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AUGUST 2010

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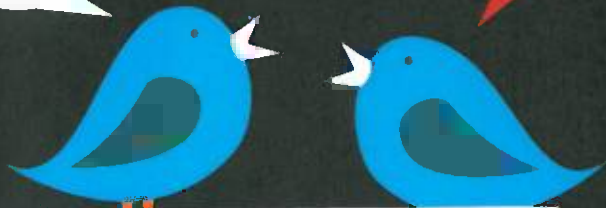
GOURMET CHEESE GOES
TO THE BIG APPLE

TOURISM

2.0

HOW SOCIAL
NETWORKS ARE
EXPANDING
WASHINGTON'S
\$14 BILLION
TRAVEL SECTOR

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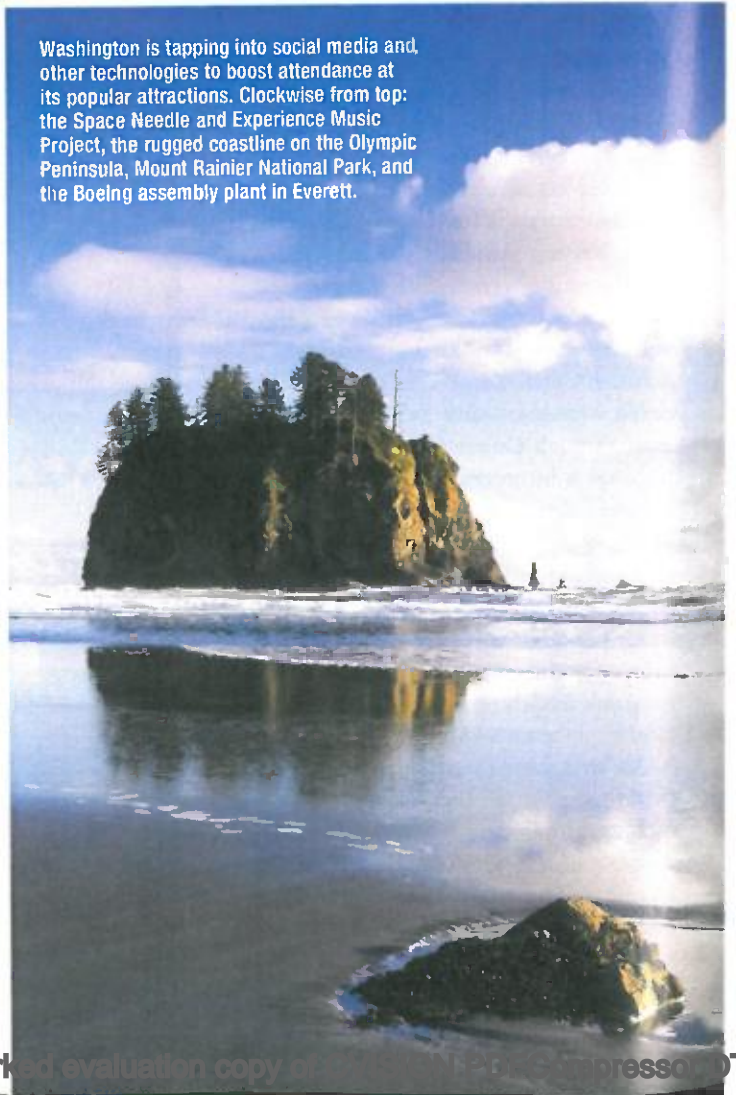
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TOM NORMAN
SEATTLE'S CONVENTION & VISITORS BUREAU
PRESIDENT & CEO
701 PIKE ST STE 800
SEATTLE WA 98101-2386



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Washington is tapping into social media and other technologies to boost attendance at its popular attractions. Clockwise from top: the Space Needle and Experience Music Project, the rugged coastline on the Olympic Peninsula, Mount Rainier National Park, and the Boeing assembly plant in Everett.

