

Crossroads

Arizona Office of Tourism



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ARIZONA TRAVEL FACTS

Travel and tourism generates \$16 billion in direct visitor spending each year.

30 million domestic and international visitors came to Arizona in 2004.

Tourism is the only industry that affects all 15 counties in Arizona.

AOT Headlines

Focus On: Canada

As our neighbor to the north, Canada represents the largest international market for travel to the U.S. Since 1995, AOT has been working to position Arizona as the destination of choice for Canadian travelers. With full-time travel industry marketing and media relations representation in Canada, AOT has made significant strides in promoting the Grand Canyon State to this valuable market. In the past year, AOT has increased its reach to this market through a variety of high-impact initiatives designed to increase Canadian interest in and visitation to Arizona.

AOT's efforts in the Canadian market, combined with those of our partners throughout the state, have paid off with dramatic increases in visitation and spending in the last couple of years. In 2004, Canadian tourists spent more than \$286 million in Arizona – a 26 percent increase over 2003. And more than 356,300 Canadians came to the state in 2004, a significant 19 percent increase from 2003, giving Arizona more growth in Canadian visitation than any other state. Several factors play into these increases, including a healthy Canadian economy and increased Arizona visibility, as well as extensive exposure in the Canadian media. Moreover, with direct flights to Arizona increasing, it is easier than ever for Canadians to come to the Grand Canyon State.

Canada and Arizona also have a strong business connection, with more than \$2.5 billion in bilateral trade between the two destinations, making Canada the number one source of foreign investment in Arizona. In addition to the establishment of a Canadian Consulate office in Phoenix, these business and economic ties are also promoted by the Canada-Arizona Business Council. This non-profit organization was created to increase the economic synergies between Canada and Arizona, with tourism playing a major role in their plans.

The strength of the Canadian travel market has led AOT to increase its focus on Canada to reach new markets and increase repeat visitation. AOT initiated consumer advertising in Canada last fiscal year and dedicated additional dollars to expand these efforts this year. AOT also continues to provide its partners around the state with opportunities to interact with the Canadian travel trade and media to enhance their coverage of Arizona products. These efforts, which include trade and media missions to key Canadian cities, have resulted in 70 tour operators featuring Arizona product and more than \$3 million in free media coverage in 2005. This year also saw the inception of a new program designed to thank Ontario's travel trade and media for the tremendous amount of support they give Arizona. The "Arizona Hockey Night" at the Air Canada Centre in Toronto brought together 50 top travel trade and media professionals to a Phoenix Coyotes vs. Toronto Maple Leafs hockey game. This program will be expanded to include a consumer marketing element next year and AOT will also bring its popular "Grand Canyon IMAX Road Show" to several cities across Canada.



Arizona Night at the Air Canada Centre
Left to right: AOT Travel Industry Marketing Manager Jennifer Sutcliffe, former Toronto Maple Leafs Captain Wendel Clark, AOT Director of Media Relations Jacki Mieler and AOT Canadian Representative Chris Ryall.

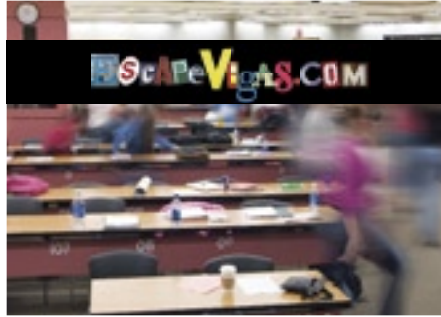
AOT Headlines (continued)

Cutting-Edge Marketing Tools Fuel AOT's Marketing

In a fiercely competitive tourism marketing world, destinations must be innovative and aggressive to come out on top. AOT is taking innovation to a new level with marketing programs designed to set Arizona apart from the competition.

Although Target Cities has become a successful standard in AOT's marketing mix, there is absolutely nothing standard about this year's program. In an effort to go beyond some of the more traditional marketing tactics such as newspaper, television and radio advertising, AOT implemented guerrilla marketing tactics to promote Arizona at premier locations like sporting events, commuter train stations and popular malls. During February, residents of Chicago and Minneapolis benefited from the most powerful advertising

tool – word of mouth. While one street marketing team handed out Arizona-branded “Kiss the Cold Goodbye” lip balm, another team engaged would-be travelers in conversations about a trip to Arizona, recalling memories of their recent visit to the state. These team members were equipped with an entire Arizona vacation, complete with stories and pictures of some of the state's most well-known products and attractions.



