

# **PRIVATE SECTOR TOURISM SPENDING**

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## **FOREWORD**

This study was undertaken in response to Senate Concurrent Resolution No. 34, S.D. 1, adopted during the Regular Session of 2002. The Resolution directed the Bureau to "study the level and scope of private sector spending from 1997 through 2001 to advertise and promote Hawaii as a visitor destination." To do this, the Bureau conducted a survey of private sector businesses in the tourism sector. The Bureau wishes to thank the Hawaii Tourism Authority (HTA), the Department of Business, Economic Development, and Tourism (DBEDT), Hawaii Visitors and Convention Bureau (HVCB), various industry organizations representing subsectors of the visitor industry, and the individual visitor industry businesses that responded to our survey. Special thanks to Caroline Anderson of the HTA and Dr. Pearl Imada Iboshi of the DBEDT for their help and advice in constructing the survey instrument.

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## EXECUTIVE SUMMARY

Survey: The Bureau conducted a survey of various tourism-related businesses in Hawaii covering the 1997 to 2001 calendar years. These businesses fell into the following sectors: attractions and activities; accommodations; transportation; travel trade; retail; and food and beverage. We asked how much of their own money they spent to promote the State as a tourism destination. We broke the expenditures down into six items under consumer advertising, two items under consumer communications and promotions, and four items under travel industry activities. We also asked businesses to globally estimate how they allocated their expenditures to target "pre-arrival" and "post-arrival" visitors. The content and design of the survey instrument were reviewed by the Hawaii Tourism Authority, the Department of Business, Economic Development, and Tourism, and the Hawaii Visitors and Convention Bureau and a variety of changes were made in response to their observations and concerns.

Caveat: Limitations of this survey (detailed in chapter 3) make the results uncertain. It is uncertain whether the reported dollar expenditures -- after allocation and interpretation by respondents -- actually present a true or uniform picture of how much private travel-related businesses spend to promote Hawaii.

Results: Only 144 of 870 delivered surveys were returned for a 16.6% response rate. A total of 85 (59%) reported not having spent any private funds to promote Hawaii and 59 (40.9%) reported having made such expenditures.

Total and Annual Expenditures: Over the 5-year period from 1997 through 2001, 59 respondents reported spending a total of \$164,919,650 in private funds to advertise and promote Hawaii. The average annual expenditure for the 59 businesses was \$32,983,930 and ranged from \$26,297,482 in 1997 to \$39,064,075 in 2001.

Global "Pre-Arrival"/"Post-Arrival" Allocation of Expenditures: We asked businesses to tell us how they allocated their private spending to target "pre-arrival" and "post-arrival" visitors.

Accountability: Monitoring, Assessment, and Evaluation: We re-visited several issues the Bureau examined in a 1998 report on tourism. Accountability for public funding of tourism promotion was one of those issues. Measuring the effectiveness of tourism promotion expenditures was another.

We stressed the need to monitor tourism promotion and marketing contracts and the need to measure and evaluate performance. The effectiveness of promotion expenditures can be measured only if state contracts ask for assessments of how the money is spent. We recounted several evaluation measures discussed by the Auditor in 1987: market share, sales analysis, distribution cost analysis, and measures of customer satisfaction. We further reviewed three evaluation techniques presented by the Auditor to measure the effectiveness of advertising: communication effect research, sales effect research, and conversion studies.

Finally, we briefly reviewed several attempts at measuring the impact of tourism marketing recently. These included a 1996 macroeconomic cost-benefit study that measured input and output at the macro level (gross state product) but not at the micro (departmental-budgetary) level. Another was a 1995 HVCB conversion study. Finally, we described a so-called "return-on-investment" formula developed by Virginia in 1987 to measure the effectiveness of its tourism marketing program. All three have limitations and drawbacks and none is a panacea.

We encourage the HTA to vigorously monitor tourism promotion contracts and to strengthen accountability by developing methods to assess and evaluate performance.

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# Chapter 1

## INTRODUCTION

***S.C.R. No. 34, S.D. 1.*** This resolution (*Appendix A*) directs the Bureau to assess the level and scope of private sector spending from 1997 through 2001 to advertise and promote Hawaii as a visitor destination. The resolution further prescribes that advertising and promotion expenses shall include:

- "(1) Consumer advertising, such as purchased exposure in the broadcast and print media, televised events and shows, direct marketing collateral, and the Internet;
- (2) Consumer communications and promotions, such as media events and public relations; and
- (3) Travel industry activities, such as familiarization tours, trade shows, and trade advertising and collateral[.]"

With respect to the study, the resolution gave two further directions:

- "[Any] information [collected] shall be reported by sectors of the industry in order to preserve the confidentiality of the financial information."
- "[T]he Legislative Reference Bureau shall seek the assistance of the Department of Business, Economic Development, and Tourism, the Hawaii Tourism Authority, and the private organizations that represent businesses that cater to the visitor industry, such as hotels, restaurants, attractions, tour companies, and others as appropriate."

***Organization of the Study.*** Chapter 2 describes the approach taken by the Bureau, namely constructing and administering a survey of private tourism industry businesses. Chapter 3 presents the data collected and offers a brief analysis of the data.

## Chapter 2

### SURVEY METHODOLOGY

As S.C.R. No. 34 directed, the Bureau sought assistance from the Hawaii Tourism Authority (HTA), the Department of Business, Economic Development, and Tourism (DBEDT), and the Hawaii Visitors and Convention Bureau (HVCB).

***Mailing Lists.*** We asked the HTA, DBEDT, and HVCB to give us lists of visitor industry associations that represent various industry sectors. We wanted to obtain these associations' membership lists so that we could distribute our survey directly to individual members. In response, HTA provided us with an extensive list of travel-related associations. We then submitted the HTA list to DBEDT and HVCB for their review and suggestions. In response, the DBEDT added two contacts. The HVCB promised to give us a list but did not produce one.

We asked HTA to categorize the associations by industry sector, which it did. Afterward, we forwarded their sector categorizations to DBEDT and HVCB for review. In response, DBEDT suggested another sector coding system. HVCB agreed to suggest a sector categorization scheme but did not produce one. [In the end, we adopted the HTA version of sector categorization.]