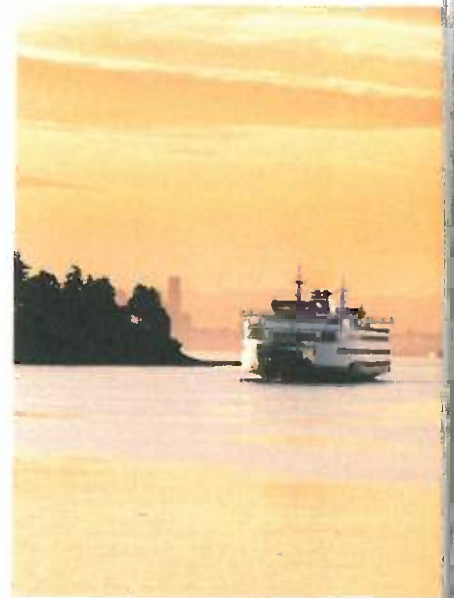


TOURISM



WASHINGTON
TURNS TO SOCIAL
NETWORKS
AND OTHER
INNOVATIONS
TO DRIVE A
\$14 BILLION
INDUSTRY.

BY BILL VIRGIN



WHEN THE FUTURE OF FLIGHT AVIATION CENTER & BOEING TOUR sent out an invitation via Twitter for its Aviation **Geekfest** at noon one day last December, it figured the 50 open slots would be grabbed up by the end of the day. ¶ Elapsed time to claim them all: 52 seconds. ¶ And it wasn't just locals who were clamoring for the spots, says Sandy Ward, marketing director for the Snohomish County attraction. Queries came from as far away as Portland, Denver and Chicago. ¶ That there would be such fervent interest in a special tour of Boeing's huge Everett plant isn't so surprising. The Future of Flight center draws 200,000 visitors a year. ¶ But what it does illustrate is a new era for the tourism industry generally and for Washington's in particular, a new way of getting information to potential visitors, a new way of connecting and communicating with them, and a potentially powerful way of converting the curious into paying customers. And how well Washington's tourism industry masters those technologies and techniques matters not only to that sector but also to the state's entire economy. >>>>>>>

OPPOSITE: SPACE NEEDLE; APOSTROPHE PRODUCTIONS, COURTESY OF BOEING

Tourism may be hard to define precisely—aside from the obvious components such as hotel stays, it can include everything from museums to golf courses, wineries, sports venues and shopping malls, and everyone from locals out for a day trip to visitors from outside the United States here for a couple of weeks.

Whatever the exact size the tourism industry actually is, it's big. An economic impact study prepared for and released by the state Department of Commerce says tourism accounted for \$14.2 billion in spending last year, as well as \$1 billion in state tax revenue and 147,600 jobs (3 percent of the state's total employment). The value of Washington's tourism "exports" was greater than that for both micro-electronics and wood products. Tourism is also significant for the companies that have grown up here, from Alaska Air Group to Holland America Line to Expedia.com.

Tourism is a big deal for the Seattle-

Puget Sound region as well. Seattle's Convention and Visitors Bureau preliminary numbers for 2009 show 8.8 million visitors spending \$6.8 billion while visiting the city and King County. The numbers for 2009 are down from 2008, although the Seattle tourism bureau says it's expecting a rebound in 2010.

But such fluctuations are typical of a highly cyclical industry that can be helped or hindered by everything from regional, national or global recession to fuel prices for cars and planes, currency exchange rates that influence whether Washingtonians are spending the weekend in British Columbia or Canadians are coming down here, even border security issues that cause delays. "We can almost look backward every five or six years [and see] you're going to go through a cycle of overbuilding of hotels and economic downturns," says Tom Norwalk, president and chief executive of Seattle's Convention and Visitors Bureau.

DRAWING POWER

AS NICHE TOURISM BECOMES THE NORM, WHY NOT TAKE AN ENERGY TOUR IN THE STATE?

