



**BRANDING STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Thursday, May 16, 2024, at 1:00 p.m.**

Virtual Meeting

MINUTES OF THE BRANDING STANDING COMMITTEE MEETING

MEMBERS PRESENT:	Blaine Miyasato (Chair), Sig Zane (Vice-Chair), David Arakawa, Mufi Hannemann, James McCully, Sherry Menor-McNamara
MEMBERS NOT PRESENT:	Dylan Ching
HTA STAFF PRESENT:	Daniel Nāho'opi'i, Jadie Goo, Ross Willkom, Maka Casson-Fisher, Iwalani Kūali'i Kaho'ohanohano,
GUESTS:	Jeffrey Eslinger, Kara Imai, Colin Wood, Ross Willkom, Tom Mullen, Eric Takahata, Mitsue Varley
LEGAL COUNSEL:	John Cole

1. Call to Order

Chair Miyasato called the meeting to order at 1:08 p.m.

2. Roll Call to Announce Name of Participating Board Members and to Identify Who Else is Present with Board Member if Location is Nonpublic

Mr. Willkom did the roll call, and members were confirmed in attendance by themselves. Mr. Ching was excused.

3. Opening Protocol

Mr. Casson-Fisher did the opening cultural protocol.

4. Approval of Minutes of the April 12, 2024, Branding Standing Committee Meeting

Mr. Hannemann made a motion to approve the minutes, and Mr. Arakawa seconded. Mr. Willkom did the roll call, and the motion passed unanimously.

5. Presentation and Discussion on the Tourism Landscape and HTA's Future Global Brand Marketing and Management Strategies

Mr. Nāho'opi'i spoke about the HTA's strategies guiding the branding and marketing decisions of the contracts, budget allocations, funding, etc. He would present ideas and concepts and let the Board members have discussions. Agenda 5 included the BMP approval process & timeline, research and audit, SWOT analysis, marketing strategies, and targets. He was hoping to have goals and targets set by the June meeting. The U.S., Canadian, and Japanese markets would also present some of their background insights and strategies they are working on.

The process they follow every year includes the following:

- May 16: Present Tourism Landscape & Marketing Strategies to BSCM; Receive Input
- June: Present Proposed Budget Allocation to BSCM
- June 27: Budget Allocation Approved by the Board
- Week of July 1: Issue BMP Directives/Outline/Budget Allocation to GMTs
- August 16: Receive BMPs
- Week of August 19: Brand Team's Feedback to GMTs
- Week of August 26: Receive Revised BMPs
- Week of September 2: BMP Presentations to HTA Leadership; Receive Input
- Week of September 9: Receive Revised BMPs
- Week of September 16: BMP Presentations to BSCM; Receive Input
- Week of September 23: Finalize BMPs & Publish Partnership Opportunities
- October 1: BMP Presentations to Industry at HTA Conference. They are changing things slightly this year. Partners want to see partnership opportunities, cooperations, and such where they can support. They will aim for the week of September 23. Once the conference comes up, they will have more information available.

Mr. Nāho'opi'i spoke about the marketing research and audit. All the GMTs, international contractors, and the HTUSA were present when they had the spring conference. They had an internal meeting where they spoke about issues they had to deal with. It was first driven by the GMTs and internal staff, and they followed up with an industry stakeholder survey that spoke about marketing strategies, brand strategies, and what the HTA could help with in the future. The SMARI Campaign Effectiveness Study took place in March 2024. A lot of information came out of that.

A Governance Study took place and they looked at multiple data collected from that.

Mr. Nāho'opi'i spoke about the SWOT analysis.

Hawaii's strengths include:

- Natural Beauty (Flora/Fauna)
- Quality destination
- Brand Strength (but weakening)
- Multi-ethnic Culture has always been a strength in creating great visitor experience.
- Diversity of Experience - a multitude of accommodations at various price points. A lot of visitor attractions and activities.
- Good reputation for safety
- Geography (Bridge of East/West)
- Great Cuisine
- Weather
- Aloha and People - great customer service.
- Interisland Travel - different personalities and opportunities

Hawaii's weaknesses include:

- Cost of Travel - the strength of the dollar influences this.
- Infrastructure/Capacity - This needs to be improved, and better parking and accommodation development.
- Isolation drives increased costs, as they need certain supplies and materials.
- Traffic/Congestion
- Alignment between Industry and Community needs and wants.
- Legislative Alignment
- Crime - there has been an increase in crime recently.
- State & County Collaborations - infrastructure and capacity issues are at a county level, and they need to work on that coordination to make the goals happen.
- Quality vs. Cost
- The lack of Public Transportation on neighboring islands has been mentioned by tour operators.
- Cost of Living
- Capacity of Non-profits
- Lack of New Experience

Hawaii's opportunities include:

- Amateur Sports - they need to take advantage of this beyond the professional sports.