***Contacting Industry Associations.*** Upon cross-checking the list of travel-related associations, we asked each association for its membership list. We were careful to explain the purpose of the survey. We assured the associations the survey would be conducted anonymously and that the data would be kept confidential. Several sources, including the DBEDT and HVCB, expressed concern that associations may hesitate to release their membership lists. Thus, we made sure to promise the associations that we would destroy their lists as soon as we completed our mailings. (*See Appendix B.*)

***Direct Surveying of Individual Businesses.*** We decided that surveying individual businesses directly would be more effective and reliable than asking the representative associations to conduct the survey for us. We believed this to be the case because:

- (1) Distributing, collecting, and forwarding a large number of survey forms would impose a cost. Some associations may not be willing to expend the time, effort, and money required. On the other hand, merely providing us with a mailing list would require minimal effort for the associations;
- (2) We did not want associations to be responsible for lost or mishandled surveys or for any other processing contingency. Ultimately, we felt that the Bureau must assume full responsibility;
- (3) Because the data must remain confidential, we decided that all surveys must be handled and seen only by Bureau staff; and

- (4) We did not know the nature of the relationships between the associations and their members -- whether they were characterized by mutual trust or discord. If a relationship were contentious, members may more readily respond directly to the Bureau as an impartial third party.

Especially in light of the sensitivity of the data, bypassing association responsibility for surveying members seemed the best solution.

However, we did ask each association to provide us with a letter we could forward to their members urging them to respond to the survey. (*See Appendix C for a sample letter.*)

**Maximizing Survey Response.** The Bureau tried to maximize survey response by:

- Enlisting the help of expert industry organizations such as the HTA, DBEDT, and HVCB to provide comprehensive contacts in the industry to survey
- Encouraging and persuading industry associations to cooperate by providing membership lists for direct survey contact
- Allaying industry fears of misuse of reported data and membership lists by assuring confidentiality and anonymity of response
- Making the survey instrument itself as concise, clear, and simple as possible
- Enlisting the help of HTA, DBEDT, and HVCB to review the survey instrument and the Bureau's cover letter to survey respondents, and to suggest changes, additions, or deletions. (*See Appendices D and E for the survey instrument and the explanatory cover letter.*)

**Constructing the Survey Instrument.** S.C.R. No. 34 directed us to examine how much private sector tourism-related businesses spent over the five-year period from 1997 to 2001 to advertise and promote Hawaii as a visitor destination. It further spells out the expenditure components as follows:

- "(1) Consumer advertising, such as purchased exposure in the broadcast and print media, televised events and shows, direct marketing collateral, and the Internet;
- (2) Consumer communications and promotions, such as media events and public relations; and
- (3) Travel industry activities, such as familiarization tours, trade shows, and trade advertising and collateral[.]"

**Definitions.** However, the survey was to be sent to a broad spectrum of travel industry businesses that possess varying levels of marketing sophistication. Thus, the terms used in the resolution may not be universally understood by all. Accordingly, to ensure the validity of responses, we decided to clarify each term in the survey itself. HTA assisted us by clarifying all critical terms. We then asked DBEDT and HVCB to review them and provide further

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suggestions. Both DBEDT and HVCB declined to offer further suggestions. As clarified, the respective survey questions stated as follows:

"[4] **CONSUMER ADVERTISING.** Indicate in US dollars, the amounts you spent on **consumer advertising**, including the following for the indicated years:

<u>Expenditure Category</u>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
A. Broadcast media (local/network radio or television; cable; etc.)	A_____	_____	_____	_____	_____
B. Print media (newspapers; newsletters; booklets; pamphlets; magazines; printed publications; directories; yearbooks; theater/sports program guides, etc.)	B_____	_____	_____	_____	_____
C. Televised events/shows (underwriting/ other support)	C_____	_____	_____	_____	_____
D. Direct marketing (customer lists; televised infomercials; take-one cards; telemarketing; package inserts; videotex services)	D_____	_____	_____	_____	_____
E. Collateral material (sales kits; technical data sheets; presentation charts; letters; films; catalogs; booklets; trade show exhibits; point-of-purchase displays; annual reports; etc.)	E_____	_____	_____	_____	_____
F. Internet	F_____	_____	_____	_____	_____

[5] **CONSUMER COMMUNICATIONS AND PROMOTIONS.** Indicate in US dollars, the amounts you spent on **consumer communications and promotions**, (consumer exposure outside advertising media), including the following for the indicated years:

<u>Expenditure Category</u>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
A. Media events (support for an event that attracts media)	A_____	_____	_____	_____	_____
B. Public relations (press releases; use of local newspapers, clubs and association newsletters and radio to send Key Messages; speaking engagements; live interviews, letters and commentaries; special interest stories; etc.)	B_____	_____	_____	_____	_____

[6] **TRAVEL INDUSTRY ACTIVITIES.** Indicate in US dollars, the amounts you spent on **travel industry activities**, including the following for the indicated years:

<u>Expenditure Category</u>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
A. Familiarization tours	A_____	_____	_____	_____	_____
B. Trade shows	B_____	_____	_____	_____	_____
C. Trade advertising (retail travel agents; travel wholesalers; tour operators; ground handlers; etc.)	C_____	_____	_____	_____	_____
D. Collateral material (sales kits/sheets; posters; displays)	D_____	_____	_____	_____	_____ "

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We also included an open-ended question [7] to allow businesses to report any amounts they were not comfortable including in the expenditure categories outlined in the survey. We provided stamped, self-addressed envelopes for businesses to return their surveys anonymously. We also provided a staff contact (by telephone and email) for those who had further questions about the survey.

We adopted HTA's recommendation to include a separate question in the survey identifying the respondent's industry sector as follows:

"Please CHECK the industry sector that your business is associated with:

- Attractions/activities
- Accommodations (Hotel  Bed & Breakfast  Timeshare  Condo )
- Transportation (Rental car  Ground Transport  Cruise Line  Airline )
- Travel trade (including wholesalers)
- Retail
- Food and beverage"

**Pre-Arrival and Post-Arrival Visitors.** S.C.R. No. 34 asks how much private businesses spend to "advertise and promote Hawaii as a visitor destination." Taken at face value, these expenditures target only those who are "potential" visitors who have not yet arrived in the State -- so-called "pre-arrival" visitors. If so, large numbers of businesses that serve visitors that advertise only to "post-arrival" visitors would be excluded.

The Bureau discussed this issue of "pre-arrival" vs. "post-arrival" visitor spending with HTA and HVCB. It was agreed that the study needs to point out that, due to the nature of various travel-related businesses, some (like airlines) would more naturally advertise to "pre-arrival" visitors and others (like restaurants) would focus on "post-arrival" visitors. HTA's job is to get people to come here and accordingly spends money to promote Hawaii as a visitor destination. This type of promotion is aimed at "pre-arrival" visitors. However, because HTA itself spends money on both "pre-" and "post-arrivals," it would only be fair to also count private business expenditures that mainly target "post-arrivals."

