tourism strategic planning initiative undertaken by Rhode Island's Commerce Corporation in 2010 and 2011, a timeframe prior to the more recent increases in marketing efforts from states like Connecticut and Massachusetts.

Attractiveness as a Visitor Destination



1-5 Scale Very Unattractive to Very Attractive

Rhode Island's Ranking Among New England States

Feeling	RI Rank
Boring	2nd
Surprising	6th
Cultural	6th
Quaint	6th
Diverse	6th
Quiet	6th
Peaceful	7th
Hip	7th
Fun	7th
Luxurious	7th
Charming	7th
Romantic	7th
Relaxing	7th
Friendly	7th
Sophisticated	7th
Beautiful	7th

The findings demonstrated the general lack of identity Rhode Island possessed. When asked about the overall attractiveness of the various New England states, Rhode Island was rated the least attractive.

When more detailed questions were asked relating to the what states they associated various feelings with, Rhode Island ranked either 6th or 7th on a broad range of factors. Feelings like surprising, diverse, romantic, and beautiful play an important role in driving a destination decision. Other New England states were much more frequently associated with these attributes. The one feeling Rhode Island placed 2nd on was "Boring."

These results should not be surprising, as the state has had very limited resources to develop or build brand identity with these prospective visitors at a statewide level. While it could be argued that Rhode Island has assets that should allow it to be viewed much more positively, other competitors have been able to connect more with visitors.

3.2 Rhode Island Market Share Trends

The increasingly competitive visitor marketplace and the implications to Rhode Island can also be seen when considering an all important metric, visitor spending market share. Since 2007, Rhode Island has used one of the world's most well recognized firms in estimating visitor spending and economic impact, IHS Consulting.

IHS uses a commonly applied Tourism Satellite Accounts (TSA) methodology to develop visitor spending estimates. While many destinations consider visitors must travel 50 or more miles to be considered for spending purposes, Rhode Island's small size influenced IHS to also consider those more closely located visitors in calculating spending estimates.

Market Share Capture
Visitor Expenditures ($Billion)

Year	IHS RI TSA +under 50 miles	USTA US Total	TSA +under 50 RI Mkt Share
2007	$6.37	$738.0	0.86%
2008	$5.27	$772.5	0.68%
2009	$5.07	$699.8	0.72%
2010	$5.22	$747.4	0.70%
2011	$5.52	$812.7	0.68%
2012	$5.67	$854.2	0.66%
2013	$5.88	$887.9	0.66%

Source: IHS, USTA and NTG/TRC

When these Rhode Island expenditures are contrasted to total U.S. visitor expenditures as estimated by the United States Travel Association (USTA), a disturbing trend in clear, Rhode Island is losing market share.

In 2007, the state attracted .86% of all tourism spending in the United States. While that may seem like a relatively small percentage, total expenditures are so large, that meant $6.37 billion of visitor spending was attracted to Rhode Island.

Visitor spending market share has thus fallen from its .86% level in 2007 to only .66% in 2013. This has very clearly negatively impacted Rhode Island and its many tourism related businesses. If the state had maintained a capture rate similar to that it has demonstrated it can achieve in 2007, an additional $1.78 billion of additional visitor spending would have been attracted to the state in 2013. Using IHS factors,