F

Food tourism is growing in popularity among travelers who want to visit the farms and producers that grow, raise or manufacture what winds up on their dinner plate. So why shouldn't you be able to visit the place that produces something almost as significant in your life—electricity?

On a windswept hillside 16 miles east of Ellensburg stands Puget Sound Energy's Renewable Energy Center, where visitors learn about wind and solar power as well as gaze out on some of the 149 wind turbine and solar-panel arrays scattered across the nearby ridges. Close to the wind turbines, visitors get a much better sense of how massive these structures are—351 feet to the tip of the blade when extended vertically.

The visitor center opened in April 2008 and Puget Sound Energy expects to pass the 50,000 visitor mark this summer. It's also popular with school tours, hosting more than 75 a year.

Wind may be a growing part of the Northwest's energy portfolio, but its foundation has long been hydropower, and tourists can get a close look at the Chelan County Public Utility District's Rocky Reach Dam on the Columbia River, which includes a museum and viewing balconies for the powerhouse, spillway, fish ladders and the dam itself. Nearly 50,000 people visited Rocky Reach in 2009.

Or tourists could head up the road and the river to the giant of hydropower, Grand Coulee, where they can take a tour of the powerhouse (including a ride on a steeply inclined elevator, outfitted with lots of glass windows, that climbs and descends the concrete face of the powerhouse). On summer nights, they can see a laser show projected on a screen of water pouring down the face of the dam.

One long-standing and popular way for the public to see electricity being made is no longer available, at least this year. Citing budget constraints, Seattle City Light canceled the tours of its Skagit River facilities.

—Bill Virgin



The Future in Social Media

As the tourism industry recovers from a particularly nasty down cycle, the focus shifts to longer-term issues and trends. At the top of the list is figuring out who the industry's potential customers are, what they want and how to get information to them.

What the industry is finding is that the travelers of today—and tomorrow—are not like their predecessors, at least when it comes to finding places to visit.

"Travelers are a lot more knowledgeable about tourism products and prices due to increasing utilization of the internet," says Dogan Gursoy, a professor in the School of Hospitality Business Management at Washington State University. "They know what they want and also they know what is available in the market at what price," he says.

Visitors may still look at brochures, advertisements and websites, but increasingly, they're turning to social media sites. Gursoy predicts that trend will grow. "Most hospitality and tourism products are experiences," he says. "You cannot try the product before you buy it. In order to lower the risks associated with a vacation decision, travelers heavily rely on word of mouth [WOM] and recommendations of their friends and relatives. In the future, social media are likely to replace the face-to-face WOM behavior."

That's where much of the innovation is at Bellevue-based online travel site Expedia Inc., whose social networking sites, including TripAdvisor and Cruise Critic, draw tens of millions of visitors. "It's all based on the idea of travelers telling each other unvarnished, unedited opinion," says Expedia CEO Dara Khosrowshahi.

Tourist organizations that don't have the resources of Expedia to create or buy their own niche networking site but still don't want to be left out of the conversation are following their customers onto popular social media sites like Facebook and Twitter.

"We're doing all of that because the cost of participating in social media is somewhat limited," says Amy Spain, executive director of the Snohomish County Tourism Bureau. The bureau

is still taking the traditional marketing approaches of travel-magazine ads, brochure distribution and media relations because people still use those channels and because not all the new approaches work. "We attempted initially to put up a blog," Spain says. "We really didn't have a lot of traffic," and eventually the bureau pulled the plug on it.

But with others, the trend is clear that social media are where the audience is. Says Spain, "What really gave us the shot in the arm to expand into more social media was that we attended a wedding show in January. The brides, who for the most part are a younger age group, came to our booth and asked not for our website but for our Facebook page. That's where they wanted to get the information. We came back from that show and started contacting our wedding venues to say, 'OK, this is what they want. This is how they're getting their information, not only direct from you as a venue. They want to see comments that other clients are posting to your Facebook pages.'" At the same time, the bureau is seeing a long-term decline in visits to its brick-and-mortar visitor centers.