To further clarify this point, respondents were asked to globally allocate their total visitor-related expenditures between "pre-arrivals" and "post-arrivals." In addition, both HTA and HVCB were asked to estimate their own global allocations of expenditures on "pre-" and "post-arrival" visitors.

"[3] Please globally allocate these expenditures for the 5-year period between pre-arrival and post-arrival visitors. ("Pre-arrival" means those not yet committed to traveling to Hawaii; "post-arrival" are those already landed.)

*E.G., "Pre-arrival" 75% "Post-arrival" 25%*

"Pre-arrival" \_\_\_\_\_ "Post-arrival" \_\_\_\_\_"

## Chapter 3

### SURVEY RESULTS

*Caveats:* The data reported in this study must be viewed with great caution. The reader should keep in mind several limitations. Caveats one through four illustrate the uncertainty created by a low response rate and the uncertainty over how representative the survey is of the industry. Caveats five and six deal with uncertainty over the nature of the data being reported. As a result, it is uncertain whether the reported dollar expenditures -- after allocation and interpretation by respondents -- actually present a true or uniform picture of how much private travel-related businesses spend to promote Hawaii.

*First*, the survey group (n = 870) is not comprehensive. The survey cannot claim to include all travel-related businesses in Hawaii that may have spent their own money to advertise Hawaii as a visitor destination. The Bureau tried to reach as many relevant businesses as we could and is grateful to the Hawaii Tourism Authority and the Department of Business, Economic Development, and Tourism for providing travel-related association lists.

*Second*, we cannot say conclusively that the survey is truly representative of the travel industry. It is uncertain whether the travel-related associations membership list adequately covers all travel industry sectors. For example, certain businesses on the list were clearly in retailing, one of the survey's six industry sectors. However, the list itself may not include enough retail businesses actually deriving revenue from visitors to adequately represent the sector. The same is true of the food and beverage sector. The survey is relatively more assured of industry coverage in certain other sectors such as transportation and accommodations. The transportation sector is further subdivided into rental car, ground transport, cruise, and airline subsectors. (*We received three responses from the airline subsector and five responses from the combined rental car/ground transport subsector.*)

*Third*, even if all relevant sectors were included, a 16.6% response rate is very low and casts doubt on how well the industry is represented. In sum, we cannot say with confidence to what extent the survey results are actually representative of the surveyed industry sectors separately, or of the visitor industry as a whole. It is unclear how much the data would have been affected by varying higher or lower response rates. We can only say that the data is valid for the 59 businesses in various travel industry sectors that reported spending private funds to promote Hawaii during the years 1997 to 2001.

*Fourth*, the study did not use random sampling or stratify samples. The Bureau merely conducted a simple survey of all valid businesses it could reach and accepted all responses that were returned. We did not isolate each industry category, such as accommodations or transportation, to stratify various levels within a sector. Nor did we conduct random sampling within each sector.

This was not possible for several reasons. The most obvious is the smallness of some of the population sizes. For example, less than a handful of businesses are in the airline subsector

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of the transportation category. Stratifying the sample here could have inadvertently revealed individual company data. As another example, we did not believe there were enough businesses in the travel trade sector to generate a large enough random sample. (*In the end, we received only 5 responses identified as being from the travel trade sector.*) Furthermore, in order to overcome skepticism over confidentiality and privacy of information, we informed each potential respondent that all responses would be anonymous. That is, we did not want to know (and still do not know) who each respondent was.<sup>1</sup> Thus, not being able to identify any one respondent made it unwieldy to conduct anything other than a simple survey.

*Fifth*, we must rely on the respondents' accuracy and veracity. For example, it did not make intuitive sense to us that a business in the travel trade sector would report allocating 95% of its advertising expenses to target "*post-arrival*" visitors (after they have already landed in Hawaii). However, one such travel trade business (out of a total of 5 respondents) reported exactly that. This contrasts with two other travel trade businesses that reported exactly the opposite allocation: 95% targeted to "*pre-arrival*" visitors. Similarly, a fourth business allocated 90% to target "pre-arrivals" while the fifth reported a 50%-50% split. Because we do not know the identities of the respondents, we were unable to follow up to clarify uncertainties such as these and thus we remain reliant on the accuracy of respondents' data.

Furthermore, this is a purely voluntary survey. There are no sanctions against providing false information. Intuitively, respondents had an incentive to report private expenditures lest the Legislature feel the private sector is not shouldering its fair share in promoting Hawaii. This must be balanced against some companies' fear of having sensitive financial data disclosed, which provided a disincentive to report data. The Bureau wishes to emphasize that it is in no way suggesting that respondents padded, withheld, or gave false data. The point to be made here is that in a survey such as this, there is no way to validate the data, which are voluntarily disclosed.

*Lastly*, the data being asked for -- spending of private source moneys to promote Hawaii as a visitor destination -- is hardly a routine or standard accounting entry. It is highly unlikely that any business actually sets aside an accounting entry specifically to address this type of expenditure. Thus, respondents very likely had to interpret past and current data and make allocation choices. Furthermore, it is highly unlikely that all respondents made these choices in a uniform way -- not even within an industry sector. In other words, what one business may perceive as relevant spending, another may dismiss or allocate differently. For example, advertising by a hotel located in Hawaii that promotes itself or its services may sometimes also be promoting Hawaii. Advertising by an airline carrying passengers here often promotes Hawaii at the same time. (Even so, what about carrying passengers from Hawaii to other destinations such as Las Vegas? Certainly not all advertising is one-sided favoring vacations to Hawaii.) For other businesses, such as large retailers, advertising itself or its products may not be seen as promoting Hawaii. There is no final arbiter of what should be interpreted as advertising spending that promotes Hawaii versus spending that merely promotes one's own business products or services. In the end, each business must use its own judgment in responding.

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1. Several respondents voluntarily identified themselves to us.

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**Total Responses:** The Bureau sent out 888 surveys. Of these, 18 were returned undeliverable. Of the 870 that were presumably delivered, 144 were returned to us with data for a response rate of 16.6%.

**Respondents Who Did Not Spend:** Of the 144 responses received, 85 (59%) reported not having spent any private funds to advertise or promote Hawaii as a visitor destination during the period in question. These businesses fell into the following industry sectors:

**Table 3-1  
Businesses Reporting No Expenditures of Private Funds  
To Advertise and Promote Hawaii as a Visitor Destination  
From 1/1/1997 to 12/31/2001**

Sector	No.	% *
Unidentified Sector	26	31%
Attractions/Activities	5	6%
Accommodations	5	6%
Transportation	30	35%
Travel Trade	0	0%
Retail	7	8%
Food and Beverage	12	14%
Total	85	100%

\* Percentages rounded to 100%.