Rhode Island Lost Opportunity

- *$1.78 billion visitor spending*
- *20,000 + additional jobs supported*

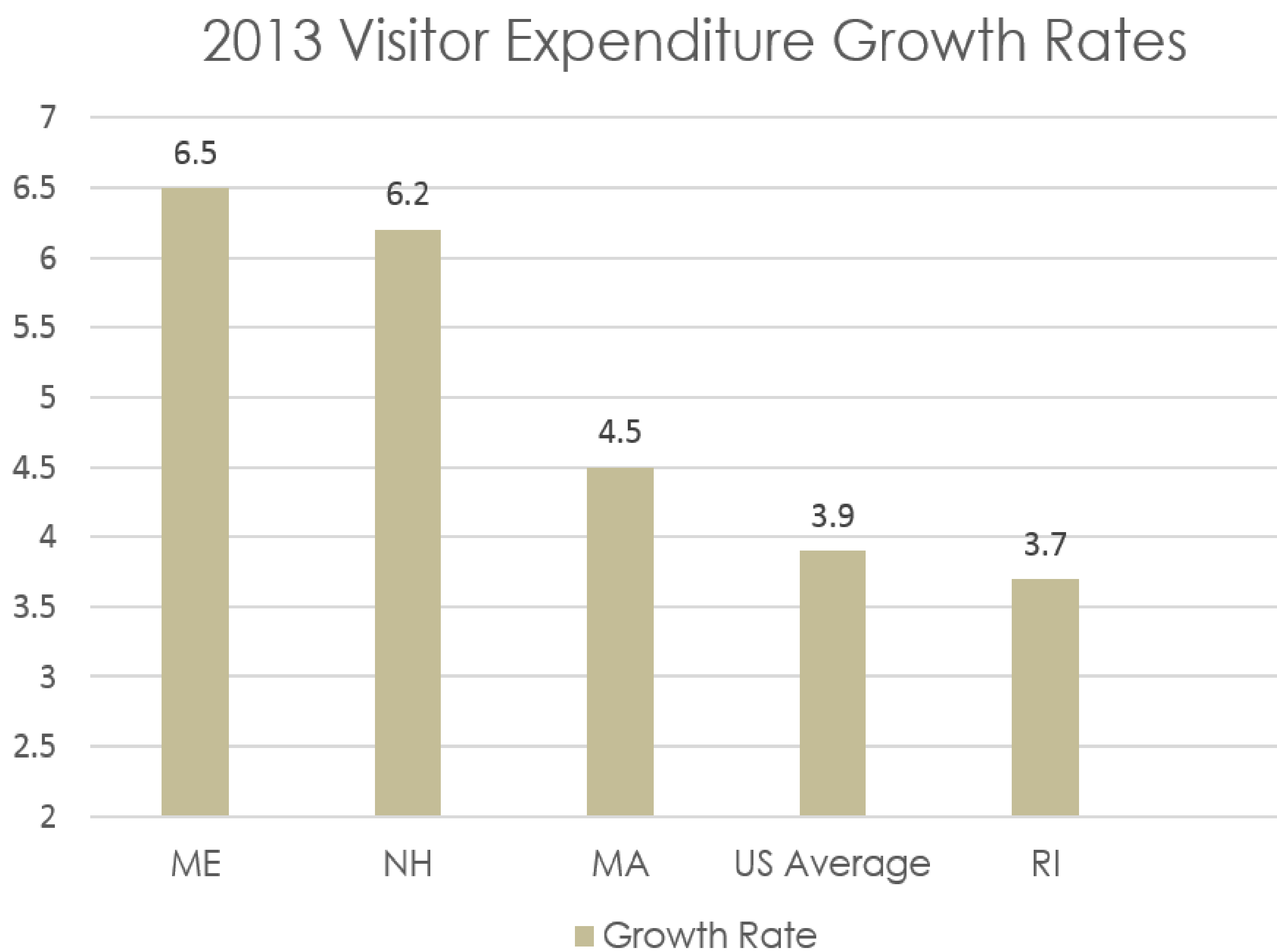
this additional spending could have potentially supported over 20,000 additional Rhode Island jobs.

This same type of market share data cannot be developed for the New England region as the states use differing methodologies, frequencies, and contractors to estimate their level of visitor spending.

However, Rhode Island can be contrasted to the New England states that have developed estimates of 2013 visitor spending and the growth rate over 2012 levels.

As shown, Rhode Island's growth rate was similar to national averages, but other New England states have been able to outpace these national norms. When compared to these other New England states growth rates, Rhode Island is just over half that achieved by Maine and New Hampshire and is about 20 percent below that of Massachusetts.

While Vermont does not provide spending data for 2012 or 2013, one indicator they use to provide insights as to performance is bed tax collections. When these 2013 collections are compared to the previous year, Vermont shows just over a 7 percent annual increase. While not directly comparable, it does indicate that they were likely experiencing performance closer to the other



Source: NTG/TRC based on individual state visitor expenditure estimates 2013 over 2012

New England competitors.