AOT's strategic focus for this year also included the valuable Gen-X market in Arizona's surrounding states. Because of

this group's skepticism and assumption that they already know what Arizona has to offer, AOT had to find a way to deliver the Arizona message without revealing too much. From this, the “Mystery Campaign” was launched in San Diego and Las Vegas in March. The campaign centered on the concept of an emptying city, designed to peak people's interest and make them wonder where everyone is going. Radio, online, city buses and even dry cleaning bags all drove traffic to either EscapeSanDiego.com or to EscapeVegas.com. AOT designed this site to specifically meet the needs of the Gen-X traveler, highlighting activities, properties and attractions that research shows this demographic wants.

Innovation is the key to setting Arizona apart from the competition and through programs like these, AOT remains committed to using innovation as Arizona's competitive edge.

Meet An Industry Professional



Name: Steve Chucuri.

Title: President and CEO of the Arizona Restaurant & Hospitality Association (ARHA).

How long in current position: Four years.

Education: Bachelor of Business Administration from the University of San Diego.

Associations: Tourism Advisory Council, Arizona Tourism Alliance, Arizona Governor's Film and

Television Commission, Friends of the Orphans Board Member, Mesa Downtown Development Committee Member.

Family: Wife Christine and son Grant.

How did you get involved in this industry? I was approached by the lobbyist of the ARHA who recommended I apply for the job. My interview was at 7:00 on a Saturday morning. At the end of my interview, I told my now predecessor it was a waste of time and I should have slept in because I believed the board of directors wanted someone more experienced in restaurant operations...four years later, here I am.

What is your ultimate career goal? Although lofty, a run for the U.S. Congress is something I hope to accomplish one day, or a U.S. Ambassadorship.

What were some of your previous jobs? In high school, I cleaned the Catholic church and grade school I belonged to for \$4 per hour. In college, I was a chauffeur for a limousine company. Prior to my current job, I spent six years on Capitol Hill as the Legislative Director to then Congressman Matt Salmon.

When you were 8, what did you want to be when you grew up? A police officer.

What is your greatest fear? Being a burden on someone else by not being able to care for myself.

What do you enjoy doing in your free time? Playing with my one-year-old son and attempting golf.

What is your biggest pet peeve? Inconsiderate people.

What is your favorite Arizona restaurant? One of the 2,000 ARHA member restaurants.

What section of the newspaper do you read first? Business.

What is your favorite TV show? 24.

Whom do you most admire? Mother Teresa.

Why is your role important to the tourism industry? Restaurants in Arizona continue to play a more important role in drawing people to visit this great place. My involvement with AOT helps in facilitating the promotion of tourism.

What is your biggest wish for the industry in 2006? Record-breaking tourism in Arizona.

Tourism Research By The Numbers

Statewide Lodging Performance

The fourth quarter of 2005 marked the end of a positive year for the lodging industry. Nationally, the occupancy rate during the fourth quarter was up 3.6 percent to 58.9 percent. The Average Daily Rate (ADR) was \$91.23, an increase of 6.3 percent. The average Revenue Per Available Room (RevPAR) rate during the fourth quarter was \$53.82, an increase of 9.9 percent compared to the previous year. In addition, lodging demand increased 3.9 percent during the quarter.

Arizona's lodging sector experienced more growth than the Mountain Region and the U.S. in terms of percentage increase in all of the lodging indicators during the fourth quarter. The state occupancy rate was 62.5 percent, an increase of 5.3 percent. Arizona also had a higher average occupancy rate than the Mountain Region and the U.S. during the fourth quarter. RevPAR was \$56.36, up 13 percent from the same time last year. ADR increased 7.4 percent to a rate of \$89.85. Finally, demand for lodging was up 6.1 percent, equating to 5.72 million rooms.

Metro Phoenix's indicators also outpaced the U.S. in terms of rates and percentage increases during the fourth quarter. The average occupancy rate for the period was 64.6 percent, an increase of 4.5 percent. ADR was up 7.1 percent to a rate of \$102.54. RevPAR increased 12.1 percent to a rate of \$66.52. Room demand was also strong, up 4.3 percent, equating to 3.15 million rooms.

Metro Tucson also performed well during the quarter. Occupancy was up 4.5 percent to an average of 64 percent. Metro Tucson's ADR increased 11 percent to a rate of \$85.01; RevPAR increased 14.5 percent to a rate of \$54.48; and demand increased 7.3 percent.

