



5-Year Strategic Marketing Plan

2011

2012

2013

2014

2015

2016

Fiscal Years 11/12 to 15/16

californiaTM
FIND YOURSELF HERE

Acknowledgements

A committee of industry stakeholders contributed their expertise, insight and time to develop this Strategic Marketing Plan (the Brand Enrichment Plan), which will guide the California Travel & Tourism Commission's (CTTC) efforts over the next five years. The committee appointed various subcommittees to focus on strategies for four core marketing areas that will drive CTTC's efforts from FY 2011-12 through FY 2015-16: technology and partnership, research, domestic brand communications and international marketing. CTTC acknowledges the following Strategic Plan Task Force and subcommittee members for their hard work and dedication:

STRATEGIC PLAN TASK FORCE

Chair:

Mike Gallagher,
CityPASS, Inc.

Kimberly Adams,
Temecula Valley
Convention &
Visitors Bureau

Steve Bone,
Huntington Beach
Marketing and
Visitors Bureau

Andy Chapman,
North Lake Tahoe
Resort Association
and North Lake
Tahoe Visitors &
Convention Bureau

Sheldon Duncan,
Walt Disney Parks
& Resorts

Jon Handlery,
The Handlery Union
Square Hotel

Marilyn Hannes,
SeaWorld of
California

Kathy Janega-Dykes, Santa
Barbara Conference
& Visitors
Bureau and Film
Commission

**Kerri Verbeke
Kapich,** San Diego
Convention and
Visitors Bureau

Tom Klein, Rodney
Strong Wine Estates

Patti MacJennett,
LA INC. The Los
Angeles Convention
and Visitors Bureau

Diane Mandeville,
Cannery Row
Company

Julie Maurer,
Squaw Valley, USA

Howard Pickett,
Mammoth Mountain
Ski Area

Cody Plott, Pebble
Beach Company

Scott Schneider,
Visit Mendocino
County

Thomas D. See,
Universal Studios
Hollywood

Jeff Senior,
Fairmont Hotels
& Resorts

Don Skeoch,
California Academy
of Sciences

Matt Stiker,
San Francisco
Travel Association

Joe Terzi,
San Diego
Convention and
Visitors Bureau

John Wagnon,
Heavenly Valley
Limited Partnership

Bob Warren,
Redding Convention
& Visitors Bureau

SUBCOMMITTEES

TECHNOLOGY & PARTNERSHIP

Chair:

Mike Gallagher

Jeff Senior

Julie Maurer

Howard Pickett

RESEARCH

Chair:

Sheldon Duncan

Raza Azmi

Susan Buinzeel

DOMESTIC BRAND COMMUNICATIONS

Chair:

Julie Maurer

Cody Plott

Diane Mandeville

Joe Terzi

John Wagnon

Kathy Janega-Dykes

**Kerri Verbeke
Kapich**

Kimberly Adams

Matt Stiker

Patti MacJennett

Scott Schneider

Steve Bone

Tom Klein

INTERNATIONAL MARKETING

Chair:

Howard Pickett

Andy Chapman

Bob Warren

Jon Handlery

**Kerri Verbeke
Kapich**

Marilyn Hannes

Thomas See



California is a place like no other, a land of abundance and opportunity—where residents and visitors alike can experience life to the fullest. This is what distinguishes California from other destinations, and it is these qualities that capture the spirit of CTTC's Five-Year Strategic Marketing Plan—our Brand Enrichment Plan.

The best and the brightest industry leaders provided invaluable assistance in creating a marketing plan that will fortify the California brand and capitalize on emerging opportunities. California's travel and tourism industry is operating in a new landscape—driven by sustained economic challenges, evolving demographics, emerging technology and shifts in consumer travel patterns.

We see this as an opportunity to strategically market California in a way that is responsive, creative and forward-thinking. The 2011-2016 Strategic Marketing Plan is our roadmap for getting there.

With the time and creativity invested by the Commission's Strategic Planning Task Force in this plan, California's travel and tourism industry is well positioned to ensure that the Golden State remains the premier travel destination—generating revenues that will contribute to the vitality of California.

Join us as we continue the tradition of excellence and innovation that truly is the spirit of our industry and of California.

CAROLINE BETETA

President & CEO,
California Travel & Tourism Commission

Deputy Secretary for Tourism,
California Business, Transportation
& Housing Agency

Contents

1. Purpose of the Plan	2
2. Executive Summary	6
Strategic Plan Development Process	14
3. About CTTC	16
4. Research & Analysis	28
5. Marketing Overview	66
6. The International Market	84
7. Road Map	94
8. Appendix	106



1 | Purpose of the Plan

2011

2012

2013

2014

2015

2016

Purpose of the Plan

The 2011–2016 Strategic Marketing Plan (the Brand Enrichment Plan) is a comprehensive plan developed to guide CTTC's marketing programs over the next five years, aimed at boosting California tourism brand awareness and visitation revenues. It is strategically responsive to the “new normal” post-recession travel environment and changes in demographics, technology and consumer travel trends, and is in alignment with the overall mission of the new Corporation for Travel Promotion (CTP) to promote increased international travel to the U.S.

The Strategic Marketing Plan is a key component of CTTC's overall Business Plan and serves as a roadmap for annually developed work plans that detail the specific tactics designed to advance CTTC's key marketing mission and objective:

Marketing Mission: Develop and maintain marketing programs—in partnership with the state's travel industry—that keep California top-of-mind as a premier travel destination.

Marketing Objective: Maintain and increase non-resident leisure travel to and spending in California.

Background

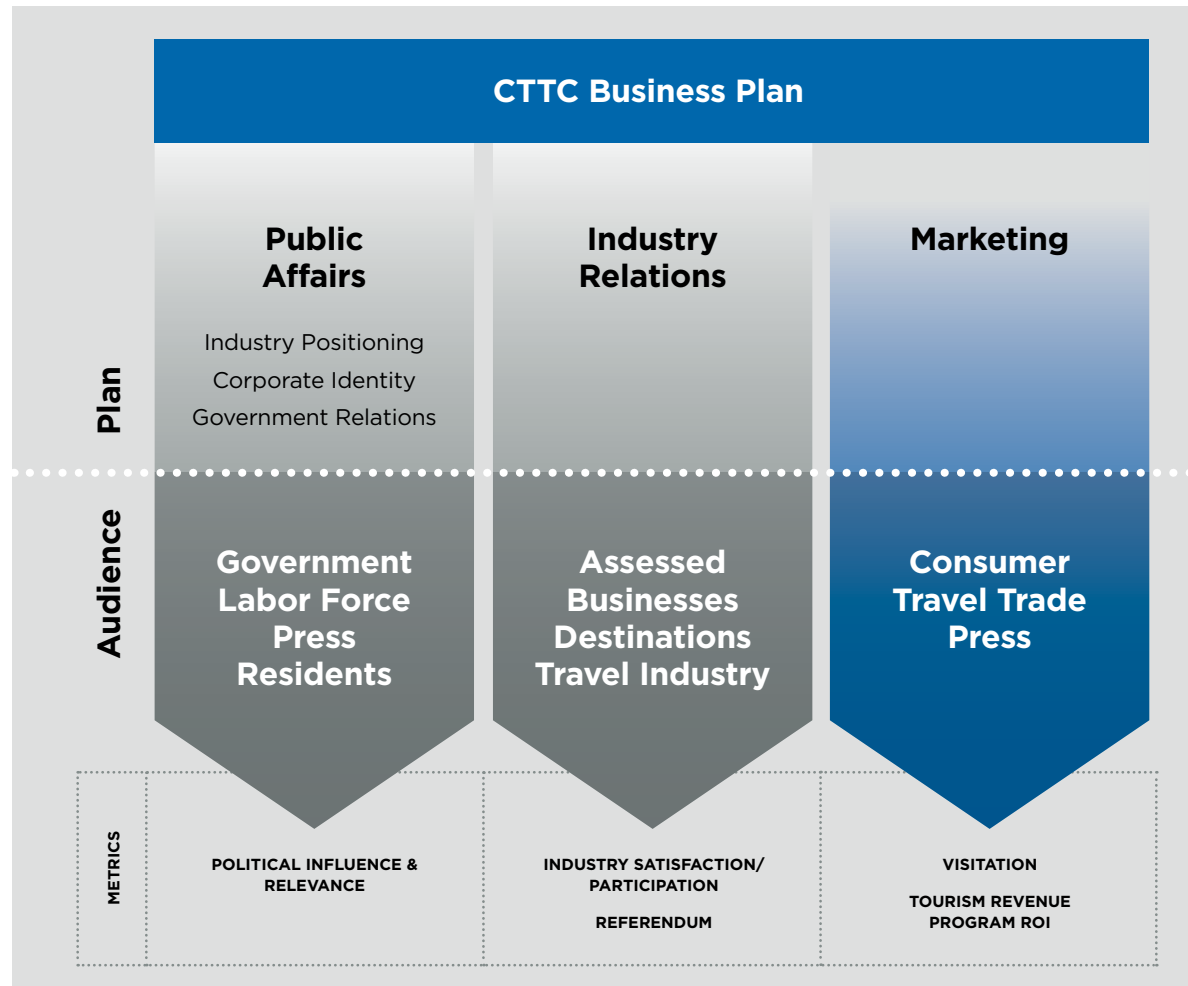
In 2006, a new rental car assessment, AB 2592, passed in California. The assessment expanded CTTC's annual budget to \$50 million and gave California—the nation's leading tourism state—the resources necessary to compete with spending by other top U.S. destinations. To maximize these resources, CTTC developed its first Strategic Marketing Plan in 2007 (the Foundational Plan) to build a marketing infrastructure that could support the creation of sophisticated, results-driven marketing programs. The Foundational Plan focused on three main objectives:

- 1) Capacity-building:** Secure global resources and develop an infrastructure to support the plan. This included building in-house expertise, vendor relationships and in-market representation to integrate new and traditional media. In addition, CTTC began to build an international resource pool and has since acquired global brand intelligence.
- 2) Media expansion and innovation:** Integrate traditional media programs with new media, based on consumer consumption habits. Although CTTC kept some traditional offline media programs (e.g., engaging print and broadcast brand advertising), the plan integrated new online media strategies into these campaigns that were cost-effective and engaged consumers on a deeper level with layered messaging tactics. This innovation through integrated online and offline programs increased brand impact and secured brand success, particularly in the domestic market.
- 3) Targeting the high-value global market:** Expand our international brand profile to reach new consumers who spend the most and stay the longest. CTTC decentralized to optimize global reach by opening numerous offices in key global markets, with market representation in 12 countries, including the U.K., Japan, Germany, Australia, Mexico, South Korea, China, India, Italy, France, Brazil and Scandinavia, with additional dedicated efforts in Canada. CTTC also has 14 international Web sites, and produces a suite of 11 international visitor's guides. By building this international resource pool, CTTC acquired critical global brand intelligence to better design targeted international programs to attract consumers.

THE 2011–2016 BRAND ENRICHMENT PLAN WILL GUIDE CTTC'S EFFORTS IN OPTIMIZING ITS BUDGET IN THE NEW OPERATING ENVIRONMENT, WHILE PROVIDING THE NECESSARY RESEARCH AND CONTEXT TO DECIDE BUDGET ALLOCATION TO SPECIFIC MARKETING PROGRAMS AND INTERNATIONAL MARKETS.

FIGURE 1

California Travel and Tourism Commission Planning Framework



QUICK LOOK

THE FIVE-YEAR STRATEGIC MARKETING PLAN FALLS UNDER THE UMBRELLA OF THE CTTC BUSINESS PLAN.

CTTC has accomplished all three of these ambitious objectives with unprecedented success, positioning California as a global leader in the travel and tourism industry in terms of approach, reach and impact. Between 2008 and 2010, CTTC's global advertising reached 42 million consumers globally, generating 3.3 million visits and an incremental \$3.9 billion in annual additional visitation spending—a \$221 return on investment (ROI).

Building on the Foundation

The Brand Enrichment Plan builds on the momentum of the 2007–2013 Foundational Plan, taking what CTTC has learned and leveraging it into objectives and strategies that optimize marketing spend domestically and internationally, while providing the necessary research and context to maximize efficiency and integration within the constraints of a fixed budget.

The overarching goal of the 2011–2016 plan is to enrich the California brand by both broadening the reach to new markets and customers, but also deepening the connection with travelers to foster return visits and to inspire them to be brand ambassadors to friends and family.

The Five-Year Strategic Marketing Plan will guide CTTC staff and committees as they develop tactical annual work plans for specific marketing programs and international efforts with precise budgets and metrics. With a static budget, CTTC will establish annual spending priorities and make course adjustments, based on the overall ROI of each of these programs and in the context of the current environment.

Additionally, CTTC sees the Brand Enrichment Plan as an important resource for partners at home and abroad. The Research & Analysis section includes an extensive amount of valuable information on economic, demographic and trend data specific to the travel and tourism industry. Each of the objective and strategy sections conveys the priorities for CTTC's work in the coming five years, much of which will engage and involve California's tourism industry partners.

BETWEEN 2008 AND 2010, CTTC'S ADVERTISING REACHED 42 MILLION CONSUMERS GLOBALLY, GENERATING 3.3 MILLION VISITS AND AN INCREMENTAL \$3.9 BILLION IN ANNUAL ADDITIONAL VISITATION SPENDING, AN ROI OF \$221.

(SOURCE: SMARI)

A full-page background image showing the silhouettes of two horses and a rider on a sandy beach at sunset. The sun is low on the horizon, creating a warm orange glow. The waves of the ocean are visible in the background. The text '2 | Executive Summary' is overlaid on the left side of the image.

2 | Executive Summary

2011

2012

2013

2014

2015

2016

Executive Summary

CTTC's Five-Year Strategic Marketing Plan (the Brand Enrichment Plan) is a comprehensive framework designed to guide the organization's efforts to maintain and increase travel and tourism in California, in a way that optimizes its budget, builds on experience, leverages partnerships and is responsive to the dynamic post-recession travel environment.

Background

California is the premier travel destination in the U.S., attracting approximately 200 million visitors each year who spend \$95.1 billion, directly supporting jobs for 873,000 Californians and generating over \$6 billion in state and local tax revenues. Despite this success, California was hampered, for years, by a fluctuating and vulnerable travel and tourism marketing budget. Fierce global competition for travelers made it imperative that California have a stable and robust budget to keep pace with other destinations worldwide. In 2006, the passage of a mandated rental car assessment—AB 2592—gave California the secure, competitive marketing budget it needed—increasing the budget from \$10 million in 2006 to the current \$50 million level in 2007.

CTTC created the 2007–2013 Foundational Plan to strategically manage these resources. The plan created an infrastructure for CTTC to build global resources and expand its research program and international brand profile. The strategies established in the Foundational Plan, coupled with the necessary resources for implementation, proved to be tremendously effective. SMARI research shows that since 2007, CTTC's advertising has been seen each year by 42 million consumers globally, generating 3.3 million visits and \$3.9 billion in additional annual visitation and spending—a remarkable \$221 to \$1 ROI.

MOVING FORWARD

The 2011–2016 Brand Enrichment Plan builds on this success, using the latest research and key learnings to create more efficiencies and integration. It reflects market changes such as the “new normal” travel environment, which has caused dramatic shifts in consumer patterns. It also factors in new mobile and tablet technologies, which are changing the media landscape and affecting the way travelers access and use information to make their decisions. And it anticipates a strategic partnership with the newly formed Corporation for Travel Promotion, the United States' national travel marketing program, to maximize global opportunities for California and the nation as a whole.

The central focus of the 2011–2016 Strategic Marketing Plan is brand enrichment—building on the success of California's brand platform, fortifying the brand (brand vitality) and deepening the relationship with consumers throughout the travel lifecycle. These core consumers will continue to be out-of-state visitors—the travelers who stay the longest and spend the most. More specifically, CTTC identifies its core strategic target as the digitally savvy consumers who see travel as an experience that enriches their life—with value tied to perceived worth, rather than price. In the coming years, CTTC will seek to elevate the California brand to a position in the minds of consumers that transcends travel and becomes relevant to their daily lives—a California state of mind.

INTERNATIONAL FOCUS

The vital importance and value of the international market is reflected in the strong emphasis on CTTC's international program in the Brand Enrichment Plan. CTTC's approach will be to maintain a stable presence internationally through its 12 global offices and to align with

WHY TRAVEL MATTERS:

**TRAVEL IS BIG BUSINESS
IN CALIFORNIA, WHICH
ATTRACTS APPROXIMATELY
200 MILLION VISITORS
WHO SPEND \$95.1 BILLION,
DIRECTLY SUPPORTING
873,000 JOBS AND
GENERATING \$6.1 BILLION IN
DIRECT STATE AND LOCAL
TAX REVENUES.**

(SOURCE: DEAN RUNYAN ASSOCIATES, TOURISM ECONOMICS, 2010 PROJECTIONS)

the national organization for tourism, the Corporation for Travel Promotion, to attract more international visitors to California and the U.S. Modeled after CTTC's successful public-private partnership, CTP will create a platform for marketing the USA brand globally and provide new national leadership in addressing barriers to travel. CTTC works in close partnership with CTP to leverage resources and maximize opportunities, with CTTC President & CEO Caroline Beteta serving as CTP Vice Chair.

The 2011–2016 Brand Enrichment Plan is infused with opportunities to reach greater, yet very targeted audiences. Although a fixed budget means there may be tough marketing choices ahead as global destinations outspend California, CTTC is confident that by enhancing effectiveness and building partnerships, it can help keep California the number one destination in the U.S. and help tourism remain a key economic driver for the state.

Strategic Framework

The strategic framework used to create the 2011-2016 Strategic Marketing Plan, a five-year road map for tactical annual work plans, is based on CTTC's overall mission and objective.

FIGURE 2

Marketing FY 11-16 Strategic Planning Process



QUICK LOOK

THE FRAMEWORK FOR THE PLAN INCLUDES UPDATED GUIDING PRINCIPLES, RESEARCH AND ANALYSIS, KEY LEARNINGS FROM THE LAST FIVE YEARS, INDUSTRY FEEDBACK AND FOUR CORE OBJECTIVES, WHICH ARE OUTLINED ON PAGES 14-15.

Guiding Principles

With this new Five-Year Strategic Marketing Plan (Brand Enrichment), CTTC has slightly adjusted its guiding principles below to include consistent and potent brand mentions, especially when focusing on out-of-state resources, as well as accelerating our Web leadership. It also incorporates core international program strategies from the U.S. Travel Association and the new Corporation for Travel Promotion.

- 1. Do what the industry cannot do for itself.** CTTC will provide a statewide marketing platform to promote the California brand.
- 2. Leverage existing assets and alliances; focus on international and emerging market development.** CTTC will introduce the California brand to far-reaching audiences and establish strategic alliances with trusted in-market brands.
- 3. Evaluate program measures and return on investment (ROI) for major programs.** CTTC will track and evaluate market penetration and program impact on attracting leisure travelers.
- 4. Focus on out-of-state and international audiences to build and refine the California brand.** CTTC marketing programs will serve to attract new consumers to California through the power of the California brand, while providing industry partners with opportunities to reach new markets that are otherwise cost-prohibitive.

- 5. Support assessed businesses.** CTTC will be a resource to assessed tourism businesses by providing marketing opportunities, Web leadership and tourism research material vital to the success of their operations.
- 6. Accelerate Web leadership.** CTTC will increase its status as a leader in the Web and interactive world by creating innovative programs to reach consumers with targeted, timely and cost-effective brand messages.
- 7. Align with CVBs, DMOs and U.S. Travel leadership.** CTTC will coordinate resources with local destination marketing organizations (DMOs), while aligning with efforts on the national level.

Trends and Implications

When creating the strategic framework for the Brand Enrichment Plan, CTTC factored in what has been termed the “new normal,” a term used to describe new consumer travel patterns that remain after one of the longest recessions in history. The trends associated with the new normal are covered in detail in the plan and summarized here:

- **Economy:** Declining unemployment, increases in personal disposable income, and relatively stable consumer prices are projected as we move into 2012—all important factors in travel demand. Despite gradual improvements in the economy, consumers are still very cost-conscious when making decisions, so value is an important part of messaging.
- **Repeat Visitation:** Surprisingly, recent research shows that frequent travelers are primarily motivated by visiting friends and relatives (VFR), using their own experiences with family to plan travel. It’s important to engage these travelers, resident friends and family members (who act as reliable and trusted sources for other travelers) to become brand advocates.
- **Demographics:** In the next five years, the baby boomers will move out of the luxury age and will not be replaced in the same numbers by the next generations. With these shifts, all generations will contribute to economic recovery over the next five years. Therefore, CTTC will need to focus programming on each distinct generation.
- **Technology:** Rapidly evolving technologies are changing the way consumers access information and make their decisions. Global Internet penetration is reaching

critical mass in many markets. At the same time, how consumers are accessing the Internet is changing, with mobile Internet users projected to surpass desktop users by 2012. Given these trends, it’s critical to continue developing accessible and diverse content that can engage consumers in multiple ways.

“New Normal”: Trends And Implications

Understanding the “new normal” post recessionary travel environment was vital to mapping out the strategies that help guide the development of tactical annual work plans. Through research, CTTC identified the latest trends and implications to drive the strategies for the Brand Enrichment Plan. These strategies are discussed in greater detail in the Research & Analysis section.

TREND		IMPLICATION
ECONOMICS/DEMOGRAPHICS	1 The U.S. economy is recovering at a gradual pace, and consumers will continue to travel but with heightened attention to costs.	CTTC will incorporate value in messaging. CTTC will also target primary Western markets in programs as they tend to take short-haul trips that cost less.
	2 Consumers continue to seek luxury, but experience and value are now required components as well.	CTTC will communicate to consumers with messaging that resonates with core values. We will show them that California offers the most and best of everything, presenting great value.
	3 All generations will contribute to the recovery in travel over the next 5 years.	CTTC will continue pushing brand efforts that have worked well to date. We will deliver our message to an expanded audience, using new media to speak to a tech-savvy Generation Y audience.

	TREND		IMPLICATION
TECHNOLOGY	4	Global Internet proliferation is on the rise—as is access to diverse content types.	→ CTTC will engage consumers in the California brand by developing and expanding deep, diverse online content.
	5	Internet consumption is going portable—and will continue to fragment.	→ CTTC will make visitcalifornia.com 's rich content accessible across a range of devices, and live in a range of places, so it can be relevant to users when and where they need it.
	6	Social media is driving Internet growth, engagement and preference—via its push and pull of content generation and consumption.	→ CTTC will identify ways to engage social media users in the California brand, encouraging user feedback and content-generation to grow the brand.
REPEAT VISITATION	7	44% of non-resident U.S. travel to California—and 31% from primary Western markets—is by first-time or infrequent travelers.	→ CTTC will develop programs to increase travel frequency in existing customers from long-haul U.S. and Western markets.
	8	Frequent travelers are predominantly motivated by visiting friends & relatives, and use their own experiences most often for travel planning.	→ CTTC will engage frequent “friends and relatives” travelers in a variety of ways to become brand advocates—utilizing their knowledge not only for their own travel but also as a reliable source for others planning travel.
	9	Visiting beaches/coastline and shopping are top activities across geographies and frequency spectrum.	→ CTTC will continue to emphasize coastal imagery and shopping-related messaging in brand communications.
	10	Theme park visits are most popular among first-time and infrequent visitors from Western markets; urban sightseeing is more popular among first and infrequent long-haul visitors.	→ CTTC will tailor marketing messaging and content to traveler origin.

Core Objectives

The plan's new strategic framework builds on the guiding principles and travel environment, focusing efforts on four key objectives and corresponding strategies:

- 1) Expand statewide marketing **platform**
- 2) Enrich the **brand** globally
- 3) Deepen consumer **engagement**
- 4) Grow **international** visitation and spend

These objectives form the backbone of the Brand Enrichment Plan. The strategies were developed by integrating refinements from the previous plan with industry feedback. CTTC and industry contributors used the latest research to track trends and implications that would help optimize strategy development.

The framework and strategies in this new plan take advantage of rapidly emerging new media technologies and aim to help maintain or amplify CTTC's marketing effectiveness without additional dollars. This involves continuing to measure ROI and using it to streamline efforts, keeping high-return programs and replacing underperforming ones.

Objective 1: Platform

Take advantage of CTTC's position at the state level to promote all of California and create a platform that drives and supports DMO and industry marketing investments.

STRATEGIES

1. **Advertising and Brand:** Build a global brand platform that goes beyond California gateways and icons and showcases the regional abundance of the state.
2. **Cooperative Marketing:** Create programs that generate economies of scale, both domestically and internationally, that allow industry to provide product messaging and retail calls to action.
3. **Research:** Provide affordable research products, including ongoing California tourism industry analysis, to help direct and support CTTC's and its partners' plans.

METRICS:

- B2B Web site (tourism.visitcalifornia.com) traffic
- Number of industry participants

Objective 2: Brand

Expand the California travel brand to increase its connection to consumers worldwide and to inspire the desire to travel to California.

STRATEGIES

1. **Media:** California's domestic brand will continue to focus on proven programs such as brand advertising (online, offline) that utilize layered messaging and media (traditional and new).
2. **Partnerships:** California's worldwide brand will be expanded through consumer advertising in key global markets and alliances with non-travel brands to broaden association with the California lifestyle.
3. **Earned Media:** Utilize online and offline press (bloggers, etc.) to carry a credible brand message to a broader audience.

METRICS:

- Advertising awareness
- Incremental travel
- Incremental spending & ROI
- Leisure visits to California
- Brand vitality metrics
- CTTC Web site traffic

Objective 3: Engagement

Deepen relationship with consumers to move beyond providing inspiration to engage potential California visitors during every stage of the travel cycle.

STRATEGIES

1. **Content:** Bring the California brand to life online through the use of compelling content and video assets.
2. **Distribution:** Distribute content through multiple channels (publications, Web site, e-mail, mobile, social media and face-to-face communication) in order to reach consumers when and how they want across the travel cycle.
3. **Social Media:** Develop programs to inspire frequent visitors to share their California experience to influence others to visit.

METRICS:

- CTTC Web site traffic
- Social media followers & interactions
- Social buzz & sentiment
- CWC foot traffic

Objective 4: International

Welcome inbound visitors from international markets, creating awareness of California and inspiring the desire to experience our travel products.

STRATEGIES

1. **National Marketing:** Align international strategies with those of the national tourism marketing organization, the Corporation for Travel Promotion, to maximize efficiency of the California international program.
2. **Advertising:** In high-volume/high-yield markets (lead markets), conduct brand advertising to protect California's visitation.
3. **PR/Travel Trade:** Maintain California presence through B2B relationships (travel trade, airlines and PR) across all target markets, with particular emphasis in emerging markets where advertising resources are limited or not available.
4. **Consumer:** Create inspiration and desire with consumers in international mature markets to increase demand for California travel products.

METRICS:

- Advertising awareness
- Incremental travel, spending and ROI
- Leisure visits and market share
- CTTC Web site traffic

Metrics

CTTC places great importance on research and evaluation. Research and program evaluation was essential in developing a credible strategic marketing plan. To measure the success of its brand advertising campaigns and the visitcalifornia.com Web site, CTTC contracts with third-party vendors to evaluate the awareness of each campaign, how each influences consumers' perceptions of California as a vacation destination, how each impacts eventual travel to and spending in the state, and campaign ROI.

Annual Work Plans

The Brand Enrichment Plan creates a "road map" for CTTC's annual work plans over the next five years, which take these objectives and strategies and attach tactics and budgets. Annual domestic and international work plans will give staff and industry tactical guidelines on programs and metrics, incorporating refinements from the previous year.

Annual work plans address specific programs and precise budget line items, from brand advertising, interactive brand, cooperative promotions and publications to communications, travel trade, research, rural tourism and California Welcome Centers (CWC). They include metrics to measure ROI and evaluate effectiveness to determine program viability year to year. Additionally, annual work plans provide an opportunity for CTTC to be responsive to changing market conditions, such as crises that impact travel (e.g. U.S. entry challenges), and list resources for program execution.

Each year, work plans are distributed at the spring Commission meeting and posted on CTTC's B2B site, tourism.visitcalifornia.com, so partners can incorporate relevant information into their own plans.

Strategic Plan Development Process

To create the strategic plan, the Strategic Plan Task Force launched a kick-off meeting on March 11, 2010, to identify the four core marketing focus areas for the plan—research, technology, international marketing and domestic brand communications—and elect subcommittee chairs for these areas. The subcommittees met with corresponding CTTC staff to brainstorm strategies and provide feedback to the Strategic Plan Task Force Meeting on October 4, 2010. The draft plan content was approved by the Commission October 14, 2010, with feedback. The final draft was distributed at the February 3, 2011, Commission Meeting for approval.

INPUT IN PLANNING— WORK WITH THE INDUSTRY

To create the Strategic Marketing Plan, the Commission created a task force with key industry stakeholders to develop a timeline and work with CTTC's key marketing committees to outline strategies.

Strategic Plan Task Force Key Meeting Dates:



A high-angle, slow-motion photograph of a surfer riding a wave. The surfer is shirtless and wearing blue shorts, positioned in the lower right quadrant of the frame. The wave is breaking, creating a large, white, turbulent mass of water on the left side. The water is a deep, dark green color. The overall composition is dynamic and captures the power of the ocean.

3 | About CTTC

2011

2012

2013

2014

2015

2016

About CTTC

The California Travel & Tourism Commission is the only public/private nonprofit marketing organization that provides a statewide platform to promote California as the premier travel destination in the United States. CTTC works with the State of California Division of Tourism to promote California as a leading travel destination. While CTTC conducts marketing programs that drive visitation, the Division of Tourism oversees the assessment program to help fund these initiatives. CTTC serves as the industry leader for more than 100 statewide destination marketing organizations and more than 50 tourism business districts. CTTC creates marketing programs in partnership with these DMOs to leverage resources, unify messaging and increase the impact of the California brand in the marketplace.

Mission

The mission of CTTC, in partnership with the state and travel industry, is to develop and maintain marketing programs that keep California top-of-mind as a premier travel destination.

Vision

CTTC will be the recognized source for statewide marketing planning and implementation, and information and support to California's vast travel and tourism industry, thereby maintaining California's position as one of the world's preeminent travel and tourism destinations.

Economic Impact of CTTC's Marketing Efforts

CTTC supports the state economy by attracting domestic and international visitors, who in turn generate revenues and boost jobs.

Tourism Generates Needed State Revenues

Over one quarter of all spending in the state comes from non-resident travelers, so CTTC's mission is important to supporting state services and infrastructure while lessening the burden on resident taxpayers. Remarkably, the \$15.6 billion spent in California in 2009 by international travelers alone was greater than the combined value of the state's top five product exports: civilian aircraft, electronic circuits, computer parts and accessories, non-industrial diamonds, and voice/image/data transmission equipment (Dean Runyan Associates; U.S. Census Bureau).

Traveler spending impacts more than 52,000 state businesses, from accommodations, transportation and attractions to restaurants and retail.

Tourism Creates Jobs

One in every nine jobs in the U.S. is affected either directly or indirectly by tourism, and 4.4% of all employment in California is directly supported by traveler spending (U.S. Travel Association; Dean Runyan Associates).

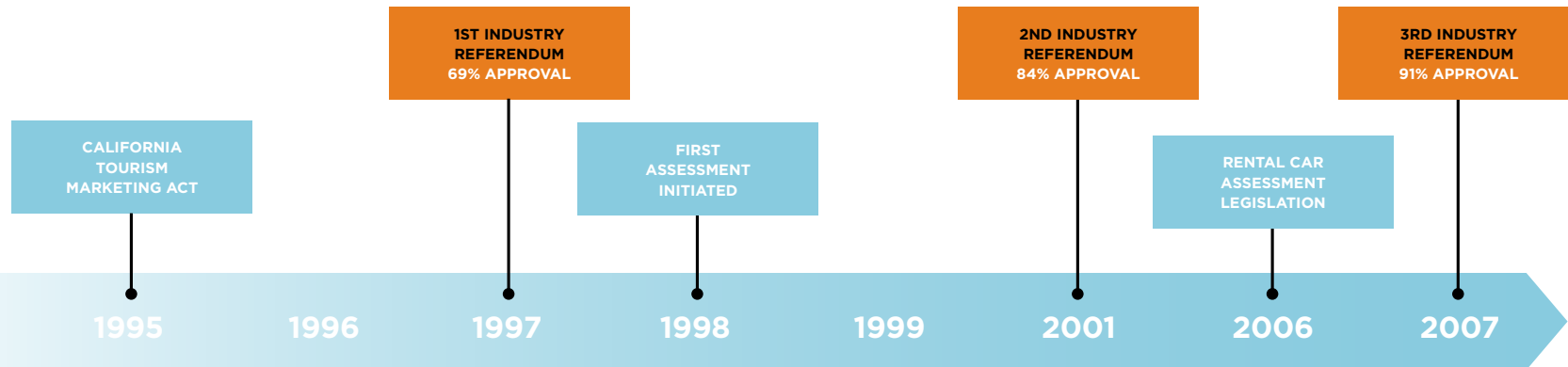
Tourism Is More Stable than Other Industries

Research shows that the tourism industry weathers economic recessions better than most. While total non-farm employment in California was down 7.3% between September 2008 and September 2010, employment in the leisure and hospitality sector was down a much more moderate 4.9%. And, among the state's 13 major industry categories, leisure and hospitality is one of only four to have posted gains in employment between September 2009 and September 2010 (California Employment Development Department).

THE \$15.6 BILLION SPENT IN CALIFORNIA IN 2009 BY INTERNATIONAL TRAVELERS ALONE WAS GREATER THAN THE COMBINED VALUE OF THE STATE'S TOP FIVE PRODUCT EXPORTS: CIVILIAN AIRCRAFT, ELECTRONIC CIRCUITS, COMPUTER PARTS AND ACCESSORIES, NON-INDUSTRIAL DIAMONDS, AND VOICE/IMAGE/DATA TRANSMISSION EQUIPMENT.

(SOURCE: DEAN RUNYAN ASSOCIATES, U.S. CENSUS BUREAU)

FIGURE 3
CTTC History



QUICK LOOK

THROUGH A SERIES OF REFERENDUMS, CTTC HAS CREATED A MORE STABLE FUNDING STRUCTURE OUTSIDE THE STATE'S GENERAL FUND, ENABLING IT TO MORE EFFECTIVELY CREATE MARKETING PROGRAMS THAT SUPPORT THE ECONOMY.

Budget

CTTC's current marketing plan could not have happened without creating a more stable funding structure. Until the early 1990s, California Tourism was sporadically funded, and the budget fluctuated from year to year, resulting in the state steadily losing market share. With only a \$7.2 million state-funded budget in 1992, California could not compete with destinations boasting larger tourism marketing budgets.

But in 1995, SB 256—the California Tourism Marketing Act—was signed into law, which led to the industry-wide vote in 1997 that gave the California Travel and Tourism Commission legal standing. With this new program, a “match-match” system was established whereby

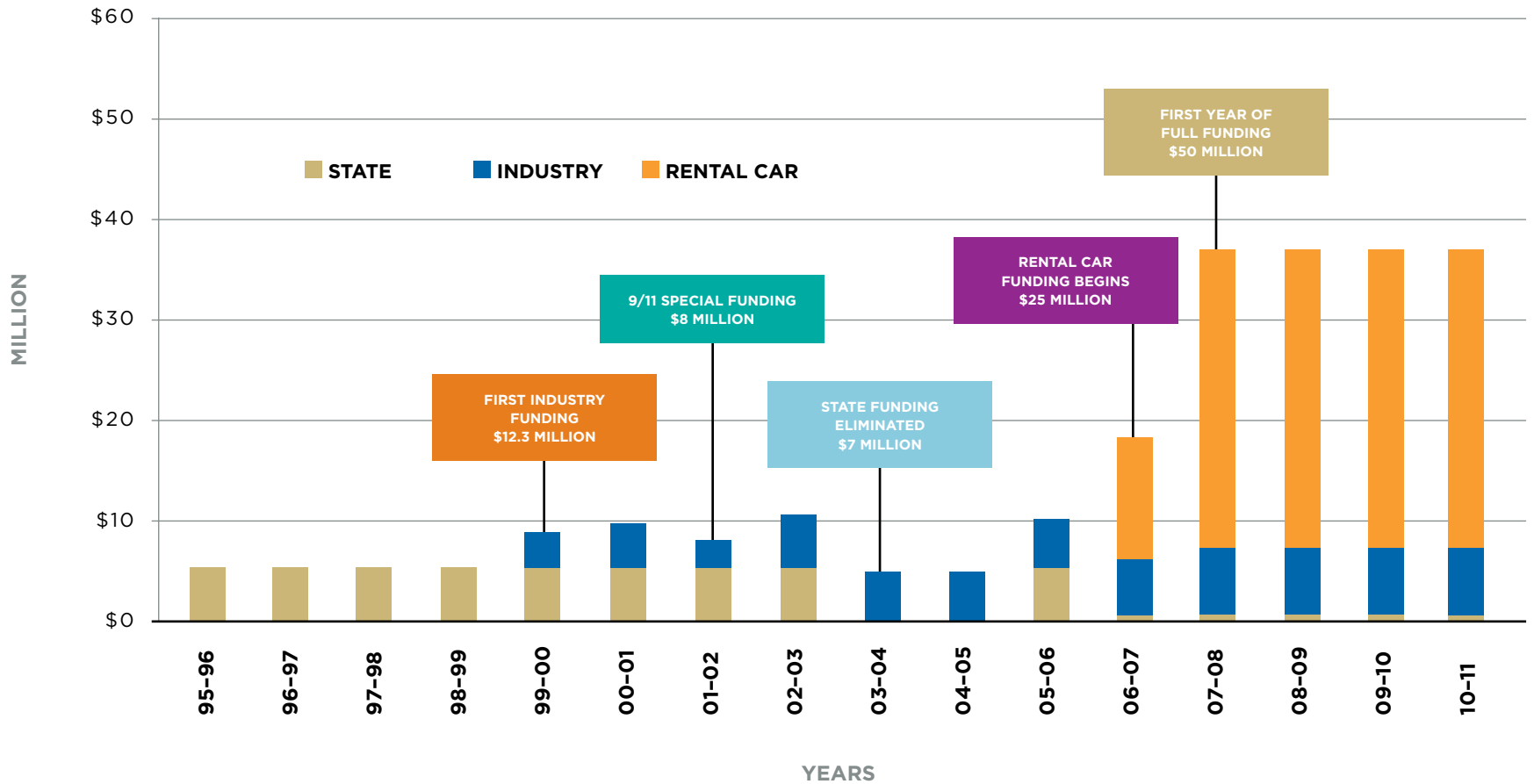
the State of California and businesses that benefited from tourism would all contribute to a “tourism marketing pot.” This decision gave CTTC the ability to respond quickly after the 9/11 attacks hampered travel, demonstrating the continued need to have one agency overseeing tourism promotion, allowing industry partners to build on their initiatives and enhancing economic impact. Just weeks after 9/11, the industry voted by 84 percent to renew CTTC and let the organization move the industry toward recovery with special funding.

Although by this time tourism funding had grown to just over \$12 million, the state cut CTTC's budget to \$7 million in 2003–04, which quickly resulted in market share losses.

Concerned about this development, the industry again voted in 2006 to keep CTTC as the voice of the state tourism industry, and ratified the AB2592 mandated rental car assessment. This created the more competitive \$50 million budget CTTC now utilizes. Over 98 percent of this funding comes from approximately 5,400 private industry assessed businesses. These assessments require regular referendum approval by the travel industry, and have created much-needed funding stability. They also show that the industry recognizes the importance of long-term investment in restoring tourism revenue to the California economy—and CTTC's critical role in supporting revenue growth.