- Product Development - they have seen new products coming up that have attracted visitors, and they need to capitalize on that and see how the HTA can be part of that process.
- Utilize Technology (apps, digital, etc.) - make use of this to address workforce issues.
- Fun & Sun Messaging - have not capitalized on this type of messaging although this is one of Hawaii's strengths.
- Leverage Cultural Diversity - now that many organizations and students have been strengthening the use of Hawaiian Culture the HTA needs to find how they can promote that.
- Special/Curated Experiences - the idea that higher prices can be charged because it is only available in Hawai'i.
- Regenerative Initiatives
- Diversify Source Markets
- Growth of Hawaiian Culture

Hawaii's threats include:

- Loss of Businesses - Since the pandemic, there has been a loss of the core businesses, and finding replacements for those has been difficult, affecting the consistency of products and experiences. They have also lost some airline support.
- Government and Resident Sentiment - they continue to hear negative comments about this.
- Environmental Unpredictability
- Geopolitical Tension
- Cost/Inflation
- Invasive Species
- Population Exodus
- Demand for All-Inclusive - This is pushed every year. All-inclusive does not support what the HTA wants for regenerative tourism, which helps ensure the money flows through the communities. They want people to travel and spend in areas everywhere.
- Marketing Budgets
- Excessive Fees & Taxes
- Not Welcoming
- Complacency of Tourism
- Contributions
- News Media Coverage -
- Can't Regulate social media - The HTA cannot regulate that, but it has been dominating over recent years.
- Outside Property Ownership

- Loss of Air Seats - A difficult threat because the only way to increase internationally is to have adequate air service so they can expand the demand.
- Interisland Airlift

Based on the SWOT analysis and other data, he spoke about the high-level strategies:

- Target mindful and high-value travelers in specific geographic regions. The international markets have higher spending, so the HTA needs to increase the distribution of international markets.
- Revitalize the higher-spending international markets, such as Japan and China.
- Recover/grow air seats from key markets.
- Strengthen the brand message for the following attributes:
- Highlighting volunteer/giveback opportunities
- Destination Sustainability messaging resonated well in the U.S. and Japan markets.
- Beautiful Scenery should always be their core message.
- Relaxation
- New Things to Explore - they must promote Hawai'i always to have new things to try.

Other strategies include:

- Focus on digital/social content marketing and less focus on print, television, and radio.
- Leverage local voice/ambassadors/influencers.
- Seek out strategic partnerships - the HTA does not have a large budget like Florida, but they must look for partners locally to help leverage and elevate the messaging.
- Deploy the most effective channels for paid and earned media.
- Inform and educate travel trade and media - this is critical as it informs and targets the right kind of visitors.

Mr. Nāho'opi'i spoke about the HTA's 2025 Goals & Targets they should aim for.

Annual Targets:

- Increase Average Per person per day and/or PPPT.
- Increase Total Visitor Expenditures as a whole.

MMA's in descending order:

- USA
- Japan
- Canada
- Oceania

- Europe
- Korea
- China

They must think about the priority order for that, considering how much each visitor would spend and how many visitors come from each country.

Mr. Nāho'opi'i asked if there were any questions.

Chair Miyasato wanted to leverage what they wanted to accomplish in the day's meeting. He said if they had a solid strategy driving a plan, that is how to build the budget. He wanted to understand what their strategy is, get approval from the Board, and maintain the strategy, which will drive the plan. Then, they can determine how much it will cost to execute the plan, and they can budget from that. He said air seats are a by-product of demand. They need to dig deeper into what the problem is.