One other important New England state is Connecticut and their recent $15 million annual expenditure in 2012. While the state does not provide estimates of total visitor spending, they did undertake new research to estimate the level of new visitation and spending their renewed marketing and branding efforts generated. Findings, as reported by the Connecticut Office of Tourism, indicated the following:

- Fully 53% of people who saw the campaign ads are interested in visiting, claim to have visited or plan to visit as a result of seeing the ads,
- A 215% increase in visits to the state's official tourism website, CTvisit.com, has been experienced,
- Approximately $219 million has been generated in tourism spending through summer 2013 from the campaign,
- Approximately 200% of Connecticut leisure and hospitality sector jobs have recovered since the recession and is the only major industry sector to experience faster employment growth in 2012 than in 2011.

These New England regional examples indicate that Rhode Island is not only losing market share within the nation overall, their other New England competitors are achieving greater success and growing at rates above that of Rhode Island.

4.0 Marketing and Branding Deployments

4.1 Rhode Island Target State Budget and Objectives

Proposed Investment in Tourism Promotion

Given the current competitive and comparable position, image and perception realities and loss of market share impacts, a much more significant statewide marketing and branding initiative is required. Considering the averages presented in Section 2.1, if Rhode Island was to commit state branding resources similar to national median levels considering both the population base and hotel room inventory of the state, a level of approximately $3 million would be indicated. Given the lack of identity and recognition the state currently possesses, a initial year launch budget approximately 1/3rd above this stabilized level ($4,000,000) would be recommended.

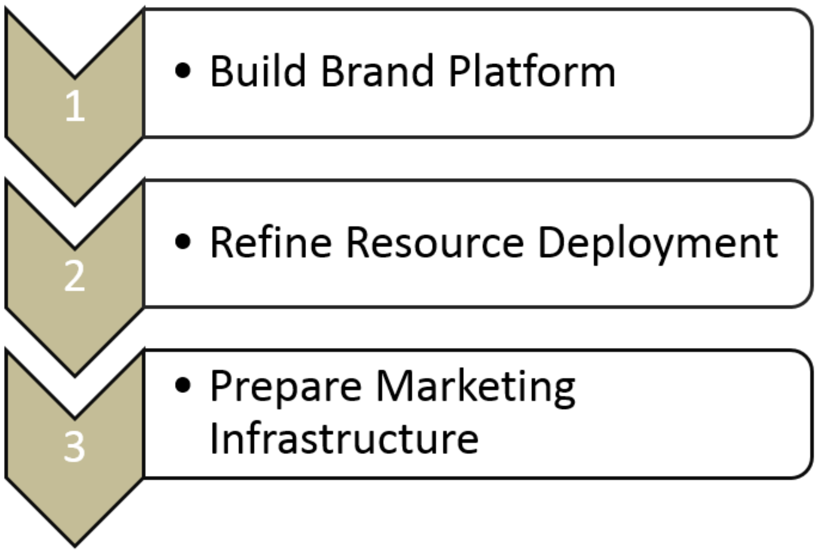
Proposed Deployment of New Resources – Initial Objectives

With these new resources, three key initial objectives would be prioritized, including:

1. Build a Brand Platform - develop a cohesive brand and marketing strategy for Rhode Island as a desirable visitor destination in America's East Coast that differentiates itself from other New England competitors.

2. Refine resource deployment - with new resources and brand, work to integrate with all direct advertising in both domestic and international markets; all direct sales promotions in both domestic and international markets; all public relations initiatives and disciplines; and all potential cooperative marketing programs that may include the state's regional promotional entities.

3. Prepare the marketing infrastructure - ensure supporting infrastructure is in place to implement new programs including: technology, leading edge web-based deployments, human resource deployments, fulfillment of new customer inquiries and programmatic support in ongoing product development initiatives that differentiate the state brand from the regional competition.



4.2 Budget Allocation

As previously noted, an initial first year budget of $4,000,000 is recommended to allow for a more aggressive initial year launch campaign. These resources should be deployed as follows.