What particularly appeals to travelers about social media as an information-gathering tool is its immediacy and the capacity for feedback. "The most important word in there is 'social,'" says the Future of Flight's Sandy Ward. "Some use it as a broadcast device. We use it as a listening device." Ward monitors Twitter feeds and if she spots a posting from someone who is at the center, she'll go meet with him or her and take the visitor's picture. "Being able to talk to you is what's important," she observes. So is being friendly and responsive "in real time," instead of sending a brochure and hoping for a response.

The immediacy of social media and mobile communications, Gursoy notes, matters to those who "want to be in more control of their travel activities. They want to be able to change their plans at the last minute without penalties. As a result, they wait till the last minute to make their travel arrangements. In the future, it is likely that more and more travelers will wait till the last minute to make their vacation decisions. Since they

"The brides, who for the most part are a younger age group, came to our booth and asked not for our website but for our Facebook page. That's where they wanted to get the information."

— Amy Spain, executive director of the Snohomish County Tourism Bureau

TOURISM IN PERSPECTIVE

The **TOP 5 COUNTIES** in Washington for travel- and tourism-related spending, ranked by the amount of revenue generated.

COUNTY	EARNINGS (\$ MILLIONS)			
	TOTAL REVENUES	TOURISM/TRAVEL	TOURISM/TRAVEL PERCENT OF TOTAL	EMPLOYMENT IN TOURISM/TRAVEL
KING	\$103,490.7	\$2,241.6	2.2%	53,410
SPOKANE	\$11,807.2	\$274.7	2.3%	10,110
PIERCE	\$19,805.6	\$231.6	1.2%	11,270
SNOHOMISH	\$17,253.1	\$203.2	1.2%	9,610
WHATCOM	\$4,702.4	\$117.3	2.5%	6,620

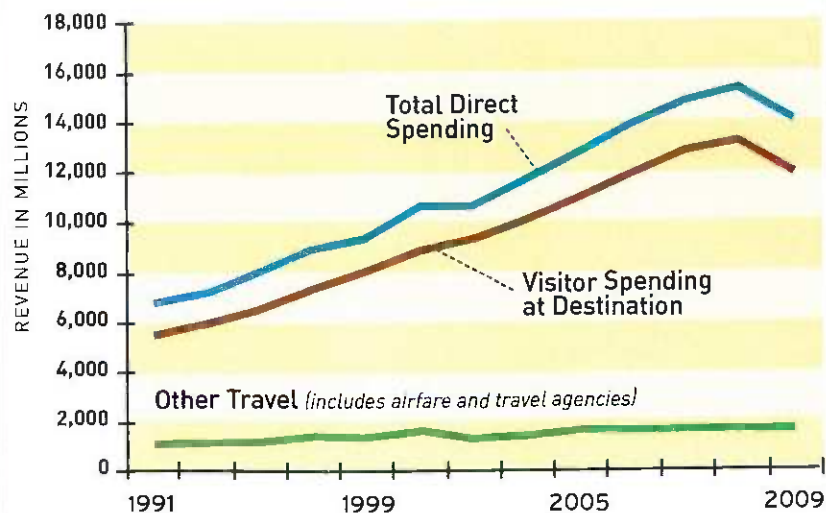
And the **TOP 5 TOURISM-DEPENDENT COUNTIES**, ranked by the percentage of total revenues that is related to travel or tourism.

COUNTY	EARNINGS (\$ MILLIONS)			
	TOTAL REVENUES	TOURISM/TRAVEL	TOURISM/TRAVEL PERCENT OF TOTAL	EMPLOYMENT IN TOURISM/TRAVEL
SAN JUAN	\$295.5	\$42.7	14.5%	1,740
SKAMANIA	\$102.3	\$14.1	13.8%	700
PACIFIC	\$297.6	\$31.1	10.5%	2,010
GRAYS HARBOR	\$1,256.5	\$82.7	6.6%	4,850
JEFFERSON	\$463.2	\$28.7	6.2%	1,580

Source: Dean Runyan Associates, Bureau of Economic Analysis and Bureau of Labor Statistics. Total earnings and employment for 2007 estimated by Dean Runyan Associates from 2006 earnings and employment data from the Bureau of Economic Analysis and 2007 payroll data from the Bureau of Labor Statistics.

