



MARKETING STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Monday, March 13, 2017
Hawaii Convention Center, Board Room B
1801 Kalākaua Avenue, Honolulu, Hawaii 96815

MINUTES OF MARKETING STANDING COMMITTEE MEETING

COMMITTEE MEMBERS PRESENT: Sean P. Dee (Chair), Fred Atkins, George Kam, Lorrie Stone, Denise Hayashi Yamaguchi

BOARD MEMBER PRESENT: Rick Fried

COMMITTEE MEMBERS NOT PRESENT: Craig Nakamura

HTA STAFF PRESENT: George Szigeti, Randy Baldemor, Leslie Dance, Daniel Nahoopii, Charlene Chan, Jadie Goo, Kalani Kaanaana, Caroline Anderson, Ronald Rodriguez, Carole Hagihara, Jadie Goo, Chris Sadayasu, Laci Goshi, Noriko Sloan, Marc Togashi, Raphael Betelli

GUESTS: Representative Richard Onishi, Eric Takahata, Mitsue Varley, Teri Orton

LEGAL COUNSEL: Gregg Kinkley

1. Call to Order

Presiding Officer Sean Dee called the meeting to order at 10:02 a.m. He acknowledged Mr. Takahata and noted the large attendance of visitors and residents at the Honolulu Festival, especially during the parade and the fireworks show. He observed the support of JTB for the Festival since its inception over 23 years ago and the need to continue building support for the Festival through a “pipeline” for the future.

Mr. Dee introduced the Committee members and thanked the Staff for putting together the agenda. He concurred with Ms. Dance’s suggestion for the Committee to meet “about once a month.” He also acknowledged the presence of Representative Onishi. Ms. Dance provided a brief overview of the agenda.

Mr. Kinkley advised the Committee on matters related to voting and reporting on matters discussed by the Committee. He stated there are no rules for voting on the Committee level so long as there is a consensus. The Committee must provide an “accurate” report of its recommendations or findings to the Board.

Mr. Dee noted the HTA Five-Year Strategic Plan should be guiding the overall discussion of the agenda. The Strategic Plan provided the following “pillars” or goals and objectives: improve the integrity of the destination; ensure stable economic benefits; elevate Hawai‘i’s value perception through Hawai‘i being both a leisure and business destination by supporting the convention center; and, strengthen HTA’s reputation overall. The Strategic Plan should be the guiding principles for the annual Brand Management Plan. The Board and Staff has worked well together to use the Plans to develop a budget. The Marketing Committee will be able to address changing conditions after the budget has been approved and to ensure there is alignment with the Plans.

Mr. Dee noted that during Board meetings there has been different perspectives regarding how much money should be held in reserve and which programs should be approved or not approved without Board discussions. As the Committee reviews the various marketing initiatives, we need to look at how the initiatives would “tie back” to the Marketing Plan and the Strategic Plans.

2. Status (RFPs and Contracts)

Mr. Dee acknowledged Mr. Baldemor, who initiated a discussion on the status of various request for proposals (RFP) and contracts. He reported that on February 27, HTA announced the awards for Kululu Ola, Aloha Aina and the Community Enrichment Program. He stated, “it is very important to emphasize” that pursuant to “HRS 201B,” HTA can enter into contracts with entities without going through the RFP process. However, HTA has made a decision to go through a fair RFP process that is transparent and allows for consideration of community organizations throughout the State. HTA funded 128 programs through the three RFP’s and is currently going through the contract execution phase. He is “comfortable” that all the contracts will be issued to contractors within the next two to three weeks.

Mr. Atkins acknowledged the additional work for Staff caused by bringing the RFPs in-house. However, many contractors still do not have contracts right now. He noted although HTA funds are used to help with marketing, many of the smaller events do not have resources to begin the marketing and promotion of an event without HTA funds and may impact an organization’s “ROI.” Mr. Atkins referred to the process used last year by the counties to fund the community product enrichment program. Mr. Baldemor acknowledged Mr. Atkins concern and further responded that HTA will try its best to promptly execute contracts with those organizations that have “immediate needs.”

