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Alaska Conversion Study 2006

Converting Inquirers into Alaska Visitors

Market Research for the Alaska Travel & Tourism Industry

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ATIA Releases Results of Conversion Study

Study Measures Effectiveness of 2006 Advertising Program

How effective is the ATIA's direct response advertising program in generating awareness, interest, and ultimately conversion of prospects into Alaska visitors? What is the effectiveness and cost efficiency of the individual direct response strategies in generating inquiries for the official State of Alaska Vacation Planner? Which advertising sources are the most effective and efficient? Answers to these and many more questions were uncovered in a marketing research study, *2006 Conversion Study*, conducted on behalf of the Alaska Travel Industry Association by GMA Research Corporation of Bellevue, Washington in late 2006.

The Alaska Travel Industry Association (ATIA) uses the annual Conversion Study to pinpoint the most effective and efficient advertising sources in converting responses in an effort to determine future direct response strategies. The study also attempts to assess the overall contribution of the selected magazine, direct mail, television, and other miscellaneous sources to total conversion for future planning. Conversion Study 2006 consisted of 17,001 randomly selected telephone interviews with a sample of roughly 300 requestors from each of sixty different sources. The basic categories and questions of the study remain constant to allow for comparisons, trends, and to track changes. Periodically new areas are added to keep up with changing times.

For 2006, as in years past, promotion of the free official State of Alaska Vacation Planner through business reply card (BRC) advertising in selected magazine publications was used to generate awareness, interest and, ultimately, conversion of prospects to Alaska visitors. Additionally, solicitation of responses through direct mail advertising using selected consumer lists was used to create new visitors.

The Conversion Study 2006 conducted on behalf of the Alaska Travel Industry Association seeks to measure the effectiveness and cost efficiency of converting responses from selected advertising sources into Alaska visitors.

Key objectives of the Conversion Study 2006 are to:

- Measure the effectiveness and cost efficiency of the 2006 program in converting inquirers to Alaska visitors.
- Determine inquiry response rate and visitor conversion rate.
- Measure cost per inquiry, cost per conversion, and Return on Investment (ROI) based on advertising costs, response, conversion rates and transportation costs.
- Compare reply-card visitor projections with actual visitation.
- Make specific media vehicle comparisons between the effectiveness and cost efficiency of the 2006 program versus prior programs.
- Establish conversion guidelines for use in future media and direct marketing strategy development.

Evaluation of a reply card advertising program's success involves analysis of performance on several characteristics. The 2006 Alaska Conversion Study analysis attempts to answer the following questions:

- How many inquiries did the advertising generate?
- What did it cost to generate those inquiries? (cost per inquiry)
- What percentage of those who inquired actually visited Alaska in 2006? (conversion rate)
- What did it cost to produce those conversions from inquiry to actual visit? (cost per conversion)
- What is the Return on Investment (per person) for each source, including and excluding transportation costs?

Number of Inquiries Increased Significantly in 2006

The total circulation of all 2006 sources combined was 38,980,730, which generated a total of 594,471 inquiries. The number of inquiries decreased slightly since 2002, but rebounded in 2006 with an 18% increase compared to 2005. The following table shows the number inquiries generated over the past five years:

Year	2006	2005	2004	2003	2002
Total Inquiries	594,471	502,479	506,734	546,822	559,561

The 2006 program generated the highest number of inquiries since 2002

Response Rate Continues to Increase

The Response rate is measured as a percentage of inquiries to circulation. The 2006 Vacation Planner was requested by 1.53% of those to whom it was made available through the various advertising media tested, an increase of 17% over 2005. Response rates for the past five years:

Year	2006	2005	2004	2003	2002
Response Rate	1.53%	1.31%	0.80%	1.70%	1.60%

Overall Conversion Rate Remains Consistent

Since the primary objective of the ATIA advertising program is to convert inquirers into Alaska visitors, the Conversion Rate is one of the key performance measurements. The conversion rate is the percentage of inquirers who actually visited Alaska, and is derived by dividing the number of visitor parties by the number of inquiries. The overall 2006 conversion rate for all sources combined is 16.11%, an increase of 10% from 2005.

Year	2006	2005	2004	2003	2002
Conversion Rate	16.1%	14.7%	15.6%	15.1%	14.0%

In 2006, the highest conversion rates are reported among requestors who already had definite plans to visit Alaska: 26% had already decided to go to Alaska and 20% had already been to Alaska and were planning to go again at the time they received the Planner. The 2006 conversion rate is highest in the West (18%); followed by the East (14%), the South (14%) and the Midwest (13%). More than one in three (36%) of the requestors who indicated on the BRC they were likely to visit Alaska in 2006 actually convert to 2006 Alaska visitors.

Inquirers converted to Alaska visitors at a rate of 16.11% in 2006

Delayed Effectiveness of Prior Year Programs

To provide an indication of the delayed effectiveness of prior year programs, requestors who did not visit in 2003 were interviewed again in 2006 to see if they visited in 2004, 2005, or 2006. The purpose was to determine a four-year conversion rate.

As a result, the total number of visitors generated by 2003 inquiries increased from 215,165 to 444,909 and the conversion rate increased from 15.1% to 31%. In comparison, the total number of visitors generated by 2002 inquiries increased from 215,316 to 420,282 and the conversion rate increased from 14% to 28%.