Non-Metro Arizona posted higher than state percentage increases in all indicators during the fourth quarter. Occupancy increased 7.1 percent to a rate of 59.1 percent. RevPAR increased 14.9 percent to a rate of \$40.97 as did ADR, up 7.6 percent to a rate

of \$68.98. Both supply and demand increased this period, up 1.4 percent and 8.5 percent, respectively.

The lodging sector performed well in every Arizona county during the fourth quarter compared to the same time last year. Graham and Cochise counties both experienced high percent increases in their occupancy rates, ADR, RevPAR and lodging demand compared to the fourth quarter 2004.

Arizona Airport Passenger Traffic

Airport passenger traffic at Arizona's four airports increased 4.4 percent compared to the same period last year, with more than 11.5 million passengers passing through the gates. Sky Harbor International Airport's passenger traffic increased 3.1 percent with more than 10 million passengers. Tucson International experienced the highest year-over-year percentage increase, with volume up 9.1 percent with more than 1 million passengers. Grand Canyon Airport had 159,349 passengers during the fourth quarter, up 15.9 percent compared to last year. Yuma International's passenger traffic increased 4.5 percent, representing more than 30,505 passengers.

AOT By The Numbers 4th Quarter, 2005

- ArizonaGuide.com visits*: **970,878**
- AZOT Web Site visits*: **101,576**
- ArizonaVacationValues.com visits*: **120,719**

- High-impact advertising:
Architectural Digest
Fortune Magazine
Gourmet Magazine
Oprah Magazine
Smithsonian Magazine
AAA: High Roads & Lowe Roads
Phoenix Magazine

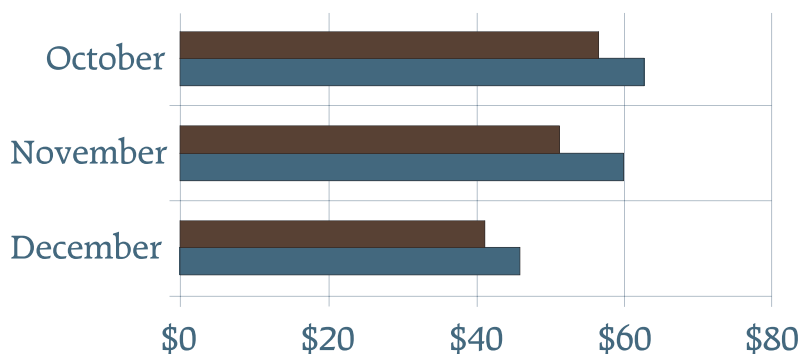
- Leads generated through Travel Industry Marketing:** **62**

- Total traffic in Painted Cliffs Welcome Center:
Total **27,174**
Domestic Total **25,375**
Foreign Total **1,483**

- Total media relations advertising equivalency:
Domestic **\$2,334,825**
International **\$4,107,656**

* A visit is each unique individual accessing the Web site.
** A lead is a request for a specific program that results in revenue that benefits Arizona, such as hotel revenue.

AZ Monthly RevPAR, Q4 - 2005



	December	November	October
■ 2005	\$46.04	\$60.12	\$62.93
■ 2004	\$41.36	\$51.46	\$56.80

Industry News

Travel Leadership Summit 2006

This September 12-13 in Washington, D.C., industry leaders from across the nation will join together for the 2006 Travel Leadership Summit. This summit is a chance for industry professionals to communicate the power of travel to Congress and the administration with a message of power and unity.



The Travel Industry Association of America (TIA) is the event manager for this unique summit. During nearly four dozen state dinners, industry leaders from each state will be able to host their senators and representatives for the evening, sharing state and national issues that impact jobs, payroll, taxes, and the social and cultural quality of life that makes each state special. At the summit, menus and politics are local, a concept not lost on members of Congress joining their constituents for the evening. For more information, contact Dexter Koehl at dkoehl@tia.org at the Travel Industry Association of America (TIA).

In addition, Arizona will be attending the summit with a delegation of local leadership. Arizona's chairpersons for the event are Steve Chucru, President & CEO, Arizona Restaurant and Hospitality Association; Karen Churchard, Executive Director, Arizona Tourism Alliance; Margie Emmermann, Director, AOT; and Debbie Johnson, President & CEO, Arizona Hotel & Lodging Association. In late May, in-state industry members will receive invitations to attend the summit as part of the Arizona delegation. For more information or to join the Arizona delegation, please e-mail Candee Samora at csamora@azot.gov.