These numbers must be viewed with extreme caution. For example, the data indicate that more transportation-related firms (30) than accommodations-related firms (5) reported not having spent to advertise Hawaii. However, this does not necessarily mean that more accommodations firms tend to spend to promote Hawaii than transportation firms. It probably means that more transportation firms received surveys than accommodations firms, or the former group had a higher response rate as a whole than the latter group, or both.

We do not know how many businesses there are in each industry sector. Paralleling this unknown, surveys were distributed to the six industry sectors in unknown proportions. That is, we do not know how many surveys went to each sector. As a result, the numbers and percentages in Table 3-1 *cannot* be compared against each other to judge which industry category tends to spend more to advertise Hawaii.

**Respondents Who Did Spend:** Of the 144 responses received, 59, or 40.9%, reported spending private funds to advertise and promote Hawaii as a visitor destination. These businesses fell into the following industry sectors:

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**Table 3-2**  
**Businesses Reporting Expenditures of Private Funds**  
**To Advertise and Promote Hawaii as a Visitor Destination**  
**From 1/1/1997 to 12/31/2001**

Sector	No.	% *
Attractions/Activities	19.5	33%
Accommodations	20.0	34%
Transportation	10.0	17%
Travel Trade	5.0	9%
Retail	4.0	7%
Food and Beverage	0.5	< 1%
Total	59.0	100%

\* Fractional figures result from respondents identifying themselves in more than one industry sector. Percentages rounded to 100%.

The same caveat against comparing sectors discussed under Table 3-1 applies to these figures as well. (See commentary above.)

Table 3-3, below, displays the numbers of businesses in six sectors that responded to our survey that spent or did not spend private funds to advertise and promote Hawaii as a visitor destination.

**Table 3-3**  
**Businesses in Six Sectors Spending and Not Spending**  
**To Advertise and Promote Hawaii as a Visitor Destination**  
**From 1/1/1997 to 12/31/2001**

Sector	Spending	%	Not Spending	%
Attractions/Activities	19.5	80%	5	20%
Accommodations	20	80%	5	20%
Transportation	10	75%	30	25%
Travel Trade	5	100%	0	0%
Retail	4	57%	7	43%
Food and Beverage	.5	4%	12	96%
Unidentified Sector	0	0%	26	100%
Totals	59	--	85	--

**Total and Annual Expenditures:** Over the 5-year period from 1997 through 2001, 59 respondents reported spending a total of \$164,919,650 in private funds to advertise and promote Hawaii as a visitor destination. The average annual expenditure is \$32,983,930. The breakdown by year is as follows:

**Table 3-4**  
**Annual and Total Expenditures of Private Funds**  
**Expended By 59 Businesses From 1997 to 2001**  
**To Advertise and Promote Hawaii as a Visitor Destination**  
**From 1/1/1997 to 12/31/2001**

Year	Annual Expenditure
1997	\$26,297,482
1998	\$30,494,351
1999	\$35,489,728
2000	\$33,574,015
2001	\$39,064,075
<b>5-Year Total</b>	<b>\$164,919,651</b>

*Expenditure by Industry Sector:* Broken down by industry sector, private sector expenditures to advertise Hawaii as a visitor destination by 59 businesses over the 5-year period in question were as follows:

**Table 3-5**  
**Annual and Total Expenditures of Private Funds**  
**Expended by 59 Businesses in Six Sectors**  
**To Advertise and Promote Hawaii as a Visitor Destination**  
**From 1/1/1997 to 12/31/2001**

Sector	1997	1998	1999	2000	2001
Attractions/Activities	\$1,879,750	\$2,962,310	\$4,414,720	\$4,514,400	\$4,832,310
Accommodations	\$20,952,230	\$23,621,420	\$26,824,400	\$24,557,750	\$30,545,030
Transportation	\$1,355,850	\$1,163,420	\$1,171,060	\$1,257,040	\$917,380
Travel Trade	\$261,200	\$93,650	\$99,500	\$229,420	\$300,700
Retail	\$1,848,450	\$2,653,550	\$2,980,050	\$3,015,400	\$2,370,900
Food/Beverage	\$0	\$0	\$0	\$0	\$97,750

The caveats discussed at the beginning of this chapter must be kept in mind. Conclusions about trends and comparisons between sectors cannot be drawn using data from Table 3-5. The data reflect only the expenditures for 59 businesses in six sectors that reported having spent private funds for the purpose of the survey.

*Global "Pre-Arrival"/"Post-Arrival" Allocation of Expenditures:* We asked businesses to tell us how they allocated their private sector spending globally between "pre-arrival" and "post-arrival" visitors for the 5-year period. Again, because of the small number of actual respondents, any patterns one might discern about "pre-" and "post-" arrival target allocations must not be taken too seriously. By sector, the results are as follows.

**Table 3-6**  
**Allocation of Expenditures of Private Funds**  
**To Target "Pre-Arrival" and "Post-Arrival" Visitors**  
**By 59 Businesses in Six Sectors**  
**From 1/1/1997 to 12/31/2001**

Sector	"Pre-Arrival"	"Post-Arrival"
Attractions/Activities	31%	69%
Accommodations	88%	12%
Transportation	42%	58%
Travel Trade	67%	33%
Retail	12%	88%
Food and Beverage	60%	40%

*Travel Trade Sector.* For example, in discussing data accuracy (under the fifth caveat, above), it appears that an apparently inaccurate report by one respondent skewed the overall allocations by all travel trade businesses. One would expect travel trade businesses to heavily allocate spending to target "pre-arrivals." However, one respondent reported a 5% "pre-arrival" and 95% "post-arrival" allocation. Taking this at face value would have yielded a 67%-33% allocation between "pre-" and "post-" arrival spending for the entire travel trade group. On the contrary, reversing the numbers to read 95% "pre-arrival" and 5% "post-arrival" would have put this particular respondent's numbers more in line with the rest of the sector. Such a reversal of an apparent reporting error would have raised the "pre-arrival" allocation from 67% to 85%.