A RISING TIDE

Washington state revenues generated by tourism and travel have steadily risen over the past 20 years.



Fangs for the Memories!

WHILE BASKING IN *Twilight* TOURISM, FORKS CONSIDERS ITS POST-VAMPIRE FUTURE

On a summer Sunday afternoon, the Forks Timber Museum is closed—not that anyone other than a few older men peering in at some of the vintage logging equipment have noticed. All the action is next door at the Forks Visitor Information Center where throngs—mainly teenage girls trailed by their parents—are collecting maps, brochures and information about *Twilight*.

Forks didn't do anything to get itself included in the *Twilight* universe of books and movies about teen vampires and werewolves. Author Stephenie Meyer didn't visit Forks before writing her first book, instead choosing it for its rainy climate.

But Forks is making the most of it. Parked in front of the visitor center is an old red pickup similar to the truck Bella drives in the books. Maps guide visitors to the high school and other sites. The town even moved the "Welcome to Forks" sign from an embankment to a more accessible location.

Diane Schostak, executive director of the Olympic Peninsula Visitor Bureau, says businesses learned to put at least a sign for *Twilight* in the window, lest they run the risk of having visitors pass by.

"It's pennies from heaven right now," says Schostak.

But for how long? Schostak says tourism officials are already planning for the post-*Twilight* era.

It's not as though the region didn't have any attractions before, starting with the more than 900,000 acres of Olympic National Park, the rugged coastline and the rainforest.

The hope is that many of those teens visiting because of *Twilight* will want to return to the region because of the natural attractions.

Making that transition will be merely the latest chapter for a former timber economy.

Says Schostak, "We all [once] talked timber, but now we talk *Twilight*."



want to be in control, they want business to offer a wide variety of experiences that they can choose. They do not want to buy a set of fixed activities."

Tourist organizations that want to connect with those travelers will have to tailor their services to the mobile world. "Smart phones are taking over," Spain says.

Finding a Niche

Beyond the issue of information access is the matter of what attractions and activities those travelers are interested in. That, too, is changing.

The tourism industry, Gursoy says, "will have to change to cater to the needs of an aging population and younger cohorts. The types of products and experiences older and younger groups want are significantly different." While older generations are looking for vacations that feel more like adventures and include new experiences, their activity level tends to be lower than younger generations and they don't want to give up some of the creature comforts while having those new experiences. One major trend for older generations is spa and golf vacations, he says, while another is more baby boomers traveling with their grandkids. Yet another issue is that as boomers age, they require more medical attention. The tourism industry needs

to start thinking about accommodating them.

Meanwhile, younger travelers are "willing to try everything at least once," Gursoy adds. "They want customized products that will satisfy their needs. They want products that are high tech, environmentally friendly, chic, fashionable. They do not want your typical hotel room. They want a room that makes them feel at home. While they want to experience the nightlife, they also want to experience the nature and the culture. They are a lot more diverse and open minded than their parents. A destination may be able to go after both groups but the destination may need to clearly brand their offerings."

The single most successful industry in this respect is the cruise industry, which has adapted its experiences so that it now offers all of the above: fun activities for the grandchildren, exercise rooms and yoga for the health-conscious, fine dining and wine, and medical attention for the aged. Cruise ships made 2,180 calls in Seattle last year, bringing in 423,000 passengers and generating \$312 million in business revenue to the local economy.