Building the Brand Platform – <u>Proposed Budget $200,000</u>

Issue an RFP to identify and retain the appropriate third party resources to lead the brand development processes. In addition to third party expertise, the initial budget should include comprehensive consumer research, inclusive Rhode Island tourism professionals and industry leadership consultation, and state resident opinion gathering as essential foundations in the process. As detailed in IACVB's 2005 *<u>Destination Brand Science</u>* by Knapp and Sherwin, the most effective process in developing a "genuine destination brand focuses solely on strategy not promotion or visuals." Knapp describes the Destination Brand Doctrine Process that includes 5 primary action steps:

1. Assessing the destination's current situation, brand and future prospects - The situational analysis should include a thorough review of the perceptions and values current customers hold when thinking of Rhode Island in a competitive context. The array of customer segments should include a full cross-section of leisure guests, domestic and international; professional event organizers and meeting planners; travel media and tour wholesalers. The assessment should also take into account relevant economic conditions, travel industry trends, demographic and psychographic analytics influencing consumer behavior.

2. Developing the Brand Promise Commitment - This step is the foundation of the process and essentially reflects the value proposition the destination offers its customer. This promise should be tested with an array of customer segments to substantiate the factors that differentiate Rhode Island as a destination.

3. Creating the Brand Blueprint - Once the value proposition or promise is substantiated and differentiated, the blueprint can be developed. It should outline the various disciplines used to communicate the proposition including, the name and the representation (logo), bylines and tag lines and any unique stories or anecdotes which may bring the promise to life in a compelling way. Crafting the actual campaign themes and messaging strategies is usually a collaborative process that includes decision makers and stakeholders supported by creative professionals employed to serve as advisors in the process.

4. Finalizing a Brand Culturalization plan that can be used by the state and its tourism partners - This strategic action plan integrates all previous phases of the process. The written plan should include and articulate all of the research that supports and justifies the rationale serving as the foundation of the process outcomes. Equally important is the creative execution and market delivery strategy associated with a media and public relations plan. Once developed, this plan is the tool to garner stakeholder support and "buy-in" while encourages adoption and

utilization by all industry partners.

5. Establishing Brand Advantages - The advantages are effectively those elements of the essence of the brand that differentiate the destination product and the experiences it offers the current or prospective consumer or customer. The distinctive elements of the brand are the differentiators that become the essence of the unique selling propositions separating Rhode Island from its competitive set.

It is only after this strategic platform is established that creative execution of the strategy can be developed effectively by appropriate advertising executives and subsequent direct media placement strategies can be employed.

Domestic Advertising – Proposed Budget - $2,300,000
Using the expertise of a qualified media placement professional, establish an initial media buy that begins the process of building new awareness of Rhode Island as a desirable destination. Take advantage of affordable, effective media options in print, digital and broadcast outlets that synergize the collective buy within the New England and Mid-Atlantic regions.

Significant new efforts will also be required to develop, refine and manage the electronic capabilities of the program, focusing on a new web presence that reinforces the new brand and integrates key marketing themes. Innovative ways to engage prospective visitors will be required in these efforts and should be carried through in other social media channels. While these electronic and digital initiatives

International Advertising – Proposed Budget - $150,000
Maximize Rhode Island's position as an integral travel asset in the New England region by investing aggressively in every opportunity available through DISCOVER NEW ENGLAND. Forge partnerships with the other New England states, particularly Massachusetts and Connecticut that expand the budget's impact.

Domestic Sales – Proposed Budget $75,000
Take advantage of every domestic sales venue that allows the state to reposition itself as a viable option for operators and wholesalers by serving up the unique travel experiences that differentiate Rhode Island and the brand promise.

International Sales Promotions – Proposed Budget - $100,000
Expand and take advantage of all *Brand USA* cooperative sales and marketing promotions that introduce the brand and Rhode Island's unique product differentiators. Investigate the feasibility of co-participation in important overseas sales venues that offer an expanded New England regional presence and position. Consider co-funding overseas representation with one or more New England partner states.