Mr. Atkins asked what is our plan next year to shorten the time required to execute contracts on a prompt basis after the RFP is issued. Ms. Stone acknowledged the time needed to also negotiate the final terms of each contract. Mr. Atkins suggested moving the RFP process “up three months” if it would take that long to execute a contract after it has been awarded. This would afford the contractors the proper time to market and promote the event with HTA funds that is timely received.

Ms. Anderson acknowledged the need to improve the process and have already considered issuing the RFPs earlier in June 2017. The hiring of additional staff will also help in improving the RFP process. Mr. Kaanaana added that the improved process will also be used for the Kukululu Ola and Aloha Aina Program. Mr. Baldemor further added that complying with state government contract requirements also impact Staff’s desire to execute contracts promptly, such as obtaining tax identification numbers and tax clearance

from contractors. It is a “collaborative process” that is required to execute contracts on a prompt basis. “Guidance” will also be provided to contractors during the RFP process to inform “awardees” of the contract requirements.

Mr. Dee asked how many RFPs were issued every year and approximately how many contracts are executed every year. Mr. Baldemor responded that approximately 75%, at a minimum, of budgeted expenditures have “gone out through the RFP process” on an “annual basis.” The vast majority of HTA funds are expended through the RFP process. Mr. Dee acknowledged that the contracting process to execute a \$5 million contract may be the same for a \$50,000 contract.

Mr. Atkins stated he has received comments from contractors that they would not receive funding until after the event is completed. If contractors were made aware of this possibility during the RFP process, it would allow contractors to adjust their expenditures. However, moving the RFP process up by three months would further alleviate their concerns.

In response to a question from Mr. Dee, Mr. Kaanaana stated it is Staff’s “intent” to begin the RFP process in July 2017. Mr. Baldemor clarified that the major market contractors are on a multi-year basis and no RFPs will be issued this year. Ms. Stone added that various major marketing contracts have options to extend the contract term.

Mr. Dee acknowledged there are “noble intentions” to execute contracts on a timely basis with the limited staff responding to government contract requirements. However, we need to better educate the public of the timeline for executing contracts. It might be the role of the Marketing Standing Committee to also inform the awardees or stakeholders, especially those on the neighbor islands.

Mr. Fried asked whether it would be “infrequent” when an RFP would be issued and a contract would not be executed. Mr. Baldemor responded that it would be “fairly frequent” that a contract would be executed if a RFP has been issued. It is also “very rare” that a contract would not be executed to an awardee.

Upon inquiry by Mr. Dee, Mr. Baldemor confirmed that HTA’s fiscal year budget will continue to identify the line item budget expenditures which would go through a RFP process or sole source.

3. Stakeholder Integration Process

Ms. Dance noted that this agenda item was requested by Mr. Dee. She reported there are “marketing advisory committees” at the staff level for each major market area. These committees meet on a quarterly basis or at least twice a year. There is room for improvement to make better use of these committees. Staff does spend a lot of time with stakeholders.

In response to an inquiry from Mr. Dee, Ms. Dance stated there is an advisory committee for all eight major market areas, including numerous subcommittees, and noted there are 30 people on the Japan advisory committee. Mr. Dee asked, “how the Marketing Committee can interact with the advisory committee.” Ms. Dance responded we “need to establish a process for better communication between the Marketing Standing Committee and the advisory committee.”

Mr. Takahata was recognized and discussed the Japan Marketing Standing Committee, which consists of a cross section of various Japan stakeholders. The committee would meet on a quarterly basis to discuss

initiatives within the Japan market looking forward six months to one year out. Questions from stakeholders would also be discussed.

Representative Onishi was recognized and stated that “from a Legislative standpoint,” most of the concerns and issues came from “local Japanese stakeholders and organizations.” It is “Hawai’i centric.” Ms. Dance stated that the Japan advisory committee includes local Japan stakeholders. She also noted that the meetings, conventions and incentive advisory committee also included all the hotel managers in Hawai’i and represented a “good cross section of local stakeholders on the advisory committee.” Representative Onishi suggested a discussion on the “Expedia project,” which was brought “to the head” in terms of discussions with local organizations. He asked what is the purpose of the project, its targets, and what are we trying to achieve.

Ms. Dance concurred that the Expedia project should have been presented to a Marketing Standing Committee. Mr. Szigeti added there is a renewed effort to get more stakeholder input on “key initiatives” before it goes out to avoid pitfalls. Mr. Dee noted that the Marketing Standing Committee is a public meeting and the public may also provide input on any initiative presented to the Committee. This is another mechanism to get more input.