*Food and Beverage Sector.* This sector provides another illustration of how one must view the data cautiously. One would think this sector would allocate more advertising expenditures to "post-arrival" visitors -- after visitors are already here and need to decide where to eat and drink. An allocation anywhere from 80%-100% to target "post-arrivals" would seem reasonable. However, the data from Table 3-6 indicates the opposite, showing only a 40% allocation for "post-arrivals." Does this mean that this sector actually spends more to advertise to "pre-arrivals?" Again, one must be mindful of a major limitation of this survey -- the small number of respondents. In fact, only one-half a business identifying itself as in the food and beverage sector even reported any such spending. (See Table 3-2 and the explanation of fractional numbers for firms that identified themselves in more than one sector.) This 60%-40% allocation certainly cannot be generalized to the entire food and beverage industry in Hawaii.

*Transportation Sector.* In the transportation sector, both airlines and various ground transport businesses reported data. Thus, it is not surprising that the sector as a whole reported a 42%-58% allocation between "pre-" and "post-" arrival visitor advertising. Three airline businesses reported allocations. Two reported a 100%-0% "pre-arrival" versus "post-arrival" spending allocation. The third reported an opposite pattern -- 5% "pre-" and 95% "post-" arrival allocation. It is likely that the third report is an error similar to the case of the travel trade business discussed above. If so, the "pre-arrival" allocation for the three airline businesses would have been 98.3%. The seven various ground transportation businesses would then have a more reasonable 69.3% allocation for "post-arrival" visitor advertising (rather than only 58%).

*Attractions and Activities Sector.* At first, the data in this sector seem to indicate that a substantial proportion of expenditures (31%) was spent to promote Hawaii to "pre-arrival" visitors. However, a closer examination again suggests that the data must be taken with a large grain of salt. Of the 19.5 total responses, 11.5 (59%) seem to strongly indicate a heavy allocation for "post-arrival" promotion instead. These 11.5 responses all reported a weighting of at least 70% for "post-arrival" promotion. The distribution is as follows:

**Table 3-7**  
**Distribution of Responses Allocating 70% or More of**  
**Promotion Expenditures Targeting Post-Arrival Visitors**  
**In the Attractions and Activities Sector**

<b>Response No.</b>	<b>"Pre-Arrival"</b>	<b>"Post-Arrival"</b>
1	10%	90%
2	5%	95%
3	5%	95%
4	25%	75%
5	1%	99%
6	5%	95%
7	10%	90%
8	10%	90%
9	25%	75%
10	10%	90%
11	10%	90%
11.5	15%	85%

In contrast, only 3 responses allocated at least 70% of promotion expenditures for "pre-arrival" visitors. The distribution is as follows:

**Table 3-8**  
**Distribution of Responses Allocating 70% or More of**  
**Promotion Expenditures Targeting Pre-Arrival Visitors**  
**In the Attractions and Activities Sector**

<b>Response No.</b>	<b>"Pre-Arrival"</b>	<b>"Post-Arrival"</b>
1	100%	0%
2	70%	30%
3	80%	20%

The remaining five responses showed a nearly equal mix between "pre-" and "post-arrival" promotion expenditures.

**Table 3-9**  
**Distribution of Responses Allocating a Near Equal Mix of**  
**Promotion Expenditures Targeting Pre-Arrival and Post-Arrival Visitors**  
**In the Attractions and Activities Sector**

Response No.	"Pre-Arrival"	"Post-Arrival"
1	60%	40%
2	35%	65%
3	50%	50%
4	40%	60%
5	60%	40%

It remains unclear why three businesses reported an overwhelming allocation of expenditures to target "pre-arrivals" while 11.5 reported the opposite. It is further unclear why, in contrast to both of these extreme groups, five businesses reported an almost equal allocation mix.

*Accommodations and Retail Sectors.* It appears that only the accommodations and retail sectors yield clear data on the targeting of promotion expenditures at "pre-" and "post-arrival" visitors. As expected, the accommodations sector reported an overwhelming 88.1% allocation targeting "pre-arrivals." The retail sector, also as expected, reported targeting 87.5% of its promotional expenditures on "post-arrivals."

*Comparison with HTA Expenditures.* The HTA targets both "pre-" and "post-" arrivals. From 1999 to 2001, the HTA spent \$38,268,179, \$27,662,077, and \$32,661,833, respectively, for "pre-arrival" purposes in the advertising, communications/promotions, and travel trade categories. As for "post-arrival" spending, in fiscal years 2000 and 2001, the HTA spent \$3.3 and \$2.6 million, respectively, on product development. This includes funding for local festivals and events that are meant to enhance the experience of visitors already arrived in Hawaii as well as for local residents.<sup>2</sup> Furthermore, in calendar years 1999 through 2001,<sup>3</sup> the HTA spent \$6.5, \$6.3, and \$8 million, respectively, for sports and events. These include sporting events such as the televised Pro Bowl, Sony Hawaiian Open and PGA Grand Slam of Golf events.<sup>4</sup> Partly because they are televised widely, these events can also be considered "pre-arrival" visitor promotion. However, the HTA is not able to allocate "pre-" and "post-" arrival spending in this category.

- 
2. The HTA developed three categories of events: (1) "signature" events that generate significant national and/or international media coverage (primarily live television) and economic impact; (2) "enhanceable" events that are new or developing, have significant economic impact, does not have the same level of media coverage as a signature event but has the potential to become a signature event; and (3) "community" events primarily meant for the local community but which give visitors interested in learning more about Hawaii a glimpse of island culture and lifestyle and enhances the overall visitor experience. "Signature" and "enhanceable" events were included in the "events" budget while "community" events were paid for in the "product development" budget.
  3. HTA was not in existence in 1997 and 1998 data not available.
  4. About \$1.1 million was allocated for major festivals and \$3 million for the Pro Bowl.

**Accountability: Monitoring, Assessment, and Evaluation:** This study collected data on private sector spending for tourism promotion. Whatever the policy implications or decisions regarding how the state government spends public funds for tourism promotion, the State must be accountable for such spending.

It is appropriate to reiterate here some comments that the Bureau made in a report published in 1998 regarding selected tourism issues.<sup>5</sup> Accountability for public funding of tourism promotion was one of those issues. Measuring the effectiveness of tourism promotion expenditures was another. Those comments are still valid today.

In 1998, we recounted the results of the Auditor's 1987 management audit and its 1993 follow-up management and financial audit of the Hawaii Visitors Bureau. Both audits stressed the need for adequate monitoring of tourism promotion and marketing contracts. They also highlighted the need for measuring and evaluating performance, assuming contractual goals are set. The 1987 audit found that promotion contracts were not adequately monitored. It also found that the effectiveness of advertising and promotion expenditures could not be measured because the State's contracts did not specify or ask for assessments of how the money was spent. The Auditor reviewed several basic evaluation measures in its 1987 audit:

- Market share -- a measure of performance relative to that of competitors
- Sales analysis -- comparing sales variations by geographic and demographic breakdowns, etc.
- Distribution cost analysis -- determining the relative profitability of the current ways of operating
- Measures of customer satisfaction -- through surveys, customer panels, and other market feedback

With regard to measuring the effectiveness of advertising, the Auditor cited three evaluation techniques: communication effect research, sales effect research, and conversion studies. The purpose of communication effect research is to examine whether the advertising is achieving its intended effect through either pre-testing or post-testing (before or after the advertisement). Pre-testing allows adjustments to improve the advertisement before formal release and involves techniques such as direct ratings, portfolio tests, and laboratory tests. Post-testing techniques include recall and recognition tests.