Cooperative Marketing Programs – Proposed Budget – $100,000

Encourage and expand brand placement and position by offering cooperative platforms and programs to the tourism regions and the private sector in Rhode Island. The cooperative marketing initiatives should be focused on serving up the regional product experiences within the state. Reward the regions that pursue the development of linked and integrated product experiences within and inter-regional context.

Public Relations – Proposed Budget - $250,000

Support all domestic and international target markets with an aggressive public relations program that enhances the media placement schedule. Seek unique digital publications, blogs and social media platforms that strengthen awareness of the Rhode Island Brand and its unique travel products. Consider cooperative PR representation in key overseas feeder markets with direct air service to the New England hubs.

Administrative, Human Resources and Marketing Infrastructure – Proposed Budget - $825,000

Marketing Infrastructure

As these expanded branding and marketing initiatives are crafted, an evaluation of the infrastructure to support the programs should be made, particularly focusing on the electronic resources that will allow the state to maintain and expand engagement with prospective visitors. Following the initial infrastructure assessment, invest in tech and digital marketing assets designed to enhance engagement with the domestic and international consumer. Increase emphasis on multi-lingual collateral development used to serve up Rhode Island products to the international and domestic travel trade in addition to all consumer segments.

Approximately $300,000 of this line item is envisioned to support these efforts.

Administrative and Human Resources

An aggressive marketing and destination branding program requires talented professional expertise to implement initiatives that reach the targeted consumer and trade markets. Some additional staffing and support resources would be required to help ensure that the office is prepared to respond and manage the expanded scope of these efforts. Approximately $525,000 of this line item is directed to these uses.

Through these deployments, Rhode Island would be very similar to national averages.

	Launch Budget	Launch Budget %	US Avg %
Branding	$200,000		
Domestic Advertising	$2,300,000	77%	65%
International Advertising	$150,000	5%	3%
Domestic Sales	$75,000	3%	3%
International Sales	$100,000	3%	4%
Co-operative	$100,000	3%	8%
Public Relations	$250,000	8%	6%
Administration & Mkting Infrastructure	$825,000		
Total	$4,000,000		
Promotional	$2,975,000		

Source: NTG/TRC and USTA

4.0 Prospective Impacts of New Initiatives

4.1 Considering Return on Investment

As presented in Section 2.1, states across the country invest in a state tourism office and their associated marketing efforts. Recent shifts in both Massachusetts and Connecticut demonstrate how others are increasing these investments to even greater levels. They undertake these investments because they believe they will pay dividends to the state through increased visitor attraction, spending and tax generation.

States have worked to better understand the return on investment (ROI) these marketing efforts bring by estimating the simulative effects to new visitor attraction and spending relative to the investment in the marketing initiatives. Rhode Island can gain insights as to what kind of return these new investments could have by looking at results from other states.

A caveat has to be recognized in looking to these other ROI findings. The visitor industry has not developed a standardize agreement on the factors and their makeup in developing an ROI factor. Different universities, private sector companies or tourism organizations will use different inputs in the process such as:

Marketing Costs - are all associated costs included considering an allocation of staff salaries, website costs, etc., or just the actual creative and placement costs of the campaign.

Stimulated Visitor Attraction - varying methodologies are used to estimate the level of new visitation stimulated by the marketing efforts and the associated spending of the new visitors.

Direct and Indirect Impacts - some will consider only the direct spending impacts when considering tax generation, while others will consider both direct and indirect impacts.

While utilizing somewhat varying inputs they most typically provide some understanding of the relate the level of state and local tax revenue generated for the costs of the initiative.

PURE MICHIGAN®

One of the most cited state tourism campaigns in recent years has been Michigan and its Pure Michigan brand. While facing one of the most challenging economic downturns in the nation, the state saw tourism as an important base industry that could attract new spending to the state.

Of the $13 million that was expended in out of state advertising during 2013, Longwood's International estimated a ROI of $6.66 to $1 had been achieved. This is up from $5.67 to $1 in 2012 and when the campaign's full 2006-2013 time period is considered, a $4.5 to $1 factor is estimated to have occurred. Michigan recognizes the importance of ongoing marketing efforts and has incorporated an ROI marketing objective of $6 to $1 in their 2012-1017 Strategic Plan.