FIGURE 4

Budget History



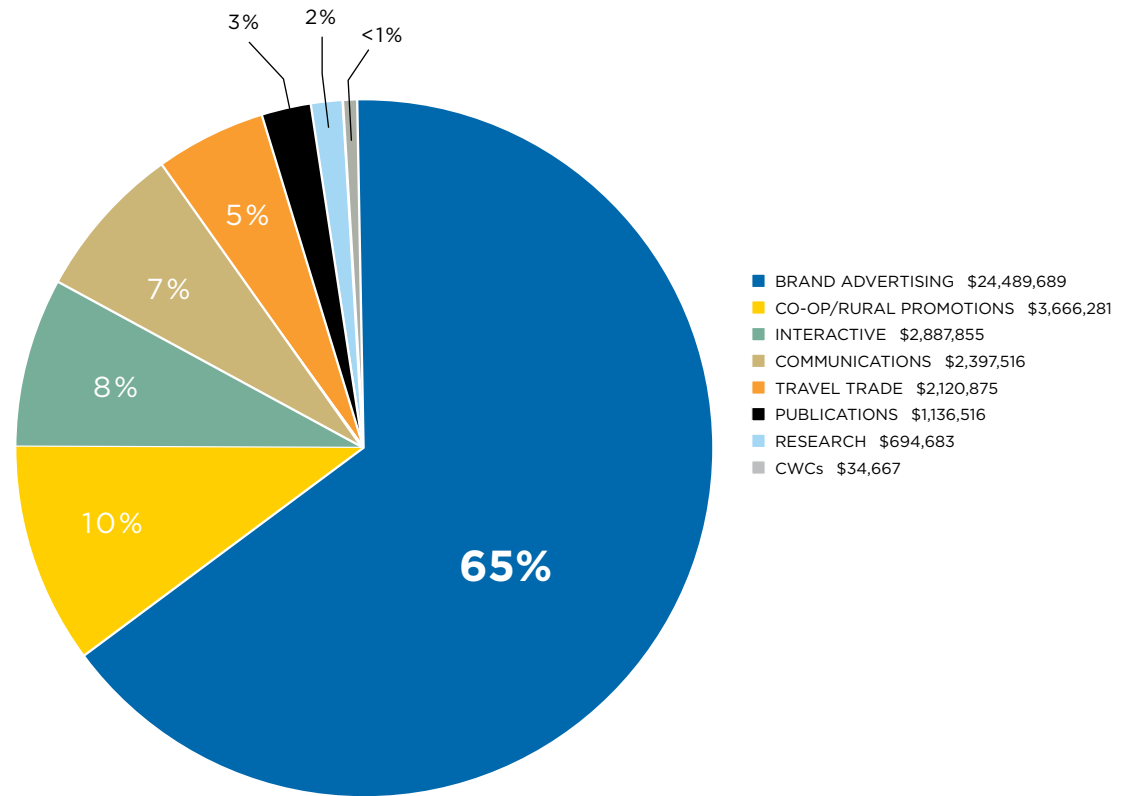
QUICK LOOK

PRIOR TO THE 2006 RENTAL CAR ASSESSMENT, CTTC'S FUNDING FLUCTUATED GREATLY. THE STABLE \$50 MILLION BUDGET HAS ALLOWED CTTC TO MAINTAIN CONSISTENT PROGRAMMING IN THE U.S. AND ABROAD, BRINGING BRAND FAMILIARITY TO CONSUMERS AND DEMONSTRATING A COMMITTED MARKETING PRESENCE TO THOSE IN THE TRAVEL TRADE.

Although California is still outspent by major global competitors, more robust and stable funding has allowed CTTC to create a difference more than ever before, providing a more consistent and visible presence overseas. In recent years CTTC has strengthened the international marketing efforts of five overseas trade offices and opened three new overseas public relations offices. CTTC also launched the revolutionary *Adventures in Wild California* IMAX film—the first of its kind from a state tourism office. CTTC seed funding, combined with industry partnership, helped mobilize the IMAX film into a \$35 million marketing endeavor that would eventually play in 65 theaters on five continents and generate 10 billion worldwide gross impressions on California. Such programs spoke to the power of partnership, and extended the California brand to a global audience.

Increased funding has also allowed CTTC to reach niche markets with volume/revenue potential, expand seasonal coverage to drive year-round visitation, and invest in technology to reach global mass markets.

FIGURE 5
Foundational Plan Global Spending Averages*



* AVERAGES ARE FOR FY 06/07 TO 09/10 ONLY, AS FY 10/11 SPENDING DATA IS NOT FINALIZED.

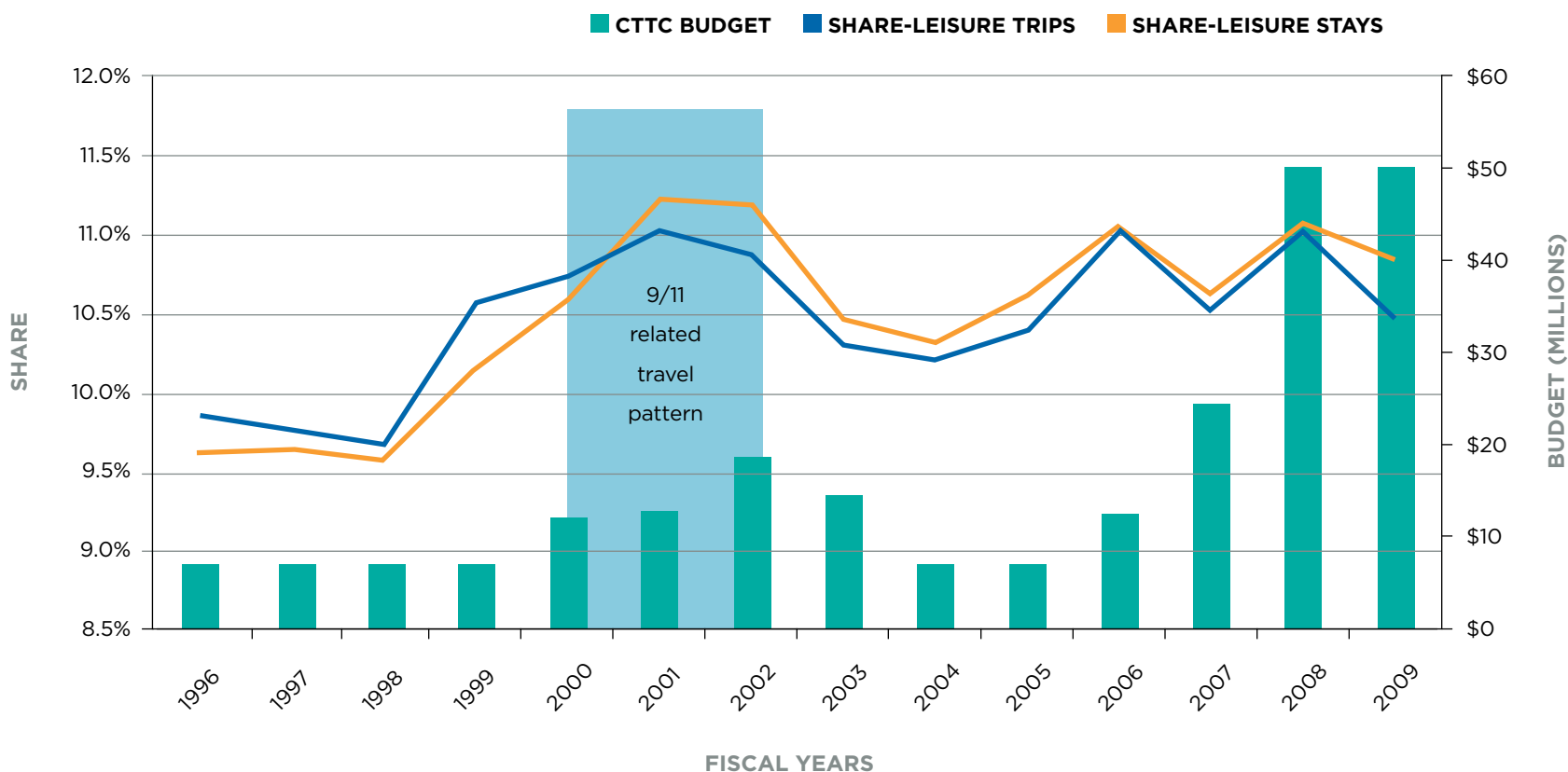
SOURCE: CTTC BUDGET FY 06/07 TO 09/10

QUICK LOOK

OVER THE LAST FIVE YEARS, CTTC HAS INVESTED THE MAJORITY OF ITS FUNDING INTO GLOBAL ADVERTISING AND MEDIA, PENETRATING 42 MILLION HOUSEHOLDS ANNUALLY IN MARKETS INCLUDING THE UNITED KINGDOM, CANADA AND JAPAN. INTERNATIONALLY, CTTC INVESTED THE MOST IN CALIFORNIA'S LARGEST FEEDER MARKETS TO MAXIMIZE POTENTIAL IMPACT.

FIGURE 6

CTTC Budget and California Share of U.S. Leisure Travel



BUDGET DATA ARE FOR JULY THROUGH JUNE FISCAL YEARS ENDING IN THE CALENDAR YEAR SHOWN ON THE CHART. "TRIPS" REFER TO TRAVEL WITHIN CALIFORNIA REGARDLESS OF THE NUMBER OF INDIVIDUAL DESTINATIONS VISITED; "STAYS" REFERS TO THE NUMBER OF VISITS TO EACH INDIVIDUAL DESTINATION WITHIN THE STATE.

SOURCE: DK SHIFFLET & ASSOCIATES

QUICK LOOK

CTTC'S MARKET SHARE HAS FLUCTUATED BETWEEN 9.7% AND 11.3% OVER THE LAST 15 YEARS, WITH GAINS AND LOSSES IN SHARE CORRELATING DIRECTLY WITH CHANGES IN CTTC'S BUDGET.

California Market Share

As shown in figure 6, there is a general correlation between budget and market share. As the budget increased from FY 98 through FY 02, and from FY 04 to FY 06, so did California's share of U.S. leisure travel. And as the budget decreased from FY 02 through FY 04, so decreased California's share of travel. The flattening of California's market share of domestic leisure travel from FY 06 through FY 09 can also be related to budget, as most of the additional funding in FY 07 and beyond was dedicated to international marketing, with the domestic marketing budget remaining consistent with FY 06 levels. Although other factors contribute to market share—such as economic health and competitive spend—this chart shows that CTTC spend has a strong influence.

Without the unified efforts of the CTTC program and the increased funding, California's travel destinations and tourism industry would be at a major competitive disadvantage to other states and destinations. CTTC's qualitative research domestically and abroad shows that visitors generally consider California as one possible destination among a "competitive set" that varies by visitor origin. Domestically, Hawaii, Florida, Texas and Illinois, for example, all have substantial budgets to market themselves to potential travelers. Although some competitors' budgets have decreased in recent years, CTTC cannot take that for granted. Florida, for example, is still a strong competitor despite major budget decreases. It offers world-class beaches and theme parks, as does California, and is a shorter trip for many of California's potential domestic long-haul visitors and lucrative European travelers. Therefore, maintaining a high presence in competitive markets is key.

Internationally, Mexico, Canada, Australia and numerous other destinations finance expensive and extensive marketing programs designed to attract visitors, often in direct competition to California. Maintaining a strong California presence in competitive markets is key to influencing travelers still undecided about their ultimate vacation destination—both domestic and abroad.

The argument has often been made that visitors will come to a destination regardless of marketing efforts, causing some to question the value of investing in city or state tourism marketing programs. The now famous "Case of Colorado" disproved this notion. When Colorado's \$13 million tourism budget was eliminated in 1993, a 1999 research study showed that Colorado's share of domestic pleasure travel dropped 30 percent between 1993 and 1997, and that it fell from first place in the summer resort category in 1993 to 17th

CONTINUED ON PAGE. 24

FIGURE 7
Global Destination Marketing Budgets, Top 5 by Category

US STATE	FY 09-10 BUDGET	ANNUAL % CHANGE	US CITY	FY 09-10 BUDGET	ANNUAL % CHANGE	COUNTRY	FY 09-10 BUDGET	ANNUAL % CHANGE
HAWAII	\$71.8M	2.4%	LAS VEGAS	\$116.2M	-3.5%	GREECE	\$152.3M	-6.9%
CALIFORNIA	\$50.0M	3.3%	ORLANDO	\$53.2M	-23.6%	CYPRUS	\$142.3M	21.1%
ILLINOIS	\$48.9M	0.8%	RENO-SPARKS	\$36.1M	-21.0%	MALAYSIA	\$137.0M	-5.7%
TEXAS	\$34.3M	-8.5%	NEW YORK CITY	\$34.5M	-7.8%	SPAIN	\$121.3M	-4.1%
FLORIDA	\$29.4M	-26.5%	VIRGINIA BEACH	\$31.4M	-0.3%	IRELAND	\$111.6M	-15.7%

SOURCE: U.S. TRAVEL ASSOCIATION; DMAI; WTO

**CTTC NOT ONLY COMPETES WITH
U.S. STATE TOURISM OFFICES IN
MARKETING TO LEISURE TRAVELERS,
BUT ALSO WITH U.S. CITY DMOS AND
NATIONAL TOURISM OFFICES.**

RESEARCH SHOWS THIS STRATEGY IS PAYING OFF FOR CALIFORNIA. NOW THAT THE RECESSION IS OVER, WHILE OTHER DESTINATIONS ARE REBUILDING THEIR GLOBAL BRAND PRESENCE, CTTC IS AHEAD OF THE CURVE AND INCREASING BRAND MINDSHARE, WHICH IS HELPING TO INCREASE VISITATION.

place in 1997. The state moved from a national fly-in destination to a primarily regional drive market, costing Colorado residents approximately \$2.4 billion in tourism revenue and \$134 million in taxes annually.

With cases like this and CTTC's own experiences with market share dropping in correlation to budget cutbacks, CTTC made the bold move to maintain strong investment in national and international markets when the recession hit in late 2007. Prior to the recession, for example, CTTC had increased its international marketing investment by about 250 percent to attract more high-value global visitors. While many destinations pulled back on marketing, CTTC stayed in the game globally, maintaining its global brand presence in key markets.

This strategy pays off in the long run, according to Nigel Hollis, Chief Global Analyst of Millward Brown, a leading global research agency specializing in advertising, marketing communications, media and brand equity research. "Over the years, research studies have confirmed that the best strategy in terms of long-term ROI is to increase marketing expenditure during an economic slowdown. An analysis of the Profit Impact of Marketing Strategies (PIMS) database, presented at a March 2008 IPA conference, provides the latest evidence. This analysis compared the results achieved by companies that increased, maintained, and reduced marketing spend during recession. Metrics used were Return on Capital Employed (ROCA) during the recession, ROCA during the first two years of recovery, and market share change during the

same period of recovery. While companies that cut marketing spend enjoyed superior ROCA during the recession, they achieved inferior results after the recession ended. During the recovery, the 'spenders' achieved significantly higher return on capital employed and gained an additional 1.3 percentage points of market share" ("Marketing During Recession: To Spend or Not to Spend?").

Research shows this strategy is paying off for California. Now that the recession is over, while other destinations are rebuilding their global brand presence, CTTC is ahead of the curve and increasing brand mindshare, which is helping to increase visitation. Preliminary 2010 statistics show that visitor spending in California grew more than expected, climbing 7 percent. This growth was fueled by a 6 percent surge in international visitation, which had been projected to grow by 4 percent. As mentioned before, CTTC's global advertising efforts in fiscal years 2007–2008 and 2008–2009 generated an average of over 3 million trips and \$3 billion in spending that otherwise would not have been realized within the state.

To mitigate future economic downturns and thrive, CTTC will continue to maintain—through creative strategies in this plan—its strong global presence and engage consumers in the brand on a deeper level. CTTC will continue diversifying tourism marketing efforts as a long-term investment, striking a balance between investments in high-return domestic markets and lucrative international markets (whose travelers tend to stay longer, spend more and represent the highest growth potential long-term).

Excerpt from: Marketing During Recession: To Spend or Not to Spend?

Nigel Hollis,
Chief Global Analyst,
Millward Brown

“A great deal of evidence suggests that it’s not a good idea to reduce marketing spend during recession in order to hit financial targets. Doing so may leave your brand in a less competitive position when the economy recovers. Over the years, research has confirmed that the best strategy in terms of long-term ROI is to increase marketing expenditure during an economic slowdown...An analysis of the Profit Impact of Marketing Strategies (PIMS) database, presented at a March 2008 IPA conference, provides the latest evidence.

“While companies that cut marketing spend enjoyed superior Return on Capital Employed during the recession, they achieved inferior results after the recession ended. During the recovery, the ‘spenders’ achieved significantly higher return on capital employed and gained additional percentage points of market share. These findings, which may seem counterintuitive, can be explained by three basic factors:

The relationship between share of market and share of voice

“The connection between share of market (SOM) and share of voice (SOV) has been proven. The higher your share of voice compared to your actual market share, the more likely your brand is to grow its market share in the subsequent year. So, if you increase your marketing investment at a time when competitors are reducing theirs, you should substantially increase the saliency of your brand. This could help you establish an advantage that could be maintained for many years.

The relationship between brand size and profit margins

“Because they enjoy advantages of scale, big brands enjoy an advantage over smaller ones in terms of attracting repeat purchase and recouping their marketing investments. Therefore, a brand that increases share during a recession stands to benefit from this multiplier once the economy rebounds.

Reduced “noise” during recession provides opportunities

“A new product launch may actually have greater impact during a recession than at other times, for several reasons. A product that is unique or demonstrably better than others should be able to command a higher price, even among price-conscious shoppers. Competitors who are running scared may be late in countering a new product with their “me-too” offerings. And, because media costs are likely to be lower, advertisers should get more bang for their buck. These savings may be compounded by the relative ease of cutting through in a less cluttered atmosphere.

“Overall, competing in a recession is like running a marathon. A smart frontrunner will seize the lead and work to increase it while others are flagging. If the other runners allow the gap to widen, it will be really tough for them to regain the lost ground when the pace picks up again.”

STRATEGIC PLAN METRICS

In the 2007-2013 Foundational Plan, the goal was to measure the effectiveness of CTTC programming through large industry indicators—total and leisure travel volume and market share, and visitor spending. Now that new infrastructure is in place, CTTC is shifting to metrics in the 2011-2016 Brand Expansion Plan that directly relate to CTTC programming, such as brand awareness, incremental travel, and spend and ROI from advertising campaigns. CTTC will also continue to monitor

leisure travel and market share, the industry metrics that directly relate to CTTC's main objective to maintain and increase non-resident leisure travel to and spending in California.

The brand advertising benchmarks from 2009 shown in figure 8 set a high bar for CTTC to match or exceed past performance. And, as mentioned earlier, in fiscal years 07-08 and 08-09 CTTC global advertising penetrated 42 million households annually, generating on average 3.3 million trips and \$3.9 million in revenue. Having such fixed and verifiable figures are key to understanding program success.

New for the brand expansion plan is tracking of California's brand value. One of the objectives of the 2011-2016 plan is to deploy efforts that enable the California brand to transcend the travel category. As this objective is not easily measured using traditional advertising research, CTTC will employ a model used by Young & Rubicam (figure 10) to track the evolution of the brand on four basic levels: relevance, differentiation, esteem and knowledge.

FIGURE 8
CTTC Brand Advertising Benchmarks, 2009

	AWARENESS	INCREMENTAL TRIPS	INCREMENTAL SPENDING	SPENDING ROI	TAX ROI
U.S. NATIONAL	72%	3.4 MILLION	\$4.2 BILLION	\$305	\$20
CANADA NATIONAL	63%	178,000	\$330 MILLION	\$213	\$14
U.K.-LONDON METRO	77%	50,000	\$132 MILLION	\$42	\$3
JAPAN-TOKYO METRO	74%	10,000	\$30 MILLION	\$16	\$1

SPENDING ROI REFERS TO TOTAL VISITOR SPENDING IMPACTED BY BRAND ADVERTISING; TAX ROI REFERS TO TAX REVENUES REALIZED FROM IMPACTED VISITOR SPENDING.

SOURCES: SMARI, RAKUTEN RESEARCH

QUICK LOOK

THE FOUNDATIONAL PLAN POINTED TO INDUSTRY METRICS LIKE TOTAL TRAVEL AND REVENUE TO BENCHMARK SUCCESS, WHILE THE BRAND EXPANSION PLAN ALSO EMPHASIZES THE EVALUATION OF CTTC BRAND PROGRAMS.

FIGURE 9

2009 Leisure Travel Volume and Share Benchmarks

	NON-RESIDENT VOLUME	CALIFORNIA MARKET SHARE*
DOMESTIC TRIPS	27.1 MM	10.7%
DOMESTIC STAYS	33.1 MM	11.1%
OVERSEAS	3.3 MM	18.8%
* DOMESTIC MARKET SHARE INCLUDES CALIFORNIA RESIDENT TRAVEL		

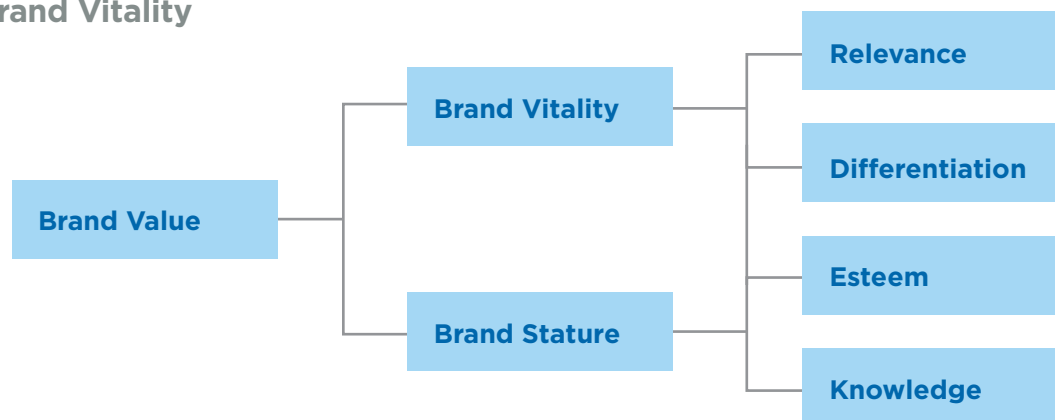
SOURCES: D.K. SHIFFLET & ASSOC.; US DEPT. OF COMMERCE; CIC RESEARCH

QUICK LOOK

CTTC MONITORS CALIFORNIA'S VOLUME AND MARKET SHARE OF NON-RESIDENT LEISURE TRAVEL TO THE STATE. WHILE MARKETING INFLUENCES ONLY A PORTION OF SUCH TRAVEL, EFFECTIVE CAMPAIGNS CAN HAVE AN IMPACT ON BOTH MEASURES.

FIGURE 10

Brand Vitality



QUICK LOOK

BRAND VITALITY IS A NEW COMPONENT OF CTTC'S MARKETING OBJECTIVES. THE MODEL FOR EVALUATION, BASED ON THE CONCEPT UTILIZED BY YOUNG & RUBICAM OUTLINED ABOVE, WILL BE USED TO MONITOR THE EVOLUTION OF THE CALIFORNIA TRAVEL BRAND OVER THE NEXT FIVE YEARS.

A photograph of a massive, ancient redwood tree trunk, likely a Sycamore or Redwood, showing its characteristic deeply furrowed bark. A wooden walkway with railings runs alongside the tree. Three people are standing on the walkway to provide a sense of scale: a man in a blue shirt and jeans, a woman in a black dress, and a man in a white shirt and jeans. The background is filled with lush green forest foliage.

4 | Research & Analysis

2011

2012

2013

2014

2015

2016

Value of Domestic and International Visitors

CTTC's main focus is to attract non-resident domestic and international travelers. Out-of-state visitors, who tend to stay longer and spend more, represent the largest growth opportunity for California.

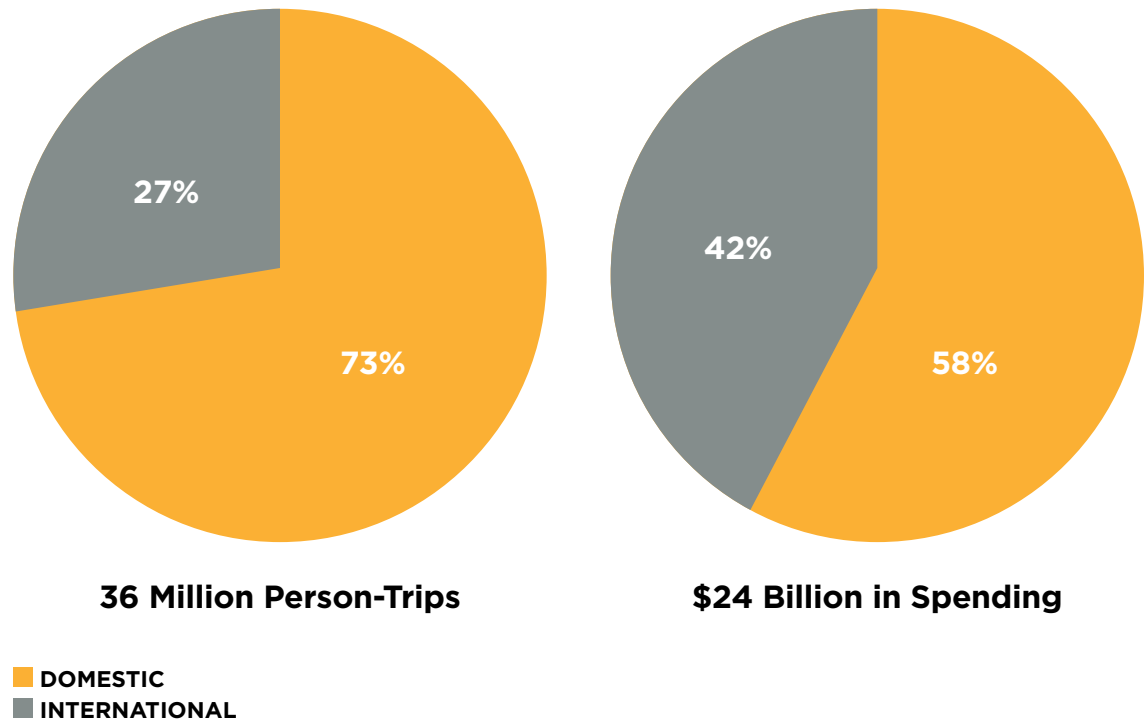
In 2009, there were 36 million non-resident leisure visitors from out of state who spent a combined \$24 billion in-state on services and activities such as transportation, lodging, entertainment, dining and shopping*. As the figures on this page show, nearly three-fourths of non-residential leisure trips are from U.S. origins, but leisure visitor spending is more evenly split—58% domestic and 42% international—because of the higher spending of international visitors to California.

These domestic and international consumers pose a higher value than resident travelers. As you can see from figure 12, non-resident U.S. visitors stay nearly three nights longer and spend more than double than resident visitors to California. Long-haul visitors (i.e. East Coast) stay nearly four nights longer and spend approximately three times more than in-state visitors. By far, overseas visitors are the highest value customer, staying eight nights longer and spending nearly five times as much as resident travelers.

The high value of overseas travelers is why CTTC has put so much emphasis on

FIGURE 11

Person-Trips and Visitor Spending in California by Non-Resident Leisure Travelers, 2009



SOURCE: D.K. SHIFFLET & ASSOCIATES; U.S. DEPT. OF COMMERCE; CIC RESEARCH, INC.; DEAN RUNYAN ASSOC.

QUICK LOOK

ALTHOUGH DOMESTIC VISITATION IS HIGHER THAN INTERNATIONAL, SPENDING IS CLOSER TO EQUAL BECAUSE INTERNATIONAL VISITORS STAY LONGER AND SPEND MORE.

* SOURCE: D.K. SHIFFLET & ASSOCIATES; U.S. DEPT. OF COMMERCE; CIC RESEARCH, INC.; DEAN RUNYAN ASSOC.

expanding its international marketing resources in recent years. However, diversification is key to weathering market fluctuations, so CTTC also targets its core domestic market visitors, who currently represent 73 percent of trips and 58 percent of visitor spending in California. Since CTTC conducts brand advertising and comprehensive public relations nationwide, this programming also impacts large numbers of in-state travelers. In fact, 12.5 percent of CTTC's national television advertising impressions in FY 10 were seen by California residents, and about 17 percent of total impressions related to TV, print, Web and PR promotions were seen in-state. This can be helpful in influencing residents who host long-haul VFR travelers, a lucrative domestic market (Carat, MeringCarson, Sunset Publications, Sapient).

FIGURE 12

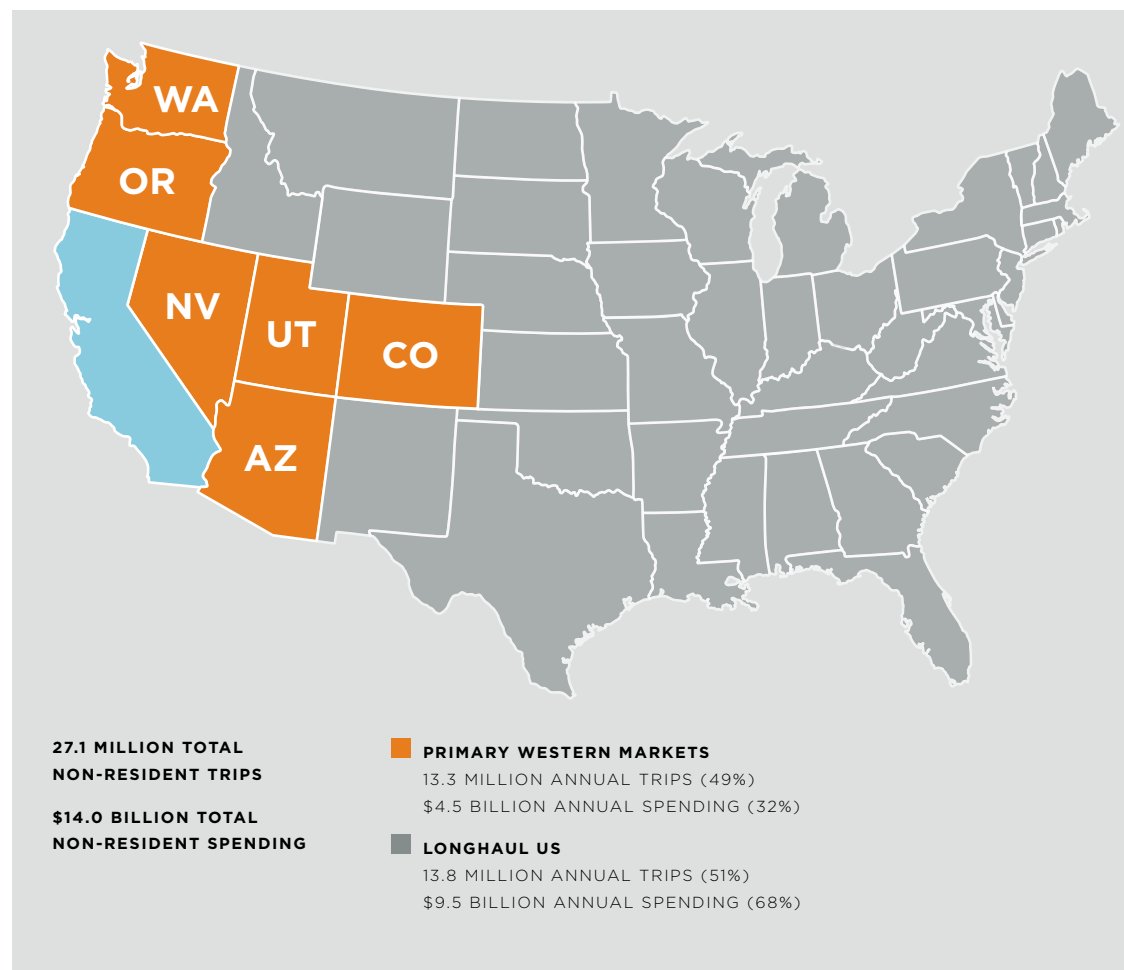
Overnight Leisure Visitors

FIRST TIME	AVG. LENGTH OF STAY	AVG. PER PERSON SPEND
IN-STATE VISITOR	2.7 NIGHTS	\$230
NON-RESIDENTIAL US VISITOR	5.4 NIGHTS	\$563
PRIMARY WESTERN MARKETS	4.3 NIGHTS	\$359
LONG HAUL MARKETS	6.2 NIGHTS	\$776
OVERSEAS VISITOR	10.6 NIGHTS	\$1,028

SOURCE: TNS TRAVELSAMERICA; U.S. DEPT. OF COMMERCE

FIGURE 13

California Non-Resident Domestic Leisure Visitor Origins



SOURCE: TNS TRAVELSAMERICA; DK SHIFFLET & ASSOCIATES

QUICK LOOK

BECAUSE DRIVE-MARKETS ACCOUNT FOR 49% OF CALIFORNIA'S NON-RESIDENT LEISURE TRAVELERS, CTTC WILL EXPAND OUTREACH TO ENGAGE THESE VISITORS, EMPHASIZING VALUE AND EASE OF QUICK GETAWAYS.

Domestic Travel Overview

CTTC targets two geographic regions when marketing to non-resident U.S. travelers. The first is “Primary Western Markets,” representing California’s border and other nearby states. The second is “Long-Haul Markets” (see figure 13). The Primary Western Markets consist of Arizona, Oregon, Washington, Nevada, Colorado and Utah, with the other 43 states comprising the Long-Haul Markets. CTTC addresses these markets with different strategies as they supply fundamentally different types of visitors.

Primary Western Market visitors see California as a quick and easy-to-drive-to getaway, less expensive and hassling than a longer-haul vacation. In the “new normal” environment, although travel is still seen by many as an inalienable right, discretionary income is tighter, so taking shorter auto trips is appealing to cost-conscious consumers. Primary Western Markets feed California nearly half of its domestic non-resident travelers (13.3 million annual trips) and about a third of non-resident spending (32% or \$4.5 billion).

Long-haul visitors come almost exclusively by air, staying longer and spending more. These visitors make up more than half of California’s non-resident travelers (51%), taking 13.8 million trips in 2009 and resulting in two-thirds (68%) of spending (\$9.5 billion). Their motivations for traveling to California vary according to how frequently they’ve been here. One of the surprising discoveries in the “new normal” is that frequent long-haul travelers are primarily motivated by visiting friends and relatives, although they tend to stay in hotels and do other activities. More details on these markets, including motivations, are outlined later in this document.

International Travel Overview

California’s international visitors come from either North America or overseas. As with the domestic markets, there are generally two types of international travelers. Visitors from Canada and Mexico often have shorter planning times than do overseas travelers, can more easily drive into the U.S., and are largely less affected by socio-political factors such as health epidemics and terrorism. These neighboring countries are California’s largest international markets, accounting for over half of international travel and one quarter of all international visitor spending (CIC Research, Inc.). Although some overseas markets are more susceptible to market fluctuations, destinations are aggressively competing for them as they stay longer and spend the most. California is in the enviable position of hosting close to 20 percent of overseas travelers to the U.S., boosted by its proximity and appeal to the growing Asian markets.

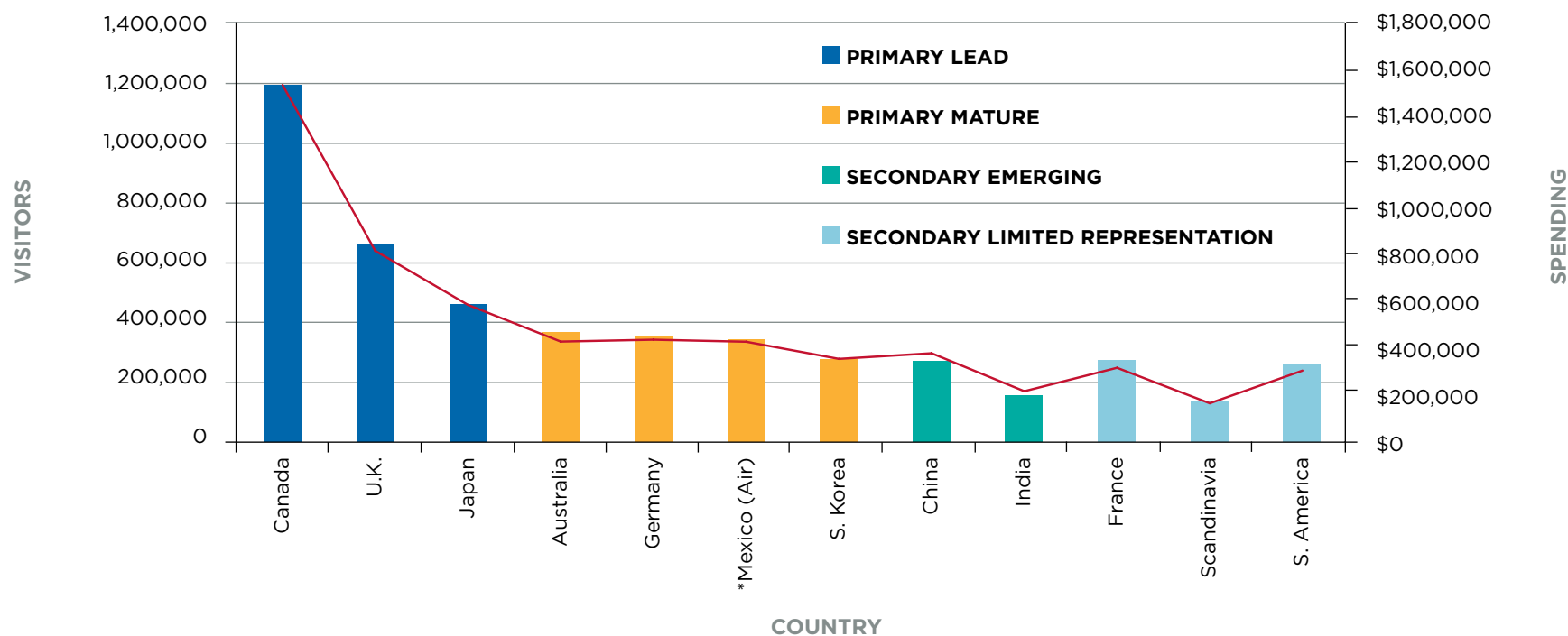
As mentioned earlier, during the last five years, CTTC focused significant effort on attracting more high-value international visitors, investing more in infrastructure and marketing program resources in all key international markets. CTTC based these decisions on the value of each market to California, considering volume and spend to prioritize investment. To measure results, CTTC focused primarily on qualitative metrics such as airlift, growth trends, and competitive environment. CTTC used these factors to further designate markets for resource allocation and program design. These designations are indicated by color bars in figure 14, which features California’s

top 10 international markets ranked by visitor volume and spend. The primary “lead” markets, which supply the most travelers, are Canada, U.K. and Japan. The second-highest source of travelers comes from primary “mature” markets, such as Australia, Germany, Mexico and South Korea. Although Mexico supplies the most visitors to California, CTTC focuses on the smaller but more lucrative segment of Mexican air travelers in its marketing strategy because it can be more easily reached and influenced with marketing communications.

Secondary limited representation markets include France, Scandinavia and South America, led by Brazil, whose economy is one of the fastest growing in the world. Rapidly growing secondary emerging markets include China and India. CTTC is monitoring these markets closely because California’s proximity and appeal makes them attractive growth markets for the state. These market designations and related strategies are defined in detail in the International Marketing section of the plan.

FIGURE 14

CA International Market Overview, 2009



* MEXICO (TOTAL): 6.3 MILLION VISITORS; \$760 MILLION SPENDING

SOURCE: US DEPT. OF COMMERCE; CIC RESEARCH, INC.; STATS CANADA

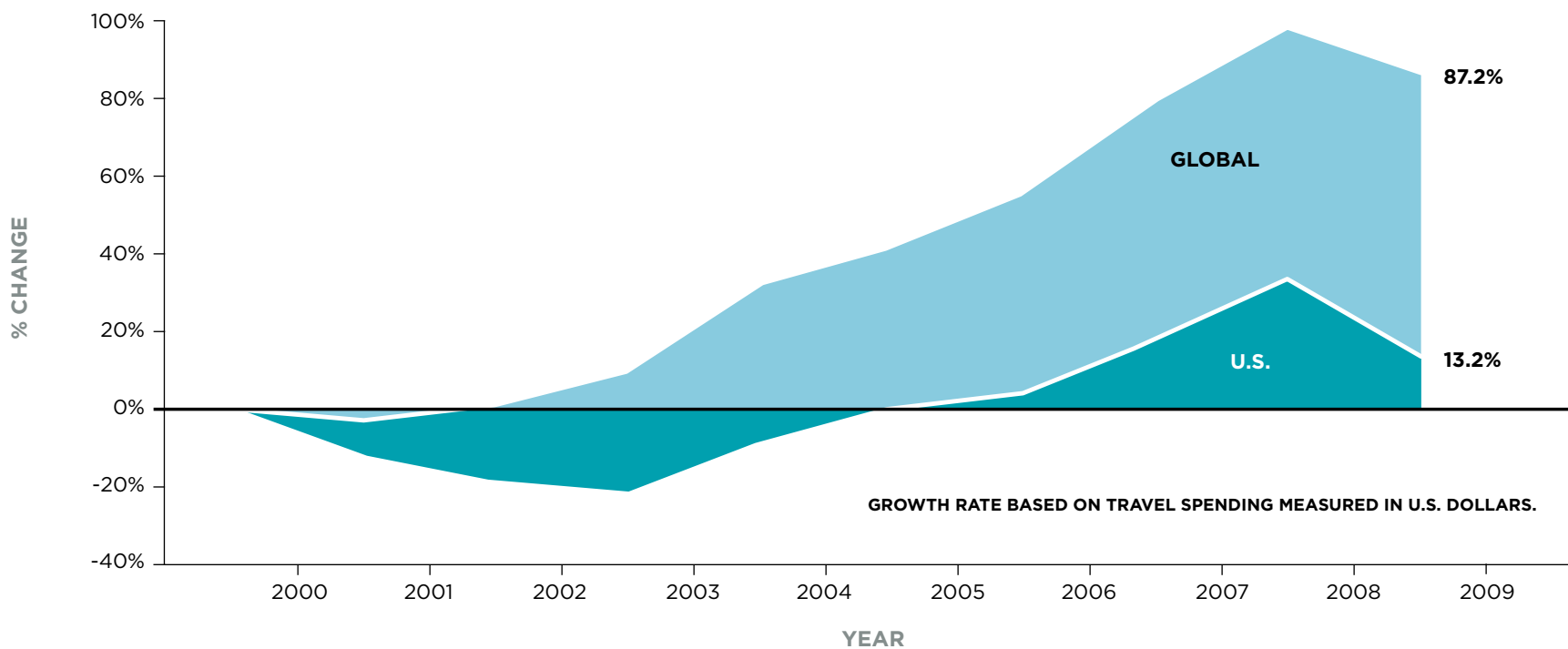
QUICK LOOK

VISITATION AND SPENDING ARE EVALUATED EACH YEAR AS MARKET ORDER CAN CHANGE EVEN OVER SHORT PERIODS OF TIME.