But for the most part, it's hard for destinations to please everybody. More often, tourism increasingly involves a wide range of niche activities and attractions that must be marketed to specific

interest groups. The fragmentation of the market doesn't make it necessarily easier for travel marketers, Norwalk says, but it does make it easier to identify potential visitors. "We have to be very segment- and niche-oriented to compete," he says.

Seattle is well ahead on the concept of niche marketing. For example, the visitor bureau's website includes a tab for information for gay and lesbian tourists, a large niche market who will spend an estimated \$84 billion nationally on travel this year. While Seattle has the second-highest percentage of openly gay residents in the country, it has a far lower share of the gay travel market. To tap that opportunity, the Greater Seattle Business Association, the nation's largest lesbian, gay, bisexual and transgender chamber of commerce, has partnered with Alaska Airlines to launch Travel Gay Seattle, a website that serves as a one-stop online shopping destination for travel planning. "Tourism is instant stimulus," says Jerome Bader, the association's director of marketing, "and 20 percent of our member businesses are directly involved in hospitality."

Norwalk also notes the growth of "voluntourism," in which visitors take time for community service projects, often as part of a convention or meeting in town. "It's a whole new area of tourism Seattle lends itself to very well," he says. Another potential niche market: winter sports.

A component of niche marketing is clustering—having enough of certain attractions to appeal to people interested in that activity, such as the concentrations of wineries in the Woodinville area, the Yakima Valley or Walla Walla—which helps draw tourists.

Snohomish County's clustering strategy is focused, not surprisingly, on aviation. In addition to the Future of Flight and Boeing Tour, the area has the Museum of Flight's restoration center, Paul Allen's Flying Heritage Collection, the Historic Flight Foundation and Legend Flyers (who build replicas of the Messerschmitt 262), all concentrated at Paine Field.

The parallel analogy in retailing, Spain says, is the combination of anchor tenants, such as national department store

WHERE EAST MEETS WEST

A BOOMING WINE TASTING REGION CREATES A NEW TOURIST DESTINATION. By Shannon Borg and Leslie Kelly

While many winemakers are embracing social media, they still require a physical location—preferably near major population centers—where they can bring their customers to taste their wines. In the past five years, the number of wineries and tasting rooms in Woodinville has grown from a dozen to more than 50 as more and more wineries from eastern Washington set up shop just 30 minutes from downtown Seattle. Not only has this expansion brought the wines closer to big population centers, but it's also created a new destination for tourists.

THE SHOWPLACES

CHATEAU STE. MICHELLE has been an iconic landmark since 1976. Its annual concert series has become one of summer's hot tickets and its beautiful grounds a favorite spot for warm-weather picnics. Beneath the chateau's stately tasting room are its vast production facility and barrel rooms. >> At **JANUIK/NOVELTY HILL**, everything in this beautiful building screams modern, from the state-of-the-art production facility to the crisp, clean lines of the tasting room and the minimalist courtyard. This newcomer to the neighborhood has received raves and awards for its architecture. >> **THE COLUMBIA WINERY** could easily be nicknamed "the house David Lake built," as the late winemaker established a legacy of quality during his 20-plus years crafting premium varietals and the state's first vineyard-designated varietals. After a facelift in 2009, Columbia's tasting room has warmed up with armchairs surrounding a freestanding fireplace.

THE WAREHOUSE DISTRICT (144th Ave. N.E.)

Home to more than 30 tasting rooms, many with production facilities on site. The district's utilitarian spaces have been transformed into rooms with attitude. Music is cranked up in many spots on weekends, when most tasting rooms are open. On Third Thursday Wine Walks, a \$25 ticket covers sipping and snacks throughout the sprawling complex, which is also home to flooring companies, plumbers and construction crews. Established vintners **GORDON BROTHERS** and **MATTHEWS CELLARS** have opened tasting rooms here in the past year, but also look for many startups.