Sales effect research is used to measure the effect of advertising on the organization's sales through a historical approach in which past data are statistically analyzed and through

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5. Hawaii. Legislative Reference Bureau, Aloha: The Heartbeat of Our Land – A Study of Selected Tourism Issues, Pamela Martin, Peter G. Pan, Dean Sugano, & Jensen Uchida, 1998. Available online in PDF format the Bureau's library website: <http://www.state.hi.us/lrb/reports/1997.html>

experimental design measuring the effects of varying levels of advertising expenditures on sales in different areas.

Conversion studies attempt to determine how many inquirers from travel advertisements (coupons, addresses, toll-free telephone numbers) are converted into actual visitors. According to the Auditor, conversion studies are useful for comparing the relative performance of different types of advertisements.

Several attempts at measuring the impact of tourism marketing have been made recently. In 1996, a macroeconomic cost-benefit study was conducted.<sup>6</sup> That study measured input and output at the macro level (gross state product) and not at the micro (departmental-budgetary) level. Thus, it was not particularly useful in evaluating the effectiveness of the State's budgeted tourism expenditures.

An HVCB conversion study was conducted in 1995 and published in 1997.<sup>7</sup> That study reported an implied return of \$9.6 in taxes for every \$1 of advertising. However, the study also reported that the 411,000 trips influenced by HVCB advertising accounted for only a 13% share of the total of 3.21 million trips made to Hawaii in 1995. In other words, 87% of all trips to Hawaii that year were influenced by factors other than HVCB advertising. The share dropped to 11% in 1996. Furthermore, it is unclear to what extent the trips in the study were influenced by advertising. Even if one concedes that the subject advertising was totally responsible for convincing visitors to make 411,000 trips to Hawaii in 1995, it did not play a part in influencing visitors to make the remaining 2,799,000 trips. Thus, it may have been effective in persuading only a small percentage of visitors to come to Hawaii.

Virginia developed a so-called "return-on-investment" formula in 1987 to measure the effectiveness of its tourism marketing program. The return-on-investment requirement is built in to applications from the private sector for one-third state matching funds for tourism promotion. Applicants for funding must use the formula to show how much each advertising dollar will return on investment. However, Virginia cautions that the return-on-investment formula is not a panacea for measuring program performance or accountability. For example, it does not measure specific advertising campaigns or programs but provides an overall view of the effect of tourism promotion. In addition, this tool, like any other tourism promotion measurement tool, is not fool-proof and is subject to criticism. A return-on-investment formula is not a conversion study. Rather, it is only a method of calculation that requires data from survey and accountability methods such as conversion studies, pre- and post-advertising surveys, and hard, actual numbers for room nights, packages, and tickets sold, etc.

The Hawaii Tourism Authority inherited the duty of the Department of Business, Economic Development, and Tourism's Office of Tourism to monitor and evaluate the State's contracts for tourism promotion. On November 1, 2002, the HTA announced that it had authorized \$75,000 for an audit of the HVCB, as required by the Legislature.<sup>8</sup> On the previous

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6. WEFA Group, State of Hawaii Travel & Tourism: A New Economic Perspective (London: March, 1996), sponsored by the World Travel & Tourism Council.

7. Longwoods International. Hawaii Accountability Research: Executive Summary, April 1997.

8. The Honolulu Advertiser, "Board approves \$56 million budget," November 1, 2002.

day, the HTA announced a \$1.25 million cut from the annual budget of its primary marketing contractor, the Hawaii Visitors and Convention Bureau. The HTA stated that it would use the savings for more of its own programs, including accountability reviews that would include a three-part program for assessment and accountability.<sup>9</sup>

This would appear to be a step in the right direction. Required audits that encourage consistent monitoring of tourism promotion contracts should strengthen accountability for the expenditure of public funds. In addition, the Bureau reiterates our belief that performance should be measured and evaluated against contract performance goals. The HTA is encouraged to search for and develop methods by which to carry out valid and reliable performance assessment and evaluation.

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9. Kelly Yamanouchi, The Honolulu Advertiser, "Hawai'i visitor's bureau budget cut," October 31, 2002.

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# SENATE CONCURRENT RESOLUTION

REQUESTING A STUDY OF PRIVATE SECTOR SPENDING TO ADVERTISE AND  
PROMOTE HAWAII AS A VISITOR DESTINATION.

1           WHEREAS, the private sector has promoted the Hawaii visitor  
2 industry since 1902, when a local businessman convinced a group  
3 of his colleagues to pay him to advertise the Territory of  
4 Hawaii on the Mainland; and

5  
6           WHEREAS, that same year, about 2,000 visitors came to enjoy  
7 Hawaii's version of paradise after advertisements promising  
8 perpetual spring and romance appeared in national magazines; and

9  
10          WHEREAS, over the decades, promotional efforts grew and so  
11 did the number of tourists, accommodations, and businesses  
12 catering to the visitor market; and

13  
14          WHEREAS, from the first appropriation of public funds to  
15 promote tourism - \$15,000 in 1903 from the Territorial  
16 Legislature - public funding has grown to over \$60,000,000 in  
17 state funds annually; and

18  
19          WHEREAS, while there is extensive information on the amount  
20 of public moneys expended to advertise and promote Hawaii as a  
21 visitor destination, little information is available on private  
22 sector spending by hotels, restaurants, tour companies,  
23 attractions, and the myriad other businesses that advertise to  
24 attract visitors to Hawaii; and

25  
26          WHEREAS, such information would enhance cooperative tourism  
27 marketing and promotion ventures between the private sector and  
28 government and could decrease the reliance on state funding;  
29 now, therefore,

30  
31          BE IT RESOLVED by the Senate of the Twenty-First  
32 Legislature of the State of Hawaii, Regular Session of 2002, the  
33 House of Representatives concurring, that the Legislative  
34 Reference Bureau is requested to study the level and scope of



1 private sector spending from 1997 through 2001 to advertise and  
2 promote Hawaii as a visitor destination; and  
3