California is another state that has heavily invested to drive new visitors to their state. They have consistently allocated over $50 million annually to state tourism promotional initiatives since 2007. Their most recent ROI study was conducted in 2011 by Strategic Marketing and Research and it found an ROI of $19 to $1 with the campaign. Similar findings were experienced in studies conducted in 2009 ($20 to $1) and 2010 ($18 to $1)

On a more regional basis, New Hampshire and the Department of Travel and Tourism Development worked with Plymouth State University and undertook an ROI analysis in 2013 for its tourism promotion activities. The University found a $9 to $1 ROI was achieved by the Department. Similar to California, the University has been undertaking this analysis for the last number of years and has found similar factors since 2009.

As presented in Section 3, Connecticut launched their new $24 million two-year tourism promotion initiative in 2012. The state estimates the program stimulated $219 million in new visitor spending within the state. While a specific ROI factor is not cited, they note that the resulting visitor spending and tax generation covers the state's investment in the program.

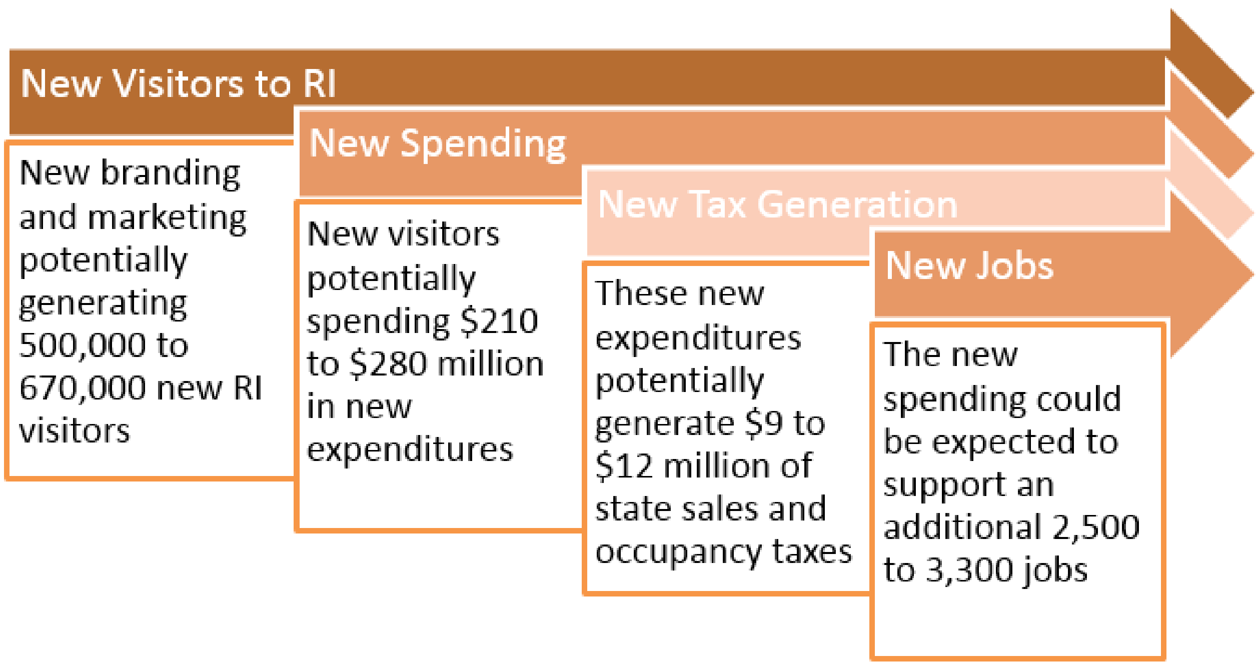
In addition to these examples, the NTG/TRC team reviewed more than 10 other analysis that demonstrated ROI factors ranging from $2.5 to $20 to $1. These examples demonstrate what most other businesses across the county understand; marketing works! The expenditure to connect, engage and motivate customers can frequently far outweigh the costs of a campaign.