CTTC USES COUNTRY VISITATION AND SPENDING TOTALS TO PRIORITIZE INTERNATIONAL MARKET INVESTMENT. ADDITIONAL QUANTITATIVE AND QUALITATIVE MEASURES ARE CONSIDERED TO FURTHER CLASSIFY MARKETS AND DEVELOP STRATEGIES FOR EACH.

FIGURE 15

International Traveler Spending Growth from 2000: World v. U.S.



SOURCE: UNITED NATIONS WORLD TOURISM ORGANIZATION (UNWTO)

QUICK LOOK

THE NEW CORPORATION FOR TRAVEL PROMOTION WILL LOOK TO RESTORE U.S. MARKET SHARE OF OVERSEAS TRAVEL, WHICH HAS BEEN STEADILY DECLINING SINCE 2000.

New World of Travel

It's a new world for travel, with the U.S. competing with more marketed destinations than ever before in the global marketplace. As shown in figure 17, the U.S. has lost share of global travel spending since 2000—not just since 9/11 as many like to speculate. Although U.S. entry issues since 9/11 have hampered travel to some extent, there are other trends contributing to this loss. A growing global middle class has begun to travel, often more regionally than long-haul. New travel hot spots like the Middle East, Southeast Asia and North Africa have invested more in developing their tourism infrastructure, appealing to adventurous travelers looking for something new. Perhaps the biggest reason for market share loss is that most developed nations have had dedicated international tourism promotion budgets for years while the U.S. has not. While the U.S. government for many years took the travel industry for granted, other countries recognized the power of travel—not only in terms of economic impact but also its role in fostering cross-cultural understanding and relationships.

The U.S. travel industry—led by the U.S. Travel Association—finally turned that disadvantage around in 2010 when President Obama signed the Travel Promotion Act. This legislation, sponsored by U.S. Travel, created the Corporation for Travel Promotion, the first national tourism marketing agency for the U.S. CTP, which is modeled after CTTC's successful public/private partnership, aims to grow the United States' international market share with a \$200 million annual budget. CTTC President & CEO Caroline Beteta serves on the board of the new CTP, which will design and lead initiatives and messaging for the national tourism product, alleviating the burden on

states and DMOs to speak on behalf of both the U.S. and their individual destinations. CTP will put special emphasis on clarifying national industry-impacting issues (U.S. entry procedures) and scares around viruses (H1N1), so that states and DMOs can focus on selling their own product. CTTC will align its international marketing strategy with CTP's to optimize efficiencies and results.

Market Share

International

CTTC tracks California's market share of domestic and international travel to the U.S. to gauge macro changes in travel trends and refine strategies. Overseas market share is more subject to market fluctuations than domestic, varying from state-to-state because each receives travel from world regions in different proportions, all subject to different market conditions. Exchange rates heavily influence travel year to year. In recent years, California fell from second to third place in market share (figure 17) behind New York and Florida due to strong exchange rates, which pushed more cost-conscious Europeans and South Americans to shorter-haul U.S. destinations like the East Coast, and budget-minded Australians to California. Health issues like SARS and H1N1 hampered travel from Asia for several years, but preliminary 2010 data shows that is changing. Leading a 5 percent jump in overseas travel to California was a 19 percent increase in Asian travel, led by China, up 53 percent.

Domestic

California consistently dominates domestic market share, largely due to established travel

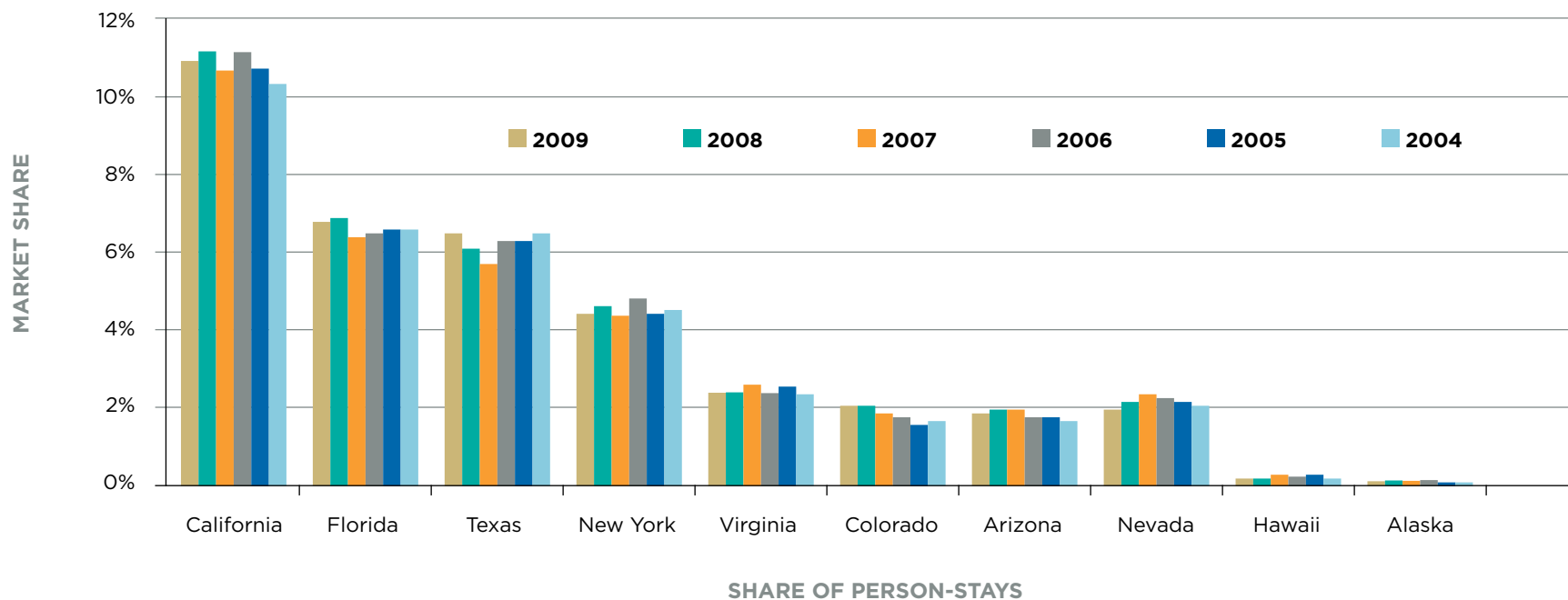
patterns, such as heavy in-state and other short-haul travel from Western border states. This is evident in figure 16, which shows top states' market share of U.S. leisure travel between 2004 and 2009.

More domestic visitors (11.1%) went to California than any other state in 2009, while Florida was a distant second with a 6.9 percent share of U.S. person-stays. While this is good news for California right now, studies like the previously referenced Millward Brown report prove that taking this for granted is risky. According to their Chief Global Analyst Nigel Hollis, "A great deal of evidence suggests that it's not a good idea to reduce marketing spend during recession in order to hit financial targets. Doing so may leave your brand in a less competitive position when the economy recovers. Over the years, research has confirmed that the best strategy in terms of long-term ROI is to increase marketing expenditure during an economic slowdown."

CTTC has maintained its strong branding presence in the domestic market, and this new marketing plan includes strategies to grow lucrative long-haul markets and primary short-haul Western markets.

Support for this strategy comes from CTTC's not-so-distant past. As previously mentioned, when CTTC experienced funding cuts, visitation dropped. Other numbers show that when the budget increased, visitation jumped. For example, when the CTTC budget increased from \$7.3 million in FY 1999-00 to \$19 million in FY 2001-02, California's share of leisure trips increased about 0.3 percent, or 5.6 million visitors. When the budget increased from \$6.8 million in FY 2004-05 to \$50 million in FY 2007-08, with \$26 million dedicated to domestic programming, domestic share increased by 0.7 percent, or 12 million visitors.

FIGURE 16

Domestic Traveler Market Share

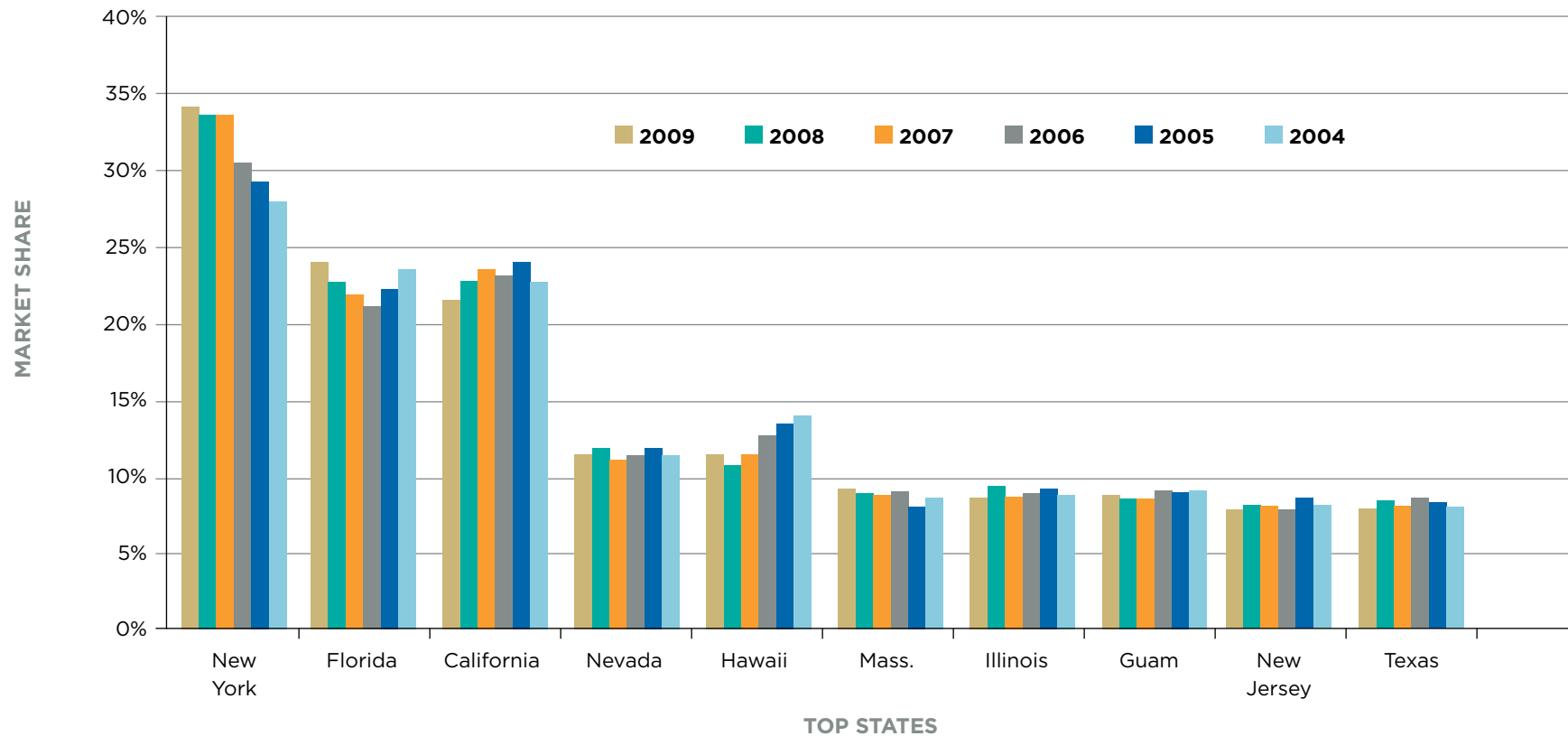
SOURCE: DK SHIFFLET & ASSOC.

QUICK LOOK

RELATIVE DOMESTIC MARKET SHARE FOR TOP U.S. STATES HAS REMAINED CONSISTENT OVER TIME, WITH CALIFORNIA LEADING.

FIGURE 17

Overseas Traveler Market Share



SOURCE: U.S. DEPARTMENT OF COMMERCE

QUICK LOOK

IN RECENT YEARS, CALIFORNIA'S INTERNATIONAL MARKET SHARE HAS FALLEN TO THIRD PLACE BEHIND NEW YORK AND FLORIDA, PROMPTED BY DECREASED TRAVEL FROM ASIAN MARKETS AND MORE EUROPEANS AND SOUTH AMERICANS TAKING SHORTER, VALUE-ORIENTED TRIPS TO THE EAST COAST.

Market share has leveled off during the last few years with a fixed budget, but compelling CTTC advertising continues to generate domestic travel to the state—3.6 million incremental trips in 2008 and 3.4 million incremental trips in 2009 (SMARI). Because of this and other market intelligence, CTTC will continue to maintain domestic marketing investment to retain market share, exploring creative strategies and leveraging partnerships to grow funding and gain share.

Market share composition demonstrates the importance of CTTC's interaction and alignment with state DMOs and industry businesses. Approximately 80 percent of leisure trips to the state are from within California, largely due to the majority of DMOs conducting regional marketing to attract visitors from other parts of the state. With in-state visitors covered, CTTC focuses on the higher spending out-of-state market, which is more lucrative and benefits the entire state.

Competitive Media Spending

In addition to tracking market share, it's essential to understand media spending by competing destinations. By analyzing where, how, and during what time periods competitors advertise, CTTC can tailor its own advertising efforts to best influence undecided travelers to choose California.

Figure 18 shows total media budgets for advertising in the U.S. by top state tourism offices. In FY 2008–09, California ranked behind Florida, Colorado and Michigan in terms of advertising dollars spent. To stay ahead of the recession curve, CTTC increased its advertising budget in 2009–10, rising to second place behind Texas. California was one of only three destinations to make this move,

largely because most of these state offices depend on their state's general fund and had to cut programming during the recession. CTTC's stable funding source has allowed it to maintain momentum and gain share of voice in the travel media space for California. CTTC will continue this strategy to position California for big gains while others rebuild their programs during economic recovery.

Tracking how other state offices advertise is a useful tool in planning media buys. Figure 19 illustrates the collective allocation of domestic travel brand advertising budgets by medium. Print media dominates the travel category, with over 50 percent of all media spend on print advertising, led by magazine buys. Television is next, followed by Internet. California's advertising skews much higher toward television than the averages shown here. This is because research has shown that the California brand is described as an attitude and a lifestyle that is best brought to life in a broadcast environment, taking advantage of its celebrity heritage with famous spokespeople. California's television advertising has been enormously popular and effective, reinforcing the statewide goal to help the industry do what it cannot do for itself.

Because so many destinations focus on print, California benefits from less competition in the television medium and reaches a broad national audience. CTTC also advertises in magazines and online (as well as other media in international markets), but integrates messaging and imagery to reinforce the television program. CTTC's advertising research has repeatedly verified that this approach—using multiple mediums and varied seasonal and activity messages—is the most effective way to impact travel to California.

Advertising in international markets can be even more competitive than in the U.S. because the competitive field is larger. California not only competes against U.S. states and cities, but foreign cities and countries as well. Figure 20 shows the competitive media spend in Canada, the U.K., Japan and Australia, markets where CTTC has conducted brand advertising in the last several years. To establish a voice in these markets requires a significant investment.

Notably, CTTC's 2009 advertising buy in the U.K. topped that of all other destinations, costing \$3.8 million to make an impact. While Las Vegas currently competes with California in Japan, and Hawaii in Canada, CTTC sees this as a “co-opetition” opportunity to possibly leverage resources for higher impact. Instead of competing dollar for dollar in these markets, it's intriguing to consider collectively investing in messaging that could extend trips to include stays in both the competitive destination and California.

CTP's international marketing strategy, still under development, will change the landscape considerably. CTTC will closely monitor CTP's efforts to find ways to create alignment and leverage resources. Until that time, CTTC's international marketing strategy will continue to work on behalf of California, often on two levels—stimulating demand (and in some cases handling concerns) for traveling to the U.S., and then California.

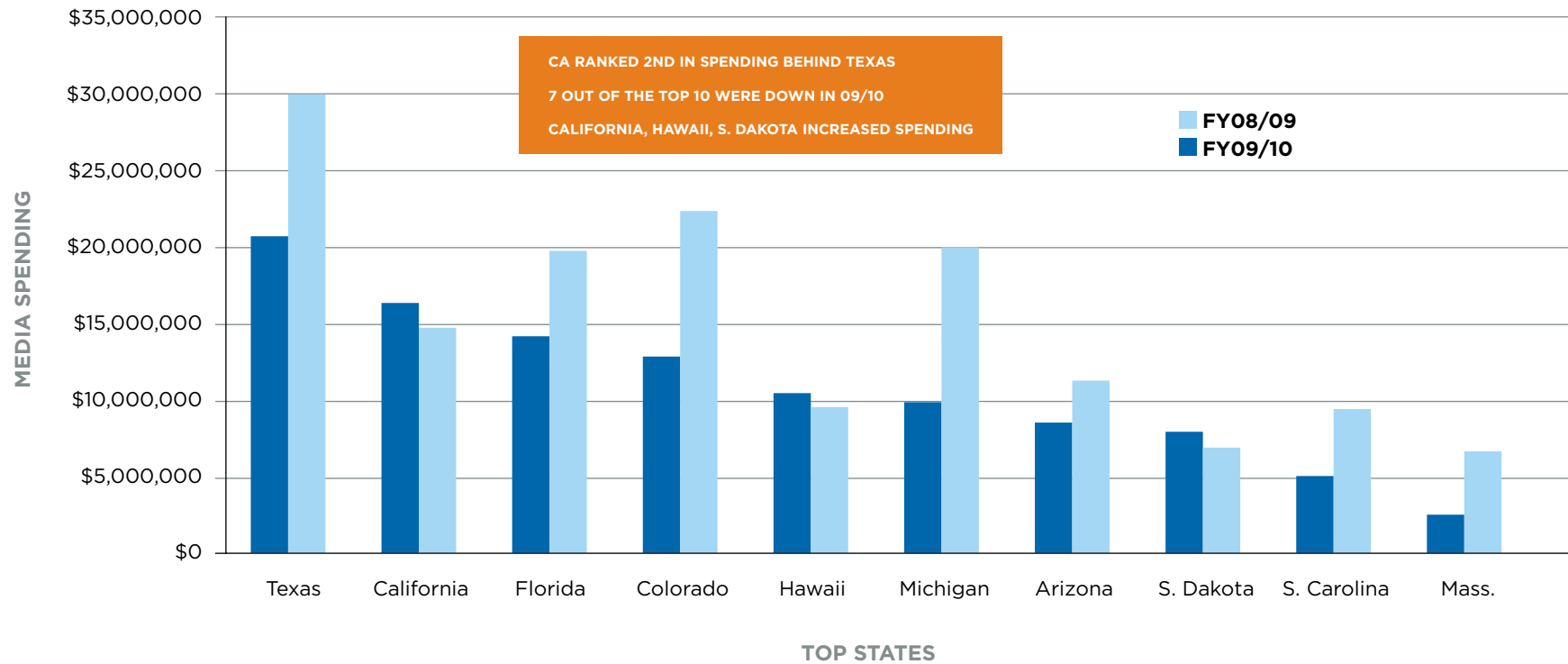
Air Service

Airlift is essential to travel, particularly long-haul travel from the U.S. and abroad. Destinations like California can help stimulate in-bound demand through marketing efforts, but available, affordable seats are essential to convert that demand into visitation. Airlift

CONTINUED ON PAGE 42

FIGURE 18

09/10 Media Spending—Top 10 States

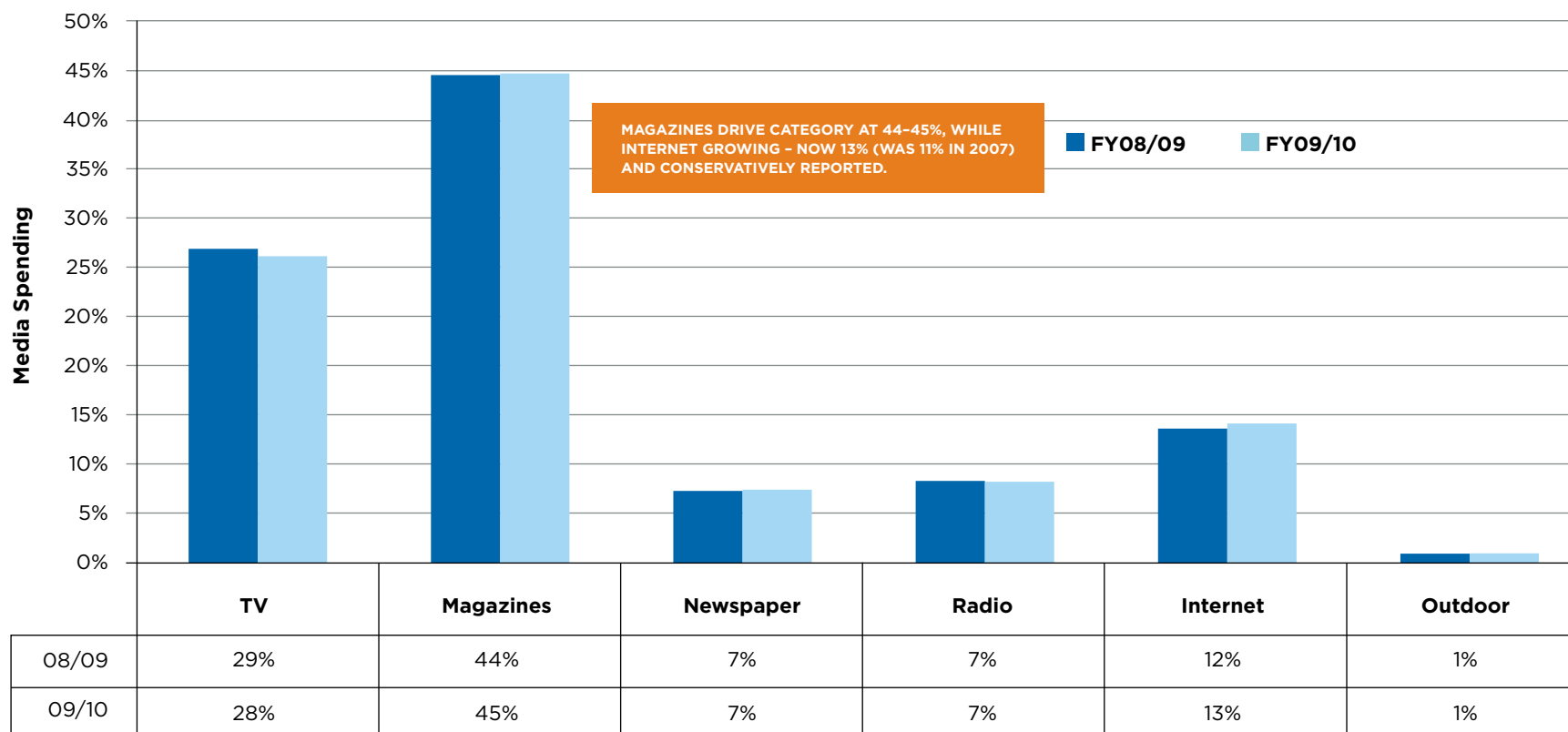


SOURCE: KANTAR MEDIA, BASED ON FISCAL YEAR SPENDING TRENDS

QUICK LOOK

WHILE MOST STATES CUT BACK ON ADVERTISING DURING THE RECESSION, CALIFORNIA, HAWAII AND SOUTH DAKOTA INCREASED SPENDING TO MAINTAIN MOMENTUM AND STAY AHEAD OF THE RECESSION CURVE.

FIGURE 19

09/10 Media Mix—Top 10 States

SOURCE: KANTAR MEDIA, BASED ON FISCAL YEAR SPENDING TRENDS

QUICK LOOK**AMONG THE TOP 10 STATES, MAGAZINES ARE THE DOMINANT CHOICE FOR REACHING CONSUMERS.**

FIGURE 20

In-Market Competitive Media Spending for International Markets Where CTTC Advertises

	U.K.		AUSTRALIA		CANADA		JAPAN	
RANK	COUNTRY	AMOUNT	COUNTRY	AMOUNT	COUNTRY	AMOUNT	COUNTRY	AMOUNT
1	Scotland	\$6.9 million	Queensland	\$8.2 million	Canada	\$27 million	Korea	\$15.1 million
2	Ireland	\$6.7 million	New Zealand	\$7.3 million	Mexico	\$2.9 million	Taiwan	\$6.1 million
3	COI	\$6.7 million	North Territory/Aus.	\$6.5 million	Cuba	\$1.8 million	Hawaii	\$5.3 million
4	Australia	\$4.7 million	New South Wales	\$5.8 million	Florida	\$1.5 million	California	\$4.1 million
5	California	\$4.2 million	Victoria	\$5.7 million	California	\$1.2 million	Macao	\$3.0 million
6	Yorkshire	\$3.5 million	California	N/A*	India	\$1.2 million	Hawaii Big Island	\$2.9 million

* CTTC ENTERED THE AUSTRALIAN MARKET IN AUGUST 2010.

SOURCE: 2009 DATA CARAT—CSS STUDY TOURISM 10 MARKETS; MRI DATA; CARAT IN-MARKET MEDIA EVALUATION WITH GATE 7

QUICK LOOK

CTTC HAS INTRODUCED BRAND ADVERTISING INTO INTERNATIONAL MARKETS WITH FUNDING SUFFICIENT TO COMPETE WITH OTHER TOP TRAVEL ADVERTISERS AND DESTINATIONS.

FIGURE 21

International Non-Stop Flights and Seats Monthly Totals, CTTC Primary Target Markets

Monthly Air Service into California, November 2010	Australia	Canada	China	France	Germany	Ireland	Japan	Mexico	New Zealand	Switzerland	South Korea	U.K.
Non-Stop Flights												
LAX	213	672	150	76	50	0	240	880	81	30	133	203
SFO	44	590	209	29	88	0	148	182	21	25	92	118
SAN	0	73	0	0	0	0	0	49	0	0	0	0
Total CA	257	1,335	359	105	138	0	388	1,111	102	55	225	321
Non-Stop Seats												
LAX	78,039	83,578	51,113	23,936	17,860	0	83,340	115,119	28,044	6,570	42,644	63,135
SFO	16,531	55,437	72,962	7,888	31,688	0	43,734	25,903	6,609	5,475	28,298	36,526
SAN	0	8,158	0	0	0	0	0	7,461	0	0	0	0
Total CA	94,570	147,173	124,075	31,824	49,548	0	127,074	148,483	34,653	12,045	70,942	99,661
Non-Stop Seats: Yr/Yr % Chg.												
LAX	-3%	9%	14%	9%	-11%	na	16%	-19%	3%	15%	-1%	14%
SFO	-6%	10%	15%	1%	-5%	na	-14%	-25%	-1%	na	20%	0%
SAN	na	14%	na	na	na	na	na	-6%	na	na	na	na
Total CA	-4%	10%	15%	7%	-7%	na	3%	-19%	2%	112%	7%	9%

NOTE: SEATS AND FLIGHTS FOR TOTAL CALIFORNIA MAY BE GREATER THAN SUM OF ROWS BECAUSE OF INTERNATIONAL AIR SERVICE INTO OTHER CALIFORNIA AIRPORTS.
DATA AS OF NOVEMBER 30, 2010

SOURCE: OAG

QUICK LOOK

MORE THAN 940,000 AIRLINE SEATS ARE AVAILABLE FOR TRAVEL ON NON-STOP FLIGHTS INTO CALIFORNIA'S THREE MAIN GATEWAYS—SFO, LAX AND SAN—EACH MONTH.

is vulnerable to market conditions, so CTTC monitors this volatility to refine programs. Although most visitors can reach the U.S. and California through a series of connecting flights, non-stop flights are much more appealing, and their availability can sway visitors from one destination to another. Since California's largest growth potential lies in long-haul travel, maintaining existing and growing new non-stop air service into California's airports is key.

Figure 21 shows total monthly seats—nearly 1 million—on international non-stop flights into California from top origin markets as of November 2010. The chart clearly illustrates the interdependency between airlift and visitation, with the ordering of total seats per country roughly the same as visitation from each country. Notable exceptions are Chinese and U.K. airlift.

Chinese airlift is proportionally higher than visitation, which reflects the growing travel demand from this market—over 60 percent higher year over year through August 2010. Having more seats available also bodes well for accommodating the anticipated growth in travel from China over the next few years. Lift from the U.K. is disproportionately low. The U.K. is California's largest overseas market, but third in terms of air service. This is partly

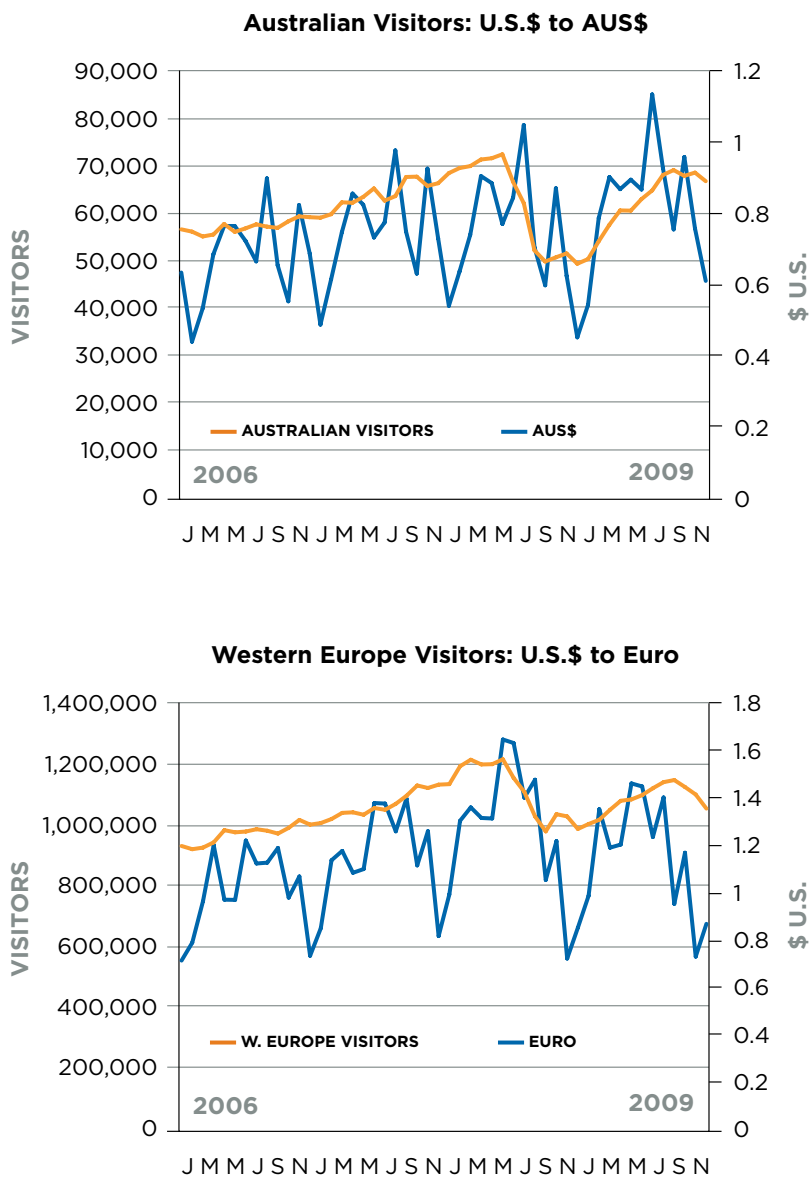
because the British have many options for one-stop service into California, flying through New York or other U.S. ports. Still, there is apparent room for growth in non-stop service from this market. British Airways plans to launch non-stop service into San Diego in 2011. Without additional growth in non-stop service from the U.K., however, expansion of British travel to California could be limited. Mexican air service into California has declined over the last three years, due to economic and administrative issues affecting Mexican carriers. This decline caused Mexico to be the only top 10 country with year-over-year declines in arrivals to California in the third quarter of 2010. As of December 2010, efforts are under way to restore some of this service in time for the anticipated growth in Mexican air travel to California in the coming years.

In this new world of travel, it is critical for CTTC to expand marketing resources with the goal of returning to pre-9/11 levels, and helping the U.S. gain its fair share of international travel. Recovery of the 1.6 million overseas travelers lost between 2000 and 2009 would generate an additional \$1.9 billion in overseas spending in the state, resulting in \$123 million in additional state tax revenues and directly supporting over 20,000 additional jobs for California.

Exchange Rates

Along with income and travel service cost, consumers are highly influenced by exchange rates. A 2000 study showed that for every 1 percent change in exchange rates, there was a corresponding 1.5 percent change in travel demand to North America. The charts in figure 22 show more recent evidence of the link between exchange rates and travel. Both increases and decreases in the value of the Australian dollar, the euro and the British pound over a two-year period ending in June 2010 correlated well with increases and decreases in arrivals to the U.S. from each country. Although not a concern to domestic travelers, exchange rates are important to high-value international travelers. This poses a planning challenge for DMOs, as exchange rates can be volatile and unpredictable. For this reason, CTTC builds flexibility into its annual work plans, creating contingency plans to address currency fluctuations.

FIGURE 22

Correlation Between Currency Value and U.S. Visits

SOURCE: PACIFIC EXCHANGE RATE SERVICE - PROF. WERNER ANTWEILER

QUICK LOOK

SINCE EXCHANGE RATES GREATLY INFLUENCE DEMAND AND CAN FLUCTUATE DRAMATICALLY WITHIN A YEAR, CTTC BUILDS FLEXIBILITY INTO ITS ANNUAL WORK PLANS.

The New Normal

As mentioned before, CTTC's 2011-2016 Brand Enrichment Plan addresses recession-based changes in travel patterns, coined as the "new normal." Nearly three years of sustained economic challenges have changed consumer attitudes and behaviors for the foreseeable future. The demographic trends and corresponding travel implications outlined in the Executive Summary are covered in more detail in this section. CTTC's strategies and tactics will map to these changes.

The Economy

Figure 23 shows past and predicted performance for several key U.S. economic indicators. The U.S. unemployment rate, nearly 10% as of December 2010, is predicted to only gradually lessen through 2012. Since consumer income is a key correlate to travel demand, unemployment will hinder growth in visitation for the foreseeable future. GDP and personal disposable income also are predicted to recover from losses in 2008 and 2009 gradually, though 2012 does show promise for more substantial increases. On a positive note, travel demand may be helped by relatively

stable consumer prices, which are expected to increase less than 2 percent in 2011 and only 3.1 percent in 2012.

Internationally, the economic outlook varies among top origin markets. As figure 24 shows, anticipated GDP growth between 2009 and 2014 is tepid for most mature, industrialized nations like Japan and those in Western Europe. This is a trend CTTC will monitor, as these countries provide some of the highest visitation to California. On the other side of the spectrum are the developing markets of China and India, whose GDPs are expected to grow by a remarkable 50 percent or more

FIGURE 23

U.S. Economy Forecast

	2009	2010E	2011F	2012F
UNEMPLOYMENT RATE	9.3	9.7	9.8	8.2
CPI	-0.3	1.5	1.9	3.1
REAL PERSONAL DISPOSABLE INCOME	0.6	1.5	2.5	3.3
REAL CONSUMER SPENDING	-1.2	1.3	2.9	4.5
REAL GDP	-2.6	2.8	3.4	4.9
TOTAL AFTER-TAX PROFITS	2.6	26.0	2.0	10.8
% CHANGE YR AGO EXCEPT UNEMPLOYMENT RATE				

SOURCE: MOODY'S ANALYTICS

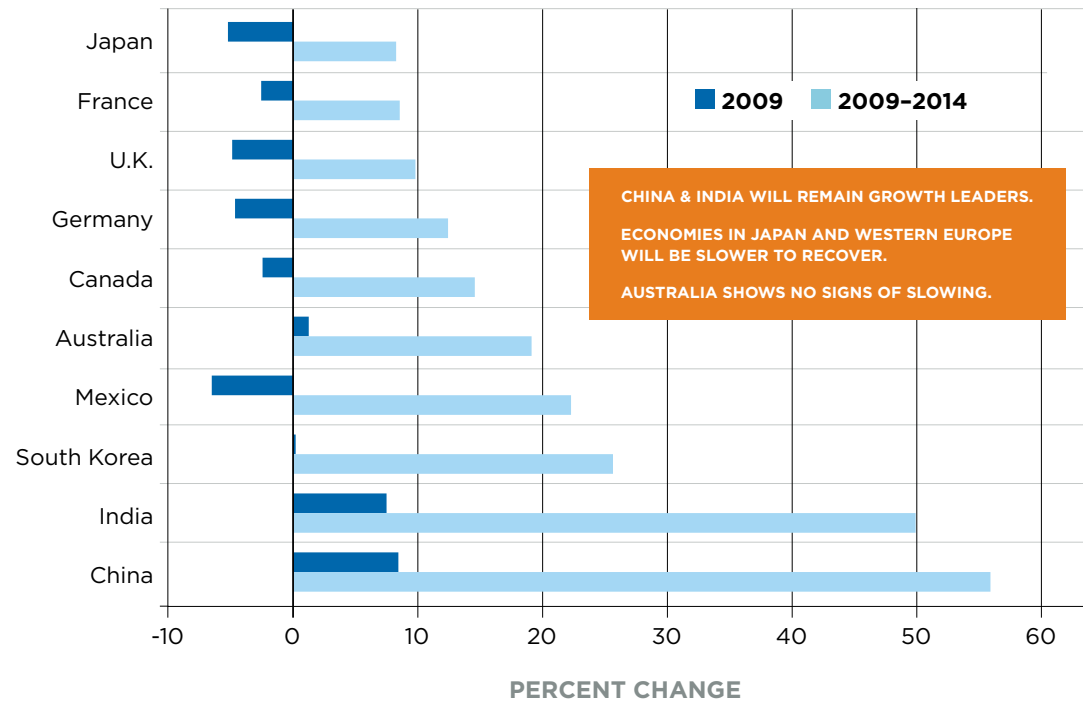
QUICK LOOK

THE LATEST ECONOMIC FORECAST SHOWS THAT THE U.S. WILL RECOVER GRADUALLY.

over the next five years—making these markets increasingly important to CTTC’s marketing plans. Economic forecasts for Canada, Australia, Mexico and South Korea bridge the two extremes, with consistent moderate growth predicted through 2014. These varying rates of expected growth are directly related to visitation forecasts, which are discussed later in this section. The implication of these trends is that CTTC will factor predicted recovery patterns into the investment equation. Although CTTC plans to continue maintaining international investments, the level of maintenance will vary depending on each market’s overall economic health.

FIGURE 24

Forecasted GDP Growth Abroad



SOURCE: MOODY'S ANALYTICS

QUICK LOOK

CTTC IS CLOSELY MONITORING CALIFORNIA'S EMERGING MARKETS OF CHINA AND INDIA, WHERE GDP IS EXPECTED TO GROW BY A REMARKABLE 50 PERCENT OVER THE NEXT FIVE YEARS.

Values and Attitudes

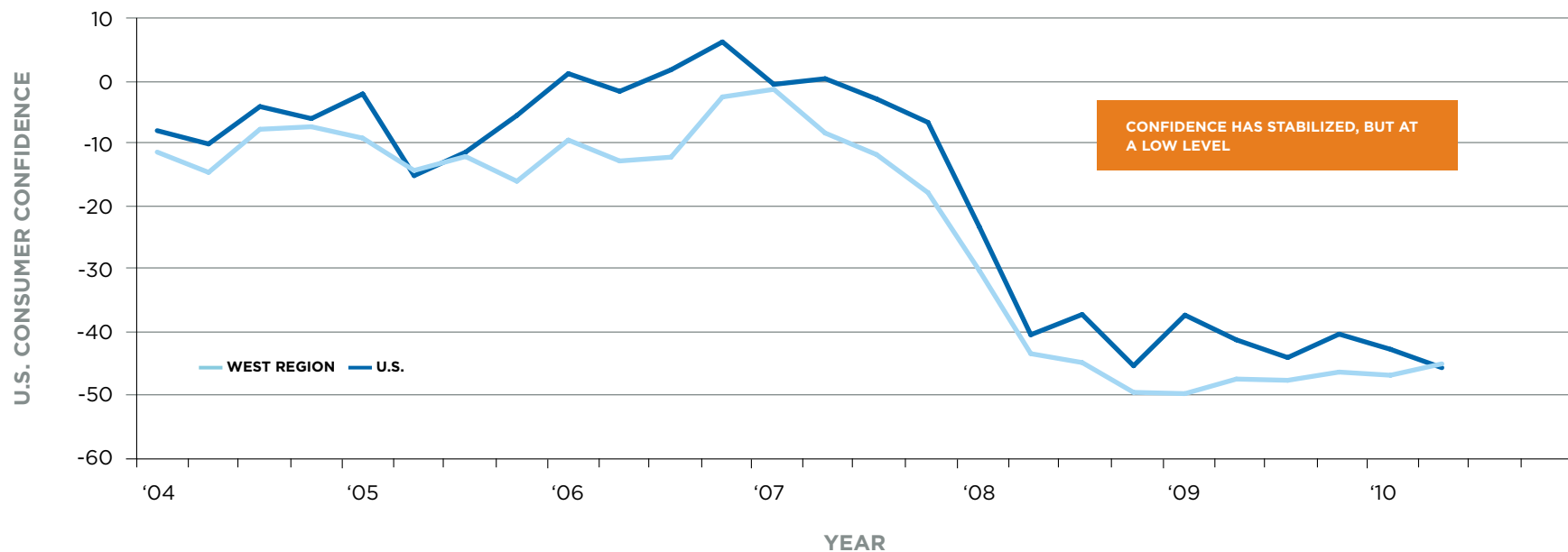
The Great Recession has changed consumers' values, attitudes and behaviors. Consumer confidence, shown in figure 25, dipped markedly in the third and fourth quarters of 2008. It has stabilized over the last few months, but at a historically low level, indicating that consumers have apparently come to accept their new condition as an unfortunate new reality.