International Tourism Marketing

President Bush's budget contains no funding for the U.S. Travel and Tourism Promotion Advisory Board because, "No funding is

requested for this program as travel promotion activities can be handled through a variety of non-federal sources."

This, however, will not affect the ongoing activities of the U.S. Commerce Department and the advisory board, which is fully funded through the end of 2007 by previous congressional appropriations. The \$6 million tourism marketing campaign in the U.K., created by the advisory board in 2003, has been joined this year by a similar campaign for Japan, with funds directly appropriated as a line item by Congress.

*Western States Tourism Policy Council
National Issues Bulletin, February 2006.*

Facilitation of International Travel

On January 17, 2006, State Department Secretary Rice and Homeland Security Secretary Chertoff announced a new "joint vision" to "improve border security, while still welcoming visitors to the United States." The program includes several elements especially applicable to travel and tourism, including the development of "model airports," along the lines of pilot projects at Houston and Washington Dulles, which will have customized video messages and improved screening and assistance for foreign travelers; formation of a travel industry advisory board; increased use of digitalized E-passports; development of a secure, less expensive passport card for U.S. land borders by late 2006; refinement and improvement of the US-VISIT entry-exit system; and improved screening of international travelers through the Terrorist Screening Center and the Human Smuggling and Trafficking Center.

Two key tests will be how well these elements can be implemented to overcome concerns over the identification requirements of the Western Hemisphere Travel Initiative and the October 26, 2006 deadline for biometric passports from visa waiver countries.

*Western States Tourism Policy Council
National Issues Bulletin, February 2006.*



Top Five State Parks

(By visitation in the 4th Quarter, 2005)

1. Kartchner Caverns **38,936**
2. Catalina **38,375**
3. Lake Havasu **35,502**
4. Slide Rock **32,884**
5. Patagonia **28,296**

Top Five National Parks

(By visitation in the 4th Quarter, 2005)

1. Grand Canyon NP ... **764,571**
2. Glen Canyon NRA **200,072**
3. Lake Mead NRA **195,647**
4. Saguaro NP **166,990**
5. Canyon de Chelly NM ... **145,527**

Top 10 Originating States to Painted Cliffs Welcome Center

(4th Quarter, 2005)

1. California **2,517**
2. Texas **2,101**
3. New Mexico **1,566**
4. Arizona **1,493**
5. Colorado **1,479**
6. Minnesota **1,220**
7. Michigan **1,198**
8. Illinois **1,137**
9. Oklahoma **970**
10. Missouri **913**





Meet AOT Staff

Name: Casey Ambrose

Title: Director of Advertising & Fulfillment

How long have you been with AOT?

Nearly three years with the agency, and one year in my current position.

Education: Bachelor of Arts in Communication from Arizona State University's (ASU) Hugh Downs School of Human Communication with a minor in English. I'm currently working towards my Master's degree in Business Administration through ASU's W.P. Carey School of Business.

What is your previous work history? I have done everything from working my way through college helping certify new divers as a dive master to planning and orchestrating a two-day/one-night cycling event for more than 1,000 people riding from Phoenix to Parker Dam. Prior to joining AOT, I worked in the field of non-profits for a number of years, heading up marketing and development for the National Multiple Sclerosis Society in Arizona and Nevada, as well as working for Valley of the Sun United Way in their marketing department and spearheading their special events.

What is your role at AOT? I lead the domestic and international advertising and fulfillment efforts for AOT, and constantly strive to create a positive brand image for Arizona. The real nuts and bolts behind my work is to stimulate interest and motivation levels of potential travelers in our key target markets and customer segments. To encourage visitors to come to the state, and once they realize the myriad of things to see and do, extend their stay and/or come back again and again. My division is also responsible for some of the key consumer marketing tools for our agency which include the Arizona Official State Visitor's Guide and Official State Map, along with the development and promotion of AOT's Web sites.

What do you enjoy most about your job? Getting to spread the word about Arizona! As an Arizona native, I am passionate about the state and thrilled to be able to give Arizona a strong voice in the marketplace and work with such incredible partners statewide to help brand Arizona as a marquee travel destination.

What is your favorite Arizona experience? I have had so many incredible vacations and memorable moments in my travels throughout Arizona that it is hard to pick a favorite, so I'll share with you a trip I took this year. Recently, I had the chance to helicopter from the rim of the Grand Canyon and hike down to Havasu and Mooney Falls on the Havasupai Reservation. The adventure truly embodied the spirit of AOT's new advertising campaign in having both the expected and unexpected in one exhilarating experience. It is hard to find the words that do justice to the moment, but truth be told: the only thing that rivaled the view from the top was the view from the bottom.