Mr. Dee asked whether the intent of the annual Tourism Conference is to allow more public input or focus on the industry. Mr. Szigeti responded that the Conference is “industry centric” and the intent is to make it “global” but focused on Hawai’i. After noting the “Spring contractor updates” have been primarily attended by the industry, Mr. Dee asked whether there were other events where more input could be provided by the public. Ms. Stone responded that the Tourism Conference was “completely open to the public.” We also need to know the “focus” of the Conference and what the public may be interested in.

Mr. Dee stated that “based upon the debrief of the Conference, we should have a better idea on how much public we can make it.” The Conference is open to the public on a “paid participation basis.” Mr. Baldemor stated he “has not received any input that any matter discussed at the Tourism Conference was closed to the public.” We will need to have more discussion on whether the Tourism Conference will be made “free to the public.”

Ms. Yamaguchi asked whether there has been a survey of the industry regarding how they feel about HTA. Is HTA communicating well to stakeholders? Mr. Nahoopii responded that a survey is currently in the process of being developed. Ms. Yamaguchi expressed the hope that the survey would be sent to a broad spectrum of the industry.

Ms. Stone stated that Board members are also receiving numerous “informal feedback” from tourism stakeholders and this feedback is presented to Staff. The “Board has a wealth of information.” There should be a collaborative effort between Board members and industry stakeholders to communicate with each other. Mr. Baldemor added that current communication can always be improved, evaluated and “tweaked” going forward.

Representative Onishi stated that the current discussion is “what the outside public do not get a chance to see and understand, in-depth.” He intends to attend more HTA meetings and to allow his colleagues to be informed regarding the “hard work” of the HTA Board. He expressed apologies for having to leave the meeting now.

(Representative Onishi was not present.)

Mr. Dee suggested that staff should “close the loop” on the final stakeholder meeting related to an evaluation of the Tourism Conference by taking what we learned and make adjustments for the next Conference. In response to an inquiry from Mr. Dee regarding when the agenda for the next Tourism Conference will be published, Ms. Dance stated that staff is “cranking hard” on many priorities right now, including the Tourism Conference through a more “efficient” and “streamlined approach.”

Mr. Szigeti would like the Conference to focus on being more “visitor centric,” especially with the “expo hall” being more assessable to the public, but maintain the “global” features. He has received many favorable comments from Hawai‘i’s global partners and would like to expand the Conference content. Ms. Stone responded that it is very hard to have more content for a Conference that is desired to last only one to two days.

Mr. Atkins also heard many positive feedback despite early predictions that “we would not be able to pull it off.” The only complaint was that people “just can’t take too much time off from work” and that it was expensive to attend.

Mr. Dee stated, “this has been a good discussion that would allow us to move forward to a successful Tourism Conference this year.” Ms. Dance looked forward to presenting the Tourism Conference plans to the Committee once it becomes more fully developed. Contractors have already been hired. In response to a concern expressed by Mr. Fried, Ms. Dance stated that staff “absolutely needs to pay attention to the cost.”

Mr. Dee confirmed the previous discussion by noting that Staff has a “protocol of having advisory marketing committees for each major market area contractor; and, that the Marketing Standing Committee would help with developing the informal feedback Board members receive from community tourism stakeholders, including getting information back out to the public. Keeping stakeholders informed “needs to be a HTA priority” and for a “far out period of time to get within their cycle” so that stakeholders can participate in the implementation of initiatives. Ms. Dance added that we also need to make sure information provided to stakeholders at the highest levels is also brought down to the lower staff levels.

In response to a request by Mr. Dee, Ms. Dance noted it will be an “action item” for Staff to provide the Marketing Standing Committee with minutes of the advisory committee meetings so that the Committee members can help with “marketing.”

4. Expedia

Ms. Dance reported that the Expedia campaign is coming to an end and with “tremendous results.” She will be providing a “high level summary” and asking whether the campaign should be continued because it has “become very contentious within the industry.” The Expedia campaign started as a “brand level campaign” that moved into a conversion phase. It is in six markets right now. However, funds allocated to the Japan market in this campaign will be reallocated to the Canada market in response to concerns from hoteliers.