4 BE IT FURTHER RESOLVED that advertising and promotional  
5 expenses shall include:  
6

- 7 (1) Consumer advertising, such as purchased exposure in  
8 the broadcast and print media, televised events and  
9 shows, direct marketing collateral, and the Internet;
- 10 (2) Consumer communications and promotions, such as media  
11 events and public relations; and  
12
- 13 (3) Travel industry activities, such as familiarization  
14 tours, trade shows, and trade advertising and  
15 collateral; and  
16

17  
18 BE IT FURTHER RESOLVED that the information shall be  
19 reported by sectors of the industry in order to preserve the  
20 confidentiality of the financial information; and  
21

22 BE IT FURTHER RESOLVED that the Legislative Reference  
23 Bureau shall seek the assistance of the Department of Business,  
24 Economic Development, and Tourism, the Hawaii Tourism Authority,  
25 and the private organizations that represent businesses that  
26 cater to the visitor industry, such as hotels, restaurants,  
27 attractions, tour companies, and others as appropriate; and  
28

29 BE IT FURTHER RESOLVED that the Legislative Reference  
30 Bureau shall report to the Legislature on its findings no later  
31 than twenty days prior to the convening of the Regular Session  
32 of 2003; and  
33

34 BE IT FURTHER RESOLVED that certified copies of this  
35 Concurrent Resolution be transmitted to the Director of the  
36 Legislative Reference Bureau, the Director of Business, Economic  
37 Development, and Tourism, and the Executive Director of the  
38 Hawaii Tourism Authority.  
39

I hereby certify that the foregoing is a true  
and correct copy of Senate Concurrent Resolution  
No. 34 SD1, which was duly adopted by the Senate  
of the State of Hawaii on March 25, 2002,  
with the concurrence of the House of Representatives  
Dated: MAY 09 2002



## Appendix B

Wendell K. Kimura  
Acting Director

Research (808) 587-0666  
Revisor (808) 587-0670  
Fax (808) 587-0681



LEGISLATIVE REFERENCE BUREAU  
State of Hawaii  
State Capitol  
Honolulu, Hawaii 96813

June 10, 2002

<Addressee>

Dear <Association>:

### **Senate Concurrent Resolution No. 34, S.D. 1 Private Sector Tourism-Related Advertising and Promotion Confidential Survey**

As you may know, the Legislature recently adopted S.C.R. No. 34, S.D. 1. This resolution requires the Bureau to study private sector spending (from 1997 through 2001) to advertise and promote Hawaii. The resolution outlines the growth of **public** funding for tourism promotion over the years. It wants to know how much the **private** sector spends -- that is, is the private sector paying its fair share. Such information would:

*"... enhance cooperative tourism marketing and promotion ventures between the private sector and government and could decrease the reliance on state funding;" [Emphasis added]*

It is important that the study be accurate. A poor response to our survey would surely understate the private sector's tourism promotion efforts. Therefore, we urge you to encourage your members to help make our survey accurate and fair by responding. After all, it is in the private sector's own interest to avoid under-reporting its own efforts.

In addition, the resolution requires data to be *"reported by sectors of the industry in order to preserve the confidentiality of the financial information."* To do this, the Bureau will conduct an **anonymous** survey. None of your members will be individually identified. They will be asked to return their surveys directly to us. We will then compile aggregate reports by industry sector only.

We ask for a list of your membership for the sole purpose of directly mailing them our survey. Your membership list will be strictly confidential. It will not be used for any other purpose, given or shown to others, and will be destroyed as soon as we finish our mailings. Please provide the list of addresses in any of the following formats, attention to Mr. Peter G. Pan:

- Hard copy
  - **By mail** in the enclosed stamped, self-addressed envelope, or
  - **By fax** to 587-0681
- Word processing (preferably Microsoft Word) or other electronic document either :
  - **By mail** on diskette, or
  - **By email** to pan@capitol.hawaii.gov

The Bureau will send a cover letter (sample attached) explaining the survey to your members. We ask you to help us further by providing a separate letter of support addressed to your members. (For your convenience, a sample letter is attached for your consideration.) The Bureau will reproduce your letter of support and send a copy, along with our own cover letter and the survey, to each of your members.

We would very much appreciate receiving a list of your members and addresses **by June 25, 2002**, if at all possible, so that we can proceed with the survey.

Thank you for your assistance. Please feel free to contact Mr. Peter G. Pan of this office at 587-0666 or by e-mail at pan@capitol.hawaii.gov if you have any questions.

Sincerely,



Wendell K. Kimura  
Acting Director

Enc.

## Appendix C

### ("Sample Letter of Support from Your Association to Members")

YOUR ASSOCIATION'S LETTERHEAD

<ADDRESSEE>

Dear <Member's Name>:

Our association supports the survey being conducted by the Legislative Reference Bureau in response to Senate Concurrent Resolution No. 34, S.D. 1, 2002. We feel that your cooperation is essential in letting the Legislature know that we in the private sector are doing our part in promoting the visitor including in Hawaii.

The premise behind the survey appears to be that the private sector is not paying its fair share for tourism promotion and that the State is paying too much. The resolution states that information about private sector tourism promotion spending "could decrease the reliance on state funding." In other words, we will only have ourselves to blame if the survey under-reports private sector spending because individual members did not respond to the survey.

Furthermore, the survey is completely anonymous. No member or any data can be individually identified. The Legislative Reference Bureau will only compile aggregate reports by industry sector.

Please read the cover letter from the Legislative Reference Bureau explaining the anonymous survey. Then complete the survey, and return it directly to them by the date indicated.

We strongly urge you to participate in this anonymous survey.

# Appendix D

## LEGISLATIVE REFERENCE BUREAU CONFIDENTIAL SURVEY PRIVATE SECTOR TOURISM-RELATED ADVERTISING AND PROMOTION EXPENDITURES

The purpose of this survey is to fulfill the Legislature's directive to the Legislative Reference Bureau, as stated in Senate Concurrent Resolution No. 34, S.D. 1, to report on the "level and scope of private sector spending from 1997 through 2001 to advertise and promote Hawaii as a visitor destination." All information reported is **strictly confidential**.

**INSTRUCTIONS:**

- (1) Report by calendar year. If using fiscal years, report in the column in which the fiscal year ended. E. G., if a fiscal year ended on 10/31/99, report the results in the column under "1999."
- (2) If unsure about an expenditure category, choose the closest one but do not double-count. E.G., if unsure whether an expenditure for a booklet should be categorized under "print media" [4B] or "collateral material" [4E], make a best guess and report under only ONE category.
- (3) Be sure not to double-count any dollars reported in items [4] through [7].