Lagging consumer confidence has shifted attitudes dramatically. Consumers are redefining value, paying more attention to consequences pertaining to their time, energy, attention, health and emotions. As a result, conversations with friends and families are considered as much, if not more, than conventional marketing in relation to the purchase of a good or service. Although word of mouth has always been a strong influence on travel selection, it is now even more amplified by the trend toward using new

**CONSUMERS ARE
REDEFINING VALUE,
PAYING MORE ATTENTION
TO CONSEQUENCES
PERTAINING TO THEIR
TIME, ENERGY, ATTENTION,
HEALTH AND EMOTIONS.**

FIGURE 25

Consumer Confidence Index



SOURCE: ABC NEWS; WASHINGTON POST

QUICK LOOK

ALTHOUGH CONSUMER CONFIDENCE HAS STABILIZED, IT REMAINS LOW, AFFECTING HOW CONSUMERS MAKE THEIR TRAVEL DECISIONS.

digital, mobile data offering immediate access to social media.

As part of redefining value, consumers want brands that are transparent, trustworthy and authentic. What makes goods and services valuable will increasingly be wrapped up in what a brand stands for, and brand differentiation will increase in importance as a result. Also related is the morphing of the definition of luxury, becoming more about what one can do instead of what one can buy.

Consumers' attitudes toward travel have changed accordingly. The SMARI data in figure 26 shows that consumers over the next year expect to spend less money on travel, staying with friends and family instead of paid accommodations. One quarter of respondents as of May 2010 said they would take shorter driving vacations instead of flying—a full 18 months after the onset of the great recession. CTTC will address this trend in part with its Western Primary Market initiatives.

AS PART OF REDEFINING VALUE, CONSUMERS WANT BRANDS THAT ARE TRANSPARENT, TRUSTWORTHY AND AUTHENTIC.

FIGURE 26

U.S. Traveler Behavior

Projected Changes in U.S. Traveler Behavior in Next 12 Months

ACTIVITY	JAN '09	FEB '09	MAR '09	MAY '09	AUG '09	OCT '09	MAR '10	MAY '10
WILL TAKE FEWER TRIPS	25%	29%	21%	22%	17%	17%	16%	17%
WILL CHOOSE CLOSER DESTINATIONS	14%	14%	21%	19%	17%	17%	16%	16%
WILL TAKE SHORTER TRIPS	12%	13%	20%	20%	16%	16%	15%	17%
SPEND LESS MONEY ON LEISURE TRAVEL	23%	23%	31%	28%	24%	24%	22%	23%
STAY WITH VFR VS. PAID ACCOMMODATIONS	22%	21%	24%	23%	22%	22%	21%	25%
CHOOSE DRIVE VS. FLY	24%	24%	25%	30%	24%	28%	28%	27%

SOURCE: SMARI

QUICK LOOK

IN THE “NEW NORMAL,” 1 IN 4 AMERICANS ARE SPENDING LESS, STAYING WITH FRIENDS & RELATIVES, AND DRIVING INSTEAD OF FLYING.

Demographics

Tracking traveler demographics is important as behaviors vary by age group, as do income, ethnicity and household type. Tracking generations over the last 25 years has become particularly interesting as they behave and respond in different ways. Baby boomers famously became great consumers in their luxury years (ages 30–60), sustaining growth in stocks, real estate, retail and travel. In the coming five years, this generation will start to move out of this traditional luxury age category and will not be replaced by younger generations coming of age at the same rate

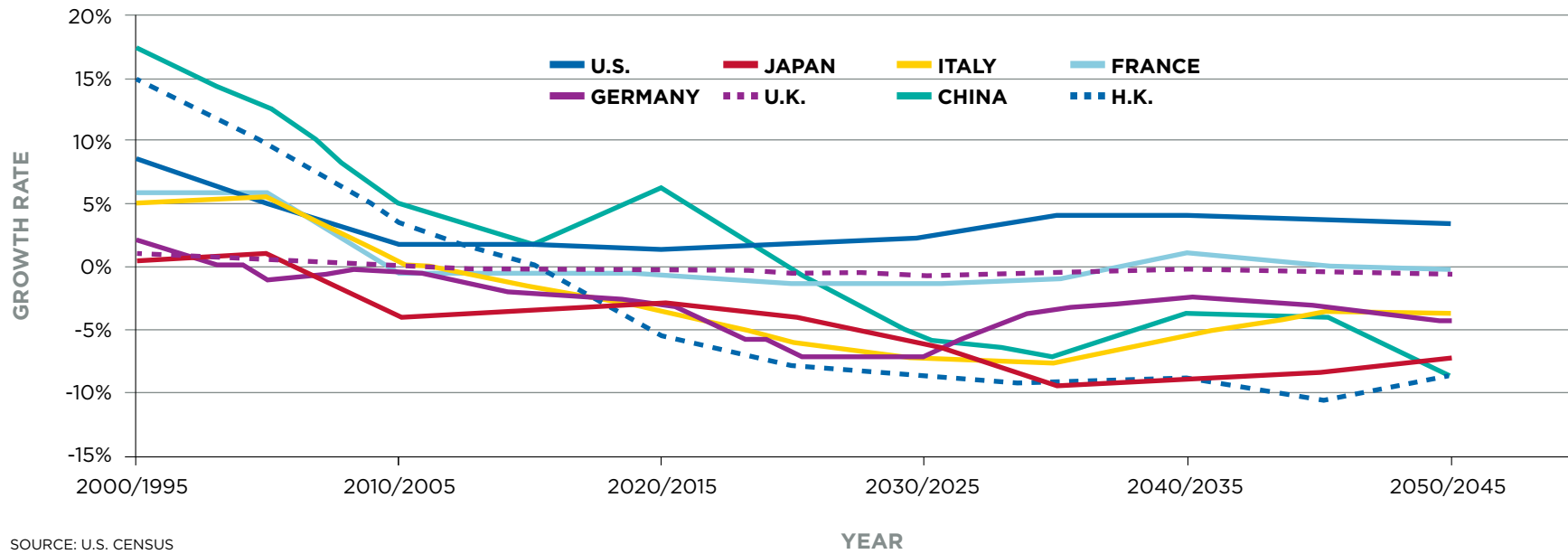
as before. Figure 27 shows that there will even be negative growth in the U.K. and Japan in this group between 2010 and 2015. The silver lining for travel is that boomers remain well resourced, albeit with less discretionary time and the means to travel than before.

The generations behind boomers have their own distinguishing characteristics that are relevant to travel marketing. Generation X is about three-fourths the size of the Boomers, but has more households with children present (71%)—so debt, paying for school and retirement will limit long-term spending potential.

Generation Y will start coming into their luxury years in 2012. This generation is larger than the Boomers, boosted by an increase in minorities and immigrants whose affluence may take some time to achieve. Still, a higher proportion of Gen Y's income is discretionary compared to Gen X's, making its members good targets for travel marketing.

FIGURE 27

30–60 Year-Old Population Growth—Every 5 Years



QUICK LOOK

THE 30–60-YEAR-OLD (LUXURY YEARS) POPULATION WILL CONTINUE TO SEE A DECELERATION IN GROWTH AROUND THE WORLD.

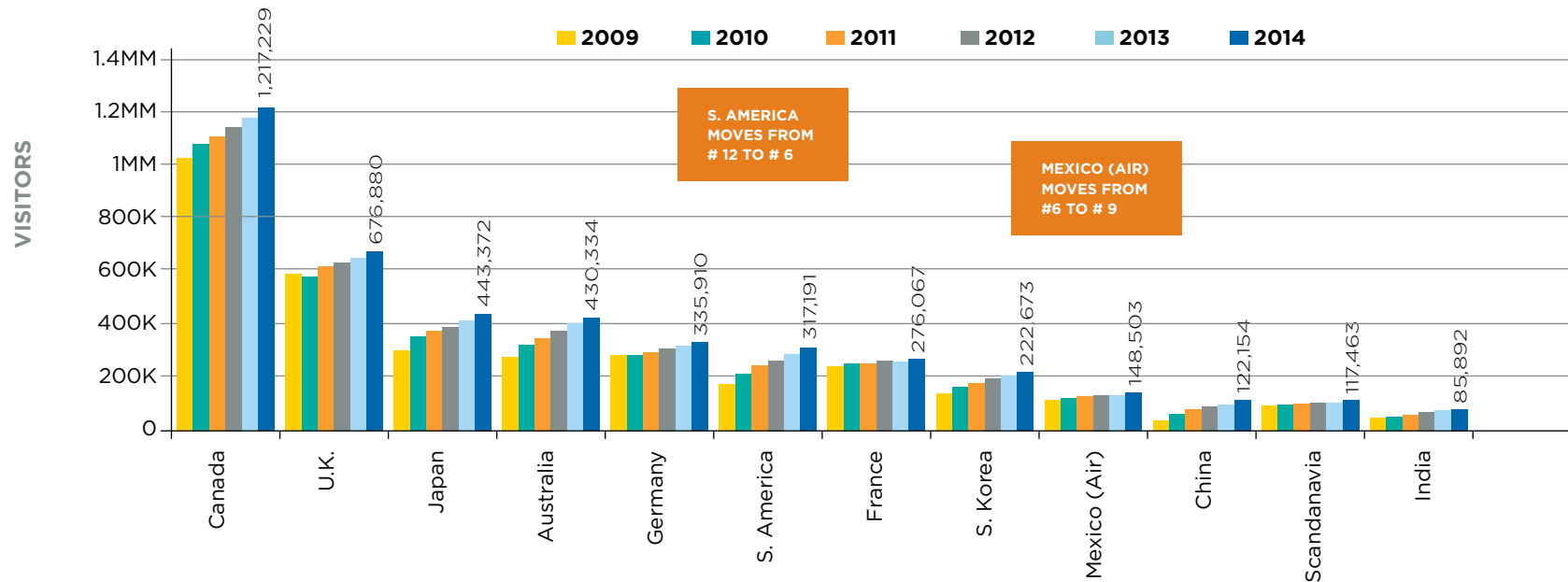
The New Normal: Trends & Implications

Based on the demographic changes outlined in the previous sections, CTTC has outlined three high-level trends and implications to help direct marketing strategies for the new strategic marketing plan.

TREND	IMPLICATION
1 The U.S. economy is recovering at a gradual pace, and consumers will continue to travel but with heightened attention to costs. In general, consumers are being more fiscally conservative about travel, more often choosing to drive instead of fly.	Consumers are paying more attention to value and consequences affecting resources—time, energy, attention, health and emotions. Consumer conversations, not just marketing per se, determine consumer response to marketing. CTTC's domestic strategy will include a concerted effort to lure more visitors from primary Western markets. These neighbor-state travelers see California as a quick yet compellingly diverse escape that costs less than longer haul alternatives. Messaging, especially in social media, will emphasize rich experiences, ease of travel and value.
2 Consumers will continue to seek luxury, but redefined to encompass quality of experience and value. In other words, consumers want meaning along with material goods. Authenticity is becoming increasingly important to consumers, so “careful chic,”—what makes goods/services valuable—will increasingly be wrapped up in what the brand stands for.	Luxury is becoming more about what you can do, rather than what you can buy. Consumers are placing a premium on experiences that will provide great memories, so they will still purchase travel products and services that resonate with value. CTTC will communicate to consumers with messaging that resonates with their core values. This means emphasizing rich experiences as opposed to extravagance, conveying that California offers the best experiences at the greatest value; travelers can't get the same rewards anywhere else in the same quantity and variety. This includes portraying California as the perfect place to reconnect with loved ones, recharge and get inspired.
3 All generations will contribute to the economic recovery in travel over the next five years, each in its own way.	CTTC will work to broaden its efforts and speak to all generations more than ever before. This means expanding messaging and mediums to appeal to each generation. For example, CTTC will appeal to more debt-burdened generations like Gen X with more value messaging, and tech savvy Millennials with content-rich mobile, tablet and social media platforms.

FIGURE 28

California's Actual and Projected International Travel Leisure Volume, 2009-2014



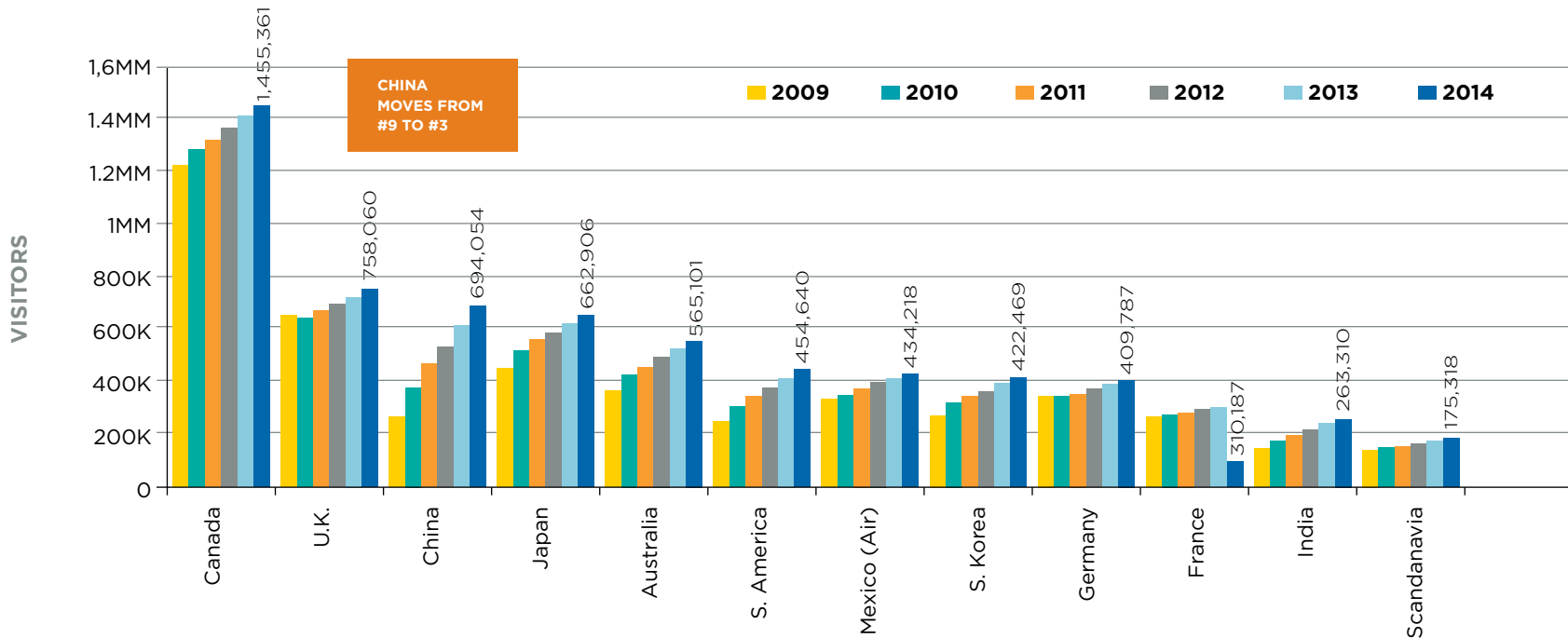
SOURCE: U.S. DEPT. OF COMMERCE; CIC RESEARCH, INC.; TOURISM ECONOMICS

QUICK LOOK

THE OUTLOOK ON INTERNATIONAL LEISURE TRAVEL IS OPTIMISTIC, WITH VOLUME TRENDING STEADILY HIGHER THROUGH 2014, SUGGESTING THE NEED FOR ADDING RESOURCES FOR THIS REGION IN THE COMING YEARS.

FIGURE 29

California's Actual and Projected International Travel Total Visitor Volumes, 2009-2014



SOURCE: U.S. DEPT. OF COMMERCE; CIC RESEARCH, INC.; TOURISM ECONOMICS

QUICK LOOK

CONSIDERING BOTH LEISURE AND BUSINESS TRAVEL, CHINA IS PROJECTED TO MOVE FROM CALIFORNIA'S NINTH LARGEST MARKET TO ITS THIRD LARGEST BY 2014. BECAUSE MANY CHINESE TRAVELERS COME ON A BUSINESS VISA BUT SPEND ON LEISURE, THIS DEVELOPMENT WOULD IMPACT CTTC FUNDING AND PROGRAMMING IN CHINA.

Projected International Changes

International GDP growth forecasts discussed previously will significantly alter travel projections to California over the next five years. Figures 28 and 29 display two charts, one showing expected growth in total travel to California between 2009 and 2014, and the other showing expected growth in just leisure travel over the same period.

The leisure travel chart shows that, although there is relatively larger expected growth in emerging markets like China and India, the overall ordering of travel volumes is expected to remain consistent over the next five years. There is a caveat, however. Many Chinese visitors to the U.S. come for a combination of business and leisure travel, traveling with a business visa so they are not reflected in the leisure travel chart (figure 28). The total visitor volume chart (figure 29) includes business travel, to show the true impact of the Chinese market. This chart indicates that China could move from the ninth-largest international market to the third-largest, a monumental increase. CTTC will be prepared to reallocate marketing funds accordingly and work with CTP to address this “blended audience.”

Technology

There is a new—and rapidly evolving—normal in the world of technology, too. The proliferation of mobile devices, smartphones, apps and social networking has redefined not only the way people plan for and experience travel, but the way in which they live their lives. CTTC has created a separate section for technology trends because of the importance they will have on travel marketing.

Two major trends are emerging in Internet penetration (or proliferation). Global usage has reached critical mass and topped the 50 percent level in North America, Australia and Europe, while Latin America, the Middle East and Asia are catching up fast. And, while Asia is still catching up in terms of penetration, its sheer number of users, due to population distribution, represents the bulk of online users.

Penetration trends also provide insight into general usage, but when looking deeper into the activities people are engaging in, two sub-trends become clear:

- 1) Users are seeking more immersive experiences. This includes the use of video and other “rich” technologies.
- 2) The bulk of time spent online is used for social-related activities, mirroring human tendencies to group and seek out like-minded individuals, sharing knowledge and opinions.

Not only is Internet penetration and types of online content consumed changing at a rapid pace, so is the way consumers are accessing the Internet. No longer tethered to a desktop computer, consumers are using portable devices to use the Internet more than ever before. As illustrated by figure 31, the iPhone reached 80 million subscribers within 11 quarters of being introduced. To gain

perspective on this amazing trend, consider that it took AOL 20 quarters to reach 20 million subscribers. By 2013, the number of mobile Internet users is projected to surpass the number of desktop users. The next growth phase will move beyond phones to include portable devices such as the iPad and other tablet devices, Android devices, etc.

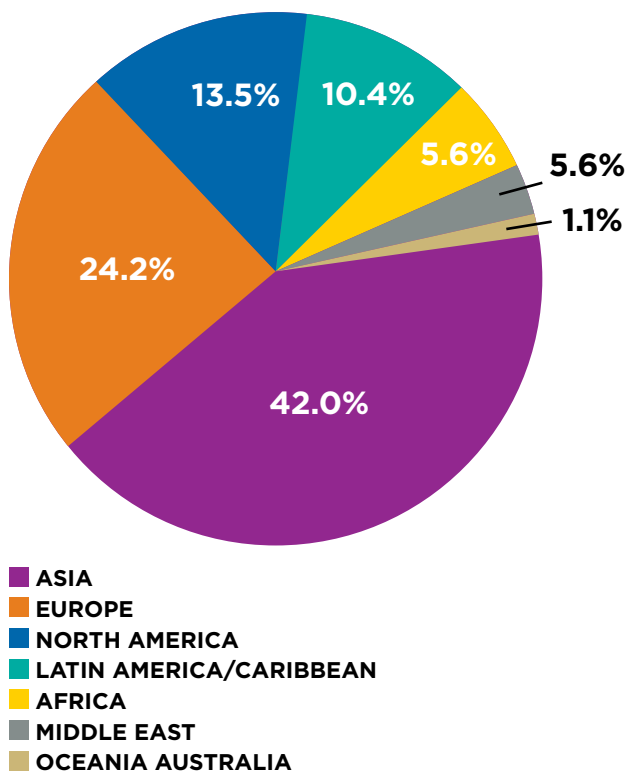
Consumers are also accessing the Internet during their travels too—not only to share their experiences, but also to access maps, phone numbers and other information to make their trip easier. In 2010, CTTC research found that for consumers who visited visitcalifornia.com and came to California, 70 percent said they accessed the Internet during their trip. These visitors used the Internet for maps and directions (52%), visiting CTTC’s Web site (27%) and connecting to friends and family through Facebook (27%).

Social networking is now driving Internet usage across all device types, so savvy marketers are creating accessible content to stay in the conversation and influence decisions. This consumption has two key traits:

1. Users are actively involved in social network content creation and consumption, so making users “brand ambassadors” is key. Social connections drive preference as people seek information and recommendations from those they know and trust, led by friends, family and online reviews.
2. Travelers want to stay connected to their network, even on vacation where they can report about their experiences and gain feedback. This will become increasingly important as mobile usage increases with future generations.

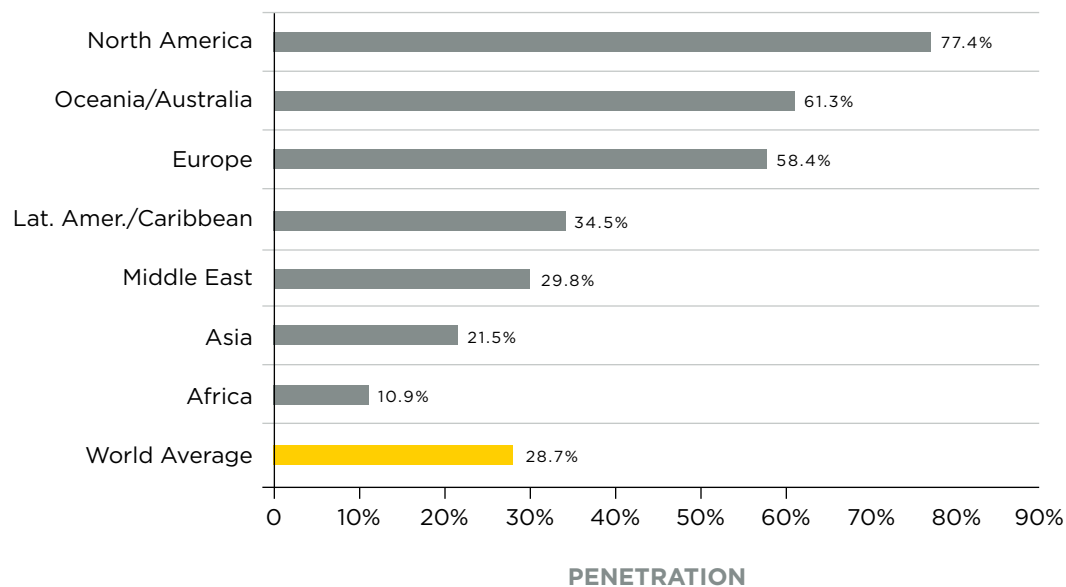
FIGURE 30

Global Internet Usage

Internet User Distribution by
World Regions—2010

SOURCES: INTERNET WORLD STATS—
WWW.INTERNETWORLDSTATS.COM/STATS.HTM
 BASIS: 1,965,514,816 INTERNET USERS ON JUNE 30, 2010

Internet Penetration Rate

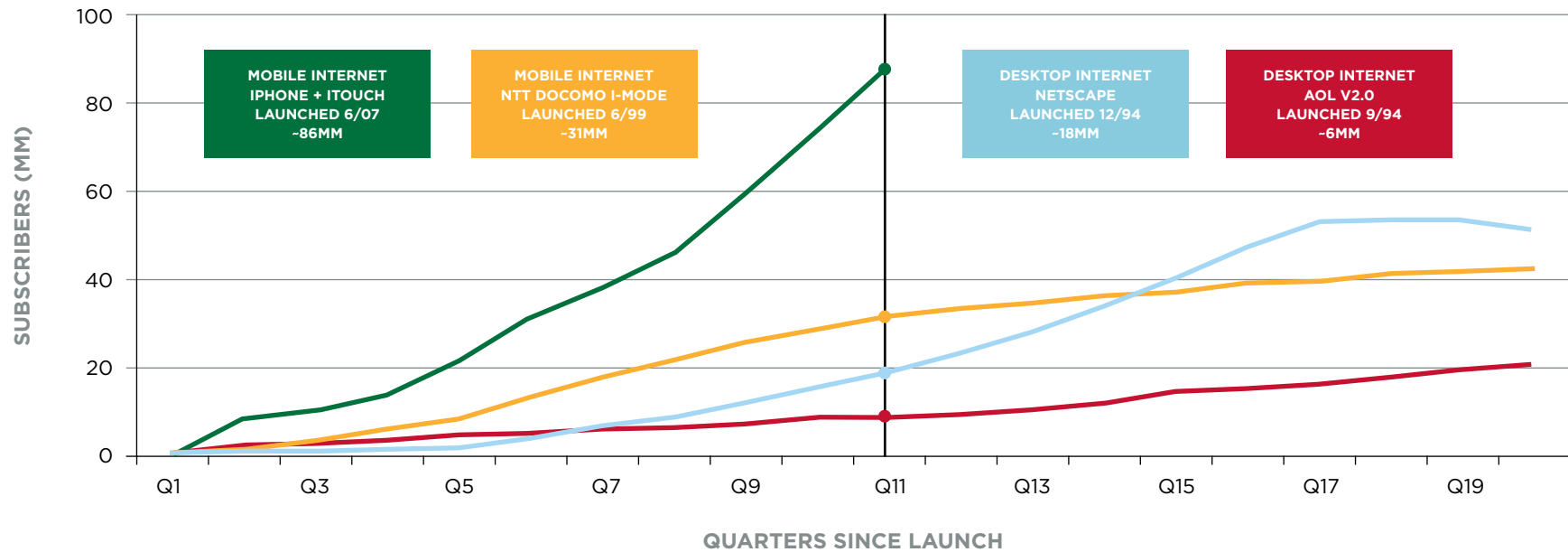


QUICK LOOK

ALTHOUGH ASIA IS STILL CATCHING UP IN TERMS OF INTERNET PENETRATION, ITS SHEER NUMBERS—LED BY INDIA AND CHINA—MAKE THIS REGION THE LARGEST IN TERMS OF ONLINE USERS.

FIGURE 31

Technology Adoption Over First 20 Quarters Since Launch



SOURCE: MORGAN STANLEY RESEARCH

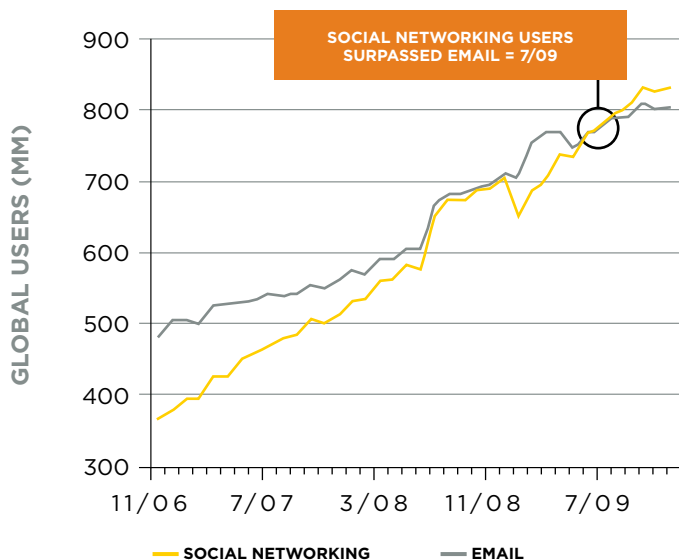
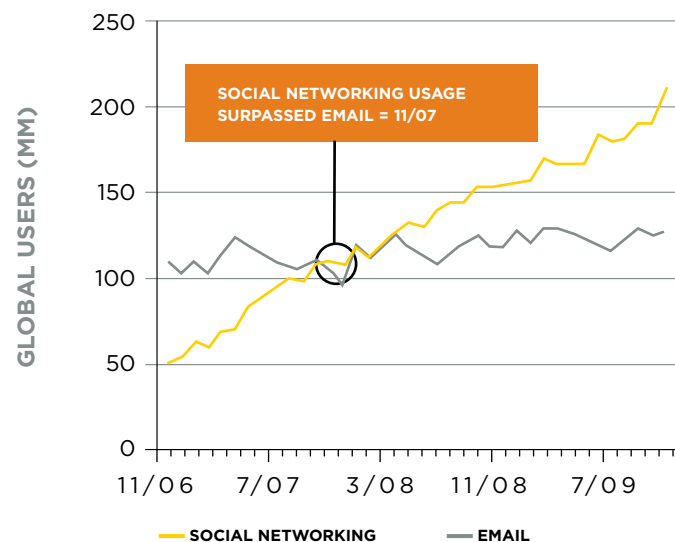
QUICK LOOK

SINCE THE IPHONE LAUNCH, MOBILE INTERNET ADOPTION HAS GROWN MORE THAN TWICE THE RATE OF DESKTOP INTERNET, WITH NO SIGNS OF SLOWING DOWN.

FIGURE 32

Internet Usage Is Now Socially-Driven vs. Task-Driven

Time spent on social networking surpassed time spent on e-mail in November 2007, and the number of social networking users surpassed e-mail users in July 2009.

GLOBAL USERS, 11/06-12/09**GLOBAL TIME SPENT, 11/06-12/09**

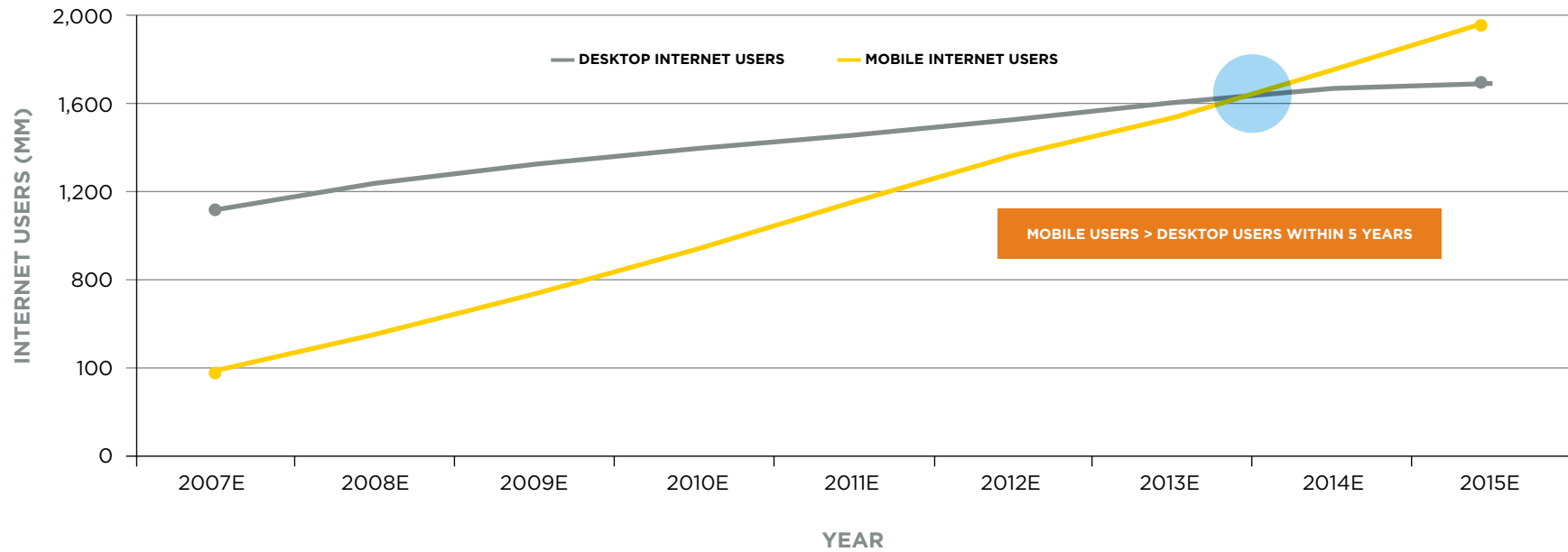
SOURCE: MORGAN STANLEY RESEARCH

QUICK LOOK

CONSUMERS ARE USING THE INTERNET MORE FOR SOCIAL REASONS THAN TASKS (I.E. E-MAIL), MAKING IT IMPERATIVE FOR CTTC TO CREATE ENGAGING SOCIAL MEDIA CONTENT.

FIGURE 33

Desktop vs. Mobile Internet Access, 2007-2015(P)



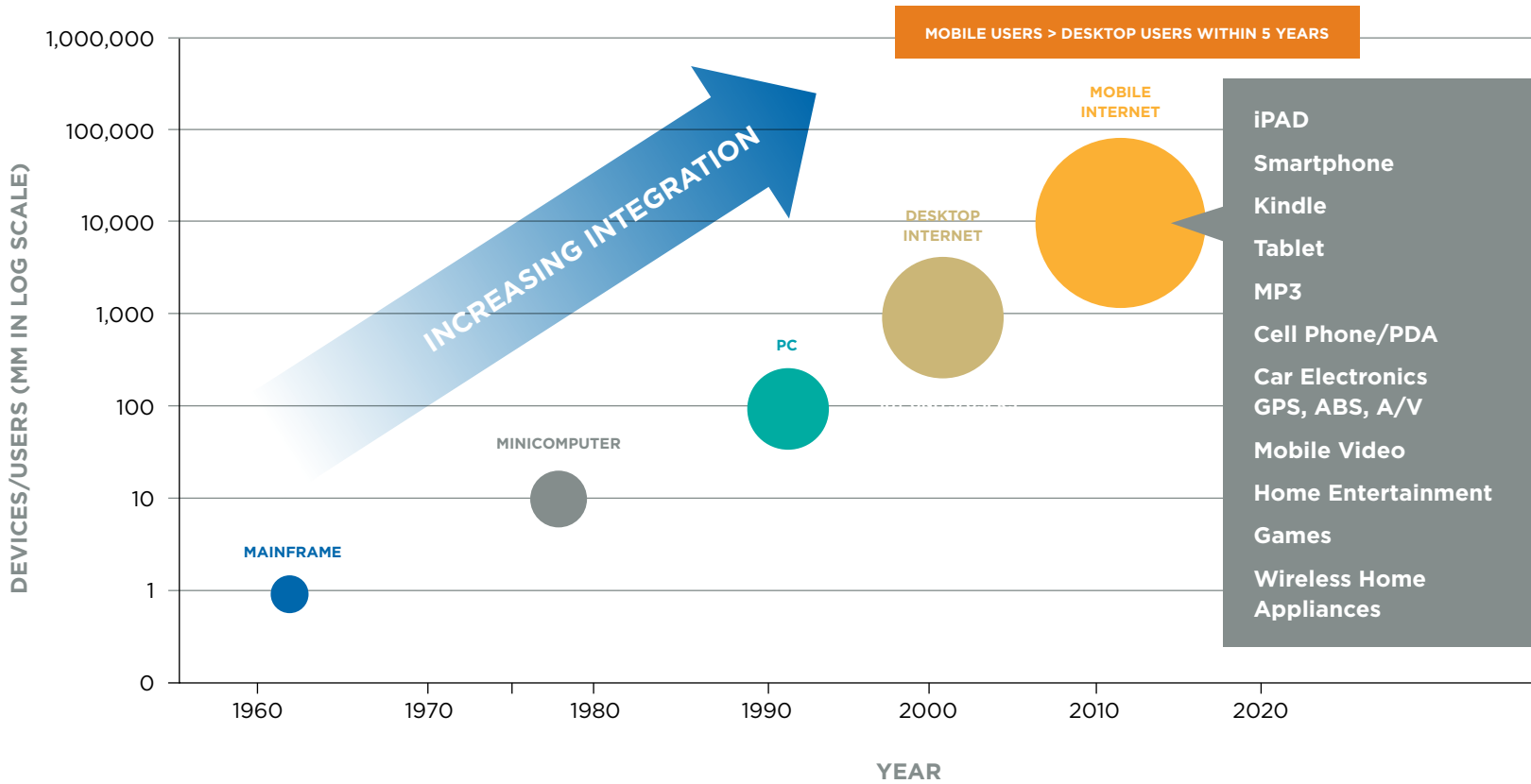
SOURCE: MORGAN STANLEY RESEARCH

QUICK LOOK

GLOBALLY, MOBILE INTERNET USERS WILL SURPASS DESKTOP INTERNET USERS BY 2014. ALREADY IN 2010, OVER ONE-THIRD OF VISITCALIFORNIA.COM USERS VISITING THE STATE ACCESSED THE WEB WITH HAND-HELD DEVICES DURING TRAVEL.

FIGURE 34

Internet Usage Beyond PC Is Broadening...and Fragmenting



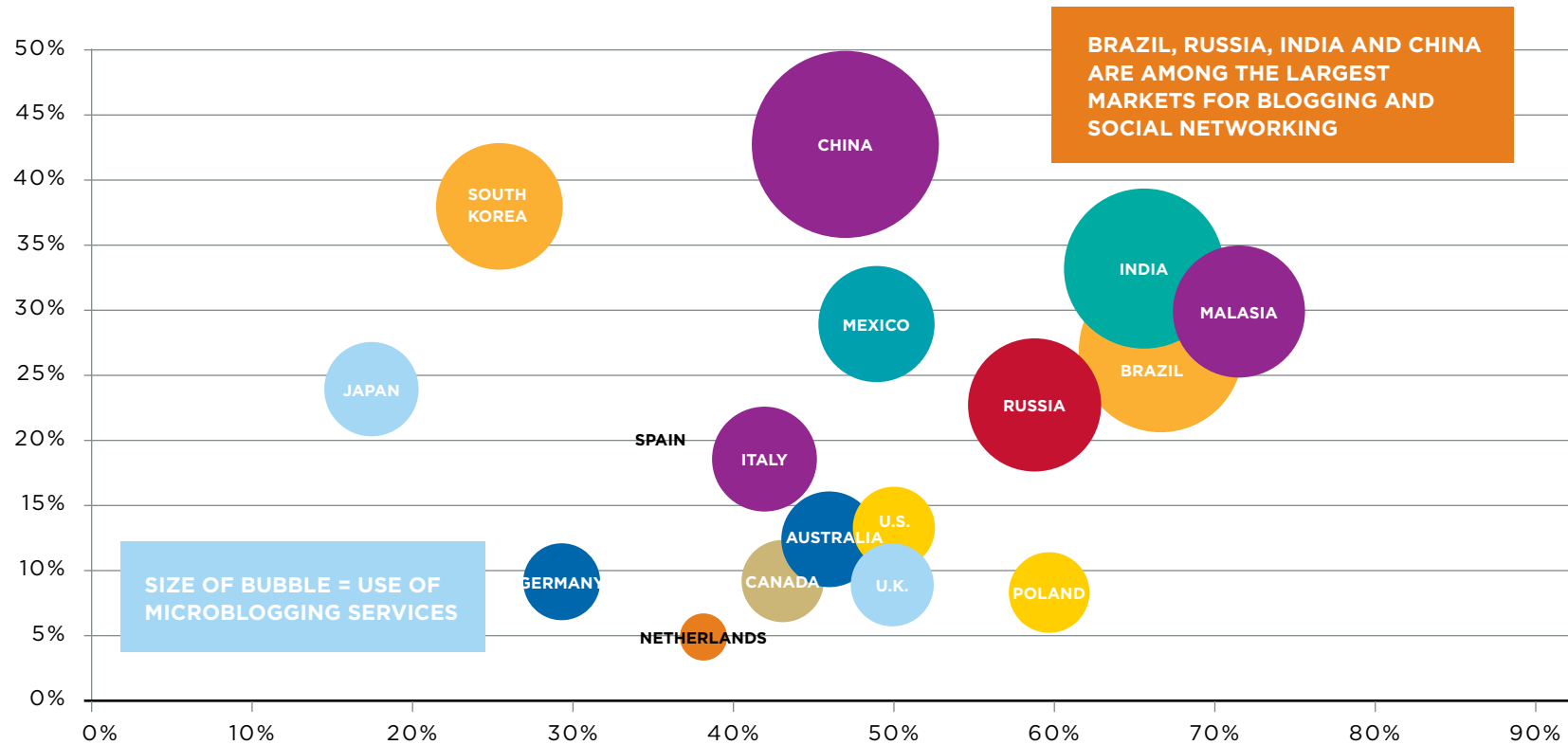
SOURCE: MORGAN STANLEY RESEARCH

QUICK LOOK

OVER THE NEXT DECADE, A NEW AND GLOBAL GENERATION OF USAGE—TABLETS, GEO-LOCATION, HOME ENTERTAINMENT, WIRELESS APPLIANCES—WILL DEFINE THE INTERNET.