After the Expedia video entitled “Discover Aloha” was shown to the Committee, Ms. Dance reported that the technology behind the video is that it has embedded facial recognition on 27 facial points to determine a viewer’s interest in the following areas: “romantic,” “adventurous,” and “sprinting around the island.” The viewer’s interest determined by the video would convert into an Expedia “thread line” that would track

the viewer's interest and hopefully cause the viewer to book a Hawai'i vacation. Expedia would be able to account for the viewer's interest attributable to the video that resulted in a booking.

Ms. Dance provided a PowerPoint presentation entitled "Discover Your Aloha Summary." She displayed slides reporting that although Hawai'i tourism has grown, the tourism growth by Hawai'i's competitors has outpaced Hawai'i's growth. The growth in outbound overseas travel to Vietnam and Thailand has outpaced Hawai'i for the first time. The objectives of the Expedia campaign were to increase incremental visitors and revenue to the State and from Hawai'i's "competitive set," which were Mexico, Caribbean, Florida, Thailand, and Vietnam; position Hawai'i as a leading innovator in travel, technology, and marketing through a unique facial recognition platform; connect with millennials on platforms they are accustomed to using; and, deliver measurable results to the State of Hawai'i that would allow HTA to make adjustments on a day-to-day basis.

Ms. Dance reported the hoteliers were concern HTA was not looking at the "booking patterns" and to then impact the booking patterns. There was also a concern HTA was not driving booking during the shoulder periods. In response to these concerns, Ms. Dance displayed slides depicting booking trends for the United States, Japan, Canada, Australia, and New Zealand. She reported that after the launch of the Expedia campaign during the last week in June, it drove the highest percentage of bookings for the Fall shoulder period and beyond. Increased impressions through the Expedia video in January and February also drove bookings into the shoulder season. She also reported that 92,742 air tickets were purchased through the campaign and after accounting for visitors who may have booked alternative accommodations or stayed with friends or family, the remaining visitors booked accommodations directly with hotels.

Ms. Dance reported that the Expedia campaign was featured in numerous travel related media and was recognized as one of the top ten "most innovative" use of technology in a marketing campaign for the year. She reported on how the Expedia strategy could connect with millennials on familiar platforms. The campaign also resulted in visitor expenditures totaling \$361,518,318, which was "well over" what she "considered to be successful."

She referred to a hand-out entitled "Discover Your Aloha Campaign, Results as of 31 Dec 2016" and reported that the "return on ad spend" or the return on investment as \$123.20 for every dollar expended. There was a 26% year-over-year growth in "passengers" from the period June 24, 2015 to December 31, 2015 to the period when the campaign was running from June 24, 2016 to December 31, 2016. There was also a 15% and 42% year-over-year growth in "room nights" and "air tickets," respectively, over the same periods. More importantly, large increases in year-over-year growth for passengers, room nights and air tickets were reflected for each of the neighbor islands, except O'ahu. Ms. Dance concluded that based upon people that booked through Expedia, the campaign can be said to be "widely accepted." However, the big hoteliers "are not fond of the campaign." She solicited "advice and counsel" from the Committee on how best to acknowledge the "good" marketing return on investments arising from the campaign.

Mr. Baldemor inquired whether the continued discussion may result in a discussion of competitive matters that should be discussed in executive session. Mr. Dee concurred but noted that the discussion can be continued on a "philosophical basis." Mr. Kinkley responded that discussion during an executive session should be restricted to a discussion of only confidential matters. He also noted that this agenda item was not identified as a matter anticipated to be discussed in executive session.

Mr. Atkins inquired whether the major problem expressed by hoteliers was that Expedia took away direct booking with hotels. Ms. Dance acknowledged the hoteliers viewed Expedia as a "direct competitor." Mr.

Szigeti emphasized the campaign as a “statewide program” and the primary goal was to spread travel to the neighbor islands. This was achieved when most of the growth was experienced on the neighbor islands and the least growth was on O’ahu. The many hoteliers he spoke to had expressed a preference that visitors would book directly through their “online team” and not have to pay a 10% to 20% commission.