4.2 Rhode Island's Opportunity

As presented in Section 4.1, a $4,000,000 initial investment launch is recommended, followed by a stabilized investment of $3 to 4 million in future years. If these resources are deployed as outlined in Section 4 and an effective branding and marketing program is executed, Rhode Island should experience a strong ROI on these resources. This is particularly the case, because the lack of a cohesive statewide brand, limited recent state marketing resources and aggressive expanded marketing efforts of regional competitors have allowed others to gain visitation and the associated expenditures.

While results will clearly depend on the quality and effectiveness of new marketing efforts, NTG/TRC believes that the state should be able to experience returns in the 3 to 4 times their campaign expenditure level. This assumes an effective new brand is developed, a marketing campaign is crafted that effectively differentiates the state and resources deployed in an effective manner with a strong domestic advertising campaign. Considering performance ratios of IHS Consulting and their 2013 Rhode Island Tourism Report, an effective statewide campaign with these levels of return would result in approximately 500,00 to 670,000 new visits to the state. When the spending of these new visitors are considered, approximately $210 to $280 million of expenditures would be attracted to the state generating $9 to $12 million in state sales and occupancy tax. Importantly, this new spending could be expected to support an additional 2,500 to 3,300 additional jobs for the state.

It is important to note that any performance above a 1 to 1 factor would more than pay for the state's investment.



4.3 The Risk of Status Quo

Section 3.0 demonstrated the impacts the lack of a cohesive state brand and marketing presence has had on visitor perceptions and market share. As previously noted, this drop in market share since 2007 from .86 to .66 has cost the state $1.78 billion in spending last year alone.

Given the aggressive nature of regional competition, these trends can be anticipated to continue into the future if the state maintains a "status quo" position in in state-wide marketing and promotion initiatives. It is critical to remember that for each tenth of a percentage point loss in market share, Rhode Island will lose an additional $900 million in visitor spending, spending that could have supported jobs and brought new tax revenue into the state.

4.3 Monitoring Performance and Program Effectiveness

Consistent with the work of DMAI's standardized performance measurements and metrics, the team suggests a combination of approaches to measure progress in the marketing campaign moving forward.

Since calls to action from paid media will direct the consumer to a new, dynamic state tourism website, the key metrics associated with the campaign will be associated with traffic and website activity. The following metrics should be tracked on a monthly basis, considering comparisons to previous months and to pervious years.

Website Statistics

- Number of unique visits
- Length of time on the site
- Bounce rates
- Intent to travel
- Visits to various pages
- Responses to specific promotions on the site

In addition to these website metrics, a mix of activity measures should also be tracked including the following direct sales and pubic relations metrics.

- Tradeshow Participation
- Familiarization Tours
- Sales Missions
- Lead Generation
- Sales Calls
- Prospective Client Events
- Client Site Inspections
- New Itineraries developed

- Advertising Equivalency
- Ad Impressions

This collective set of metrics can be used to in conjunction with a dedicated analysis of the actual performance and return on investment of the new developed brand and subsequent advertising campaign. An advertising effectiveness study as referenced in Section 4.1 should be undertaken within twelve months of the launch of the new branding and marketing initiative. This study would focus on key markets in which the campaign was run and would survey prospective visitors, identifying advertising recall, brand identification, intent to travel and overall destination identity. Findings from the study would then be used to estimate levels of new visitor demand and spending generated from the campaign. These revenue estimates would then be contrasted to campaign expenditures, allowing a return on investment ratio that can be used to evaluate overall effectiveness of the new invested resources.

Ongoing tracking of bed tax receipts and the overall economic impact of the tourism industry undertaken by IHS Consulting should also be maintained. While these metrics are influenced by factors that go beyond statewide branding and marketing initiatives, they are important broad measures of the industry's overall performance and will be an additional measure that can be related back to the website, sales, PR and advertising effectiveness metrics to provide industry and political leaders insights on how influencing state tourism performance.