FIGURE 35

Internet Social-Driven Engagement Is Growing Fast



MORGAN STANLEY MOBILE INTERNET REPORT—DEC 2009

QUICK LOOK

SOCIAL MEDIA USAGE IS GROWING FAST ACROSS THE GLOBE, PROMPTING CTTC TO CREATE TARGETED SOCIAL MEDIA PROGRAMS TO ENGAGE CONSUMERS AND GROW THE CALIFORNIA BRAND.

Technology: Trends & Implications




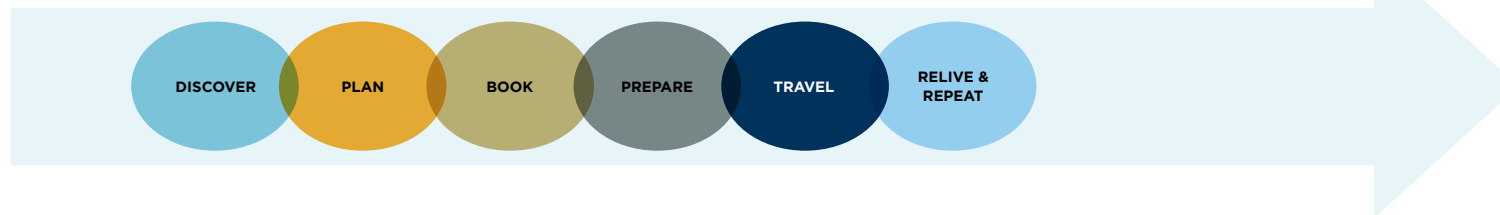
TREND	IMPLICATION
1 Global Internet proliferation is on the rise—as is access to diverse content types.	 Marketers should consider international Internet usage, based on population density and online users, when designing online strategies. Developing content specific to audience is key to inspiring usage and engaging consumers with the California brand.
2 Internet consumption is going portable and will continue to fragment.	 visitcalifornia.com's rich content needs to be accessible across a range of devices, but more importantly, live in a range of places so it can be relevant to users wherever and whenever they want to access content.
3 Social media is driving Internet growth, engagement and preference—via its push and pull of content generation and consumption.	 California's brand is one that inspires. By finding ways to tap into this inspiration and encourage feedback and content-generation, CTTC will grow the brand. Travel content is poised to become a dominant content category in the social media space. Consumers enjoy sharing their experiences via photo uploads, destination posts and blogs—all of which create word of mouth desire among the visitor's Internet community.

FIGURE 36

Travel Cycle



QUICK LOOK

THE NEW PLAN MOVES BEYOND INSPIRATION AND ENGAGES CONSUMERS AT EVERY STEP, FROM BRAND DISCOVERY TO TRAVEL AND REPEAT VISITATION.

Segmentation Strategies

CTTC has targeted domestic marketing programs to a national audience in recent years. In future years, CTTC plans to expand impact by tailoring messaging to specific subgroups. By providing relevant messages to smaller, niche audiences, CTTC aims to better engage consumers and increase brand satisfaction and response rates. To do this, CTTC will use segmentation methodologies to organize consumers into various types that behave in fairly predictable ways, making it easier to design programming and messaging. The principles behind the structure of the segmentation model are illustrated in figure 37. Detailed programming will be developed in each year's annual work plans.

Repeat Visitation

One aspect of the segmentation that will be explained in some detail here relates to repeat visitation. Using the TNS TravelsAmerica domestic visitor database for FY 2009–10, CTTC identified distinct planning and travel behaviors.

More than two-thirds of visitors from primary Western markets visit California three times or more in five years—categorized in the chart as “frequent travel.” Nearly half of U.S. long-haul visitors also are frequent visitors, inspired in part by California’s diversity of activities and landscapes. The state’s population base is an attraction for these travelers, as the majority of frequent travelers from all markets list “visiting friends and relatives” as their primary trip motivator.

First-time travelers from primary markets skewed toward spring and summer months, while frequent travelers from long-haul markets skewed toward holiday travel (October through December). Theme parks were visited more often by first-time and infrequent travelers from primary Western markets, while urban sightseeing was more popular among first-time and infrequent travelers from long-haul markets. Beaches and shopping were popular across nearly all segments.

While visitors from all frequency categories and geographies used friends and relatives as a key information source, first-time and infrequent travelers from both geographies relied more on Web sites for data.

FIGURE 37

Four Segmentation Strategies

1. Target Type	2. Goal	3. Method	4. Message
Geography	Attract first time visitor	E-mail	What's New
Preferred trip activities	Increase frequency of visits	SEM	Deals
Travel consideration phase	Increase length of stay	Banner Ads	Regional interests
Frequency of CA travel	Increase number of activities	Social Media	Request User-Generated Content
Socio-Economic	Increase certain type of activity	Print	Sweepstakes

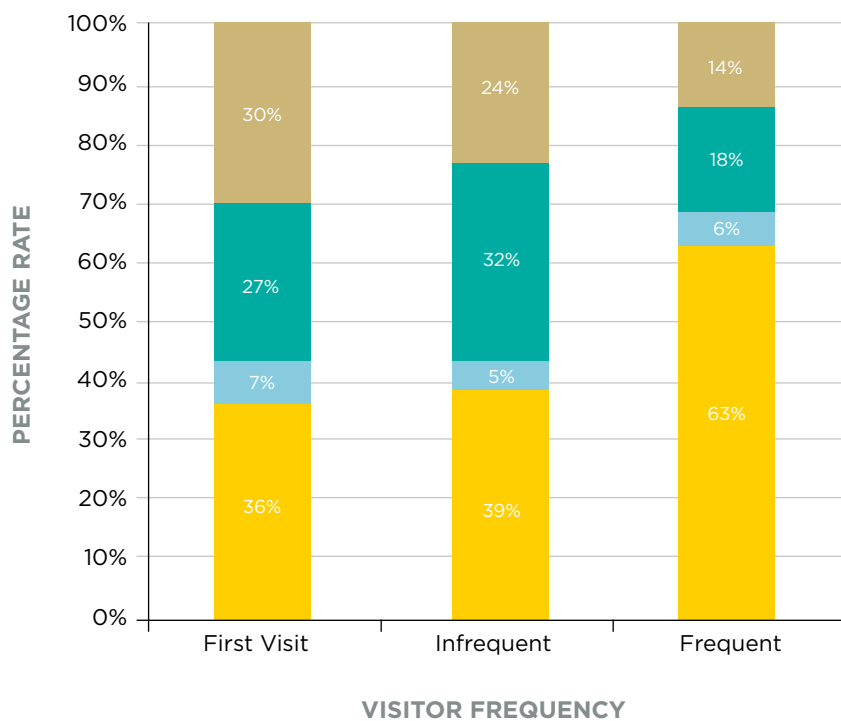
QUICK LOOK

CTTC WILL USE SEGMENTATION STRATEGIES TO TAILOR MESSAGES FOR MAXIMUM IMPACT. USING SEGMENTATION STRATEGIES, CTTC CAN BETTER UNDERSTAND DIFFERENT CONSUMER TYPES AND DESIGN TAILORED PROGRAMS THAT ENHANCE BRAND SATISFACTION AND CONSUMER RESPONSE.

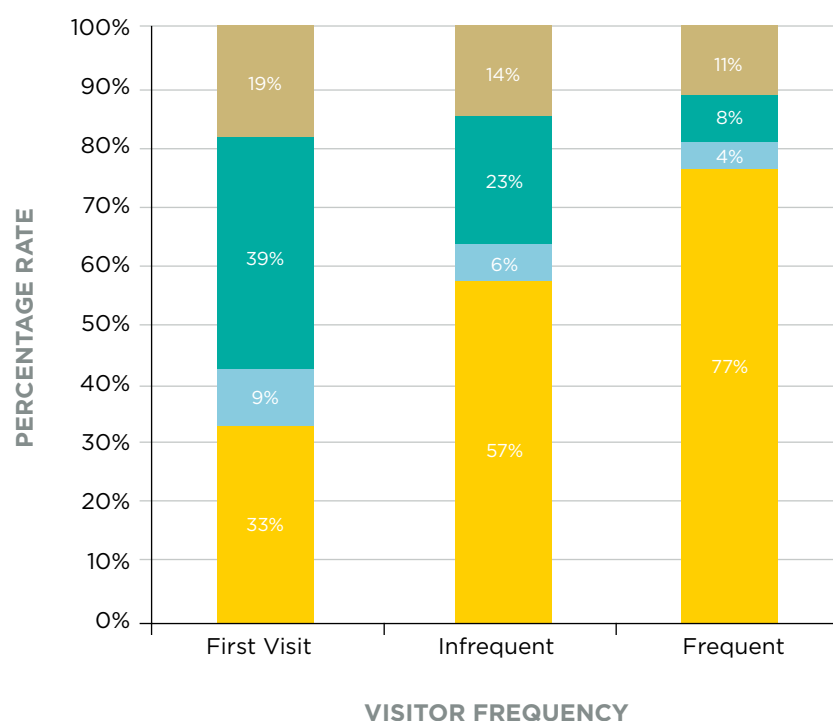
FIGURE 38

Repeat Visitation: Primary Purpose of Trip

PRIMARY WESTERN MARKETS*



LONG HAUL MARKETS**



■ OTHER ■ ENTERTAINMENT ■ OUTDOOR RECREATION ■ VFR

* PRIMARY WESTERN MARKETS ARE: AZ, CO, NV, OR, UT, WA

** U.S. LONG-HAUL ARE ALL OTHER STATES OUTSIDE OF CALIFORNIA

SOURCE: TNS TRAVELSAMERICA, 09-10

QUICK LOOK

FREQUENT VISITORS REPRESENT THE LARGEST GROUP OF VISITORS FOR BOTH PRIMARY WESTERN MARKETS AND LONG-HAUL MARKETS. THIS CHART SHOWS THAT A MAJORITY OF LONG-HAUL VISITORS COME TO VISIT FRIENDS AND RELATIVES. ONCE THEY VISIT, THEY CAN BE ENGAGED TO SHARE THEIR KNOWLEDGE OF THE STATE WITH OTHER TRAVELERS.

FIGURE 39

Repeat Visitation: California Non-Resident Leisure Travelers

CA TRIP	TOTAL NON-RESIDENT	PRIMARY WESTERN MARKETS	LONG-HAUL MARKETS
FIRST TIME VISITOR	16%	7%	22%
INFREQUENT VISITOR (1-2 VISITS IN 5 YEARS)	28%	23%	32%
FREQUENT VISITOR (3+ VISITS IN 5 YEARS)	56%	71%	46%

FIGURE 40

Repeat Visitation: Trip Activities

PRIMARY WESTERN MARKETS*			U.S. LONG-HAUL**		
FIRST TIME	INFREQUENT	FREQUENT	FIRST TIME	INFREQUENT	FREQUENT
BEACH (49%)	BEACH (35%)	VISIT RELATIVES (57%)	BEACH (49%)	VISIT RELATIVES (38%)	VISIT RELATIVES (60%)
THEME PARK (43%)	SHOPPING (32%)	BEACH (29%)	URBAN SIGHTSEEING (42%)	FINE DINING (38%)	VISITING FRIENDS (37%)
VISITING RELATIVES (23%)	THEME PARK (27%)	SHOPPING (27%)	SHOPPING (35%)	URBAN SIGHTSEEING (37%)	SHOPPING (33%)
RURAL SIGHTSEEING (19%)	FINE DINING (24%)	VISITING FRIENDS (25%)	RURAL SIGHTSEEING (31%)	SHOPPING (37%)	FINE DINING (28%)
SHOPPING (16%)	URBAN SIGHTSEEING (24%)	THEME PARK (18%)	FINE DINING (28%)	BEACH (36%)	BEACH (28%)
* PRIMARY WESTERN MARKETS ARE: AZ, CO, NV, OR, UT, WA			** U.S. LONG-HAUL ARE ALL OTHER STATES OUTSIDE OF CALIFORNIA		

SOURCE: TNS TRAVELSAMERICA, 09-10

QUICK LOOK

DESTINATION DRIVERS AND TRAVEL INFORMATION SOURCES VARY ACCORDING TO REGION OF ORIGIN AND FREQUENCY OF TRAVEL. CTTC USES THESE DISTINCTIONS TO TAILOR MESSAGING AND BUILD BRAND LOYALTY AND RESPONSE.

FIGURE 41

Repeat Visitation: Top Travel Planning Resources

PRIMARY WESTERN MARKETS			LONG-HAUL MARKETS		
FIRST TIME	INFREQUENT	FREQUENT	FIRST TIME	INFREQUENT	FREQUENT
FRIENDS/RELATIVES (42%)	FRIENDS/RELATIVES (30%)	OWN EXPERIENCE (30%)	FRIENDS/RELATIVES (34%)	FRIENDS/RELATIVES (39%)	OWN EXPERIENCE (40%)
DESTINATION WEBSITE (23%)	OWN EXPERIENCE (29%)	FRIENDS/RELATIVES (24%)	ONLINE FULL-SERVICE TRAVEL SITE (31%)	OWN EXPERIENCE (38%)	TRAVEL PROVIDER WEBSITE (37%)
OWN EXPERIENCE (18%)	ONLINE TRAVEL AGENCY (19%)	NO PLANS WERE MADE (21%)	TRAVEL PROVIDER WEBSITE (20%)	ONLINE TRAVEL AGENCY (35%)	FRIENDS/RELATIVES (34%)
TRAVEL PROVIDER WEBSITE (17%)	DESTINATION WEBSITE (19%)	TRAVEL PROVIDER WEBSITE (19%)	DESTINATION WEBSITE (19%)	TRAVEL PROVIDER WEBSITE (33%)	ONLINE TRAVEL AGENCY (26%)
NO PLANS WERE MADE (15%)	TRAVEL PROVIDER SITES (18%)	ONLINE TRAVEL AGENCY (13%)	NO PLANS WERE MADE (15%)	TRAVEL PROVIDER WEBSITE (18%)	ONLINE TRAVEL AGENCY (13%)

SOURCE: TNS TRAVELSAMERICA, 09-10

QUICK LOOK

DESTINATION WEB SITES ARE MOST OFTEN USED BY FIRST-TIME VISITORS TO THE STATE, IMPLYING THAT CONTENT AND SITE FORMATTING OF VISITCALIFORNIA.COM SHOULD BE ORIENTED TO THESE VISITORS. BECAUSE ALL TRAVELERS RELY HEAVILY ON FRIENDS AND FAMILY FOR TRIP INFORMATION, BOTH FREQUENT TRAVELERS AND THOSE THEY VISIT CAN BE ENCOURAGED TO SHARE TRIP IDEAS AND TRAVEL INFORMATION WITH LESS FREQUENT TRAVELERS.

Beyond the Gateways

Much of the research described here has implications for rural California—those areas outside major urban centers. With 49% of all non-resident leisure trips coming from the six primary market states outlined in figure 13 (page 30), and 70% of visitors from these markets traveling by auto or RV in FY 09–10, the opportunities for promoting areas of California most easily reached by private vehicle are considerable. And, changes in trip behaviors in this new normal economy will only favor more drive travel from these markets. As shown in figure 26 on page 47, domestic visitors are more often choosing to take shorter trips to closer destinations, with travel by car replacing travel by air in over a quarter of people surveyed last year.

Furthermore, California's beyond-the-gateways product resonates well with today's consumers. Given the current valuation of “real and meaningful” experiences by consumers globally, the highly personalized activities to be found in rural California—wine tasting, visiting a farm or historic site—will be at a premium over the next five years. Currently, rural sightseeing is listed as a top-five activity among first-time visitors from both primary western markets and U.S. long-haul markets, but falls from the list for more frequent visitors. The opportunity therefore exists to target these frequent visitors with messaging that highlights the many and varied experiences available in rural California.

Technological trends, too, have great relevance to rural California. With the explosion of user-generated content, even the most remote offerings can be communicated to a wide audience. An example is *National Geographic's* geotourism project, an online repository of

unique and sustainable places and attractions that currently features offerings in California's North Coast and Shasta Cascade regions. Additionally, the availability of mobile GPS applications on smart phones will ease travel throughout California's outdoors, either through navigational uses or for applications like geocaching, the high-tech treasure hunting game played throughout the world by adventure seekers equipped with GPS devices.

CTTC is undertaking extensive research in spring 2011 to fully explore how the opportunities outlined above can best be addressed. The research conducted with both U.S. and international consumers will determine:

- How consumers view California's geography, beyond the labels of Northern and Southern California.
- What they call or how they describe the areas beyond the gateways.
- How consumers understand areas within the state: by geography or type of activity offered.
- What type of content/information they would like regarding the lesser-known areas in the state, what would be most compelling to them, and how they would like that information presented.

The spring research will also help CTTC reorganize the structure of its current rural marketing program, through best practices gained from other rural marketing programs as well as moderator-led discussions among current recipients of CTTC rural funds. CTTC will develop a system that best meets today's business and marketing environments. The specific objectives for this industry research are to:

CALIFORNIA'S BEYOND-THE-GATEWAYS PRODUCT WILL BE ESPECIALLY RELEVANT OVER THE NEXT FIVE YEARS. TRAVEL BY AUTOMOBILES IS ON THE RISE, AND THE PERSONALIZED NATURE OF MOST INSIDER EXPERIENCES WILL APPEAL TO TODAY'S MEANING-DRIVEN CONSUMER.

- Understand organizational and funding practices from other states' rural marketing programs.
- Understand what existing rural associations need from CTTC to best market their regions.
- Obtain industry perspectives on how they want to be perceived by consumers, and what labels they think are most appropriate for their regions.
- Obtain organized input from entities within the state that represent rural regions but that are not currently a part of CTTC's rural program.

Repeat Visitation: Trends & Implications

Using the previously mentioned economic and demographic data surrounding repeat visitation, CTTC determined key trends and implications:

TREND		IMPLICATION	
1	44 percent of non-resident travel to California—and 31 percent from primary Western markets—is by first-time or infrequent travelers.	→	There is an opportunity to increase travel frequency in a significant proportion of California's existing travel customers, even from Western markets, by reaching out with secondary offers and direct contact with visitors to encourage repeat visitation.
2	Frequent travelers are predominantly motivated by visiting friends and relatives, and use their own experiences most often for travel planning.	→	CTTC can engage frequent travelers and their in-state friends and relatives to become brand advocates, utilizing their knowledge not only for their own travel, but also as a reliable source for others planning travel.
3	Visiting beaches/coastline and shopping are top activities across geographies and frequency spectrum, although they are important to different degrees and for different reasons.	→	Beaches are iconic to California, acting as a destination driver, reinforcing the importance of using coastal imagery in brand communications to inspire desire to travel to California. It also suggests including shopping content on the Web and other marketing mediums where travel planning occurs after the destination is selected.
4	Theme park visits are most popular among first-time and infrequent visitors from Western markets; urban sightseeing is more popular among first and infrequent long-haul visitors.	→	These trends suggest matching content to vacation desires of visitors, depending on their origin. CTTC will incorporate theme park messaging and images into programs targeting less frequent Western markets, while iconic city attractions should be included in programs aimed at less frequent long-haul visitors.



5 | Marketing Overview

2011

2012

2013

2014

2015

2016

Marketing Program History & Success

To understand how CTTC's marketing program has evolved into the tremendous success it is today, and why it is developing specific programs, it's important to do a quick review of where CTTC's program has been.

Through careful stewardship and creativity, CTTC has built its renowned advertising program steadily over time. Although CTTC now has a respectable budget that can make a difference for California, it's still modest compared to many of California's competitors overseas, so CTTC has had to be disciplined and make strategic choices through the years to make the most impact. With the Foundational Plan, CTTC laid down a powerful strategic foundation, applying hard data and industry insights to craft a roadmap that would drive California farthest.

A key part of that road map was finding out, through qualitative research, how California differentiated itself from its competitive set. Roughly 10 years ago, CTTC discovered that the California lifestyle is what truly made the Golden State unique among global destinations. The "California Attitude"—Californians' unique approach to life (putting pleasure first and living life to the fullest)—is what drove the mystique of, and desire for, a California vacation. This message resonated strongly with consumers, particularly when the embodiment of the lifestyle included Hollywood celebrities. The quantitative tracking results were powerful and consistently positive.

By capitalizing on these brand assets in CTTC's advertising program strategy, and integrating them into tourism sales and public relations efforts, CTTC was quickly able to demonstrate positive results. By consistently driving

home the new strategic brand platform into all programs in key markets, CTTC helped California capitalize on the good times and weather the storms better than the state's competitors. The following historic key results support this:

- The declining share trend of the mid nineties reversed, with domestic share growing from roughly 9.8 percent in 1997 to 11.5 percent in 2001.
- In the post 9/11 downturn, California shifted both media and message strategies to better fit with consumer travel patterns, and became the only destination in its competitive set to significantly grow volume and share for 2001.
- During the "great recession" of 2009, CTTC maintained its domestic marketing investment. As a result, the California tourism industry realized 3.4 million incremental trips and \$4.2 billion in spending. The \$305 to \$1 return on investment far exceeded advertising ROI seen for competing destinations, even during better economic times.

Currently:

- California's share of the U.S. market is nearly double that of its closest competitor (11.27% vs. 6.5%).
- Return on investment reached a historical high of \$305 in 2009.
- CTTC has achieved national advertising awareness at extraordinarily high levels that are difficult and expensive to increase (70-75 percent in the previous two years).

Brand Platform

When CTTC's budget grew to \$50 million in 2007, the team invested in updated and more comprehensive qualitative research programs to study and explore the relevance and impact of California's brand platform domestically.

OVER THE NEXT FIVE YEARS, THE CALIFORNIA INSIDER PROGRAM WILL AIM AT INCREASING AWARENESS OF CALIFORNIA'S TRAVEL PRODUCT BEYOND THE GATEWAYS, LEVERAGING THE UNIQUE ATTRIBUTES AND APPEAL OF CALIFORNIA'S EIGHT ESTABLISHED RURAL REGIONS.

This research showed that the "California Attitude" was as relevant as ever. In fact, CTTC discovered an aspirational quality where consumers wanted to experience the California lifestyle—or at least see it for themselves. CTTC also discovered that the idea of "Abundance," the best of everything in one place, solidified California's value proposition. When combining the "California Attitude" with "Abundance," California becomes a "Superlative" destination—a place where consumers can live like a Californian, essentially becoming a Californian themselves during their visit.

CTTC used this important research and additional funding in 2007 to broaden its message platform. In addition to the core umbrella campaign (California Attitude), CTTC introduced three additional, distinct efforts:

- **California Wine & Food.** The 2007 qualitative research had indicated that wine and food was now a driver for destination choice, which represented a significant opportunity for California to have strong appeal with affluent travelers.
- **California Insider.** As the nation's number one destination, numerous travelers have been to California multiple times, making

it important to get beneath the surface of the California experience and convey new information to re-inspire California's "brand familiars." Recognizing that California's rural travel product is a critical component of the "Abundance" messaging, this strategy aims to increase awareness beyond the gateways, leveraging the unique attributes and appeal of California's eight established rural regions.

- **California Snow.** This cooperative effort with many of California's key winter destinations supports the winter/snow experience, a younger/edgier side of California's brand character.

With additional, consistent funding and the strategic deployment of the above programs, CTTC's advertising ROI has soared. Since 2006, the measured economic impact generated by the domestic program has grown from \$1.96 billion to \$6.55 billion. This is a historic high, unmatched by our domestic competitive set.

Growing the Brand

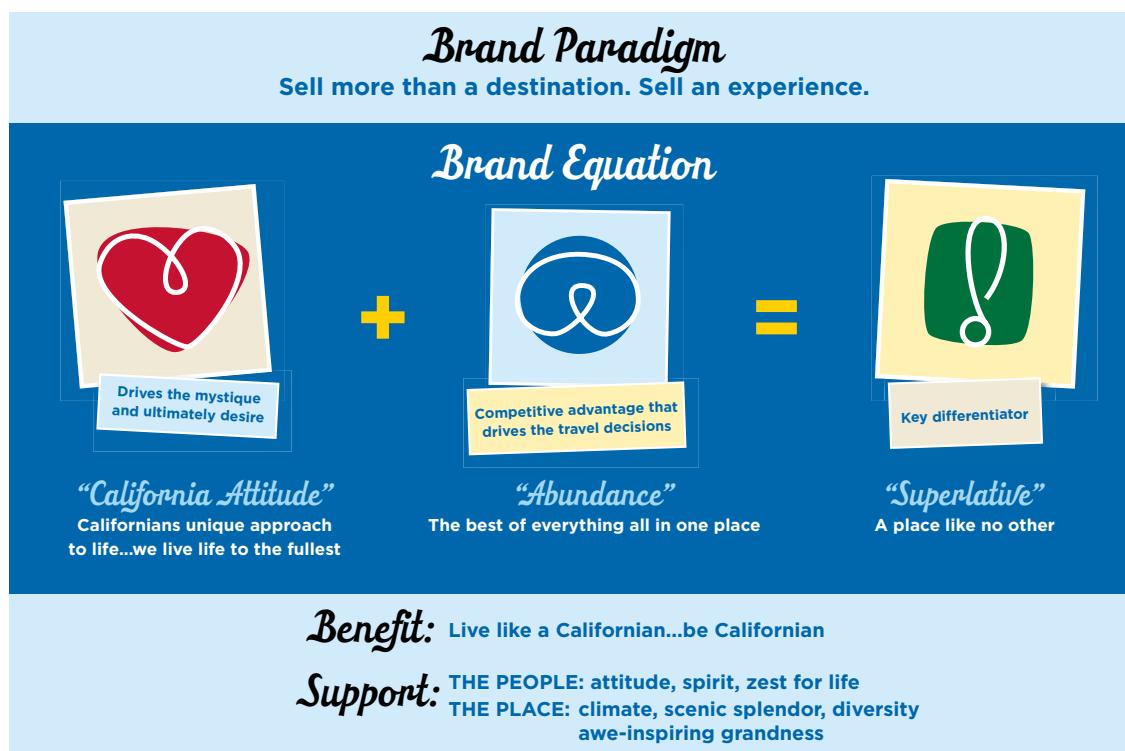
Building on California's strengths, the 2007-2013 Foundational Plan further established California's dominance in the domestic travel category. This demonstrated history of success indicates a critical need to preserve the foundation that has been built. It also supports a continued focus on developing the California brand to increase its connection to consumers and ultimately, create desire to travel to California.

Now that the brand has been built successfully, creating inspiration and desire to fuel travel volume, share and revenue/ROI—and an enviable 70 percent awareness among domestic consumers—it's critical that CTTC find new ways to measure brand success and stimulate growth. With a strong and mature travel brand in hand, CTTC will work to continue influencing consumers at the highest level by focusing on brand vitality.

Brand Vitality & Engagement

CTTC is actively seeking avenues to infuse new life into the brand (brand vitality), keeping consumers engaged and excited about California. Broadening the context of the brand beyond the actual vacation experience and deepening the relationship with consumers to engage potential California travelers during every stage of the travel cycle will be key to facilitating further growth. In doing so, this more modern approach leverages the most powerful medium of all—word of mouth.

Achieving brand vitality and enhanced brand engagement will heighten the aspirational promise of the brand and continue to distinguish California from competitors and protect its position as the top U.S. travel destination.



A key component of keeping the brand vital is to preserve core brand programs that drive economic impact and ROI. Five years ago, preserving the core programs would have included TV advertising, magazines, cooperative print advertising and CTTC publications. Today, CTTC's core programs also include the Web site (visitcalifornia.com), social media, branded content integration, public relations and added value. It's now critical to achieve greater integration and synergy across the entire program of work—not only to enhance overall impact, but to achieve efficiencies (helping to fund innovation in a meaningful way). With the coveted rank as the

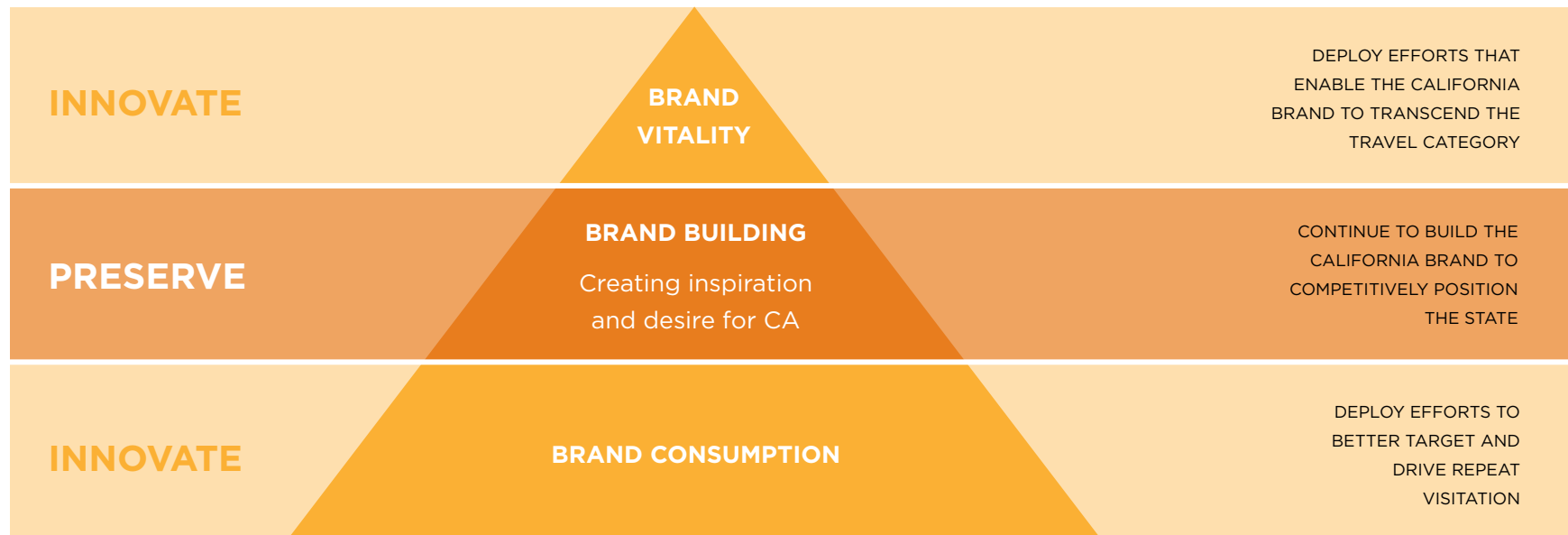
number one U.S. destination, CTTC must work harder than ever to protect and maintain this enormous national travel base. While online and other non-traditional mediums are in the CTTC media mix, research has consistently indicated that efficiently reaching this audience requires using mass media. Therefore, CTTC will continue to maintain mass media reach, using frequency metrics as important planning benchmarks.

The other key aspect to increasing brand vitality and stimulating ROI is to innovate through new, unique programs that embrace the shifting consumer and media landscape.

Through the process of new program deployment and key learnings, CTTC will build the framework that will ensure a prosperous future for California's travel industry. Innovation is mapped out in two ways: 1) by broadening the context of the California brand for consumers beyond the expected travel associations through new applications and ways to engage and connect with them—fueling the power to grow (evolving brand vitality); and 2) by driving incremental travel and repeat visitation to California (brand consumption). To do this, CTTC will deploy a segmentation strategy fulfilled across direct/

FIGURE 42

Extending the Brand



QUICK LOOK

CTTC'S PROGRAM OF WORK TO DATE HAS PRIMARILY AND SUCCESSFULLY FOCUSED ON CREATING INSPIRATION AND DESIRE FOR CALIFORNIA. MOVING FORWARD, CTTC WILL WORK TO PRESERVE THESE SUCCESSFUL EFFORTS WHILE ALSO ALLOCATING FUNDING FOR INNOVATION.

digital channels to enhance communication relevance and impact. In addition, CTTC will utilize the growing network of California Welcome Centers as a physical consumer touch point, driving brand consumption by providing visitors with relevant information to motivate them to explore more of the state.

As CTTC moves into programs that are designed to drive brand vitality and brand consumption, connecting with consumers on a more frequent basis, and within and outside of the actual vacation experience, it is important to add diligent measurement and tracking mechanisms into the research program of work.

Measuring Brand Consumption will require adaption of the overall program ROI studies (impact on travel volume, incremental travel and repeat visitation). It will also require the deployment of an online analytics tool for the immediate measurement of digital programs to facilitate key learnings that include:

- Real-time measurement and segmentation of Web and mobile customer transaction data for higher conversion and ROI.
- Integrated data across channels and a comprehensive view of customer behavior.

Measuring Brand Vitality will require the addition of brand tracking, determining the power of the brand from a more global perspective. This is generally measured through a broader line of questioning around brand vitality and stature, including indicators of differentiation, relevance, knowledge and esteem:

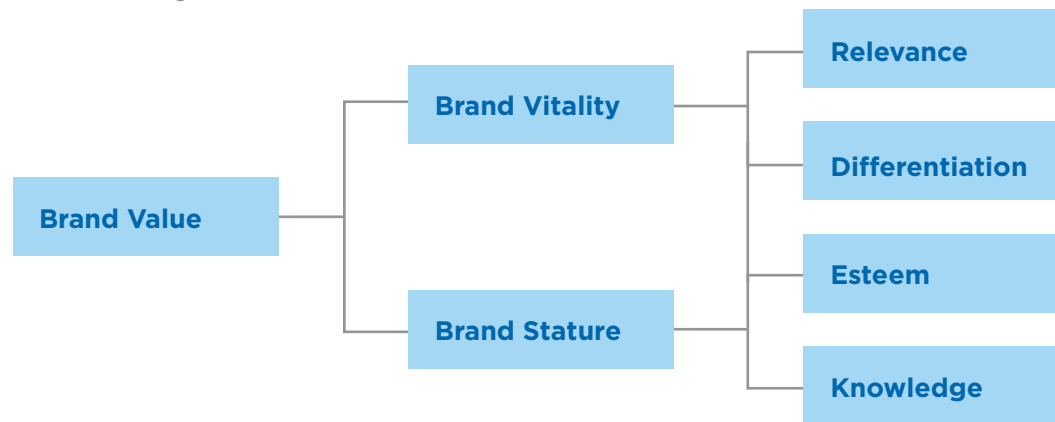
- Differentiation is the brand's unique points of difference in relationship to its competition.
- Relevance is the actual and perceived importance of the brand to consumers (their commitment/loyalty).
- Knowledge is the extent of the consumer's awareness of the brand and understanding of its identity.
- Esteem is the perceived quality and consumer perception about the growing or declining popularity of a brand.

In order to give CTTC a baseline understanding of how the California brand—not just the advertising—is perceived, the advertising tracking study was adapted to incorporate several brand vitality questions. Like other brand measurements, these questions will continue to be tracked over time.

Effective measurement and tracking of both preservation and innovation programs will enable CTTC to learn from and enhance the programs themselves, as well as enhance the process of developing budgetary allocations. The ongoing challenge will be to optimize ROI while funding the innovation and experimentation that will help California to effectively connect with consumers in a dynamic, changing landscape and maintain a leadership position as an industry innovator.

FIGURE 43

Brand Vitality



QUICK LOOK

BRAND VITALITY IS A NEW COMPONENT OF CTTC'S MARKETING OBJECTIVES. THE MODEL FOR EVALUATION, BASED ON THE CONCEPT UTILIZED BY YOUNG & RUBICAM OUTLINED ABOVE, WILL BE USED TO MONITOR THE EVOLUTION OF THE CALIFORNIA TRAVEL BRAND OVER THE NEXT FIVE YEARS.

Strategic Target

In order to market California, it is essential to understand CTTC's strategic target and what drives them:

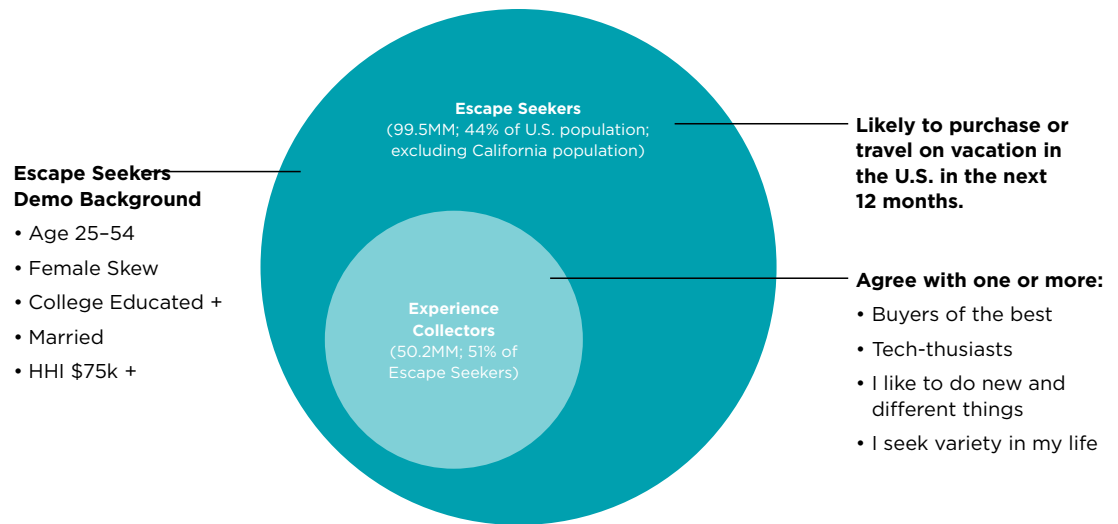
ESCAPE SEEKERS/EXPERIENCE COLLECTORS

CTTC's core target audience is seeking escape and planning a vacation in the next 12 months. However, even more important than when they plan to travel is how. The targets for CTTC's consumer programming are experience collectors—and travel tops their list (MRI 2010 Doublebase) of “must haves.” These travelers:

- Believe experiences build their identity. Seeking a range of experience defines their lives.
- Are digitally savvy and believe technology brings advancement and progress that is good for society.
- Incorporate technology extensively into their daily lives (they use mobile devices extensively, and are “app-happy”).
- Think that value is based on worth, not price. And worth translates to something special—something authentic, edifying and lasting.

FIGURE 44

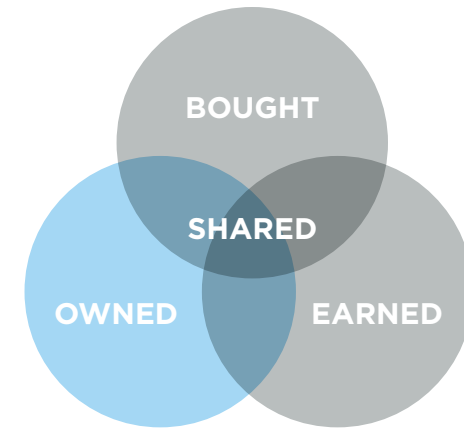
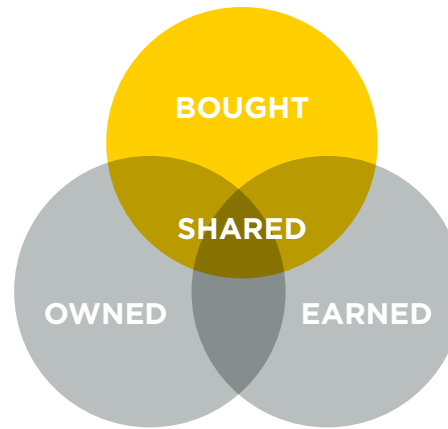
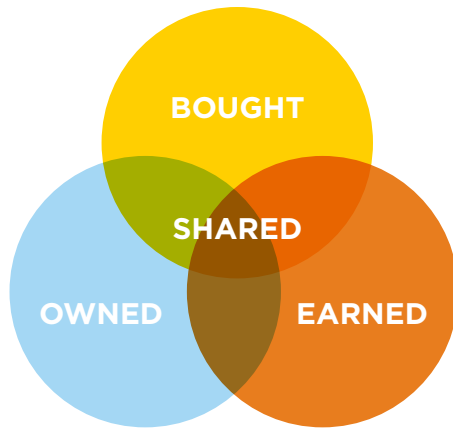
Strategic Target: Escape Seekers/Experience Collectors



SOURCE: MRI 2010 DOUBLEBASE

QUICK LOOK

CTTC'S CORE TARGET AUDIENCE ARE ESCAPE SEEKERS, 51 PERCENT OF WHOM ARE EXPERIENCE COLLECTORS, DEFINING THEIR LIVES WITH NEW AND DIVERSE EXPERIENCES.