Mr. Dee stated that “philosophically” the HTA major market contractors had executed their own campaigns and the Expedia campaign was a HTA campaign. He asked, “how did the contractors assess the incremental value of the Expedia campaign” versus “other opportunities in the market.” Ms. Dance responded that “it allows the contractors to free up money” they would have to spend in the market. The Expedia campaign provided a “bigger impact” in the market on a global basis.

Mr. Dee noted that if “\$370 million came through the Expedia platform,” Expedia “made \$70 million” and “one of the fundamental issues is that this is money that goes out of the State as commission to one of the largest OTA on the planet.” He asked whether the campaign had “cannibalized bookings that would have come to Hawai’i anyway.” The booking would be viewed as being incremental by Expedia because once a viewer watches the video and would click on its home page it would be attributable to the campaign. Most marketers would heavily discount the \$370 million as having come through Expedia because a visitor’s use of the video was just part of a visitor’s exploration or “journey” to learn about a destination before booking. They were not “necessarily motivated” to book a trip to Hawai’i because of the video.

Mr. Dee expressed a desire to get the “collective feedback” from HTA marketing contractors whether money spent on the campaign could have been better spent. Feedback should also be obtained from hoteliers, who believe the campaign “steals from the direct business they basically get with no commission.” He expressed a concern HTA spent a lot of money on a campaign benefiting many parts of the Expedia company. After acknowledging that although the Expedia videos were “very nice” and he may be “putting on his hotel hat right now,” Mr. Dee stated that the campaign was a “very expensive deal for the State of Hawai’i and for a destination that Expedia desperately needs.” He also acknowledged that although “we need Expedia,” they took a percentage of every booking that came through the campaign.

Mr. Baldemor explained that as the State’s top tourism marketing agency, it is “agnostic” and does not drive business to a particular hotel. The HTA’s marketing contractors are only focused on its own market, while HTA is focused on driving business to the neighbor islands and on a global basis. The Expedia campaign has achieved these objectives. The marketing contractors cannot execute a global campaign similar to the Expedia campaign. He acknowledged Mr. Dee’s concern from a “hotel perspective.” However, HTA needs to make the best use of its marketing dollars and leverage its assets on a global basis. The Campaign was innovative and made the best use of its marketing dollars, as reflected by the “good results.” Mr. Baldemor added that there needs to be further discussion whether a similar campaign should be continued.

Mr. Atkins presented a concern expressed by hotels and the stakeholders who have questioned HTA’s \$3 million expenditure to one entity when they have similarly sought the same objectives as Expedia. Mr. Baldemor stated that it raises a “strategic philosophical” discussion related to who HTA needs to partner with to achieve the best results. He noted the value of a strategic partnership with Expedia, as one of the largest online company, was based on Expedia’s interest to partner with Hawai’i and that it has prioritized Hawai’i over other destinations. However, this partnership can be revisited.

In response to a question from Mr. Atkins regarding the number of people who used the facial recognition video, Ms. Dance responded that “about 50%” chose not to participate.

Mr. Togashi noted that a discussion on the funding for a “second round of a campaign for Expedia” may be discussed in executive session.

Mr. Baldemor noted the need for HTA to “control the brand image” and to ensure “Hawaiian culture is front and center.” He believes that the Expedia campaign has fulfilled this need. HTA was involved in the development of the video and the campaign from the very beginning. HTA has not received any criticism to the video developed by Expedia.

Mr. Dee stated that “the experienced contractors, who know the markets really well and who already work in market,” should be addressing the brand image. In regards to Mr. Baldemor’s point that only HTA can provide a global campaign, Mr. Dee responded that “if you align four or five of the major markets together and the contractors” with a “shared game plan,” they would be able to execute the global campaign “more effectively than the HTA staff” because of the contractors’ resources and expertise. He expressed concern with many other priorities currently being addressed by HTA staff without the added burden to negotiate with Expedia. He further stated that the “objective of a global campaign with Expedia is a good one,” but staff “should brief the marketing contractors” regarding the campaign and to ask “how do we make that work and come back with a better deal for the State.” He stated he “is not speaking on behalf of the hoteliers, but giving the feedback as a hotelier and thinking about the state monies and how its spent.” He believes that “contractors are better equipped to negotiate the market deals” as compared to HTA staff, who already “has a lot to do as it relates to compliance.”