What book are you currently reading? *Then We Set His Hair on Fire: Insights and Accidents from a Hall of Fame Career in Advertising* by Phil Dusenberry.

What are you currently listening to? I know they are polar opposites, but lately it has been: *The Antidote* by Morcheeba and the soundtrack to *Farinelli, Il Castrato*.

Tourism Research By The Numbers

Arizona Tourism- Related Tax Revenues

For fourth quarter 2005, spending by visitors in the sectors of lodging, restaurant/bar, retail and amusements generated more than \$144 million in tax revenue, up 14.1 percent compared to the fourth quarter of last year. The lodging segment increased 13.4 percent with more than \$27 million in tax revenue. The retail segment had a slightly higher fourth quarter increase, up 14.6 percent generating more than \$86.8 million in tax revenue. All four sectors had percentage increases greater than 10 percent again during the fourth quarter. The month of December generated the highest revenue for the quarter. More than \$54 million dollars in taxes were generated by visitors in December 2005, up 13.9 percent compared to December 2004. Revenues generated for the month of November were up 15.9 percent, the highest percentage increase comparing month over month during the fourth quarter.

Year-End Tourism Taxes

What a year! Arizona's tourism-related tax revenues increased 13.7 percent over 2004, ending the year with \$540 million, or \$1.5 million per day, in 2005. The lodging sector had the highest year-over-year percentage increase in revenue, up 15.1 percent from 2004 with \$115 million. Retail brought in more than \$309 million during 2005, up 13.7 percent from last year. Restaurant/bar taxes were also strong in 2005. Revenues for this sector increased 12.4 percent to more than \$112 million, compared to only \$100 million last year. Amusement-related revenue increased 10.4 percent in 2005.

Subscribe to *Crossroads*.

To receive your free issue of *Crossroads*, or to subscribe to AOT's weekly E-newsletter, *AOT in Action*, please send your name, organization, E-mail and physical address to Loretta Belonio at lbelonio@azot.gov or (602) 364-3725. If you wish to unsubscribe from either newsletter, please let Loretta know.



Margie A. Emmermann, Director

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From The Director



Welcome to the first issue of *Crossroads*, the newest source of information from the Arizona Office of Tourism. AOT is dedicated to providing

you with valuable research, updates and information about AOT and our industry.

Inside this first issue, you'll find some of the latest news and headlines from AOT, along with fourth quarter 2005 tourism indicators. You'll also have the chance to get to know Casey Ambrose, AOT's Director of Advertising & Fulfillment, and Steve Chucuri, President of the Restaurant & Hospitality Association.

Our inaugural issue unveils extremely successful fourth quarter 2005 numbers for our industry. Sky Harbor International Airport saw a record year in air passenger traffic, with more than 40 million

passengers for the first time. Statewide lodging performance for the fourth quarter also shows that Arizona outpaced the nation in all categories. In fact, Arizona saw a 13 percent increase in RevPAR for fourth quarter 2005. Visitation to the Grand Canyon was up by nearly five percent and state parks visitation was up by more than 8 percent overall.

I hope that you take the time to read through *Crossroads* to learn more about where we've been and where we're heading in the coming months. We look forward to providing you with more information about our office and the Grand Canyon State!

Margie A. Emmermann
Director
Arizona Office of Tourism

Coming Soon...

- AOT's Grand Impressions Workshops:
April 13 - May 12
www.azot.com
- TIAs International Pow Wow:
May 6 - 10
Orlando, Florida
www.powwowonline.com
- See America Week:
May 13-21
- Governor's Conference on Tourism:
July 10 - 12
Loews Ventana Canyon Resort, Tucson
www.aztourismconference.com
- Rural Development Conference:
August 16-18
Northern Arizona University, Flagstaff
www.commerce.state.az.us/rural/rdc.asp
- ESTO (Educational Seminar for Tourism Organizations):
August 19-22
St. Paul, Minnesota
www.tia.org
- Arizona Hospitality Expo:
September 27 - 28
Cardinals Stadium, Glendale
www.azhospitalityexpo.org
- Smithsonian CultureFest:
November 2 - 5, Phoenix/Scottsdale
November 10 - 11, Prescott/Flagstaff