[1] Please CHECK the industry sector that your business is associated with:

- Attractions/activities
- Accommodations (Hotel  Bed & Breakfast  Timeshare  Condo  Transportation (Rental car  Ground Transport  Cruise Line  Airline  Travel trade (including wholesalers)
- Retail
- Food and beverage

[2] Did your business spend any of its own private money, that is, money that did **not** come from any government or government programs from 1/1/1997 to 12/31/2001, that advertises or promotes Hawaii as a visitor destination?

Yes  No

*If "No," stop, and return this survey to us directly. If "Yes," complete the remaining questions.*

[3] Please globally allocate these expenditures for the 5-year period between pre-arrival and post-arrival visitors. ("Pre-arrival" means those not yet committed to traveling to Hawaii; "post-arrival" are those already landed.)

*E.G., "Pre-arrival" 75% "Post-arrival" 25%*

"Pre-arrival" \_\_\_\_\_ "Post-arrival" \_\_\_\_\_

[4] **CONSUMER ADVERTISING.** Indicate in US dollars, the amounts you spent on **consumer advertising**, including the following for the indicated years:

<u>Expenditure Category</u>	1997	1998	1999	2000	2001
A. Broadcast media (local/network radio or television; cable; etc.)	A _____	_____	_____	_____	_____
B. Print media (newspapers; newsletters; booklets; pamphlets; magazines; printed publications; directories; yearbooks; theater/sports program guides, etc.)	B _____	_____	_____	_____	_____
C. Televised events/shows (underwriting/other support)	C _____	_____	_____	_____	_____
D. Direct marketing (customer lists; televised infomercials; take-one cards; telemarketing; package inserts; videotex services)	D _____	_____	_____	_____	_____
E. Collateral material (sales kits; technical data sheets; presentation charts; letters; films; catalogs; booklets; trade show exhibits; point-of-purchase displays; annual reports; etc.)	E _____	_____	_____	_____	_____
F. Internet	F _____	_____	_____	_____	_____

(OVER)

LRB SURVEY-TOURISM.doc

[5] **CONSUMER COMMUNICATIONS AND PROMOTIONS.** Indicate in US dollars, the amounts you spent on **consumer communications and promotions**, (consumer exposure outside advertising media), including the following for the indicated years:

<u>Expenditure Category</u>		1997	1998	1999	2000	2001
A.	Media events (support for an event that attracts media)	A _____	_____	_____	_____	_____
B.	Public relations (press releases; use of local newspapers, clubs and association newsletters and radio to send Key Messages; speaking engagements; live interviews, letters and commentaries; special interest stories; etc.)	B _____	_____	_____	_____	_____

[6] **TRAVEL INDUSTRY ACTIVITIES.** Indicate in US dollars, the amounts you spent on **travel industry activities**, including the following for the indicated years:

<u>Expenditure Category</u>		1997	1998	1999	2000	2001
A.	Familiarization tours	A _____	_____	_____	_____	_____
B.	Trade shows	B _____	_____	_____	_____	_____
C.	Trade advertising (retail travel agents; travel wholesalers; tour operators; ground handlers; etc.)	C _____	_____	_____	_____	_____
D.	Collateral material (sales kits/sheets; posters; displays)	D _____	_____	_____	_____	_____

[7] **OTHER.** Indicate any other amounts that you feel do not fit the expenditure categories above and briefly describe the nature of the expenditures.

<u>Expenditure Category</u>	1997	1998	1999	2000	2001
Other expenditures	_____	_____	_____	_____	_____

Description: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Thank you for taking the time to complete this confidential survey.*

*Please return by September 16, 2002 in the enclosed stamped self-addressed envelope to:*

**Legislative Reference Bureau  
 CONFIDENTIAL SURVEY  
 Attention: Mr. Peter G. Pan  
 State Capitol, Room 446  
 415 South Beretania Street  
 Honolulu, Hawaii 96813**

**If you have any questions regarding this survey, please contact Peter G. Pan at pan@capitol.hawaii.gov or at 587-0666.**

## Appendix E

Wendell K. Kimura  
Acting Director

Research (808) 587-0666  
Revisor (808) 587-0670  
Fax (808) 587-0681



LEGISLATIVE REFERENCE BUREAU  
State of Hawaii  
State Capitol  
Honolulu, Hawaii 96813

### CONFIDENTIAL SURVEY

#### SENATE CONCURRENT RESOLUTION NO. 34, S.D. 1, 2002 PRIVATE SECTOR TOURISM-RELATED ADVERTISING AND PROMOTION

The Legislative Reference Bureau is a non-partisan research and support state agency. We are required by law to conduct impartial research upon request of the Legislature. During the 2002 session, the Legislature adopted S.C.R. No. 34, S.D. 1, which directs the Bureau to report on the "level and scope of private sector spending from 1997 through 2001 to advertise and promote Hawaii as a visitor destination." A copy of the resolution is enclosed. We seek your help in gathering this information.

Why should you respond? The Legislature believes that the state government spends a large amount of taxpayer dollars to promote tourism to Hawaii. This amount has increased over time. However, we do not have information on how much hotels, restaurants, tour companies, attractions and other tourism-related businesses spend to promote tourism. Thus, we are surveying private tourism-related businesses to try to find out how much they spend for tourism. Although we will try to reach as many as we can, we can't reach everyone. Not everyone will respond. But the more responses we get, the less chance there is of *under*-reporting private expenditures.

We will protect your privacy. We are public servants and are not in the business of collecting, giving away, or selling databases of names. Your name and address will be destroyed right after we mail you this survey. We recognize that the information we seek is proprietary and sensitive for competitive reasons. Thus, we will keep all information *strictly confidential*. The Bureau will only make aggregate reports by industry sector. Therefore, no business or its financial information can or will be identified individually.

Your association supports the survey. We received your name as a contact because the <Association's Name> supports this survey. We hope you will be able to help us.

Please complete and return the survey directly to us in the enclosed stamped, self-addressed envelope. Your response is *confidential*. We will *not* individually disclose any information. Your association will *not* see your response. We strongly urge you to **return the survey by Monday, September 16, 2002**. Should you have any questions regarding this survey, please call Mr. Peter G. Pan at 587-0666 or by email at pan@capitol.hawaii.gov.

Mahalo for your kokua.

Sincerely,

A handwritten signature in black ink that reads "Wendell K. Kimura". The signature is fluid and cursive, with a long horizontal stroke at the end.

Wendell K. Kimura  
Acting Director