



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Walesh  
Kimberly J. Becker  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** May 17, 2016

Approved

Date

5/17/16

**SUBJECT: DESTINATION MARKETING PROGRAM TO SUPPORT  
INTERNATIONAL AIR SERVICE**

## RECOMMENDATION

Approve the following 2016-2017 Proposed Operating Budget amendments to the General Fund:

1. Establish a City-Wide Expenses Budget for the International Air Service Destination Marketing Program in the amount of \$425,000 for 2016-2017; and
2. Decrease the Airport Attraction Program Reserve by \$425,000 and rename the reserve to 2017-2018 Airport Attraction Program to earmark the remaining \$425,000 for use in that year.

## BACKGROUND

Norman Y. Mineta San José International Airport (SJC) is experiencing unprecedented growth in long-haul flights to international destinations. Successful, sustained international flights will generate significant local economic impact and spur additional air service and passenger growth at the airport. To succeed, it is critical that travelers from overseas recognize San José as a travel destination and book flights to SJC. Flights cannot succeed with local San José-based travelers alone. Because San José is not a well-known city for international destination, extra promotional efforts by the City—in addition to planned promotional efforts by the foreign airlines—can make a critical difference in the new flights meeting their passenger booking performance measures.

The City, with partner Team San Jose, will launch a two-year International Air Service Destination Marketing Program that will promote San José in key foreign markets that have international air service ties to SJC to help ensure the success of these flights with inbound passengers. The goal is to generate substantial incremental international bookings to SJC by residents of foreign countries.

From this initial, two-year, highly targeted effort, San José can learn how to build brand awareness as the internationally important destination that it is, thus earning a larger share of the global travel market and benefiting from the resulting economic impact. While this is a 'first' for San José, most large cities in America and many medium-sized cities, promote themselves internationally as a destination for travelers. Travel is the #1 U.S. services export industry and is fast-growing; in the most recent year, 75 million international visitors spent \$221 billion in the United States.

## ANALYSIS

This is an ideal time for San José to launch an international destination marketing program because of the growing market for foreign travel and the opportunity to leverage the strong investments being made by the Visit California (state tourism agency) and Brand USA (national tourism agency). These tourism partners are investing in global promotion at record levels. In 2016, Visit California received a record \$106 million from the State of California, opening the door to a new level of success and visibility promoting California as a destination globally. In addition, Brand USA is investing record levels of public (\$100 million) and private (\$300 million) support to market the U.S. as a foreign travel destination.

But, to leverage the capacity of Visit California and Brand USA, the City must invest in building a basic level of San José promotional capability. The budget of \$850,000 will be invested over two years and focus on two markets: China (for Beijing and Shanghai flights) and Germany/India (for flights from and through Frankfurt).

Funds are anticipated to be spent for the following program elements:

***San José Office and Market Team in China and Germany:*** The City will have representatives working on our behalf in China and Germany who understand both California/San José and the particular foreign traveler market. The City will strive to secure the best in-market representation with proven experience in public relations, travel trade, and digital/social marketing representing U.S. destinations. Activities include:

- *Local Advertising and Social Media* - Local, multi-channel advertising and social media planning, strategy, and buying management.
- *Travel Trade Relations* - Marketing to the travel trade to reach consumers in key international markets is crucial to international tourism recognition. This will include marketing to key travel agents and tour operators and will educate and offer new product to increase sales.
- *Media Relations Public Relations and Influencer Strategies* - Earned media programs boost and complement consumer marketing campaigns and trade initiatives while expanding the reach of direct-to-consumer storytelling through editorial placement. Public relations efforts will focus on securing placements across broadcast, digital, and print media channels and will seek to engage influencers to reinforce San José's position as an important California and global destination.

- *Promotional Events (Trade Fairs, Workshops, Sales Blitz, Agent Training)* - International sales missions will include seminars, workshops, one-on-one meetings, and VIP receptions with key partners to ensure the City has the maximum opportunity to interact with tour operator decision makers, destination marketing managers, and influential trade and consumer media.
- *Consumer Activations* –Familiarization tours with key tourism operators are a critical part of international promotion. More than 1,000 representatives attended familiarization tours organized and hosted by Visit California last year. The City will work with Visit California and other partners to host tour operators and travel agents from key international markets and showcase and educate clients about our City and regional tourism products.

***In-Country Multi-Channel Integrated Media Programs:*** This includes digital, print, social media, outdoor billboard, radio, and television to support in-market efforts. In addition, the City would leverage partnerships with the online travel agencies such as Expedia, TripAdvisor, Sojern, and Adara. These channels can place key San José messaging where and when it is needed to digitally drive booking.

***Airline Co-Op Ad Programs:*** The City would leverage existing relationships that both Brand USA and Visit California have with international airline partners to craft both trade and consumer promotional campaigns. This could include special fare deals, sweepstakes, co-promotional media and broadcast campaigns, and co-hosted Sales Missions.

The funding for this effort will leverage partnership with Visit California and Brand USA, primarily through the ability to access their in-country staff experts and purchase media at rates highly discounted over “going it alone”. Monterey and Santa Cruz counties will also support the campaign financially, since their attractions benefit from international travelers to SJC. In China, Airbnb will also be a partner.

The International Air Service Destination Marketing Program will be managed through an agreement with Team San Jose, in partnership with the Airport Department and the Office of Economic Development. The effort will be led by Team San Jose’s Vice President of Marketing, who has extensive experience securing increased air service sales through this type of targeted promotion effort through prior work with Visit Florida.

Team San Jose will develop a detailed Destination Marketing Program that includes key Performance Indicators to track return on public investment. The Performance Indicators will include site and landing page traffic search analytics; reach, open, and click through rates; total bookings (percentage increase over average); and increase in route searches.

The City anticipates the following major budget items and amounts, but will remain flexible in the use of funds to accommodate changes within the marketplaces and partnerships.

	FY 2016-2017	FY 2017-2018
<b>China</b>		
In-Market Representation with Brand USA's China Market Entry Program	\$225,000	\$225,000
Air/Paid/Social Media Programs and Partnerships	\$48,000	\$48,000
<b>Germany*</b>		
In-Market Representation	\$75,000	\$75,000
Air/Paid/Social Media Programs and Partnerships	\$77,000	\$77,000
<b>Total</b>	<b>\$425,000</b>	<b>\$425,000</b>

\*Germany as a market, is less expensive for representation and while both Visit CA and Brand USA offer partnerships, they do not underwrite representation as they do in China. The budgets above are only estimates and they may be adjusted once the actual agreements are negotiated.

### COORDINATION

This memo has been coordinated with Team San Jose.

/s/  
KIM WALES  
Deputy City Manager  
Director of Economic Development

/s/  
KIMBERLY J. BECKER  
Director of Aviation



JENNIFER A. MAGUIRE  
Senior Deputy City Manager/  
Budget Director