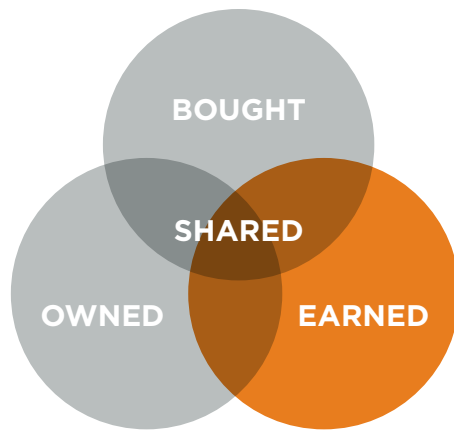


Continued Integration

As mentioned previously, while the Foundational Plan focused on adding structure and building a foundation, the 2011–2016 Strategic Marketing Plan is all about Brand Enrichment through efficiency and integration. This new focus is vital to generating the synergy and impact needed to move the needle on a global scale. To achieve the highest level of integration, CTTC employs a framework that helps to deploy and utilize the four distinct types of media channels at its disposal: Media that is bought, media that is owned, media that is earned and media that is shared.

Bought = Paid media. This includes TV spot buys, print and display ads, as well as promotional programs, online banners and rich media, or paid search. CTTC’s brand advertising program has been highly successful based on its bought media approach, resulting in California being well-positioned as a preferred travel destination.

Owned = Channels CTTC/California brand controls. These are the physical and intellectual assets that the brand “owns” or has long-term rights to use. This includes publications such as the *California Visitor’s Guide*, the visitcalifornia.com suite of domestic and international Web sites, social media profiles and newsletters. CTTC’s core strategies in the owned space center around content—ensuring that CTTC is poised to capitalize on new technologies and applications as they come to market.



Earned = Unpaid media. This is publicity gained from editorial influences (public relations), such as newspapers, magazines, TV and radio shows, blogs and Web sites. Generated by a third party, the independent nature of the content (i.e. not bought or owned) holds higher credibility with audiences who perceive the source to be unbiased. CTTC has successfully leveraged positive, influential editorial as a powerful endorsement of the California brand and experience.

Shared Media is the documented engagement between a brand and a user, where that engagement is reflected in both of their networks and not fully owned by either entity. For example, when a consumer comments on a brand's Facebook page, a record of that action exists upon the consumer's personal profile and the brand's page. However, the brand doesn't exclusively own that content—nor does the consumer. The content is partially owned and partially earned—shared.

QUICK LOOK

INTEGRATING MARKETING PROGRAMS IS KEY TO CREATING EFFICIENT AND IMPACTFUL PROGRAMS. THROUGH INTEGRATION OF BOUGHT, OWNED, EARNED AND SHARED PROGRAMS, CTTC CAN MAXIMIZE MARKETING INVESTMENT AND PROVIDE TRAVELERS WITH A MORE MEANINGFUL BRAND EXPERIENCE ACROSS THE TRAVEL LIFECYCLE.

By layering the bought, owned, earned and shared media channels, the complete California story can be told, synergistically and efficiently, across all channels and throughout the program of work:

- From a brand perspective
- Through the lens of abundance and value
- Throughout the travel lifecycle

As figure 45 illustrates, layering bought, owned, earned and shared media and integrating content across these channels help tell the complete California story. This is essential, since a large segment of CTTC's core audience desires diverse and abundant experiences. Telling the California story through layered messaging and diverse channels, however, requires significant investment, which makes efficiency through integration critical. The chart also shows how these programs reach and engage audiences and impact the travel life cycle at all stages.

Roles within the travel lifecycle are obvious in some mediums (TV and magazines providing inspiration, and visitcalifornia.com to facilitate planning). However, recent research also shows that the *California Visitor's Guide* is utilized not only during the planning phase, but is carried throughout the trip itself. Additionally, social media is relevant not only during the trip (postings and uploads documenting the trip), but afterward through sharing and reliving—serving as inspiration for others or for a repeat visit.

FIGURE 45

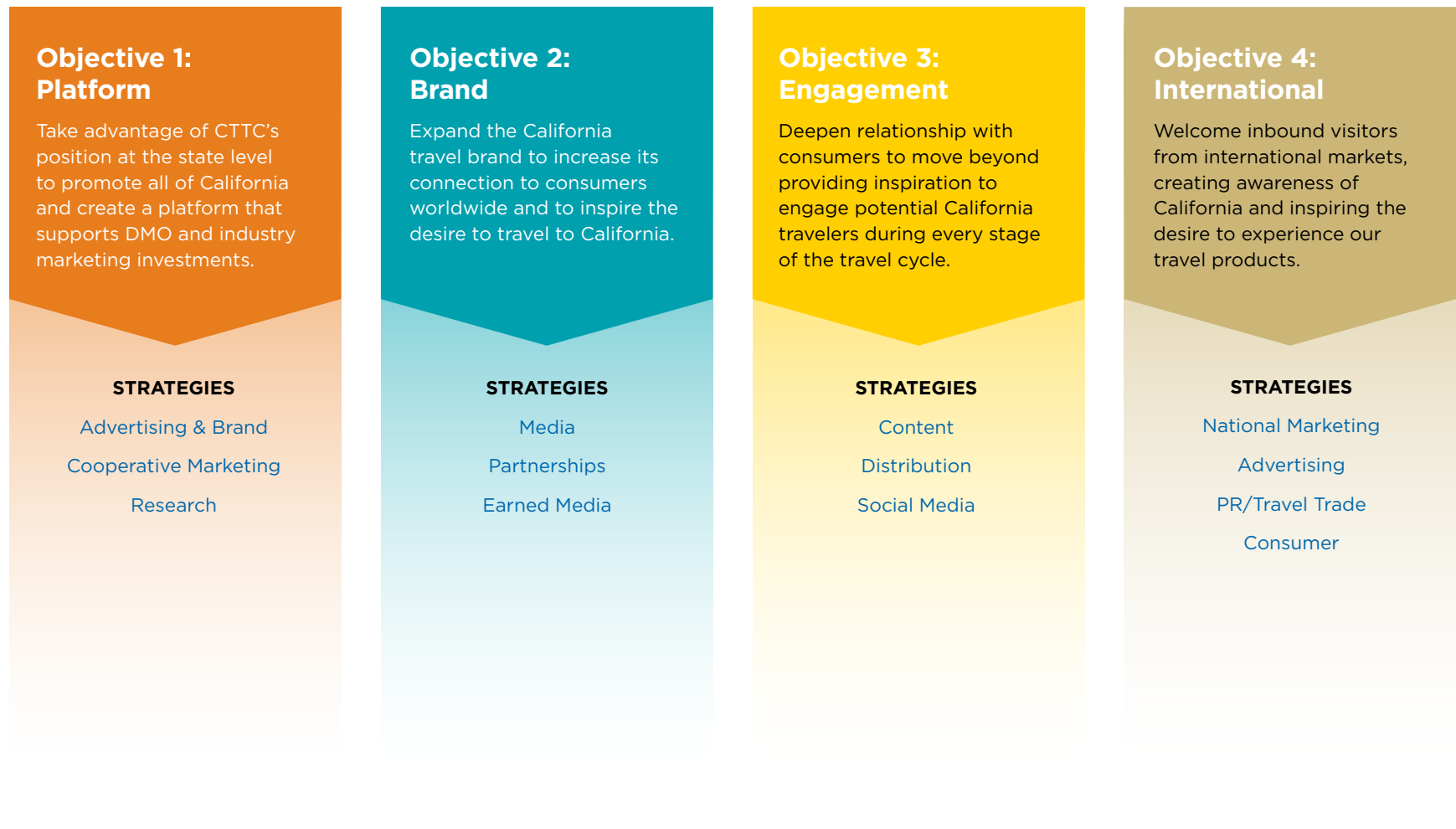
Continued Integration

Create greater integration and content synergy across channels and throughout program of work. Efficiency is critical as innovation efforts will need funding.



Strategic Marketing Framework Objectives

As introduced earlier, four key objectives will guide CTTC's program of work over the next five years. Objectives 1-3 will be addressed in this section, with the final objective addressed in the International Market section (see page 84).



QUICK LOOK

CTTC WILL GROW NON-RESIDENT TRAVEL AND SPENDING VIA FOUR MAIN OBJECTIVES AND THEIR CORRESPONDING STRATEGIES: CREATING AN INDUSTRY MARKETING PLATFORM, INNOVATING THE BRAND, DEEPENING CONSUMER ENGAGEMENT AND MAINTAINING AN EXTENSIVE INTERNATIONAL PROGRAM.

Objective 1: Platform

Take advantage of CTTC's position at the state level to promote all of California and create a platform that supports DMO and industry marketing investments.

CTTC provides a marketing platform for California's tourism industry that is over and above what the individual industry members could achieve on their own. As such, it is committed to building a global brand platform that showcases the state's regional abundance, creating programs that generate economies of scale and providing affordable research product to support the California tourism industry.

Objective 1: Metrics

- B2B Web site (tourism.visitcalifornia.com) traffic
- Number of industry participants

STRATEGY #1

To achieve this objective, CTTC will continue to deploy an Advertising strategy that builds a global brand platform, going beyond California gateways and icons and incorporating rural travel product to showcase the regional abundance of the state.

CTTC combines messaging platforms and a consistent media presence to support California as a year-round destination. These messaging platforms speak not only to brand, but communicate on more levels about California's travel product than ever before: California's abundance, California insider, wine and food, and California snow. These platforms are inherently diverse, and provide an effective framework to promote the state on a year-round basis.

This consistent and diverse advertising program provides a solid foundation for industry (both gateway and rural) to build upon. In addition, because CTTC recognizes the importance of California's rural travel product as a critical component of its abundance messaging, and understands the funding challenges faced by many rural destinations, a matching funds program has been developed to support their promotional efforts.

As a continued push toward integration and brand enrichment, CTTC is reevaluating the structure of the rural program, by conducting research as an opportunity to better understand and position California's rural product. The research is divided into two parts: the first pertaining to input from representatives of California's rural marketing associations, and the second pertaining to

consumer perceptions. The research delves into how consumers think about or consider these areas within the state (by geography or type of activity offering). In addition, it will provide insight into the naming and positioning of "rural California," and help determine if creating a more emotive platform is needed.

Over the next five years, CTTC will continue to optimize this program to ensure it is supporting rural partners in a meaningful way, and that all CTTC programming effectively utilizes and markets the state's abundance, which includes the gateways and California's rural regions.

STRATEGY #2

CTTC will also create a Cooperative Marketing strategy that generates economies of scale, both domestically and internationally, that allow industry to provide product messaging and retail calls to action.

CTTC has established successful cooperative marketing programs that have garnered support and satisfaction from throughout the tourism industry. These programs range from a deals-based attraction co-op (Fun Spots) to niche vertical co-ops (Snow and Culture), and are promoted through CTTC's bought, owned and earned assets.

Cooperative programs are developed with the objectives of providing opportunities for in-state partners to extend their reach beyond California's in-state market, encouraging increased visitation through a specific call to action and driving traffic to CTTC's Web site. CTTC supports each program by integrating content messaging into appropriate branded marketing efforts.

Co-ops also provide CTTC's marketing programs with retail calls to action that respond to consumer desires and engage them more in the brand. As described in the previous New Normal Trend (page 49), consumers are looking for and respond to messages that provide deeper experiences and perceived value.

All co-ops align with CTTC's brand pillars and initiatives, and usually provide both domestic and international offerings. To ensure success, CTTC requires that co-ops have a contribution ratio of 3 to 1 (industry to CTTC), with statewide participation.

Co-op performance is measured on partner ROI and satisfaction, Web traffic, leads, media pickup and number of partners. After each promotion, CTTC surveys partners to measure the effectiveness of the program. Some of the most successful co-ops over the past few years, which will continue on in the new plan, include:

- **California Fun Spots**, designed to promote attractions throughout California by offering downloadable savings coupons to consumers online. In 2009, CTTC conducted a partner satisfaction study of Fun Spots participants, with 94 percent of respondents stating that they were either satisfied or extremely satisfied with the program.
 - **California Snow**, which extends the brand by promoting California's outdoor activities to gain competitive market share on competing destinations. This program supports CTTC's year-round campaign initiative and showcase California as a four-season destination.
 - **Culture California**, created to increase the awareness of California as a year-round, premier destination for arts and culture, thereby encouraging leisure travelers to choose California for their next vacation.
 - **Shop California**, which showcases California as a premier shopping destination for the expressed purpose of increasing retail spending. Shop California features retail destinations throughout the state, providing consumers with value-based VIP shopping packages.
 - **California Insider** showcases California's unique appeal by expanding consumer knowledge and awareness beyond the gateways. The rural tourism cooperative matching funds program was developed to support the eight rural regions' promotional efforts, and is being reevaluated to assess maximum efficiency. Quantitative research is being conducted in an effort to understand consumer perceptions to further optimize this program over the next five years.
- CTTC will continue to monitor success of the cooperative marketing strategy using established benchmarks in the areas of industry support and satisfaction, and will hone existing co-ops, as well as create new opportunities as needs arise.

FIGURE 46

CA Message Platforms

CA Attitude (Umbrella)	CA Insider	CA Wine & Food	CA Snow
Core brand message: CA Attitude + Abundance = Superlative experience	Getting beneath the surface to re-inspire California's significant base of 'brand familiars,' expanding knowledge beyond the gateways.	Culinary travel has high appeal among high value-travelers	Younger, edgier expression of CA outdoor experience

QUICK LOOK

CTTC'S INTEGRATED MEDIA EFFORTS CONTINUE TO BUILD OFF AND EXPAND ON THESE FOUR CORE MESSAGING PLATFORMS: CALIFORNIA ATTITUDE, CALIFORNIA INSIDER, CALIFORNIA WINE AND FOOD AND CALIFORNIA SNOW.

STRATEGY #3

Finally, CTTC will offer Research that is affordable and supports the internal plans and analysis of the California tourism industry.

Both quantitative and qualitative data help guide program planning, and all of CTTC's major brand marketing programs are evaluated by research to determine program success and ROI. Because quality, targeted research builds the foundation of CTTC and partner marketing activities, CTTC has made it a priority to find cost-effective ways to obtain and share it. CTTC efficiently shares relevant data with industry via its business-to-business portal, tourism.visitcalifornia.com/research.

CTTC also develops research co-ops with California industry partners to offer high-quality tourism data at considerably lower costs than otherwise would be available to individual organizations. Over the next five years, CTTC plans to expand these research co-ops, working with other tourism researchers in the state to identify the most valuable available research products. CTTC will look for ways to secure and share research findings with the largest audience possible, partnering with industry agencies like the California Travel Industry Association, California Hotel & Lodging Association and the California Restaurant Association to communicate valuable research data directly to association members.

Objective 2: Brand

Expand the California travel brand to increase its connection to consumers worldwide and inspire the desire to travel to California.

More than a state or destination, California is an icon of inspired thinking and innovation. California is a fashion brand, a technology partner, a trendsetter, a leader.

CTTC has built considerable brand equity and will continue to support and grow the brand by focusing on proven programs and utilizing layered messaging and media; creating global alliances with non-travel brands; and utilizing online and offline press to carry a credible brand message to a broader audience.

Objective 2: Metrics

- Advertising awareness
- Incremental travel
- Incremental spending & ROI
- Leisure visits to California
- Brand vitality metrics
- CTTC Web site traffic

STRATEGY #1

This objective will be supported by a Media strategy that focuses on proven programs such as brand advertising (online, offline), utilizing layered messaging and media (traditional and new).

Historically, the centerpiece of CTTC's bought media program has been a national broadcast/cable television buy, which has been supported with a layer of national print and online advertising. Considering its flat budget, CTTC's bought media must continue to work hard to protect the foundation and drive significant economic impact and ROI, while also expanding to create more meaningful and ongoing ways to connect with and engage consumers in the California brand across the new media landscape.

To strengthen the "connective tissue" that allows consumers to get closer to California emotionally, CTTC must go beyond traditional ad units. Components of bought media could include content integration within brand-right environments; the creation of branded content environments; and the creation of a California-oriented television series.

Success of CTTC's bought media strategy is measured by an annual advertising effectiveness study conducted by SMARI. This study has shown that consumers exposed to multiple messages through varied media indicate a significantly higher likelihood to visit the state. In fact, those exposed to three or more messages are 50 percent more likely to visit, which significantly enhances ROI. CTTC's global brand advertising has achieved an average ROI of \$202 in the last two fiscal years, setting a high standard against which future programming will be measured.

STRATEGY #2

Furthermore, CTTC will develop a Partnerships strategy that fosters alliances with non-travel brands, broadening associations with the California lifestyle.

CTTC recognizes that creating meaningful partnerships and leveraging other powerful global brands for mutual benefit is extremely important to achieving high-level brand awareness.

As a leader and icon, California has the unique ability to form strategic alliances, which are called California Lifestyle Alliances (CLA), with other powerful global brands in order to extend reach and penetrate new segments/audiences. CLAs will help fuel brand vitality for California, shifting the state from just an experiential travel brand to an experiential lifestyle brand, with the potential to have relevance and influence in one's daily life (not just when considering a trip).

The goal is to inspire consumers to embrace and embody the California Attitude all of the time, as an essential component in maintaining that unique zest for life—which ultimately creates a longing to visit. In the process of identifying CLAs, CTTC will look to align with brands/products based on brand synergy and the value the partnership could bring to the program. Additionally, CTTC will focus on partners offering a psychographic/demographic fit with our attitudinal (experience collector) target. Potential partners are outlined in the diagram on this page.

By expanding CTTC's presence through these non-endemic partnerships, CTTC can leverage the California brand to different generations through their affinity to these specifically-chosen partners. This directly corresponds to the New Normal Trend (on pg. 49). Success of this partnership strategy will be measured through brand vitality performance indicators.

STRATEGY #3

Finally, CTTC will deploy an Earned Media strategy that uses online and offline press (bloggers, etc.) to carry a credible brand message to a broader audience.

CTTC's earned media strategies have focused successfully on traditional travel and lifestyle press. To reach a broader audience, CTTC now must engage both traditional and new media to reach consumers within and beyond the travel sphere. This means continuing to target mainstay print and broadcast outlets, while expanding to envelop niche and online influencers. In addition, CTTC

will deploy earned media tactics to extend specific brand partnerships and maximize campaign effectiveness. Generating publicity around specific CTTC initiatives will increase awareness and enhance brand affinity by reinforcing the message through the critical third-party or "unbiased" medium.

CTTC will measure success of its earned media strategy by tracking reach (impressions, circulation) and ad value equivalency of coverage gained. In addition, CTTC will record the frequency of brand message (e.g. California lifestyle, Wine and Food). CTTC uses the Nielsen online formula to measure the value of online editorial placements.

FIGURE 47

Partner Categories & Examples (Endemic & Non-endemic)

CATEGORY	EXAMPLES
Apparel	Hollister, Billabong, Quicksilver, Kitson, North Face, Gap, Levis, Quicksilver, Oakley, Juicy Couture, KSwiss, Sanuk, Hugo Boss
Airlines	Southwest Airlines, American Airlines, United Airlines, British Airways, Air France
Finance	American Express, Visa
Restaurants	California Pizza Kitchen, Crystal Geyser, See's Candy, Del Monte, Jelly Belly
Technology	Apple, Google, Yahoo!
Transportation	Hertz, Enterprise, Dollar Thrifty, Avis Budget
Personalities	Ellen DeGeneres, Conan O'Brien
Other	Nirve (beach bike), Callaway, TaylorMade (golf gear), California-based sports franchises, food boards (almonds and walnuts), Nissan

QUICK LOOK

TO CONTINUE INNOVATING THE BRAND AND INCREASING IMPACT, CTTC WILL SEEK TO EXPAND PARTNERSHIPS TO INCLUDE NON-TRAVEL BRANDS, BROADENING ASSOCIATIONS OF THE CALIFORNIA LIFESTYLE.

Objective 3: Engagement

Deepen relationship with consumers to move beyond providing inspiration to engage potential California travelers during every stage of the travel cycle.

In an ever-evolving media landscape, CTTC will generate engagement by bringing the California brand to life online. This will be accomplished by using compelling content and video assets, distributing content through multiple channels and developing programs to inspire frequent visitors to share their California experience.

Objective 3: Metrics

- CTTC Web site traffic
- Social media followers & interactions
- Social buzz & sentiment
- CWC foot traffic

STRATEGY #1

As CTTC works to achieve this objective, it will use the Content strategy to bring the California brand to life online through the use of compelling content and video assets.

The centerpiece of CTTC's owned media program historically has been the *California Visitor's Guide* and other ancillary printed publications. The Foundational Plan changed that focus by emphasizing the digital platform. The California tourism Web site was first brought up to industry standards and has now become a leader in the digital space. As part of this evolution, content became paramount and CTTC worked to incorporate more compelling and diverse content, which included video and still images.

Over the next five years, CTTC will continue growing its content pool, and will look beyond the traditional methods of acquisition (CTTC's content vendor) to new sources, including curating user- and industry-generated content, and that created by CTTC's own international offices, as well as new content types as they

become available. At the same time, it will be critical to ensure content is aligned to the brand and represents California's varied geographies and activity segments. This strategy directly aligns with the Technology Trend (on pg. 59).

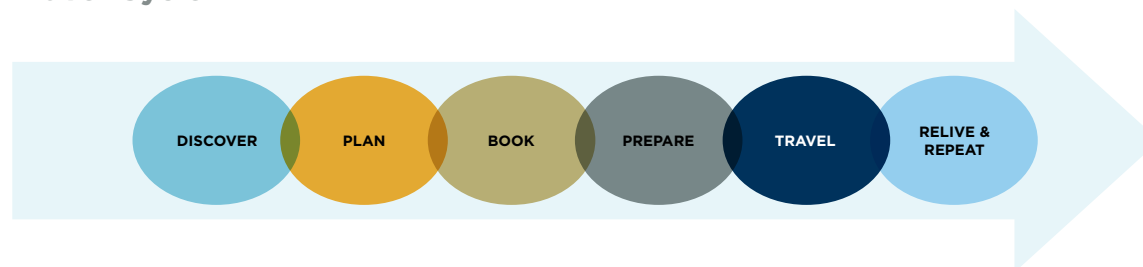
New initiatives will include diving into the world of music, exploiting it as a new content source. The California Music Initiative (CMI) is a brand extension and digital engagement program that harnesses the power of music to create a sense of longing for the California travel experience. Community is at the heart of CMI, and content allows CTTC to connect with consumers—content that gives experience-seekers a rich sensory experience through the sounds and souls of California artists to create desire for a “real” California experience.

A national study by Ipsos Mendelsohn found that music about or from California evokes feelings of happiness, nostalgia and freedom, acting as a conduit that connects the California brand emotionally and reinforces the warmth that California has to offer. More than half (55%) of the total sample and almost two-

CONTINUED ON PAGE 82

FIGURE 48

Travel Cycle

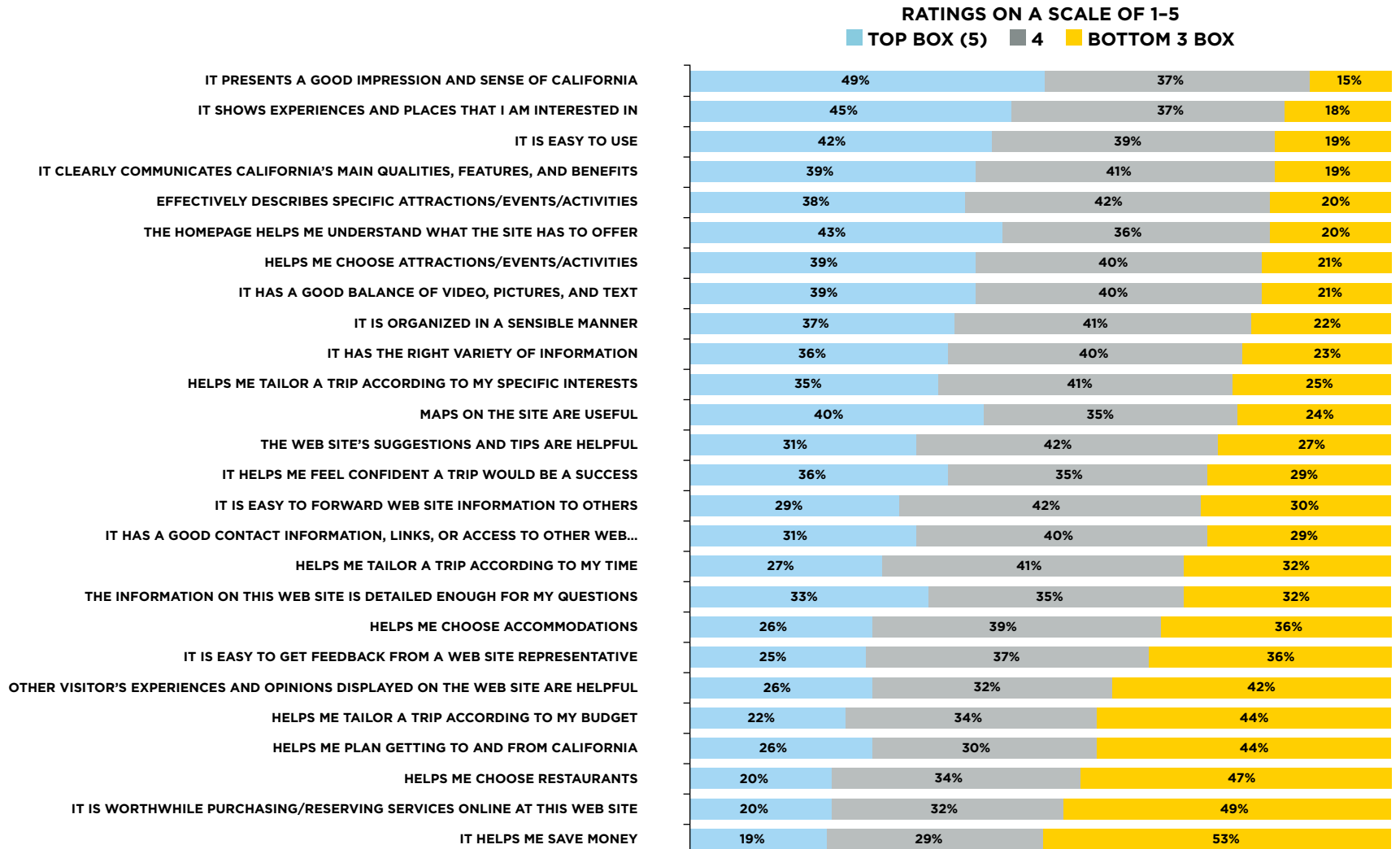


QUICK LOOK

CTTC WILL USE INTEGRATED ONLINE EFFORTS TO ENGAGE TRAVELERS AT EVERY STAGE OF THE TRAVEL CYCLE TO INSPIRE NEW AND REPEAT VISITATION.

FIGURE 49

Consumer Evaluation of Visitcalifornia.com's Characteristics & Features



SOURCE: TNS WEB EVALUATION 2009

QUICK LOOK

EVALUATION OF VISITCALIFORNIA.COM SHOWS THAT THE SITE CONVEYS THE CALIFORNIA BRAND WELL, MEETING OBJECTIVES FROM THE FOUNDATIONAL PLAN. FUTURE OBJECTIVES FOR THE SITE INCLUDE EXPANDING INDUSTRY-PROVIDED CONTENT TO ENABLE DEEPER ENGAGEMENT AND ASSIST WITH TRAVEL PLANNING.

thirds (64%) of adults ages 18–34 felt that California is a state that they would associate with music. A little over one-third (35%) of respondents said a song about California could make them want to visit. The study concluded that music was a natural fit for travel and vacations—and that music plays an integral part of the whole experience. Many noted that California, in particular, evokes the quintessential road trip, of which music is an important part.

Success of CTTC’s digital content strategy will be measured through consumer utilization of and satisfaction with the content, as measured through an effectiveness survey. A survey to measure the effectiveness of visitcalifornia.com was conducted by TNS, the world’s largest custom market research specialists, in 2010. Consumer evaluations from that survey (shown in figure 49) will be used as a benchmark for future measurement.

STRATEGY #2

In this “new normal” environment, CTTC will have a greater focused Distribution strategy that utilizes multiple channels (publications, Web site, e-mail, mobile, social media and face-to-face communication) to reach consumers across the travel cycle—when and how they want.

As referenced in the preceding Content strategy, CTTC historically relied on very specific print and Web vehicles to distribute content. However, the content distribution landscape has changed dramatically in the last five years, and will continue to evolve at an increasingly fast pace. As illustrated in the research section of this document, people are consuming content from an increasing number of sources and through many more devices. Since the creation of the foundational plan, CTTC has focused on content creation and is now poised to capitalize on new content distribution technologies as they become available. This relates specifically to the Technology Trend (on pg. 59).

Visitcalifornia.com’s rich content needs to be accessible across a range of devices. Knowing that only a specific set of consumers will visit a destination Web site, CTTC will look for new ways to provide its carefully crafted content in a greater range of online locations so it can be accessed by consumers when and where they are ready to use it.

To accomplish this, CTTC requires an infrastructure that will allow departments to access content and seamlessly distribute it through existing owned channels, as well as any new ones as they are created. CTTC has recently expanded its content distribution abilities through an e-mail marketing program. This program allows CTTC to communicate

regularly with a group of consumers who have expressed an interest in California and segment content specifically tailored for their interests. CTTC can align this to the consumer segmentation strategy introduced earlier in the plan.

As was illustrated in the research section, since the iPhone launch, mobile Internet adoption has grown more than twice the rate of desktop Internet, with no signs of slowing down. CTTC is committed to creating a mobile platform that is inclusive of smartphones, tablets and other devices, to deliver its content to consumers in the coming years. CTTC will utilize its existing content pool in conjunction with other content sources to mobilize visitcalifornia.com and expand into other digital applications.

In addition to this focus on digital content distribution, CTTC will work to influence traveler behavior during the travel phase of the travel cycle by encouraging visitation to a California Welcome Center for expert advice and destination information. With the launch of two new CWCs in 2011, and more on the horizon, the CWC network has expanded to 20 centers. With a strong presence across the state, the Welcome Centers provide an excellent outlet to provide content in the form of personal travel advice and printed materials to drive increased length of stay and spend.



WITH 20 CALIFORNIA WELCOME CENTERS AND MORE ON THE HORIZON, THE CWC NETWORK PROVIDES AN EXCELLENT OUTLET TO DISTRIBUTE CONTENT TO DRIVE INCREASED LENGTH OF STAY AND SPEND.



STRATEGY #3

Finally, CTTC will harness the power of content and experiences created through Social Media, by adopting a strategy that develops programs to inspire frequent visitors to share their California experience and influence others to visit.

Social media gives consumers a platform to discuss their preferences, desires and experiences. Because of the aspirational nature of travel, the category is particularly well-poised to take advantage of this medium. More than half of California's visitors are frequent travelers to the state, and are likely already talking about their experiences in the destination, inspiring our core audience of Escape Seekers and Experience Collectors. Social media gives CTTC the ability to identify these frequent visitors, foster them as brand advocates, and encourage them to share their first-hand knowledge about the destination and spread it to a wider audience. As evidenced in the Repeat Visitation Trend (on pg. 64), there is great value in creating these credible third-party brand advocates that can be sources of information to encourage additional travel among their peers and influence set.

Further, by encouraging discussion, CTTC can then leverage the resulting content to increase its own content pool. As referenced in the Technology Trend (on pg. 59), CTTC can tap into the inspirational nature of the California brand to encourage feedback and content-generation that can be shared with an ever-increasing number of consumers.

Currently CTTC utilizes Facebook, the largest social media platform, to provide a forum for experience sharing. Due to the highly visual nature of travel, CTTC is also utilizing Flickr and YouTube to foster image and video sharing. Over the course of the Brand Enrichment Plan, CTTC will look to grow its presence in these core areas and begin to take advantage of the content they provide. Since the social media landscape evolves at a rapid pace, CTTC will continuously monitor the social media

environment for new opportunities and to capitalize on consumer trends.

Measuring success in the social media space is an inexact science. Since the goal to date has been growing CTTC's consumer following in the social space, measurement has centered around the number of followers/fans across the different platforms. As CTTC moves forward and engagement becomes the goal, CTTC will develop and employ a more robust and in-depth measurement strategy.



QUICK LOOK

CTTC WILL USE SOCIAL MEDIA PLATFORMS TO ENCOURAGE VISITORS TO SHARE THEIR CALIFORNIA EXPERIENCES, DEEPEN THEIR EMOTIONAL CONNECTION TO THE BRAND AND INFLUENCE OTHER TRAVELERS.

Objective 4:

6 | The International Market

2011

2012

2013

2014

2015

2016



International Market Overview

In order to attract CTTC's highest value customer—international travelers who stay the longest and spend the most—CTTC increased its international marketing resources about 250 percent as guided by the Foundational Plan. As mentioned earlier, CTTC used these resources to develop the international marketing infrastructure, providing the needed global diversification to weather domestic economic market fluctuations.

With the opening of new offices in Mexico, South Korea, China, India, France and Italy, CTTC is now fully staffed in each primary international market, as well as emerging markets, and participates in a host of programs to promote the California brand abroad.

Spend in each market is determined by a variety of factors, including overall visitor volume, leisure travel proportion, California visitation, visitor spending/contribution to the economy, propensity to travel, economic climate, airlift, cost of media and industry partner interest, among others. CTTC uses spend and key market influencers such as advertising, travel trade, PR and Web to develop specific programs in each market that will have the most impact. These programs make up the annual international work plans.

California's international markets are ranked based on market potential. As mentioned in the research section, the U.K., Japan and Canada are considered lead markets. Because broadcast is an effective way to reach and influence large quantities of consumers in these countries, CTTC has in recent years introduced targeted television spots.

In the fall of 2010, brand advertising was also introduced in Australia as this market presented significant potential. With a population of 22 million, it does not offer the visitor volume growth potential of the lead markets; however, market conditions indicated that there was an opportunity to increase their length of stay and spend in California. These marketing conditions—such as fewer destinations in the market, affordable media cost, significant airlift and favorable exchange rate—meant CTTC had enough resources to raise awareness and influence travel behavior changes.

Mexico is CTTC's largest volume market with 94 percent of Mexican travel made by automobile. The bulk of travel is for day trips to Southern California, which have lower yield in terms of economic impact on the state. These visitors are already marketed to by Southern California DMOs and attractions, so CTTC focuses on the niche that it can impact and grow the market—the more upscale air traveler who visits California to experience luxury products and destinations, staying longer and spending more. CTTC has invested significantly in primary mature markets like Mexico, as well as Germany and South Korea, with direct-to-consumer marketing focused on high-impact co-ops done with major influencers in the market. Here the resident travel trade have extensive experience with U.S. destinations, so consumers' product awareness is diverse and high.

As mentioned in the research section, although China and India are currently classified as secondary emerging markets, they may not be for very long. CTTC is carefully monitoring their growth, which is projected to skyrocket over the coming years. GDP growth and the easing of travel restrictions mean that U.S. travel from these markets is expected to grow the

most out of all markets. For example, the total visitor volume out of China, which includes business travelers, is projected to spur China's ranking to become California's third largest overseas market by 2014 (with projected total visitation increasing 156 percent). This is due to the fact that many Chinese travelers come on a business visa, yet include leisure activities as part of their trip. CTTC is investing in these markets, as California is well positioned to increase market share due to consumer product knowledge and interest, proximity and friends/family connections.

In secondary limited representation markets such as Brazil, France, Italy and Scandinavia, product knowledge is high, and consumers are heavily influenced by tour operators and travel agents. For this reason, CTTC focuses more on cost-effective travel trade initiatives, as well as PR activities.

Value of International Visitation

International travel is a vital component of California's tourism industry and represents the highest long-term growth potential. Visitors from Mexico, Canada and overseas comprised fewer than 10 percent of all trips in 2009, but accounted for 18 percent of all visitor spending—a total of \$15.6 billion. This spending supported nearly 157,000 California jobs.

The \$15.6 billion spent in California in 2009 by international travelers alone was greater than the combined value of the state's top five product exports: civilian aircraft, electronic circuits, computer parts and accessories, non-industrial diamonds, and voice/image/data transmission equipment. Overseas visitors to California provide the highest value, staying eight nights longer and spending nearly five times as much as resident travelers.

Another great benefit to international visitation is that these travelers are avid explorers of communities beyond the gateways, stabilizing rural economies. Diversifying into international markets can help to ease domestic visitation downturns caused by the slowing economy, higher gas prices and other factors. Many overseas markets, such as Western Europe and Australia, are fairly resilient to factors affecting long-haul travel, as holiday trips are placed high among their consumption priorities.

For example, in 2009, U.K. consumers received 26 vacation days, France consumers received 38 days, German consumers received 27 days, and Italian consumers received 31 days. More than 49 million Germans aged 14 years and older took 64.8 million holiday trips of five days and longer in 2009. Despite the sluggish economy, the number of holiday trips are at the same level as in previous years, which demonstrates the stability of German holiday travel demand.

In this new world of travel, these coveted international travelers are key to helping California (and the U.S.) regain lost market share and increase overall visitation. As mentioned earlier, it's essential that CTTC continue to invest marketing resources to return visitation to pre-9/11 levels, which would generate an additional \$1.9 billion in overseas spending. This would represent \$123 million in additional state tax revenues, directly supporting 20,000 additional jobs for California.

Current International Program of Work

Because of the tremendous value of the international market, CTTC allocated \$20 million to international marketing, which provided for new market development and brand advertising in three of California's

primary international markets. This investment reflects the guiding principle mentioned earlier of doing what the industry cannot do for itself, which in this case means leading industry spend to draw more global visitors to the state.

Since the Foundational Plan, CTTC has focused on building a strong international infrastructure, creating partnerships and obtaining critical market intelligence. Now that CTTC has built the resources to proceed, and has begun executing, CTTC is shifting toward refinement and creating efficiencies. A robust brand advertising program was developed in the U.K., Canada, Japan and Australia.

In addition to brand advertising in these markets, CTTC extends the reach of TV and further engages consumers through integrated marketing programs. In markets where CTTC doesn't run television brand advertising, but does have budget to directly reach consumers (Germany, South Korea and Mexico), CTTC is using innovative Web site marketing and cooperative programs to extend reach.

In the emerging markets of China and India, CTTC concentrates on relationships with indirect channels, introducing messaging through travel trade and public relations efforts. Travel trade and PR have always been a primary strategy to extend brand messaging in all CTTC's key international markets.

CTTC has also created consumer and travel trade tools such as local language Web sites, visitor's guides and product training to communicate the brand message filtered through the cultural lens of each market and to maximize domestic resources.

Although CTTC has also focused primarily on travel trade and PR in the secondary markets of Brazil, France, Italy and Scandinavia, CTTC's main goal in these markets is to continue monitoring them for program expansion. For

example, Brazil is currently a small visitor base for California, but its booming economy has made it very attractive—so CTTC is aiming to secure its fair share.

International Market Segmentation Strategy

To better prioritize investment, CTTC breaks down key international markets where California has had the most penetration and/or stands to gain market share with increased spending, or where CTTC is building infrastructure to be able to capitalize on later growth. This segmentation of the markets is based on a variety of factors, including overall visitor volume, leisure travel proportion, California visitation, visitor spending/contribution to the economy, propensity to travel, economic climate, airlift, cost of media, ability to influence mindshare and industry partner interest, among others. These markets, designated as Leading, Mature, Emerging or Secondary, are approached with very specific strategies appropriate for that designation (figure 50).

To aid in the detailed planning of marketing strategies in each market over the next five years, CTTC contracted with global media agency Carat in December 2010 to obtain information about media consumption and advertising costs in California's top 10 international markets. The data from the global media analysis will help to better inform CTTC about:

- Traveler attitudes that impact and help determine purchase decisions.
- How different types of media are consumed in each market.
- Key influencers within the social media realm.

- Media spending by top advertisers in the travel sector.
- The cost for CTTC to expose consumers in each market to the California brand message in a variety of media.
- The optimal media mix for influencing potential travelers to consider California for travel.

Figure 51 shows the approximate costs to achieve heavy and medium advertising impacts in each market for television, print and online. There is considerable variance in costs across markets. For example, to achieve heavy impact in Japan, which has a universe of 127 million people, it costs more than \$12 million

in advertising. In contrast, it costs less than \$1 million to achieve heavy impact in Beijing, whose universe is nearly 10 times greater. Further insights and summaries resulting from this data are shown in the Appendix.