	FY 2003	FY 2002
% Convert in same year as inquiry:	15.1%	14.0%
% Convert in first year after inquiry:	7.7%	7.0%
% Convert in second year after inquiry:	6.7%	5.0%
% Convert in third year after inquiry:	6.0%	5.0%
Total visitor parties generated by inquiries:	171,119	155,660
Total visitors generated (2.6 avg. party size):	444,909	420,282
Four-year conversion rate:	31%	28%

Number of Visitors Generated Increase Significantly Compared to 2005

Overall, the sources tested generated 240,818 visitors to Alaska in 2006. This represents a sizable increase (28%) of 52,381 visitors from 2005 and the highest level since 2002. The total visitors represent 95,740 visitor parties with an average size of 2.5. Following is a comparison of visitors generated since 2002:

Year	2006	2005	2004	2003	2002
Total Visitors	240,818	188,437	213,843	215,165	215,316

The sources tested generated 240,818 visitors to Alaska in 2006, the highest number since 2002

Cost Efficiency Remains Consistent Over Time

The cost per inquiry, or the cost to generate each inquiry (advertising costs divided by number inquiries), for all sources tested is \$6.44, a small increase compared to \$6.23 in 2005. The overall cost per conversion, or the cost to generate each visitor (advertising cost divided by number of people), is \$15.89 per person, which is down slightly from 2005 (\$16.61). The cost per inquiry and cost per conversion since 2002:

Year	2006	2005	2004	2003	2002
Cost per Inquiry	\$6.44	\$6.23	\$7.05	\$6.80	\$6.66
Cost per Conversion	\$15.89	\$16.61	\$16.70	\$17.27	\$17.31

Return on Investment Consistent Over the Past Three Years

The Return on Investment (ROI) is another key measurement component in determining the overall effectiveness of the program as well as the individual sources. Those that visited Alaska in 2006 were asked how much their immediate party spent on their Alaska trip, and the ROI is then derived by dividing the total trip expenditure by the advertising cost. The ROI is the dollar amount returned for every \$1 spent by the program. The overall return on investment for all 2006 sources combined is \$168.19 per visitor, a decrease from 2005 but higher than the previous four years. ROI since 2002:

Year	2006	2005	2004	2003	2002
Return on Investment	\$168.19	\$174.54	\$160.25	\$116.91	\$122.88

Visitor Behavior Insights

Those inquirers that visited Alaska in 2006 were asked a variety of questions in an effort to gain insight into their travel behavior and to better understand how to market Alaska most effectively. A total of 2,522 visitors were interviewed. Insights include:

- Consistent with previous studies, the majority of 2006 visitors generated from the Planner fulfillment program visit Alaska primarily for pleasure purposes (91%). Far fewer visitors go to Alaska to visit friends and/or relatives (7%) or for business purposes (2%).
- Overall, 16% of visitors to Alaska in 2006 indicate visiting friends and relatives was either the primary reason or a very important reason for their trip.
- Among those who converted in 2006, more than half (54%) of the reservations for 2006 travel occurred from January 2006 through July 2006. One in five (22%) reservations occurred in 2005. One in ten (11%) didn't make any reservations.
- Consistent with previous studies, the most popular time to visit Alaska in 2006 was during the summer months of July (31%), June (30%), and August (28%). The months immediately preceding and following these three months, May (13%) and September (15%), also exhibit visitor activity.
- Among visitors who reserve their trip in advance of travel, half (50%) travel within four months of their reservation date. One in six (17%) travel within one month of their reservation date; one in three (34%) travel two to four months and 39% five to eight months from the time of booking. Only one in ten (10%) report booking their Alaska vacation nine months or more in advance of travel.
- Visitors traveling by cruise tend to book farther in advance than any other traveler; three in five (60%) book five months or longer before traveling. Conversely, about the same proportion (58%) of those traveling by air book four months or less from their travel date. Nine in ten (93%) visitors traveling by private vehicle/RV book their vacation within six months of departure.

- The average party size for all sources combined in 2006 is 2.5. Average party size since 2002:

Year	2006	2005	2004	2003	2002
Average Party Size	2.5	2.5	2.7	2.6	2.7

- Three of five (61%) visitors generated from the sources tested in 2006 purchased all or a portion of their travel arrangements such as lodging, sightseeing trips and tours before arriving in Alaska. Another 16% did not purchase any package trip in advance, but did buy some sightseeing and/or organized activities once in Alaska. One in five (21%) visited Alaska completely on their own with no advance travel package and purchased no sightseeing or organized activities after arriving in Alaska.
- On average, visitors that did not take a cruise in 2006 spent 16 nights total in Alaska, with three in four (74%) spending eight nights or more. Cruise visitors in 2006 spent an average of 6.6 nights on a cruise ship (6.9 in 2005), while spending 3.7 nights on land compared to 3.1 nights in 2005. Those that spent seven nights or more on land increased from 9% in 2004 and 23% in 2005, to 25% in 2006. The amount of Cruise visitors that did not spend any nights on land continues to decrease. Two in five (39%) of all cruise visitors spent no nights on land in 2006, compared to 45% in 2005 and 80% in 2004.
- The highest proportion of 2006 visitors mention visiting Anchorage (70%), while half or more visited Juneau (57%), the Inside Passage (56%), Skagway (54%), Ketchikan (53%), and Mt. McKinley/Denali (53%).
- Half or more of visitors engaged in one or more of the following activities while in Alaska: “took a sightseeing/city tour” (74%), “visited a native cultural attraction” (68%), “stayed in a hotel/motel” (55%) and “took a motor coach tour” (50%). Fewer than 50% of visitors participated in the remaining 20 activities tested.
- Of all visitors in 2006, three in ten (29%) were repeat visitors, the lowest proportion in the last five years:

Year	2006	2005	2004	2003	2002
First Trip	71%	60%	62%	68%	62%
Repeat Visitor	29%	40%	38%	32%	38%

- The average per person expenditure for visitors 2006 Alaska vacation was \$4,883. The average per person transportation cost was \$773.
- Of 2006 visitors, 48% are male and 52% are female. The average age is 60.4.