

TOURISM PROCUREMENT EXEMPTION Annual Report

Pursuant to:

Economic Development Article §4-107

Submitted by:

Maryland Department of Commerce

January 2024

DIVISION OF MARKETING, TOURISM & THE ARTS PROCUREMENT EXEMPTION REPORT

Executive Summary

The Division of Marketing, Tourism, and The Arts (Division) entered into two cooperative marketing agreements in Fiscal Year 2023 under Commerce's tourism procurement exemption authority. This authority exempts Commerce from some of the requirements of state procurement law regarding certain marketing activities related to the promotion of tourism.

Under this authority, Commerce contributes no more than 50 percent of total project costs. This has been a great opportunity for the State to pay less for more products/services and receive increased economic benefits. The attached chart describes each project in terms of actual dollar amounts committed, and below is a summary of the projects covered under the tourism procurement exemption. All cooperative marketing projects under this exemption were reviewed by the Department's Assistant Attorney General and approved by the Secretary of Commerce or designee prior to implementation.

Capital Region USA

The Capital Region USA (CRUSA) is a non-profit tourism coalition comprised of and funded primarily by the Maryland Office of Tourism, the Virginia Tourism Corporation and Destination DC, with significant support from the Metropolitan Washington Airports Authority. CRUSA strives to increase awareness and visitation to generate positive economic impact to the region from selected international markets by implementing marketing programs and public/private sector partnerships.

Formed in 1991, CRUSA has created a strong, unified marketing effort to attract the lucrative overseas visitor from our primary markets of the United Kingdom and Germany, our secondary markets of France, Mexico and Brazil, and the emerging market of China, by combining limited marketing funds from each partner. Investments by each partner funded a fully integrated, professionally managed international marketing campaign with a budget of \$3.2 million representing a leverage factor of 2 to 1. CRUSA generated \$1.7 million in cash and in-kind contributions to support its marketing programs from corporate sponsors, grants, tour operator partners and suppliers across the region.

Increasing Awareness:

- As international consumers began to travel to the United States, CRUSA continued to work with overseas tour operators to educate in all four CRUSA markets including 227 sales calls and 339 training sessions were held for travel agents.
- CRUSA's overseas representatives in China, the United Kingdom, Germany, France, and Brazil distributed approximately 44,955 print holiday guides to travel, trade, media, and consumers. In addition, there were 1,255 downloads of the e-Guide across all languages.

- In FY 2023, CRUSA continued enhancing a content optimization strategy to boost ongoing digital marketing efforts. CRUSA focused on a customized content marketing approach (a smart balance of paid and organic traffic) to complement the traditional search engine marketing (paid traffic) campaigns. The goal was to incrementally improve organic performance and user engagement on the site — which is demonstrated in many of the following metrics: 22% increase in organic traffic, 8% decrease in bounce rate, a 13% increase in pages per session, and nearly 30% increase in session duration.
- In FY 2023, 2,200 consumer e-newsletters were delivered to subscribers, 1,200 social media posts were shared with 145,000 followers across our channels and we hosted 25 travel media specialists. These media specialists generated positive coverage about the region with an Advertising Value Equivalency of \$10.8 million.

Maryland Association of Destination Marketing Organizations

The Maryland Office of Tourism entered into a cooperative marketing agreement with the Maryland Association of Destination Marketing Organizations (MADMO) to jointly produce an economic impact study to measure the effect of tourism spending at the county and State level. This study is vitally important for the State and the counties to demonstrate the impact of visitor spending and activity on Maryland and its jurisdictions. The cooperative agreement is with the Maryland Association of Destination Marketing Organizations, the Maryland Office of Tourism and the research provider, Tourism Economics. The 2022 Tourism Economic Impact Report reported the following:

Visitation increased 23.7 percent from 35.2 million in 2021 to 43.5 million in 2022.

- Business travel took 17.9 percent of the share, 7.7 million visitors, an increase of 57.1 percent.
- Leisure travel took 82.1 percent of the share, 35.7 million visitors, an increase of 15 percent.

The spending of Maryland's visitors increased 18.4 percent to \$19.4 billion from \$16.4 billion in 2021. It not only reached the 2019 level but also exceeded by 4.4 percent.

- Leisure visitor spending increased 17.8 percent.
- Lodging (overnight) spending increased 22.9 percent.
- Food and beverage increased 17.6 percent.

Tourism is the 10th largest private sector employer.

- 123,617 people employed in tourism with salaries of \$6.0 billion (increased 9.5 percent compared to 112,879 jobs in 2021).

\$2.3 billion in state and local taxes were generated by visitors – essentially saving each Maryland household \$999.

Tourism Procurement Exemption Report - Fiscal Year 2023

<u>Contractor</u>	<u>Term</u>	<u>Private Sector Investment</u>	<u>State Investment</u>	<u>Description</u>
Capital Region USA	10/5/2022- 6/30/2023	\$1,700,000	\$400,000	Promote awareness of Maryland and the Capital Region USA (Maryland, Virginia and Washington, D.C.) as an international visitor destination.
Maryland Association of Destination Marketing Organizations	5/19/2023 12/31/2023	\$34,450	\$34,450	Work to produce the Economic Impact of Tourism in Maryland.
Total		\$1,734,450	\$434,450	