FIGURE 50

Segmentation Strategy by Country

	PRIMARY LEADING MARKETS	PRIMARY MATURE MARKETS	SECONDARY EMERGING MARKETS	SECONDARY LIMITED REPRESENTATION MARKETS
MARKETS	Countries characterized by high outbound travel volume, strong visitation to California and potential for moderate growth.	Countries characterized by medium outbound travel volume, moderate visitation to California, and potential for moderate to strong growth.	Countries characterized by low (particularly leisure travel), but rapidly growing volume with significant forecast growth over the next 5–10 years.	Countries characterized by lower volume and with potential of modest to significant growth.
COUNTRIES	Canada U.K. Japan	Australia Mexico Germany South Korea	China India	France Italy Brazil Scandinavia
STRATEGIES	Strategy: Defend CA Position—Invest in mass reach consumer campaigns and B2B marketing channels that ensure CA brand presence and enable continued visitation growth.	Strategy: Invest for Growth—Establish significant consumer and B2B marketing channel presence in order to increase CA brand awareness and perceptions and drive gains in CA market share.	Strategy: Establish Presence—Monitor markets and make selective investments in B2B and B2C marketing, including messaging of travel policies when travel barriers are eliminated and potential for visitation and revenue reach material levels.	Strategy: Extend the California Brand—Monitor markets and leverage global media buys and/or use technology for global reach. CTTC will monitor other markets with growth potential, like Russia, United Arab Emirates and Vietnam.

QUICK LOOK

TO MAXIMIZE EFFICIENCIES, CTTC USES BOTH QUALITATIVE AND QUANTITATIVE CRITERIA TO DEVELOP APPROPRIATE SEGMENTATION STRATEGIES FOR EACH COUNTRY. CTTC'S KEY MARKETS COVER 80% OF VISITATION TO CALIFORNIA.

FIGURE 51

Cost to Launch Travel Brand Campaigns in California's Top International Markets For Heavy or Medium Impacts Using Television, Print and Online Channels

MARKET	CANADA	U.K.	JAPAN	AUSTRALIA	GERMANY	MEXICO	KOREA	SHANGHAI	BEIJING	GUANGZHOU	INDIA	FRANCE
UNIVERSE SIZE	24,281,550	42,894,000	127,156,225	21,292,893	82,166,671	108,396,211	33,690,000	19,213,200	22,000,000	7,841,695	1,198,003,272	47,958,000
TV												
HEAVY	\$1,039,475	\$1,739,575	\$10,496,293	\$1,675,964	\$3,880,279	\$919,497	\$1,359,119	\$1,152,821	\$836,387	\$431,195	\$911,290	\$2,531,405
REACH /FREQUENCY	80% @ 9+	80% @ 5+	80%	70%+	66.5% @ 6	79% @ 5.5	73% @ 6+	70% @ 7	70% @ 7	70% @ 7	70% @ 7	78% @ 1+
MEDIUM	\$692,982	\$1,391,660	\$6,459,257	\$754,184	\$1,322,822	\$691,733	\$666,235	\$645,580	\$468,377	\$287,463	\$328,064	\$1,599,707
REACH /FREQUENCY	65%	70% @ 4+	70%	0.6	62.5% @ 5.4	72 @ 5.3	51% @ 3+	60% @ 5	60% @ 5	60% @ 5	60% @ 5	75% @ 1+
PRINT												
HEAVY	\$401,220	\$802,440	\$502,528	\$1,016,779	\$1,673,094	\$285,076	\$254,750	\$575,082			\$297,200	\$623,196
REACH /FREQUENCY	60%	70%	15-20%	70%	72%, 3.5	NA	14% @ 3+	N/A			@ 1+/AOTS 3	81.3%/8.7
MEDIUM	\$133,740	\$601,830	\$253,437	\$415,955	\$1,231,527	\$190,051	\$173,335	\$267,480			\$102,415	\$213,973
REACH /FREQUENCY	45%	58%	7-12%	50%	60%, 2.7	NA	12% @ 2+	N/A			@ 1+/AOTS 2	24.4%/5
ONLINE												
HEAVY	\$833,914	\$601,830	\$780,150	\$539,587	\$1,348,955	\$601,830	\$612,800	\$534,960			\$178,320	\$601,799
IMPRESSIONS	53,333,333	90,000,000	215,384,615	32,000,000	50,432,000	90,000,000	650,000,000	N/A			60,000,000	300,000,000
MEDIUM	\$625,435	\$401,220	\$334,350	\$337,242	\$885,252	\$401,220	\$350,171	\$334,350			\$118,880	\$401,199
IMPRESSIONS	40,000,000	60,000,000	92,307,692	20,000,000	33,096,000	60,000,000	310,000,000	N/A			40,000,000	150,000,000

Definitions

High Impact: TV= 4 weeks of high reach programming; Print= 3 months in lifestyle/vertical magazines; Online= 6 weeks on high traffic and targeted sites

Medium Impact: TV= 4 weeks of targeted programming; Print= 3 months in vertical magazines; Online= 4 weeks on high traffic and targeted sites

Assumptions:

Impact and frequency are primary objectives of the campaigns; TV uses 30 second standard ads; Print uses a single page color ad; Online uses a mixture of formats

SOURCE: CARAT, DATE COLLECTED DECEMBER, 2010

QUICK LOOK

CTTC PURCHASED A GLOBAL MEDIA ANALYSIS TO UNDERSTAND THE COST AND POTENTIAL REACH AND FREQUENCY OF ADVERTISING IN TOP MARKETS. CTTC WILL BASE FUTURE ADVERTISING STRATEGIES ON THE DETAILED REPORTING PROVIDED.

Objective 4: International

Welcome inbound visitors from international markets, creating awareness of California and inspiring the desire to experience our travel products.

CTTC diversifies funding beyond domestic U.S. markets, maintaining a stable presence internationally. As mentioned in the research section, international travel to the United States and to California has grown significantly in the last several years. Approximately 12.5 million international travelers visited California in 2009, spending \$15.6 billion. This accounted for more state revenue than the top five product exports combined.

Objective 4: Metrics

- Advertising awareness
- Incremental travel, spending and ROI
- Leisure visits and market share
- CTTC Web site traffic

STRATEGY #1

One of CTTC's high priorities is to align international strategies with those of the National Marketing organization for tourism, the Corporation for Travel Promotion (CTP), to maximize the efficiency of the California international program.

As the CTP takes shape and its strategic plan is formed, CTTC will establish early alignment in order to take advantage of synergies between the two organizations. CTTC anticipates that CTP will take the burden off states like California to address national issues that negatively impact travel, such as homeland security—allowing them to focus resources on marketing. Working with CTP will assure that the California brand is visible within the larger U.S. brand communication.

Prior to the formation of CTP, California's brand advertising efforts and other progressive marketing ideas were leading the way in many overseas markets. This has helped pave the road for the U.S. brand efforts by CTP, which is working to restore pre-9/11 visitation and global market share losses. For example, the U.S. attracted 634,000 fewer overseas visitors in 2008 than in 2000, despite 56 million more global overseas travelers worldwide.

California is currently in the unique position of attracting close to 20 percent of all overseas U.S. travelers. Because of that, CTTC has the potential to best leverage the opportunities presented by the new national marketing organization, thus strengthening and expanding California's own marketing efforts. The brand of California includes icons and notable assets, such as the entertainment industry, that can be leveraged in promoting the U.S. CTTC's infrastructure will also

be evaluated and optimized to maximize operational efficiencies.

CTTC's international strategy also continues to align with regional California partners, many of whom have representation in the key markets. Industry involvement makes our programs stronger from the product as well as from the funding perspective. For example, CTTC, as the state lead, organizes sales missions on an annual basis, bringing together the product providers (California's destinations, attractions and other industry stakeholders) to the table to speak directly with travel professionals. The diverse and abundant product and messaging from these DMOs—such as beaches, desert, nightlife and theme parks—reinforces and strengthens CTTC's influence with trade, airlines and media, both at the state brand and local sales and PR level.

STRATEGY #2

After working with CTP to remove barriers to travel, CTTC next focuses on its Advertising strategy: to conduct brand advertising in high-volume/high-yield markets (lead markets) to protect California's visitation.

To protect its position in the lead markets of Canada, U.K. and Japan, which produce high outbound travel volume and strong market share, CTTC has established a strong brand advertising presence.

In order to create the highest efficiency with California's marketing dollars, the Brand Enrichment Plan calls for CTTC to conduct brand advertising in three of its highest volume markets. In the U.K., CTTC has been running a heavy impact TV campaign for the past four years, and has successfully established high

awareness of the California brand, reaching levels of 77 percent awareness among targeted households. CTTC's target audience in the U.K. consumes a broad range of media, skewing heavily to digital, TV, cinema and print. U.K. consumers tend to notice—above the international average—outdoor platforms such as commuter posters.

What is particularly important in the U.K. market, and all CTTC lead markets, is to engage multiple advertising channels and utilize their particular strengths based on the role they play in consumers' lives. Consumers' propensity to travel increases with the number of mediums to which they are exposed. And although TV receives the highest awareness, on its own it does not generate incremental travel from lead markets. It is only when seen with another mediums that it influences travel. For example, in 2010, Brits who were aware of the CTTC campaign traveled more than twice as often as those unaware of the advertising.

By using multiple marketing channels to support the U.K. advertising campaign, CTTC generated over \$200 million in spending. This figure is projected to grow to \$277 million, maximizing efficiencies to push the U.K.'s strong advertising ROI higher. This cumulative effect illustrates the importance of staying invested in markets for the long haul—in this plan, five years—to pay the greatest dividends.

Canada is California's top international market, with 1.2 million annual visitors and moderate growth expected through 2014 (figure 24) with visitation projected to reach 1.45 million by 2014 (figure 29).

In order to capture this easily accessible market, CTTC employs its domestic strategies of national brand television campaign, national and regional print and newspaper, along with

trade and public relations initiatives to reach the consumer in Western and Eastern Canada. The affordability of advertising, along with a strong dollar, stable economy, strong airlift and close proximity to California continue to make Canada a key market for California.

Future marketing efforts include online advertising and other new media opportunities, brand alignment with key travel brands, and specialty niche programs and target messages geared toward Eastern and Western audiences.

International Shifts

The playing field on the international front has shifted. In 2009, only Australia and South America showed growth in arrivals to California, while others (e.g., Japan and South Korea) were hit hard. And, while only moderate growth in GDP is expected for most major markets, both China and India are expected to grow more than 50 percent over the next five years.

In FY 2010-2011, CTTC moved the Japan brand advertising campaign online due to a combination of factors including the drop in overseas travel, global economic crisis, spot wear-out and the cost-prohibitive nature of media, creative production and competition. However, CTTC created powerful co-op promotions, technology and PR programs to efficiently reach out to Japanese consumers.

CTTC also continues leveraging the established research driven "Nandemo-Alifornia" tagline ("California has it all") via travel trade efforts and high-impact brand advertising campaign online. Internet advertising grew sharply in the market in 2010, and is forecasted to take more than 10% of total advertising share in Japan. Mobile ads are showing stronger growth than Web ads (PC-based) in this market, as numbers of heavy mobile users increase. Plus,

there are no travel destination competitors spending significant amount of advertising dollars on this channel yet, so CTTC has a chance to dominate share of voice more effectively.

As mentioned earlier, CTTC took advantage of more cost-effective brand advertising opportunities and positive market conditions to shift TV dollars to Australia for the first time, where it could have more impact dollar for dollar. Supporting this decision was air capacity, which increased 21 percent, providing California with the opportunity to grow the length of stay and spend. In 2009, Australia climbed to California's third-largest overseas travel market, showing that Australian travelers remained unfazed by global economic turmoil and wanted to take advantage of great exchange rates.

In-market consumer research indicates that increased interest in California was also driven by Australia's fascination with Hollywood culture, having grown up on U.S. movies and popular TV shows. To support the television branding and broaden impact on travel, CTTC plans to include online, print and outdoor advertising in its work plans. Cheaper airfares have also opened up new markets, such as shorter impulse trips, helping increase overall visitation with themed pitches such as city-stays, California snow trips, food and wine and outdoor adventure. These themes are best communicated through print, online or outdoor channels rather than television.

In lead markets (Canada, the U.K., Japan), technology use in the "new normal" is becoming an increasingly important focus for marketing programs. Over the next five years, media consumption habits are projected to rapidly change, including television watching behaviors (use of DVRs and on-demand) and social and digital media (smartphones, tablets

and mobile applications). Online research almost always informs the purchase decision, and consumers in lead markets often look for and purchase travel online, especially if it's a good value.

They also use the digital space for sharing, self expression and connecting socially to a large degree. They use mobile devices to stay in touch with their social life. CTTC will address these shifts in online and mobile channels via highly integrated campaigns planned for all lead markets. These efforts will support brand advertising to more deeply engage with the consumer, connecting on an emotional level.

In addition to technology, CTTC recognizes the importance of maintaining or stimulating airlift for all lead markets—to help keep California well positioned in terms of market share. Increasing airlift routes and seat capacity are critical to increasing visitation to California. While negotiation of new airlift routes has primarily been done by California's gateway cities, CTTC supports negotiations to receive new routes into California.

Historically, CTTC has supported new airline launches by organizing media receptions around inaugural flights, coordinating familiarization tours, training airline staff on California products, distributing California brand brochures on inaugural and regular flights, and negotiating outdoor and print advertising in cooperation with airlines and arrival destinations. Moving forward, CTTC will expand its role in airlift development, working with California gateways and their airports, and providing them with a marketing support toolkit. The toolkit will contain descriptions and evaluations of CTTC's owned channels, which can be utilized for promoting new air service to California.

STRATEGY #3

CTTC's relationships with airlines is a critical part of its PR/Travel Trade strategy to maintain California presence through B2B relationships (travel trade, airlines and PR) across all target markets with particular emphasis on emerging markets.

CTTC designates countries such as China and India, characterized by low but rapidly growing volume (particularly in leisure travel) as "Emerging Markets." As mentioned earlier, these markets are forecasted to grow dramatically over the next 5-10 years, making it essential to establish brand presence mainly through indirect channels (travel trade and PR) to the consumer. CTTC will simultaneously monitor and analyze travel patterns, media penetration and spending habits to help make selective investments in B2B and B2C marketing—including the messaging of travel policies—once travel barriers are eliminated.

In emerging markets, these barriers—born from U.S. travel policies that impede entry—are obstacles to increasing visitation to California. CTTC will continue to support legislation that refines the visa process in markets where California stands to gain share. As already outlined, aligning with CTP policies will enable California to increase brand promotion and marketing efforts in these markets. China is a clear example of the chance to partner with CTP, where trends show the potential to capture a portion of over 100 million travelers by 2020.

China Approved Destination Status

In 2007, the U.S. Travel Association signed a landmark Memorandum of Understanding (MOU) with the Chinese National Tourism

Administration that put the U.S. on the Approved Destination Status (ADS) list in China. Prior to the ADS designation, tour operators in China were not allowed to organize or advertise leisure group travel to the U.S. Furthermore, visa approvals were highly restricted to businesses, students, government officials and invitees only. With the signing of the MOU, there has been a tremendous increase in demand in visa applications for the U.S. from the leisure group travel sector.

With China's outbound travel expected to double in the next 10 years, to 100 million travelers by 2020, it's important that CTTC continue promoting the California brand to capture this highly valuable tourism population. Because of its geographical location as the first port of entry to the U.S., California is uniquely positioned to benefit from this influx of Chinese visitors. In 2009, 52% of all Chinese travelers to the U.S. visited California.

Currently, there are several challenges to securing millions of potential Chinese visitors to the U.S., and especially California:

- Limited number of and access to U.S. consular offices in China—only five offices total in the cities of Beijing, Chengdu, Guangzhou, Shanghai and Shenyang.
- Lengthy visa appointment wait times during peak seasons—30-90 days prior to Golden Week in October and the Chinese New Year.
- High visa costs—currently \$140 in U.S. dollars.
- Short visa validity—many visas are only good for one year.

Led by the U.S. Travel Association, CTTC is working side by side with other U.S. destinations, leading tour operators and airline companies to quantify lost revenues, business and jobs due in part to the challenges relating

to visa applications and delays experienced in China. Through U.S. Travel's blueprint for action, CTTC will join forces to help lobby the U.S. and Chinese governments to relax visa regulations, ease visa wait times at U.S. embassies, find alternative and creative solutions for processing applicants in a timely manner, and manage visa backlogs more effectively.

As more destinations begin to receive ADS (e.g., Canada in June 2010), the U.S. will begin to lose out to competing countries that have a much easier application process with no wait times and less expensive visa fees. Without CTP's and U.S. Travel's efforts to help with easing visa restrictions, CTTC could do little to capitalize on this massive and highly valuable tourism population.

In the meantime, CTTC continues to lobby U.S. embassies and consulates in the respective visa cities for support and assistance during key promotional campaigns to help usher consumers through the visa process more easily on a case-by-case basis. In addition, CTTC will put more emphasis on marketing to students and business travelers in particular, who are currently unaffected by

visa restrictions. While they often come on a business visa, these visitors also spend more on leisure.

Visa Waiver Program

To help streamline U.S. entry, the U.S. Travel Association, supported by many destinations including California, encourages the continued expansion of the Visa Waiver Program (VWP) under its current parameters. This includes enhanced security information sharing between the United States and Visa Waiver countries. These federal policies helped welcome the entry of eight new countries into the VWP in 2008, including the valuable market of South Korea, which now has more growth potential for the U.S., especially California.

The U.S. Travel Association encourages the U.S. government to maintain these policies so that key Latin American allies such as Argentina, Brazil and Chile can become part of the VWP. In doing so, California will be positioned to gain market share once additional countries receive Visa Waiver status, particularly the fast-growing market of Brazil, one of California's secondary markets. Although total visitation

from this market is relatively low (8.7%), California has a real opportunity here to grow market share since the California product is very appealing to Brazilians. With in-market representation already in Brazil, CTTC is perfectly poised to take advantage of any ease in entry procedures, additional airlift, strong economy and high use of social media, and is currently planning to expand resources there.

Supporting the Trade

In all markets, travel trade continues to be an integral part of marketing to the consumer, as long-haul travel to California is still mainly booked through travel trade. Travel agents booked close to 50 percent of airline ticket reservations for overseas leisure travelers to California in 2009. The proportion of travel agent air bookings range from a low of 29 percent for leisure travelers from France, to a high of 85 percent for leisure travelers from India. Although the impact of travel trade on bookings was predicted to decrease in recent years, recent consolidation of airlines as well as major tour operator companies have created anxiety among consumers, who in the "new normal" environment want more

FIGURE 52

Projected Chinese MOU Tour Group Arrivals with Improved Visa Process

YEAR	2010	2011	2012	2013	2014
ARRIVALS	750k	1mm	2mm	3mm	4mm

SOURCE: CHINA USA TRAVEL, INC.

QUICK LOOK

CTTC WILL ALIGN WITH CTP STRATEGIES TO PROTECT AND GROW CALIFORNIA'S SHARE OF INCREASING GROUP TRAVEL TO THE U.S.

security around their long-haul vacation trips. Last year, customers booking through travel agents and tour operators soared, with U.S.-based receptive operators playing a major role in supplying travel product to overseas tour operators and agents.

CTTC will continue to promote California to the trade travel through incentive campaigns, familiarization tours for agents and product decision makers, in-office or online training on new product, e-marketing, trade shows and sales missions. While CTTC executes these programs in all of its resourced international markets, CTTC will begin putting more focus on creating cost-effective global tools and programs. For example, CTTC will continue to promote its online training program in key markets, using new and engaging formats. CTTC will use this program as part of a travel trade portal dedicated to stimulating new ideas about what products to feature for customer outreach, and pushing tools such as images, videos, itinerary ideas and maps through social media. To extend reach, CTTC will build a similar portal for consumer and travel trade media around the world.

With industry support and sponsorship, CTTC will also continue to work with organizers to bring important trade shows to California to increase opportunities for statewide exposure and build brand equity through experience. For instance, Pow Wow 2011 in San Francisco and Pow Wow 2012 in Los Angeles provide a platform to reach thousands of global travel trade operators and hundreds of worldwide consumer and trade media that would otherwise be cost-prohibitive.

STRATEGY #4

Finally, CTTC strives to create inspiration and desire with its Consumer strategy in international mature markets to increase demand for California travel products.

Mature markets (Australia, Germany and South Korea), characterized by high outbound travel volume and low to moderate market share, provide strong growth opportunities. With dollars that only stretch so far globally, CTTC will continue to develop programs creatively and strategically, urging its international agencies to think of new ways to reach consumers directly.

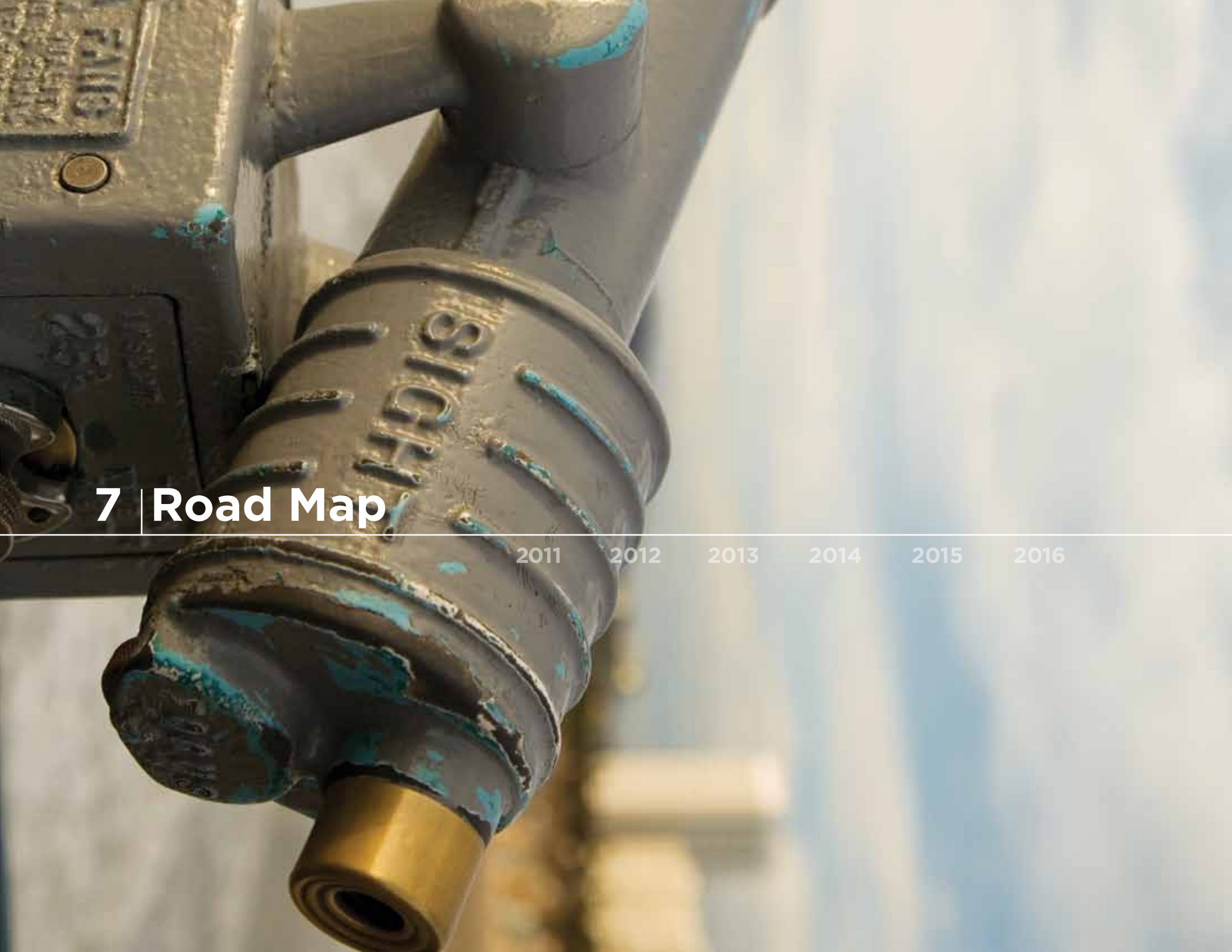
For example, CTTC can leverage more resources by engaging with other popular travel brands for impactful cooperative promotions, identifying partners that have strong consumer reach and content to share. Examples of those campaigns are print advertising in Mexico with key tour operators, a consumer marketing campaign with a national high-end supermarket chain in Germany and France, promotions with cinema chains and TV channels around new California movies, online competitions and sweepstakes, interactive microsites, and other highly integrated consumer campaigns with outdoor retailers, automobile brands, rental car companies, wine and food brands, and others. CTTC uses these programs to establish significant consumer and B2B marketing channel presence and increase brand awareness and positive perceptions to help gain market share.

Although travel trade continues to play a large role in these markets, consumers are educating themselves more about destinations through online channels. In many cases these consumers have already decided on a destination when they enter their travel agent's

office. For example, consumer research done in Mexico (November 2010) shows that 75 percent of consumers have already selected their destination by the time they consult their travel agency, making it essential to include strategies to market directly to consumers. Because of the important role travel trade fills in converting the business from desire to reality, CTTC will continue to expand its engagement with tour operator partners and online travel agencies who cover entire regions such as Europe or Asia.

Because of the “new normal” changes in travel behaviors, such as the proliferation of online platforms, CTTC will invest in new technologies to reach consumers in the countries with the greatest value. As technologies reach high adoption rates, CTTC's investment will pay off in continued market share growth. For instance, CTTC will continue utilizing specific in-market channels for content distribution to engage with the consumer along the entire travel cycle—an ideal strategy that will broaden the California brand appeal and presence. In this way, CTTC can leverage existing content and then focus on specific social media platforms to grow the brand in each market. Moving forward, CTTC plans to target new media outlets and opportunities, as well as other endemic and non-endemic partners. CTTC will work with online channels to reach consumers in multiple markets, seeking partners who can help spread the California brand globally.

CTTC will use these strategies to help support efforts that will stimulate airlift and seat capacity, an important goal mentioned throughout the plan to help increase demand and visitation. CTTC will work with the major gateways to support airline consumer marketing efforts, including in-market messaging as well as print and online advertising and social media campaigns.



7 | Road Map

2011 2012 2013 2014 2015 2016

ITEMS IN THE ROAD MAP WERE DESIGNED TO ALIGN WITH THE BRAND ENRICHMENT PLAN STRATEGIC FRAMEWORK TO LAY OUT A PROGRAM OF WORK FOR CTTC TO FOLLOW AS IT DEVELOPS ITS ANNUAL WORK PLANS. ANNUAL WORK PLANS DESCRIBE IN DETAIL THE ROI AND METRICS ALONG WITH COSTS FOR EACH PROGRAM.

THE ROAD MAP IS DESIGNED TO BE A HALF STEP BETWEEN THE STRATEGIC PLAN AND THE ANNUAL WORK PLANS, WITH HIGH-LEVEL PROGRAM GOALS TO GUIDE STAFF IN DEVELOPING ANNUAL WORK PLAN CONTENT. THE ROAD MAP IS A LIVING DOCUMENT, UPDATED ON A CONTINUAL BASIS TO REFLECT CTTC'S CURRENT PROGRAM OF WORK.

Objective 1: Marketing Platform

Take advantage of CTTC's position at the state level to promote all of California and create a platform that drives and supports DMO and industry marketing investments.

STRATEGIES Environmental Factors: Known factors that will influence marketing workplans.	YEAR 1: 2011/2012 Economy slowly recovering, but still a deals-based environment. Gen Y enters "luxury years"	YEAR 2: 2012/2013 CTP collection—national program gets up and running.
To achieve this objective, CTTC will continue to deploy an Advertising strategy that builds a global brand platform, going beyond California gateways and icons and incorporating rural travel product to showcase the regional abundance of the state.	Continue to deploy ADVERTISING in key U.S. and international markets to create awareness of the California travel brand.	
	MERCHANDISE California abundance positioning with newly created video assets. Roll out RURAL TOOLKIT.	Conduct RESEARCH to reaffirm messaging pillars and evaluate trip decision motivators.
CTTC will also create a Cooperative Marketing strategy that generates economies of scale, both domestically and internationally, allowing industry to provide product messaging and retail calls to action.	Integrate research on consumer interests (i.e. shopping, coastal and deals) to influence and ENHANCE EXISTING COOPERATIVE MARKETING programs. Evaluate industry demand for new cooperative programs. Launch MOBILE regional guide with selected destinations.	
Finally, CTTC will offer Research that is affordable and supports the internal plans and analysis of the California tourism industry.	Continue to provide industry ACCESS to CTTC research library (which includes proprietary research).	
	PhoCusWright RESEARCH COOPERATIVE PROGRAM. Research Gen Y consumer behaviors. PARTNER with CalTIA to deploy "Why Travel Matters" message. DEVELOP and LAUNCH rural branding plan.	Increase emphasis on INTERNATIONAL RESEARCH because of CTP programming.

	YEAR 3: 2013/2014 Mobile market surpasses desktop users	YEAR 4: 2014/2015 Economic momentum	YEAR 5: 2015/2016
	REFRESH brand creative.	Push LONG-HAUL and review domestic INVESTMENT in light of strengthening economy.	
	Develop SPONSORSHIP strategy for mobile programs to support broader content development.	Expand MOBILE COOPERATIVE programs globally.	
	Increase emphasis on TECHNOLOGY RESEARCH.	Conduct QUALITATIVE RESEARCH to support brand perception.	

PURPOSE
EXECUTIVE SUMMARY
ABOUT CTTC
RESEARCH & ANALYSIS
MARKETING OVERVIEW
OBJECTIVE 1: PLATFORM
OBJECTIVE 2: BRAND
OBJECTIVE 3: ENGAGEMENT
OBJECTIVE 4: INTERNATIONAL
ROAD MAP

Objective 2: Brand

Expand the California travel brand to increase its connection to consumers worldwide and to inspire the desire to travel to California.

STRATEGIES Environmental Factors: Known factors that will influence marketing workplans.	YEAR 1: 2011/2012 Economy slowly recovering, but still a deals-based environment. Gen Y enters “luxury years”	YEAR 2: 2012/2013 CTP collection—national program gets up and running.
This objective will be supported by a Media strategy that focuses on proven programs such as brand advertising (online, offline), utilizing layered messaging and media (traditional and new).	Preserve successful MEDIA AND MESSAGING tactics (layered media and messaging). Focus on ALIGNMENT of offline and digital program of work and LEVERAGE OFFLINE ASSETS. Analyze spend to ensure optimal MEDIA MIX. Launch of DREAMLAND global documentary. Conduct REPEAT VISITATION RESEARCH to evaluate targeting strategy.	Evaluate MOBILE ADVERTISING opportunities. Reassess STRATEGIC TARGET based on demographic trends.
	Further relationships with SUPPLIER PARTNERS (i.e. Southwest, OTAs). Focus on DEVELOPMENT OF NON ENDEMIC PARTNERSHIPS.	EXPAND NON ENDEMIC PARTNERSHIPS into global advertising initiatives (retail, apparel, technology).
Finally, CTTC will deploy an Earned Media strategy that uses online and offline press (bloggers, etc.) to carry a credible brand message to a broader audience.	Broaden reach of EARNED MEDIA through strategic outreach to NON TRADITIONAL MEDIA.	Host domestic VIRTUAL MEDIA event, targeting online influencers.

	YEAR 3: 2013/2014 Mobile market surpasses desktop users	YEAR 4: 2014/2015 Economic momentum	YEAR 5: 2015/2016
	Evaluate the success of the California Music Initiative and potentially introduce MUSIC as a core messaging pillar. Migrate media to mobile platform	Review BRAND CREATIVE in light of stronger economy and research results.	
	Invest in TECHNOLOGY partnerships that provide mobile penetration.		
	Host international VIRTUAL MEDIA event, targeting online influencers.		

Objective 3: Engagement

Deepen relationship with consumers to move beyond providing inspiration and engage potential California visitors during every stage of the travel cycle.

STRATEGIES Environmental Factors: Known factors that will influence marketing workplans.	YEAR 1: 2011/2012 Economy slowly recovering, but still a deals-based environment. Gen Y enters “luxury years”	YEAR 2: 2012/2013 CTP collection—national program gets up and running.
As CTTC works to achieve this objective, it will use the Content Strategy to bring the California brand to life online through use of compelling content and video assets.	Develop varied DIGITAL CONTENT. ENHANCE visitcalifornia.com to house new content. Deploy a MOBILE VERSION of visitcalifornia.com . Introduce MUSIC as a content source.	Launch CALIFORNIA MUSIC INITIATIVE and increase usage of music as a content source. Roll out centralized MOBILE APPLICATIONS globally.
In this “new normal” environment, CTTC will have a greater focused Distribution strategy that utilizes multiple channels (publications, Web site, e-mail, mobile, social media and face-to-face communication) to reach consumers across the travel cycle—when and how they want.	DEFINE INFRASTRUCTURE needs to support content distribution. Deploy an EMAIL MARKETING program. Utilize increased intellegence from database marketing initiatives as well as research to DEVELOP A ROBUST SEGMENTATION STRATEGY. Deepen INTEGRATION of the California Welcome Center message to drive traffic to the Centers and increase in-trip visitor engagement.	BUILD INFRASTRUCTURE to capitalize on new technology trends. MOBILIZE all relevant content. REFINE AND OPTIMIZE SEGMENTATION STRATEGY. Develop DEALS-BASED infrastructure to target message to in-market visitors.
Finally, CTTC will harness the power of content and experiences created through Social Media, by adopting a strategy that develops programs to inspire frequent visitors to share their California experience and influence others to visit.	Maintain SOCIAL MEDIA presence while effectively monitoring and adapting to changes in the social media landscape. Focus on QUALIFIED AUDIENCE GROWTH in existing social media portals. STRATEGIC EXPANSION into new social media arenas.	Launch CALIFORNIA CONSUMER word of mouth/evangelist program

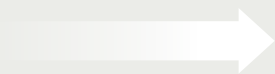
	YEAR 3: 2013/2014 Mobile market surpasses desktop users	YEAR 4: 2014/2015 Economic momentum	YEAR 5: 2015/2016
	Continued global rollout of centralized MOBILE applications.		
	Roll messaging framework out GLOBALLY to TARGET international visitors while in market.		
	Develop TOOLKIT for industry participation and expand CALIFORNIA EVANGELIST program.		

PURPOSE
EXECUTIVE SUMMARY
ABOUT CTTC
RESEARCH & ANALYSIS
MARKETING OVERVIEW
OBJECTIVE 1: PLATFORM
OBJECTIVE 2: BRAND
OBJECTIVE 3: ENGAGEMENT
OBJECTIVE 4: INTERNATIONAL
ROAD MAP

Objective 4: International

Welcome inbound visitors from international markets through creating awareness of California and desire to experience our travel products.

STRATEGIES Environmental Factors: Known factors that will influence marketing workplans.	YEAR 1: 2011/2012 Economy slowly recovering, but still a deals-based environment. Gen Y enters “luxury years”	YEAR 2: 2012/2013 CTP collection—national program gets up and running.
One of CTTC’s high priorities is to align international strategies with those of the National Marketing organization for tourism, the Corporation for Travel Promotion (CTP), to maximize the efficiency of the California international program.	MONITOR CTP implementation and review relevant research. Partner on Pow Wow in Los Angeles.	PARTICIPATE and provide leadership in CTP committees.
After working with CTP to remove barriers to travel, CTTC next focuses on its Advertising strategy: to conduct brand advertising in high-volume/high-yield markets (lead markets) to protect California’s visitation.	Maintain mass awareness of California brand in CANADA, the U.K. and AUSTRALIA while increasing ENGAGEMENT with the consumer (layering of media or creative, engaging campaigns such as California Classics).	
	TEST brand advertising online in JAPAN. Create marketing strategy for MOBILE space and TEST IT. MOVE California Classics campaign into mobile space in the U.K.	LAUNCH brand advertising online including mobile devices in JAPAN. Explore AUGMENTED REALITY.
Finally, CTTC strives to create inspiration and desire with its Consumer strategy in international mature markets to increase demand for California travel products.	PROACTIVELY pursue multi-market (pan-Asian and pan-European) marketing opportunities. Develop OTA strategy for overseas markets. Build LOYAL CONSUMER BASE by creating programs that increase affinity with the California brand (California Ambassador in Asia).	Expand DREAMLAND campaign globally. Fully integrate MOBILE DEVICES into all consumer campaigns. Maximize CHINA’s SOCIAL MEDIA arena.

	YEAR 3: 2013/2014 Mobile market surpasses desktop users	YEAR 4: 2014/2015 Economic momentum	YEAR 5: 2015/2016
	Participate and EVALUATE 1-2 CTP activities.	Form PARTNERSHIP with CTP for key California activities.	Participate in CTP activities and partner with CTP for key CA activities.
	Leverage the 2013 America's Cup in San Francisco 		
	LEVERAGE Japan online advertising strategy in SOUTH KOREA.	CONTINUE brand advertising online with main focus on mobile devices in Japan and Korea.	
	Expand California Music Initiative globally. Focus on consumer campaigns online and TEST MOBILE marketing in CHINA.		

Objective 4: International (cont)

STRATEGIES Environmental Factors: Known factors that will influence marketing workplans.	YEAR 1: 2011/2012 Economy slowly recovering, but still a deals-based environment. Gen Y enters “luxury years”	YEAR 2: 2012/2013 CTP collection—national program gets up and running.
CTTC’s relationships with airlines is a critical part of its PR/Travel Trade strategy to maintain California presence through B2B relationships (travel trade, airlines and PR) across all target markets with particular emphasis on emerging markets.	EXPAND our travel trade relationship base and include niche tour operators such as student tour operators, destinations specialists, cruising market. ENGAGE with travel trade and media via social media channels and deliver appropriate California content through these channels. Build AFFINITY with our brand.	
	Establish relationships with marketing staff at CALIFORNIA AIRPORTS. TOOLKIT for destinations negotiating new or expanded airlift to California. Create CTTC MARKETING TOOLKIT for CTP negotiating new or expanded airlift to California.	SUPPORT CTP in new airlift negotiations.
	Integrate MICE into marketing strategy for China and India. Maximize POW WOW being in California (L.A.) and showcase Southern California destinations via post-Pow Wow fams. Launch localized versions of the Travel Trade Portal (B2B site for travel trade including images, video, itineraries, training site, and other tools) in all key CTTC’s markets. Leverage GLOBAL PR opportunities internationally (e.g., Restaurant Month, entertainment, spectator sports).	Leverage Pow Wow being held in Las Vegas and negotiate pre-Pow Wow fams to California. Build California Expert training platform into aspirational program. PR—leverage California Music Initiative or Dreamland platform globally (global thematic PR fam).

	YEAR 3: 2013/2014 Mobile market surpasses desktop users	YEAR 4: 2014/2015 Economic momentum	YEAR 5: 2015/2016
	Create strategy for AIRLIFT CAPACITY increase based on large-plane delivery (new Boeing).		
	Explore virtual reality technology for California Expert online training for selling agents.		

8 | Appendix

2011

2012

2013

2014

2015

2016



Global Media Analysis

Data in this appendix come from a global media analysis conducted on behalf of CTTC by Carat media agency. CTTC commissioned the study in order to understand the media landscape in each of California's top international markets. Data were gathered by local Carat offices in December 2010, with Carat's London office creating a synthesized report that was delivered to CTTC on January 17, 2011. Using a single source standardizes the data so that CTTC can compare between markets.

The report covers advertising benchmarks and consumer usage of seven basic media categories (television, print, online, mobile, radio, outdoor and cinema) in the following markets: Canada, the U.K., Japan, Australia, Germany, Mexico, South Korea, China, India and France. Included among the benchmarks were the cost and related reach and frequency to achieve high, medium and light advertising impacts in each medium in each market, as well as an analysis of monthly spending in each medium by top advertisers in the travel category. Consumer data were provided for international travelers meeting target age and income requirements, and included local

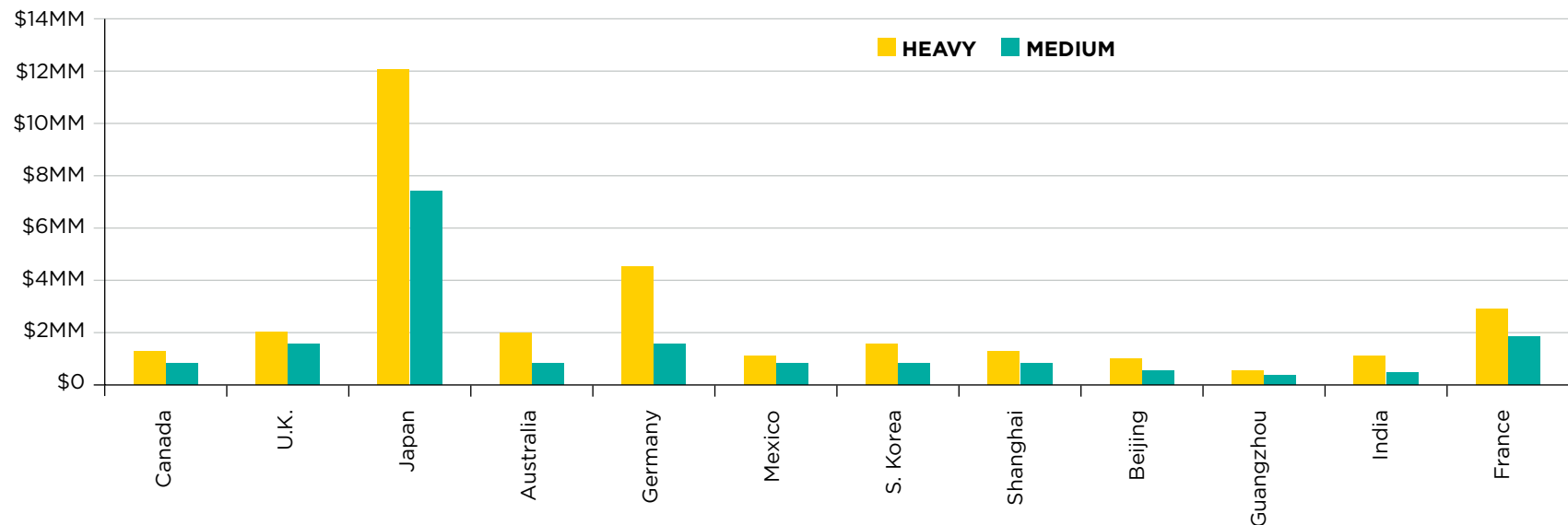
insights into how each medium is perceived, as well as how travelers index compared to the overall population in terms of media consumption. A small sample of these data is provided in the following pages.