THE SCHOOLHOUSE DISTRICT

Just a half mile east of Chateau Ste. Michelle, the old Hollywood schoolhouse and surrounding area are becoming a central stop for wine tasting. In the past two years, a dozen wineries have built mini tasting rooms in the Schoolhouse District, including **ALEXANDRIA NICOLE**, **J. BOOKWALTER TASTING STUDIO**, **PEPPER BRIDGE/AMAVI** and **LONG SHADOWS**.

The Woodinville area is also snaked with winding roads through stands of trees and patches of farmland. Along some of these routes, many small wineries feel like secret finds. If you know where to locate them, these wineries might reveal another layer in the growing world of Woodinville wine touring. Some good bets include **WOODINVILLE WINE CELLARS**, **DISTEFANO WINERY**, **WOODHOUSE FAMILY CELLARS**, **ADAMS BENCH** and **JM CELLARS**.



Woodinville has become a center for eastern Washington wineries to set up tasting rooms close to Seattle.

chins, and smaller stores in a shopping mall. "There becomes critical mass," she says. "The [aviation] collections and facilities are different. They're not duplicate stores where you can get the same thing and same experience at each of them. They all have different collections and different ways of presenting different information. They are complementary."

Spain hopes the same clustering technique will work in another growing tourism segment—agriculture, including wineries, boutique distilleries, breweries, U-pick farms, food processors, markets and festivals. "What we're missing is that anchor tenant" such as the Tillamook Cheese factory in Oregon, Spain says. Snohomish County tourism officials have studied creating a year-round farmers market from which other ag attractions and activities can develop.

The Tri-Cities also hopes to build such a cluster around wine and food. Walla Walla and Yakima have already shown their ability to draw visitors to wine country. Now, the Port of Columbia has purchased 28 acres in Dayton to establish Blue Mountain Station, the world's first eco-friendly artisan natural and organic culinary center, where officials hope tourists will stop to watch the production of cheese, chocolate and other foods that traditionally accompany wine.

The Rise of Asia

While Washington tourism suffers from its distance from major population centers in the rest of the nation, it is well-positioned to capitalize on a much larger market, Gursoy notes. "Because of increasing income levels in Asian countries, more Asians are likely to visit Washington state. When they travel, Asians tend to look for places that will satisfy their needs." Many hotels don't, especially when it comes to food. For example, they prefer Asian-style breakfasts, which often include rice, but also, depending on the traveler's country of origin, include anything from fish and meats to miso soup.

"Business needs to understand the wants and needs of Asian travelers," Gursoy says. "For example, most Asians like

the idea of camping but most of them have not camped before. Developing a high-end camping and nature experience for Asians may be a good idea."

So while there are opportunities, there are also challenges. One is declining attendance at national and state parks, a trend cited in a state tourism strategic plan a few years ago. That's worrisome for Washington given how much of its tourism is based on its natural attractions.

While locals are aware of the amenities of the outdoors, many travelers from out-of-state are not. "I think it is a branding and marketing problem," Gursoy says. "National and state parks need to work with local [convention and visitors bureaus] and local hotels to promote the outdoor activities and attractions."

National and state parks will need to find out what kind of outdoor activities and attractions those travelers want, however. "A one-size-fits-all approach is not likely to work anymore," Gursoy says.

Building that brand raises another long-running challenge for Washington tourism—funding for marketing.

Norwalk notes that travel-promotion funding is often the first thing to get cut in a recession, and tourism is also an easy target for political protests (think Arizona and immigration). That reaction reflects a deeper philosophy that travel is nonessential, even frivolous.

The state of Alaska took that approach when it reduced tourist promotion while at the same time boosting taxes on visitors arriving on cruise ships. The taxes prompted Holland America to divert some of its ships to Europe, a move that also hurt Seattle, which benefits mightily from visiting cruise passengers.

Norwalk doesn't want to see Washington similarly underestimating the importance of tourism. "What we're trying to do is really continue to help position travel as critical, important; it can be life changing. Culturally, it enriches what we do, and that's how we need to look at travel. ... We're going to have to figure out a way to tell that story, and really creatively promote what we have." SB

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