Mr. Baldemor responded that the marketing contractors did not have a global campaign until HTA staff initiated the discussion. He stated the “results speak for themselves and that frankly staff did a very good job.” He emphasized the need to continue discussion on the future of the Expedia campaign.

In response to a question from Mr. Atkins regarding the ownership of the Expedia video so that it could be used in other promotional platforms, Mr. Baldemor stated that HTA has “perpetual rights to use the videos.” Mr. Atkins noted the success of the Expedia campaign would be judged on whether bookings were driven to a vendor, hotel or airline. Mr. Baldemor added that a marketing question we always think through is to ask “what is the best approach for Hawai‘i.” Mr. Dee responded, “in theory, you can use the Committee” to give Staff its “experience” and “insights” and how to approach Expedia and get more added value or to change their “attribution model.” We need to make sure we are spending the State’s money more cost effectively but still accomplish the same innovations that clearly occurred in the Expedia campaign.

Mr. Baldemor asked what would be the Committee’s recommendation regarding the future of the Expedia campaign, especially when the budget would need to be approved in June. A discussion on the Committee’s recommendation may include a discussion on competitive matters. Mr. Kinkley stated that the next agenda item is “Marketing Budget” and is noted as being a matter to be discussed in executive session.

5. Marketing Budget

6. HVCB Excess Funds

7. Sports Strategy & Potential Events

Mr. Baldemor requested an executive session to discuss the agenda items related to Marketing Budget, HVCB Excess Funds, and Sports Strategy & Potential Events. Upon an inquiry from Deputy Attorney General Kinkley for the purpose of going into executive session and whether it was pursuant to HRS section 201B-4(a)(2), Mr. Baldemor responded that a discussion of these agenda items would involve “strategic

marketing” information related to funds to be expended in Hawai‘i’s competitive markets that must be kept confidential to protect Hawai‘i’s competitive advantage as a visitor destination under the statute authorizing a discussion of these matters in executive session. Mr. Kinkley advised the Committee he would be monitoring the discussion in executive session to ensure the discussion will stay within that scope of confidentiality and not lead into a discussion of “collateral issues.”

Ms. Yamaguchi made a motion to go into executive session pursuant to HRS section 201B-4(a)(2) for the purpose of discussing information that must be kept confidential to protect Hawai‘i’s competitive advantage as a visitor destination. Ms. Stone seconded the motion, which was unanimously approved by all the Committee members present.

The meeting was recessed for an executive session at 11:53 a.m.

The meeting was reconvened at 1:45 p.m.

4. Expedia

Mr. Dee continued a discussion regarding the Expedia campaign. Mr. Kam asked Staff for its opinion regarding the Expedia campaign. Ms. Dance responded that “it was a good innovative move and approach but there were downsides.” There were good results and we achieve our objectives of being a leader in the tourism industry. Mr. Baldemor “thought that the Expedia campaign met expectations as far as results” and that we should move forward with the current campaign. However, continuing the campaign does not seem doable under the current circumstances. Ms. Dance concurred.

Ms. Stone added that the campaign was dependent upon “incremental” booking. The industry and hotels have commented that they have not accepted the level of incremental booking attributed to the campaign. Mr. Dee stated, if you were “negotiating hard” with Expedia, “you would not be accepting their attribution model” and “you would be using your own.” Each marketing contractor could use its own attribution model for its market and you would probably get about 25% incremental booking. Mr. Dee noted that if an individual had viewed the Discover Aloha video and then decides one month later to book, Expedia would get credit for the booking because the individual at one time had viewed the Discover Aloha video. Mr. Dee concurred with Ms. Stone that for some hotels a 25% incremental booking “is great” but for others “it’s not so great.” Mr. Dee stated, “pure incremental business at the right time period is great” and “is what the industry wants.” They “just do not want to cannibalize business” they would have had, and to then pay a commission.

8. Adjournment

Ms. Yamaguchi made a motion to adjourn the meeting. Mr. Kam seconded the motion, which was unanimously approved by all the Committee members present. The meeting was adjourned at 1:51 p.m.

Respectfully submitted:***



Winfred Pong, Recorder

***** This DRAFT prepared on April 11, 2017 and is subject to approval by Marketing Standing Committee.**