CTTC will use this critical reference source to develop international programming during the Brand Enrichment Plan time frame, specifically determining how to prioritize international funding. Data from the report will be used to determine the depth and breadth of international marketing activities, as well as to inform CTTC staff of the cost and ideal media mix for introducing brand advertising into new markets.

FIGURE 53

Television Advertising Costs

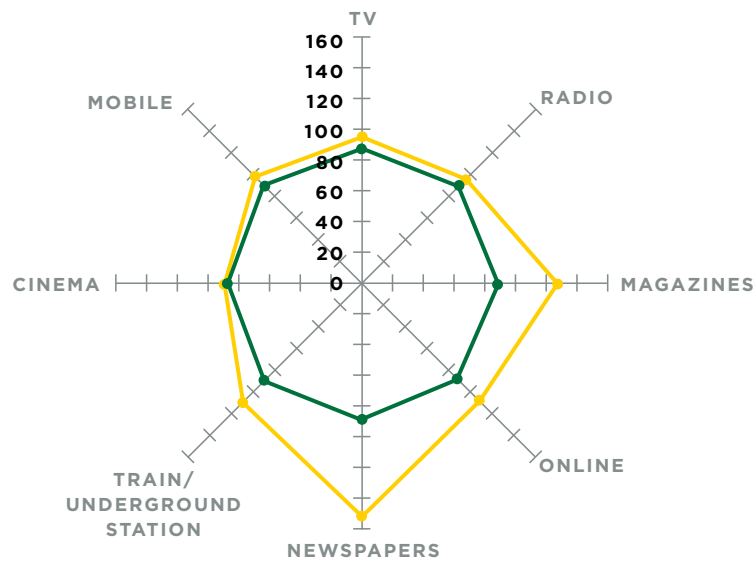
HIGH AND MEDIUM IMPACT BY MARKET



Global Media Analysis, Market-Specific Media Consumption: Canada

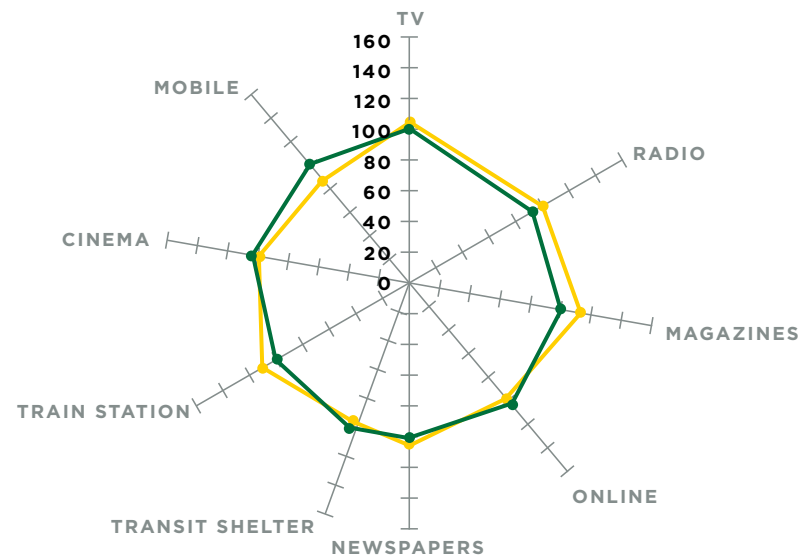
They consume a broad range of media, heavy online, mobile and cinema, and average noticeability across the board, but are most likely to notice ads in commuter posters and at the cinema.

FIGURE 54
Exposure*



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 55
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 1 MN+ TOWNS: 112.18 MN.; 1MN+ SEC A: 16.52 MN.; 0.4% ARE THE CORE TG IN MILLION PLUS TOWNS

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 56

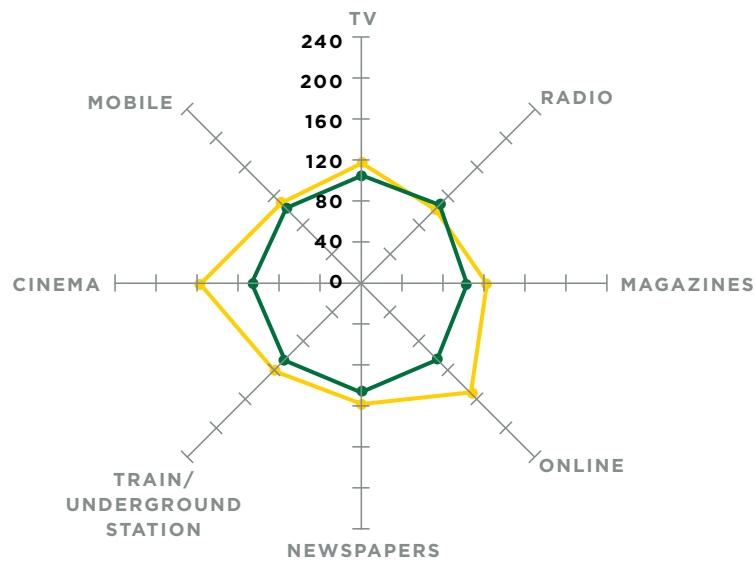
Key Media Insights—Canada

TV Primarily used for entertainment, appointment TV viewers	RADIO As background, low engagement medium
PRESS Traditional source of information, low engagement and link to online constantly promoted	OOH Non-intrusive. Media is sometimes consumed subconsciously in daily activities
CINEMA Social experience. Impactful visuals. Minimal clutter	MOBILE Key tool for business and personal networking. Used as a communication tool and to absorb data
INTERNET For emails, social networking, entertainment, blogging, product and travel research, video streaming, gaming, product, service and travel purchase	

Global Media Analysis, Market-Specific Media Consumption: U.K.

They consume a broad range of media, skewing heavily to digital, TV, cinema and prints, and above-average noticeability across the board, particularly high commuter posters.

FIGURE 57
Exposure*

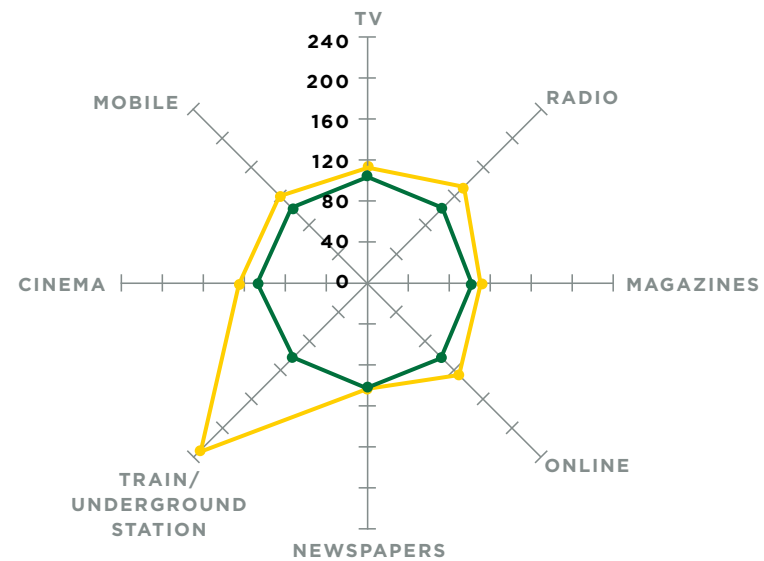


— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 25-65 YEARS OLD; PASSIONATE ABOUT TRAVELLING ABROAD; AHHI \$ 50K +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 58
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 59

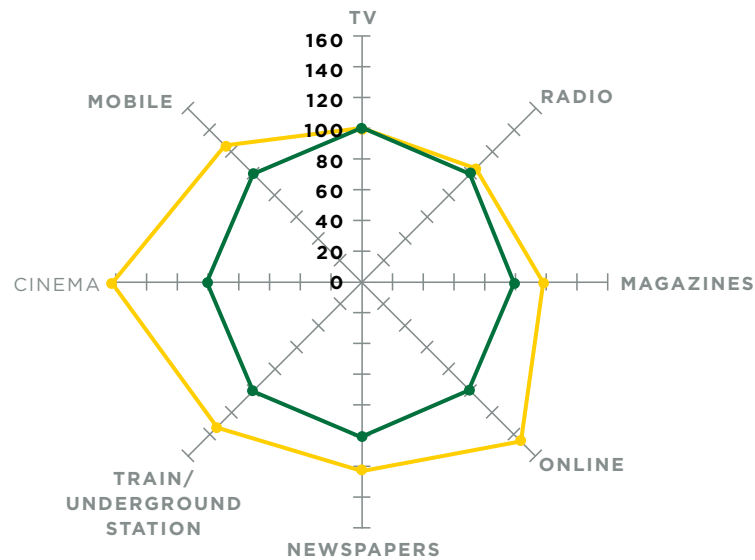
Key Media Insights—U.K.

TV Medium TV viewers, for entertaining, watch selectively	RADIO Light to medium radio listeners, as background noise to pass the time
PRESS Heavy or medium readers, main source of info, read broad range of titles, and link to online medium	OOH Heavy travelers, often distracted, but will notice anything new and different
CINEMA For spending time with friends and family	MOBILE Stay in touch with social life
INTERNET Heavy Internet consumers, highly involved in digital space, for sharing, self expression and connecting socially, also reach and purchase travel/holiday online	

Global Media Analysis, Market-Specific Media Consumption: Japan

Heavy consumers of broad media, particularly online and cinema, and above-average noticeability across the board.

FIGURE 60
Exposure*

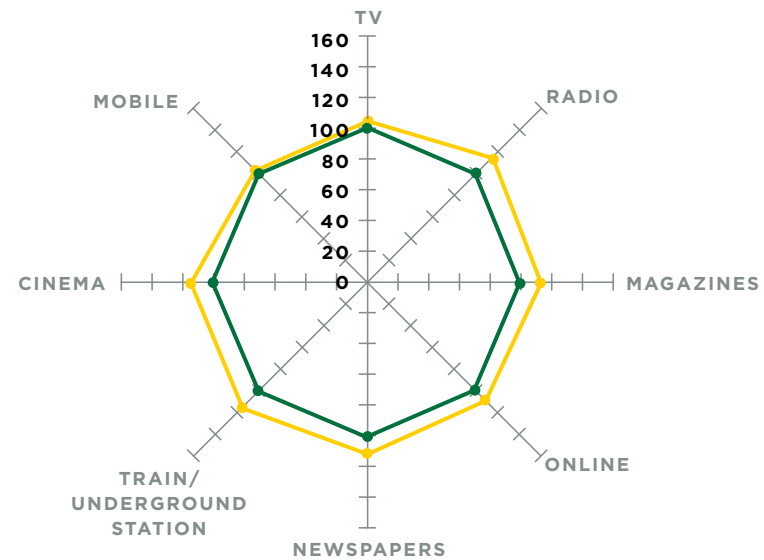


— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 25-65 YEARS OLD; PASSIONATE ABOUT TRAVELLING ABROAD; AHHI JPY 4M +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 61
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 62

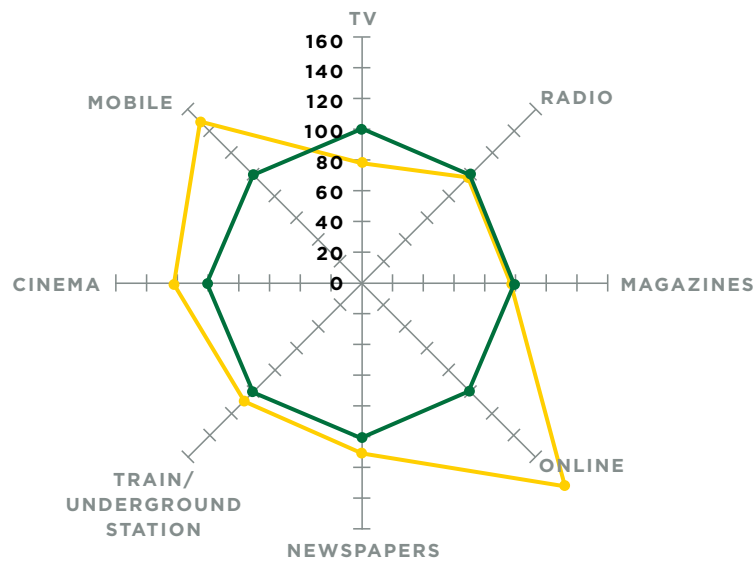
Key Media Insights—Japan

TV Medium TV viewers, watched with friends and family	RADIO Light radio listening, as background, low engagement
PRESS Medium readers, for keeping up to date with latest topics to start conversations	OOH Heavy travelers, for making journeys more interesting
CINEMA Enjoy the impactful social experience	MOBILE Multiple function, key company and connection
INTERNET Heavy Internet consumers, a tool for connecting socially and passing the time, actively interact with others online via networks or sharing, create online content, search for things they want to purchase, particularly travel/holiday	

Global Media Analysis, Market-Specific Media Consumption: Australia

They skew to online, mobile, cinema, print and OOH, lower exposure to TV, and average noticeability across the board.

FIGURE 63
Exposure*

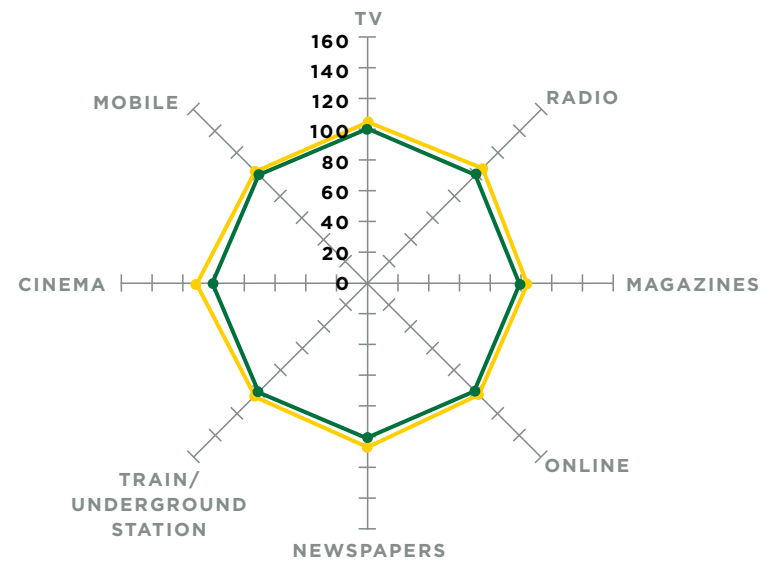


— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 25-65 YEARS OLD; PASSIONATE ABOUT TRAVELLING ABROAD; AHHI \$ 50K +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 64
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 65

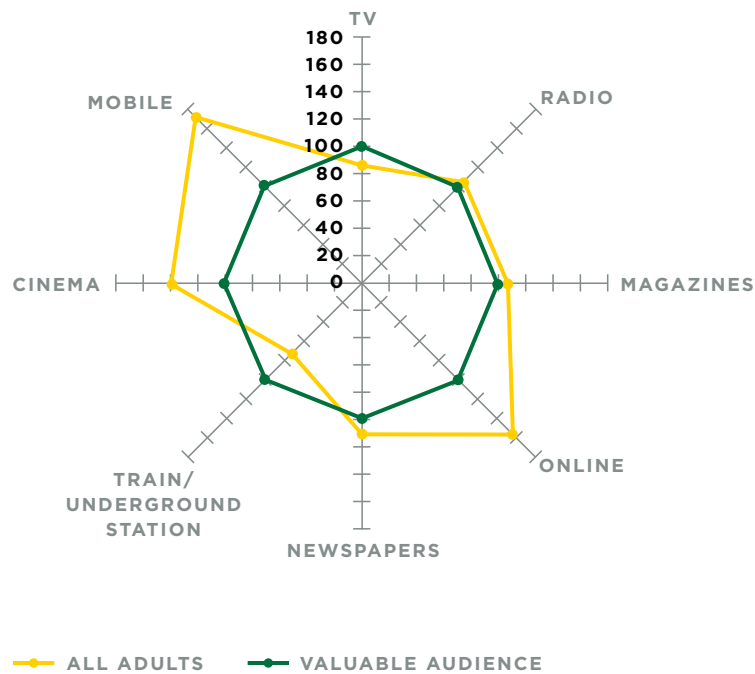
Key Media Insights—Australia

TV Medium TV viewers, for entertaining, watch selectively	RADIO Light to medium radio listeners, as background noise to pass the time
PRESS Heavy or medium readers, main source of info, read broad range of titles, and link to online medium	OOH Heavy travelers, often distracted, but will notice anything new and different
CINEMA For spending time with friends and family	MOBILE Stay in touch with social life
INTERNET Heavy Internet consumers, highly involved in digital space, for sharing, self expression and connecting socially, also reach and purchase travel/holiday online	

Global Media Analysis, Market-Specific Media Consumption: Germany

They have a fairly fixed repertoire of media they use, and are quite selective, skewing to digital and cinema, loyal to certain TV shows and Websites.

FIGURE 66
Exposure*



VALUABLE AUDIENCE = 25-65 YEARS OLD; PASSIONATE ABOUT TRAVELLING ABROAD;
AHHI €35K +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 67
Notice Ads

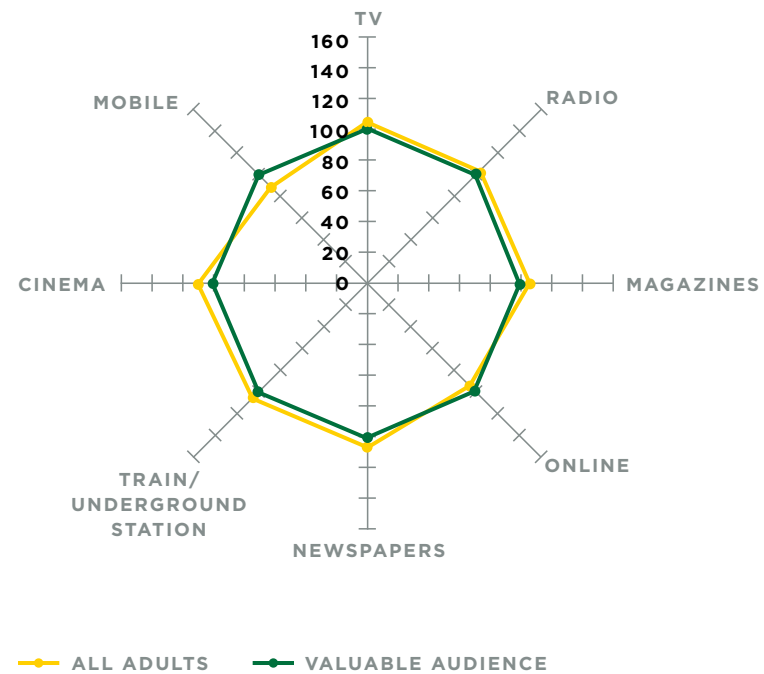


FIGURE 68

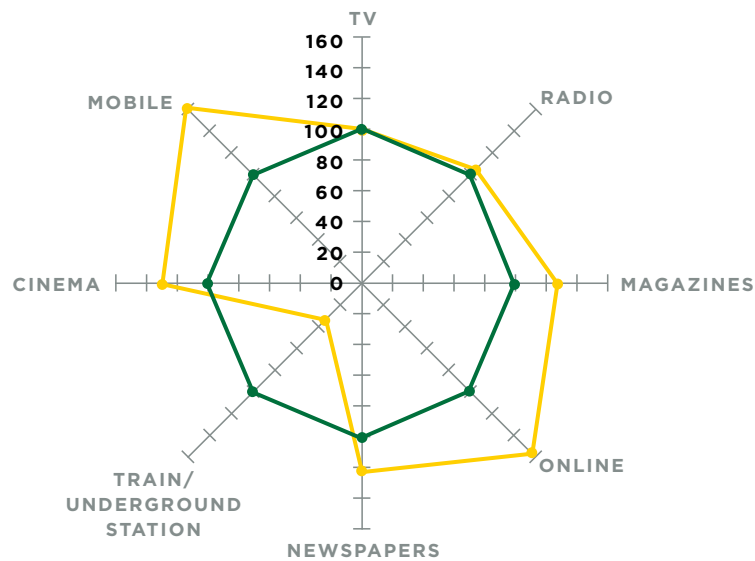
Key Media Insights—Germany

TV Medium TV viewers, skew to specific genres, key role is for entertaining	RADIO Medium to heavy radio listener, as relaxing background noise
PRESS Heavy or medium readers, main source of info and topic of conversations, key role is to give new information	OOH Heavy traveler, for passing the time, but notice anything different and new
CINEMA Quality time with friends and family	MOBILE Stay in touch with social life
INTERNET Heavily consume online, for connecting socially, keeping up to date, sharing information and opinions online, also looking for and purchasing with a good deal, particularly travel/holiday	

Global Media Analysis, Market-Specific Media Consumption: Mexico

They skew to online, mobile, cinema and print, and average levels of noticeability of advertising across the board, not significant to a specific medium.

FIGURE 69
Exposure*

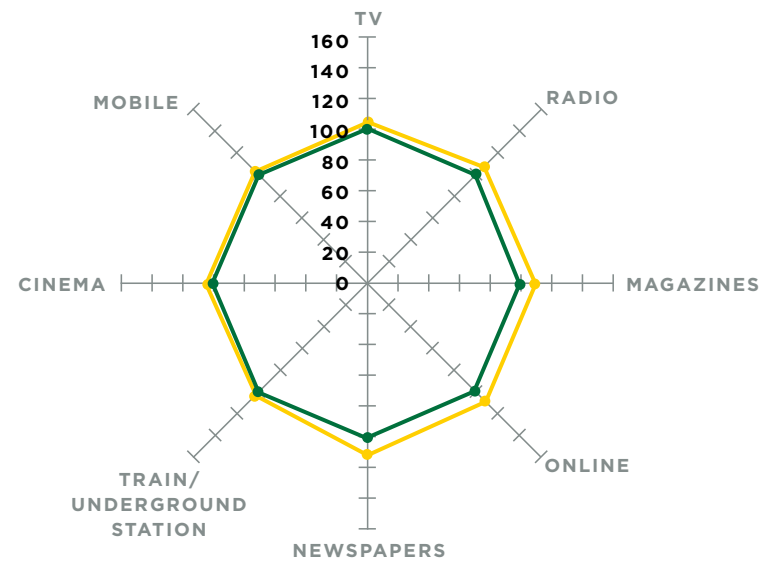


— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 25-65 YEARS OLD; PASSIONATE ABOUT TRAVELLING ABROAD; AHHI JPY 4M +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 70
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 71

Key Media Insights—Mexico

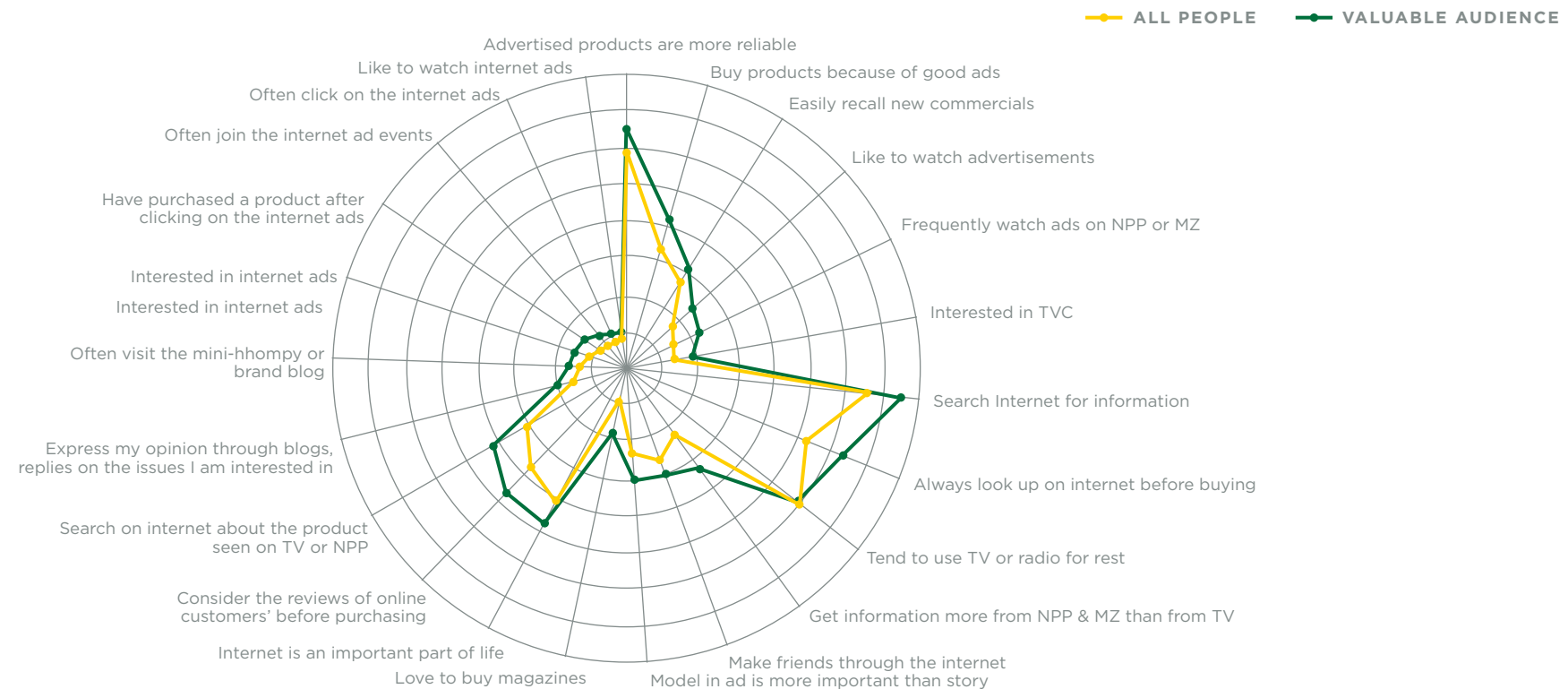
TV Medium TV viewers, have a repertoire of preferred shows	RADIO Light radio listening, as background, low engagement
PRESS Heavy readers, from just being informed to being entertained and in the know, selective, loyal to specific titles, lifestyle skew	OOH Heavy travelers, for making journeys more interesting
CINEMA Heavily consumed, drawn to latest releases, used as social currency, being with friends	MOBILE Multiple function, key company and connection
INTERNET Heavily consume digital, sharing, connecting, largely involved in social networking, and online purchasing, doing research on what to buy and finding good deals, particularly when they plan holiday	

Global Media Analysis, Market-Specific Media Consumption: South Korea

They consume a broad range of media, heavy online, mobile and cinema, and average noticeability across the board, but are most likely to notice ads in commuter posters and at the cinema.

FIGURE 72

Media using pattern & attitudes against media



VALUABLE AUDIENCE = 25-64 Y; HEAVY CONSUMER FOR LEISURE; MONTHLY HOUSE INCOME 5M+(KRW)

FIGURE 73

Key Media Insights—South Korea

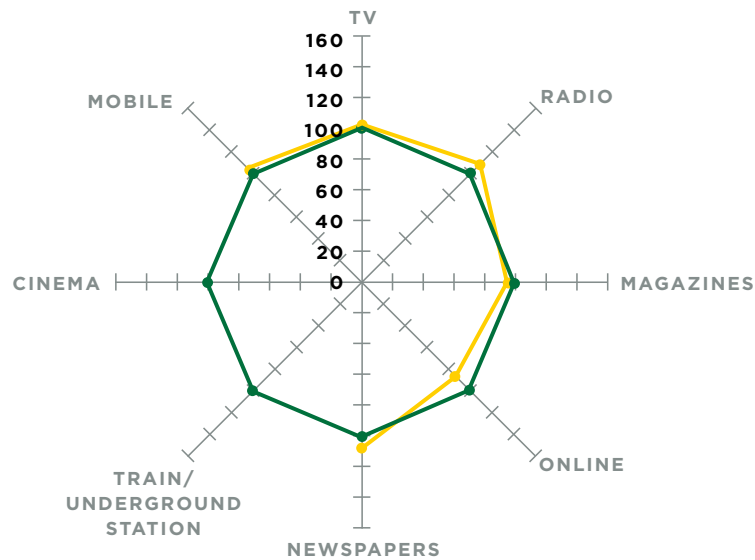
TV For entertainment, prefer CATV due to channel selection	RADIO Mainly for commuting male audience
PRESS Source of info, high engagement against high-income audience	OOH Secure high traffic area, frequent exposure for audience
CINEMA Impactful, unique entertaining experience	MOBILE Increasing smartphone coverage followed by SNS expansion

Global Media Analysis, Market-Specific Media Consumption: China

They consume mainstream media, but noticeability is lower than average on most mediums, likely to notice ads on newspapers and TV.

FIGURE 74

Exposure*



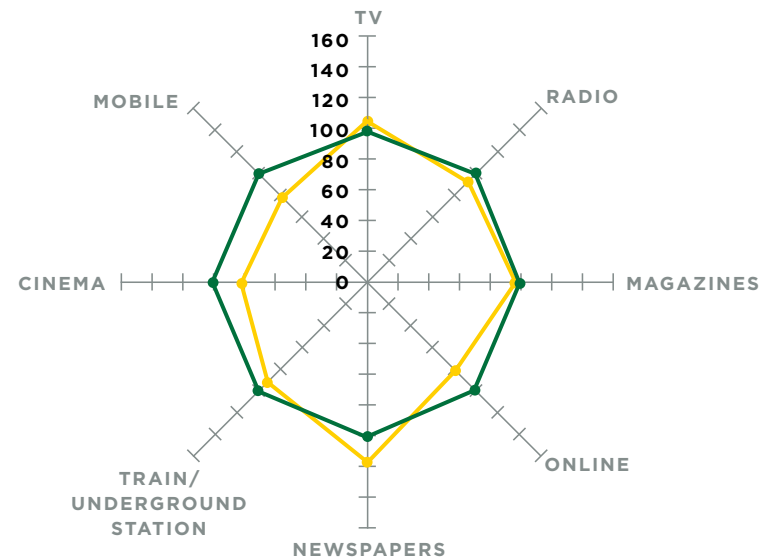
— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE = 25-54 Y; TRAVELLING ABROAD; MONTHLY HOUSEHOLD INCOME RMB 5K +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 75

Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 76

Key Media Insights—China

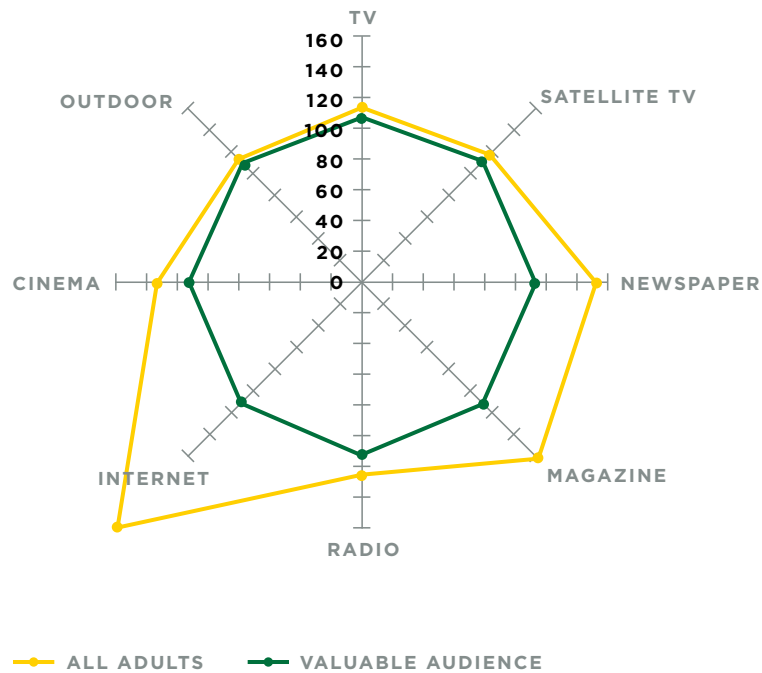
TV Medium TV viewers, mainstream medium with wide coverage, for relaxing and family time, watch selectively	RADIO Light radio listeners, for entertainment when driving and stuck in traffic
PRESS Medium or heavy readers, for keeping up to date, and getting to know the world, are loyal to specific titles, some skew to news, but also read celebrity and fashion magazines	OOH Heavy travelers, spend a lot of time out and about—media is used to pass the time
CINEMA For being rewarded and impactful	MOBILE No distinction between personal/professional
INTERNET Medium to heavy Internet users, digital is booming, used across all areas of their lives, for discovery and entertainment. Instant messaging and online purchasing is raised, social networking is increased slowly, holiday is the key area they research online	

Global Media Analysis, Market-Specific Media Consumption: India

Heavy skew to online, cinema and print, with TV and OOH receiving more than average exposure.

FIGURE 77

Exposure*



VALUABLE AUDIENCE = 1 MN+ TOWNS: 112.18 MN.; 1MN+ SEC A: 16.52 MN.; 0.4% ARE THE CORE TG IN MILLION PLUS TOWNS

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 78

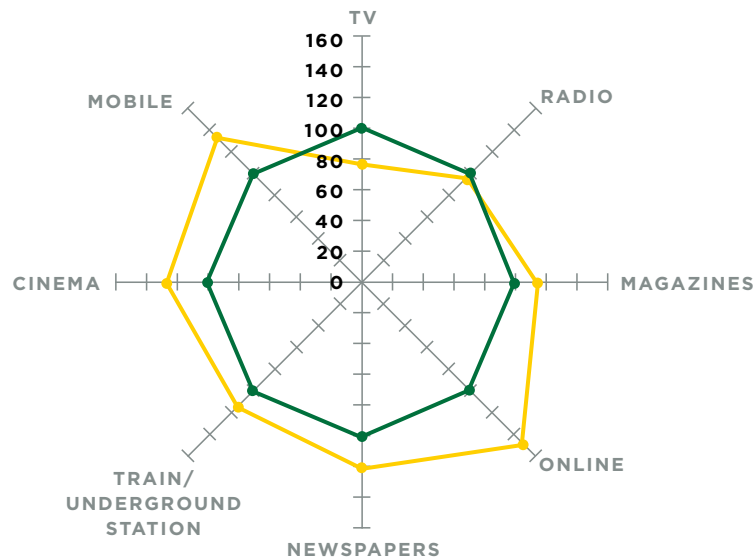
Key Media Insights—India

TV Watch TV for entertainment	RADIO Radio is used as background noise
PRESS Information is key, especially current events, loyal in specific titles	OOH Notice new/innovative formats
CINEMA Social experience for entertainment	MOBILE Source of information, to research products and services

Global Media Analysis, Market-Specific Media Consumption: France

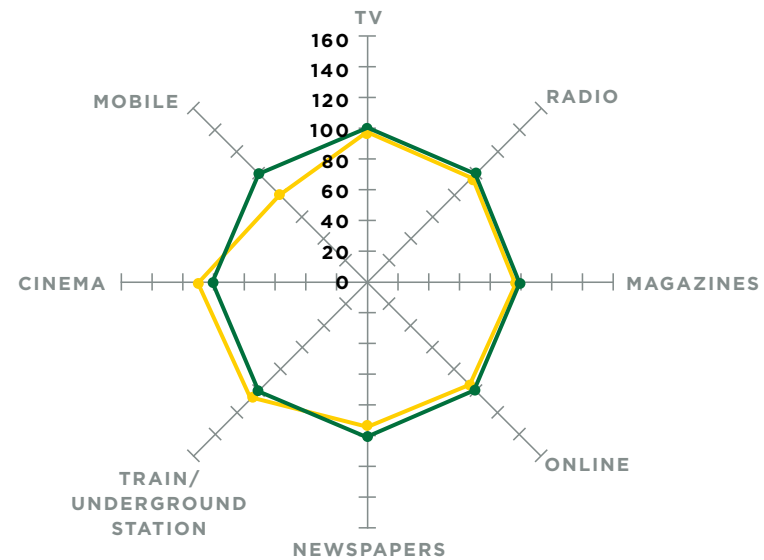
They consume a broad range of media, heavy online, mobile and cinema, and average noticeability across the broad, but are most likely to notice ads in commuter posters and at the cinema.

FIGURE 79
Exposure*



— ALL ADULTS — VALUABLE AUDIENCE

FIGURE 80
Notice Ads



— ALL ADULTS — VALUABLE AUDIENCE

VALUABLE AUDIENCE= AGE 25-64, PASSIONATE ABOUT TRAVELLING ABROAD, HH INCOME OF \$35K EURO +

*NOTE: BASED ON HEAVY MEDIA CONSUMPTION

FIGURE 81

Key Media Insights—France

TV Medium TV viewers, watch selectively, program specific, key role is entertainment	RADIO Light to medium radio listener, more in the background, low engagement
PRESS Light to medium readers, used as source of info, key role is to have “me time”	OOH Heavy traveler, spend a lot of time out and about—media is used to pass the time
CINEMA Going out and being with friends, impactful social experience	MOBILE Essential social tool, stay in touch with social life, don’t miss out
INTERNET Heavy internet consumers, for connecting socially, learning, entertaining, expressing opinions. Actively use the digital space to find out information, and do research before buying. Travel is key area they research online.	

Strategic Plan Task Force

CHAIR



MIKE GALLAGHER
CITYPASS, INC.



KIMBERLY ADAMS
TEMECULA VALLEY
CONVENTION &
VISITORS BUREAU



STEVE BONE
HUNTINGTON BEACH
MARKETING AND
VISITORS BUREAU



ANDY CHAPMAN, NORTH
LAKE TAHOE RESORT
ASSOC. AND NORTH
LAKE TAHOE VISITORS &
CONVENTION BUREAU



SHELDON DUNCAN
WALT DISNEY
PARKS & RESORTS



JON HANDLERY
THE HANDLERY
UNION SQUARE
HOTEL



MARILYN HANNES
SEAWORLD OF
CALIFORNIA



KATHY JANEGA-DYKES
SANTA BARBARA
CONFERENCE & VISITORS
BUREAU AND FILM
COMMISSION



KERRI VERBEKE KAPICH
SAN DIEGO CONVENTION
AND VISITORS BUREAU



TOM KLEIN
RODNEY STRONG
WINE ESTATES



PATTI MACJENNETT
LA INC. THE LOS
ANGELES CONVENTION
AND VISITORS BUREAU



DIANE MANDEVILLE
CANNERY ROW
COMPANY



JULIE MAURER
SQUAW VALLEY, USA



HOWARD PICKETT
MAMMOTH MOUNTAIN
SKI AREA



CODY PLOTT
PEBBLE BEACH
COMPANY



SCOTT SCHNEIDER
VISIT MENDOCINO
COUNTY



THOMAS D. SEE
UNIVERSAL STUDIOS
HOLLYWOOD



JEFF SENIOR
FAIRMONT HOTELS
& RESORTS



DON SKEOCH
CALIFORNIA
ACADEMY OF
SCIENCES



MATT STIKER
SAN FRANCISCO
TRAVEL ASSOCIATION



JOE TERZI
SAN DIEGO
CONVENTION AND
VISITORS BUREAU



JOHN WAGNON
HEAVENLY VALLEY
LIMITED PARTNERSHIP



BOB WARREN
REDDING
CONVENTION &
VISITORS BUREAU

CTTC Five-Year Planning Team

CTTC EXECUTIVE TEAM



CAROLINE BETETA
PRESIDENT AND CEO/
DEPUTY SECRETARY



LYNN CARPENTER
VICE PRESIDENT OF
MARKETING



KARIN FISH
VICE PRESIDENT
OF OPERATIONS &
INDUSTRY RELATIONS



KATHRYN BURNSIDE
DIRECTOR OF
COMMUNICATIONS

CTTC STAFF



LEONA REED
SENIOR DIRECTOR OF
INTERNATIONAL
MARKETING



DANIEL MISELL
DIRECTOR OF RESEARCH



GWYNNE SPANN
CONTENT MANAGER



TRACI GOMES
BRAND ADVERTISING
MANAGER



AMANDA FONT
RURAL & CO-OP
MARKETING MANAGER



BROOKE BYRD
COMMUNICATIONS
MANAGER

2011

2012

2013

2014

2015

2016

californiaTM
FIND YOURSELF HERE