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Alaska Conversion Study 2008

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 2008 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, *2008 Conversion Study*, conducted on behalf of the Alaska Travel Industry Association by GMA Research Corporation of Bellevue, Washington in late 2008.

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 2008 consisted of 20,000 randomly selected telephone interviews with a sample of roughly 300 requestors from each of sixty-three 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 2008, 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 2008 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 2008 are to:

- Measure the effectiveness and cost efficiency of the 2008 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 2008 program versus prior programs.
- Establish conversion guidelines for use in future media and direct marketing strategy development.
- Pinpoint the most effective and efficient sources for selecting future direct response strategies.
- Assess overall contribution of various sources to total conversion for future planning.

Evaluation of a reply card advertising program's success involves analysis of performance on several characteristics. The 2008 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 2008? (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 in 2008

The total circulation of all 2008 sources combined was 39,240,879, which generated a total of 534,816 inquiries, a decrease of 5% compared to 2007.

The following table shows the number inquiries generated over the past five years:

Year	2008	2007	2006	2005	2004	2003	2002
Total Inquiries	534,879	563,915	594,471	502,479	506,734	546,822	559,561

Response Rate Continues to Increase

The Response rate is measured as a percentage of inquiries to circulation. The 2008 Vacation Planner was requested by 1.36% of those to whom it was made available through the various advertising media tested. Response rates for the past five years:

Year	2008	2007	2006	2005	2004	2003	2002
Response Rate	1.36%	1.34%	1.53%	1.31%	0.80%	1.70%	1.60%

Overall Conversion Rate for 2008 Significantly Higher

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 2008 conversion rate for all sources combined is 19.17%, significantly higher (23%) from the 2007 study 15.59%.

Year	2008	2007	2006	2005	2004	2003	2002
Conversion Rate	19.2%	15.6%	16.1%	14.7%	15.6%	15.1%	14.0%

Conversion rates are highest in the West (20%), followed by the South (16%), the Midwest (16%), and the East (15%). Conversion rates for each of the four regions have increased since 2007. The largest proportion of total conversions for 2008 occurs in the South (30%, the same as in 2007). The West (29%, down significantly from 2007 at 34%) is next, followed by the Midwest (28%, up significantly from 2007 at 22%). The smallest proportion of visitors continues to reside in the East (15%).

Requestors reporting the highest conversion rates have already decided to go to Alaska. The highest conversion rates are found among those who at the time the Planner was requested had “already decided to go to Alaska” (28%) or “already been to Alaska; planning to go again” (28%). Past Alaska travel experience also has a positive affect on conversion, with those who have “already been to Alaska and just wanted to see the literature” converting at a rate of 16%.

Those who were “trying to decide where to go on vacation” converted at a rate of 11%, while those who don't recall receiving the literature converted at a rate of 5%. Requestors who “had no travel plans and just wanted to see the literature” report a very low conversion rate of 4%.

Inquirers converted to Alaska visitors at a rate of 19% in 2008

Delayed Effectiveness of Prior Year Programs

Non-visitors from 2005 convert to visitors in 2008 at a rate of 9.0%. This brings the total number of visitors generated by all 2005 sources to 566,168 with a four-year conversion rate of 45%. This is an increase over the four-year conversion rate of 34% of the 2004 year program, and 31% of the 2003 program.

	<u>FY2005</u>	<u>FY 2004</u>	<u>FY 2003</u>
% Convert in same year as inquiry:	14.7%	15.6%	15.1%
% Convert in first year after inquiry:	13.67	6.7%	7.7%
% Convert in second year after inquiry:	7.7	6.3%	6.7%
% Convert in third year after inquiry:	9.0	5.7%	6.0%
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Total visitor parties generated by inquiries:	226,467	173,771	171,119
Total visitors generated:	566,168	451,805	444,909
Four-year conversion rate:	45%	34%	31%

Number of Visitors Generated Increase Significantly

Overall, the sources tested generated 270,618 visitors to Alaska in 2008. This represents a sizable increase (18%) of 41,311 visitors from 2007 and the highest level since 2006. The average party size for all sources combined in 2008 is 2.6, the same as 2007 (2.6).

Following is a comparison of visitors generated since 2002:

Year	2008	2007	2006	2005	2004	2003	2002
Total Visitors	270,618	229,307	240,818	188,437	213,843	215,165	215,316

The sources tested generated 270,618 visitors to Alaska in 2008, the highest number recorded

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 combined is \$7.81, down from 2007 (\$8.45). The overall cost per conversion (including fulfillment) for all 2008 sources combined is \$15.43

per visitor, a significant decrease compared to 2007 (\$20.77). The cost per inquiry and cost per conversion since 2002:

Year	2008	2007	2006	2005	2004	2003	2002
Cost per Inquiry	\$7.81	\$8.45	\$6.44	\$6.23	\$7.05	\$6.80	\$6.66
Cost per Conversion	\$15.43	\$20.77	\$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 2008 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 2008 sources combined is \$178.66 per visitor, a significant increase from 2007 (\$137.20). ROI since 2002:

Year	2008	2007	2006	2005	2004	2003	2002
Return on Investment	\$178.66	\$137.20	\$168.19	\$174.54	\$160.25	\$116.91	\$122.88

Visitor Behavior Insights

Those inquirers that visited Alaska in 2008 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. Insights include:

- The majority of 2008 visitors generated from the Planner fulfillment program visit Alaska primarily for pleasure purposes (90%), which is slightly higher than in 2007 (89%).
- Far fewer visitors go to Alaska to visit friends and/or relatives (5%) or for business purposes (3%).
- Among those who mention they visited Alaska primarily for pleasure or business purposes, 17% respond they also visited friends and/or relatives while in the state, including 36% of those on business trips and 16% of those on pleasure trips.
- Overall, 14% of all visitors to Alaska in 2008 indicate visiting friends and relatives was either the primary reason or an important (5-6-7 rating) reason for their trip, a slight decrease from 17% in 2007.
- About half (52%) of the bookings for 2008 travel occurred from January 2008 through July 2008. One in five (22%) reservations occurred in 2007. Less than one in ten (7%) did not make any reservations.

- Over half (59%) of 2008 visitors traveled within four months of their reservation date. One in four (24%) travel within one month of their reservation date; one in three (35%) travel within two to four months and 36% five to eight months from the time of booking. One in ten (10%) report booking their Alaska vacation nine months or more in advance of travel.
- As in previous years, the most popular time to visit Alaska in 2008 was during the warm weather months of July (26%), August (26%) and June (25%). The months immediately preceding and following these three months, May (13%) and September (14%), also exhibit significant visitor activity. Very few report visiting Alaska during the other months of the year.
- The average party size for all sources combined in 2008 is 2.6, the same as 2007 (2.6). Average party size since 2002:

Year	2008	2007	2006	2005	2004	2003	2002
Average Party Size	2.6	2.6	2.5	2.5	2.7	2.6	2.7

- Of all visitors in 2008, one in three (31%) were repeat visitors, a slight decrease from 33% in 2007. Average of all visitors since 2002:

Year	2008	2007	2006	2005	2004	2003	2002
First Trip	69%	67%	71%	60%	62%	68%	62%
Repeat Visitor	31%	33%	29%	40%	38%	32%	38%

- Of those visitors purchasing most of their travel arrangements before departure, 31% entered and exited Alaska by air and 69% entered or exited by cruise ship.
- Among those who purchased travel arrangements while in Alaska, 68% traveled in and out by air, 20% traveled in or out by private vehicle or RV. Only 7% traveled in our out by cruise ship.
- Among visitors who indicated on their BRC they planned to travel to Alaska by air, 62% actually entered and exited the state by air, while another 31% sailed in or out by cruise ship. 64% of those who indicated on their BRC they intended to travel by cruise actually sailed in and out of Alaska, with 30% entering and leaving the state by air.
- Three in five (59%) of the visitors generated from the sources tested in 2008 purchased the majority of their travel arrangements such as lodging, sightseeing trips and tours, before arriving in Alaska. Another 11% did not purchase any package trip in advance, but did buy some sightseeing and/or organized activities once in Alaska. One in four (26%) visited Alaska completely on their own, without purchasing an advance travel package or any organized activities while in Alaska.
- Alaska visitors that did not take a cruise spent an average of 14.7 nights in Alaska in 2008, compared to 15.3 nights in 2007. By comparison, cruise visitors spent an

- average of 7.3 (7.0 in 2007) nights on a cruise ship and 3.9 (3.5 in 2007) nights on land during their Alaska trip. Two in five (38%) of those who took a cruise spent no nights on land, compared to 44% in 2007.
- Visitors are asked which cities or specific destinations they visited while in Alaska during 2008. The highest proportion mention visiting Anchorage (63%). The other most frequently mentioned cities or specific destinations are Juneau (51%), Ketchikan (46%), Mt. McKinley/Denali (43%), The Inside Passage (43%), Skagway (42%), Glacier Bay (37%) and Fairbanks (36%).
 - Visitors are asked whether they engaged in 28 different activities while visiting Alaska in 2008. Visitors engaged in one or more of the following activities: “took a sightseeing/city tour” (62%), “visited a native cultural attraction” (52%), “stayed in a hotel/motel” (46%), “took a motor coach tour” (37%), and/or “took a day cruise” (33%). The remaining 23 activities scored less than 33%.
 - Overall, nearly eight out of ten (77%) of those who first visited Alaska on a prepaid package trip did so again in 2008. Three-fourths (76%) of those who visited on their own in the past also visited in the same manner this year.
 - Prior visitors to Alaska describe their first trip as either a Cruise (37%), Sightseeing Trip (16%), or a Fishing Trip (15%).
 - Of those who primarily visited friends or relatives in 2008, four in ten (40%) did the same on their first trip to the state, compared to 53% in 2007.
 - Of all visitors in 2008, 50% are male and 50% are female. The average age is 61.2.