Mr. Arakawa clarified a few things about the budget process. They did not get a budget for the previous year from the legislature, and they submitted a budget that was \$79 million. The governor gave them \$60 million. What the HTA did was start with the contracts they already signed which came out to \$59 million. They looked at all the contracts they were obligated to pay, totaling \$59 million. Because certain committees did not have their priorities budgeted, they added \$10 million so that the HTA committees could determine what they wanted to spend it on. He said it was not the fault of the BFCC. He hoped that all the committees were working together on the upcoming budget. Chair Miyasato said if they use the committees properly, they will succeed. There were no further comments.

6. Presentation and Discussion on the 2025 U.S. West, U.S. East Major Market Area Brand and Marketing Strategy, Including Allocation Strategy Prior to Fiscal Year 2025 and 2026 Operating Budget Approval

Mr. Mullen said the detailed budget will not be due until July/August, so they are working through understanding what the market landscape is, looking at going forward in 2025, looking at the mindful Hawaiian traveler, understanding the insights behind them, their media consumption behavior, and social media behavior. They are also looking at the DBEDT forecast trends they see with the mindful Hawaiian target traveler regarding their ability to travel and spending. He will also share the messaging they are doing that resonates with the targeted traveler. He introduced the guests with him, Ms. Imai and Mr. Eslinger. Their overall budget for the U.S. market in 2024 is \$16 million when adding the carryover and the Maui recovery funds. It is the same budget they will have for 2025. Typically, the historical breakdown of the budget is 60-62%, which goes into direct consumer advertising, media, social media, and digital media. About 10% goes to PR communications, and 15% goes to trade media and research. The balance

of 18% goes to the staff and office. He gave the floor to Mr. Eslinger.

Mr. Eslinger focused on the GDP and different inputs to their strategy. GDP slowed down in the third quarter of 2023 but remained steady throughout the year. Going into 2025, it will go down from where it was or forecast to go from 2024. In terms of the Hawai'i mindful target traveler, they have a skew in the more affluent households in the U.S. As of April, the \$100,000 plus household traveler increases. The increase comes in line with the disposable income that households have to spend money on, such as travel and other consumables. The overall market for U.S. leisure travel is going to decline. When it is indexed to 2019, they will see an increase. Year over year, it is down. That evolution has been happening since the pandemic. The U.S. leisure market continues to grow compared to the international inbound market. The U.S. market continues not only within the U.S. but also for global travel to dominate the share of visitors for the U.S. Looking at current markets that the U.S. market is going to, it is the U.K., France, Puerto Rico, Italy, Germany, and the Caribbean.

Economic assumptions - The U.S. economy is expected to grow slower in 2024 but avoid a recession.

Breakdown:

- Slower growth: Inflation is moderating, and consumers still have money to spend, thanks to a strong job market.
- Stronger outlook than expected: The economy is more resilient than predicted.
- Consumers are key: Even with a slow start, consumer spending is expected to keep the economy going.
- The labor market is adjusting: More immigrants are entering the workforce, easing labor shortages.
- Inflation might linger: Oil prices and rents keep inflation high, but it should still go down later in the year.
- Recession is less likely: The chance of a recession is lower than usual.
- Risks remain: Consumers might cut spending, and businesses might hold off on investments due to uncertainty.

Mr. Eslinger gave the floor to Ms. Imai. Ms. Imai spoke about the mindful Hawai'i traveler. They continue to think this is the right target for the U.S. market for various reasons. They are high-spending, respectful, and the type of traveler they want on the islands.

Mr. Eslinger showed Ms. Chun's data, which is the foundation of many of their insights. One of the resources they use extensively is previously called Destination Analyst, and now it has changed to Future Partners, but it is the State of the American Traveler study that comes out

monthly to which they subscribe. They had a presentation earlier in the week where they could isolate the Hawai'i target travelers for leisure behavior compared to the U.S. leisure market regardless of income breaks or any other demographic breaks. The Hawai'i target travelers are less likely to cite personal finances as a reason for not traveling, but looking at the general leisure traveler population, it is more of a reason for them not to travel. Travel being too expensive has been increasing as a deterrent even for the Hawai'i-mindful target traveler. That should level off or go up slightly between now and the end of the year. For trip spending, versus per person per day spend, the mindful Hawai'i target traveler is expected to spend more than double that of the average U.S. leisure traveler at over almost \$11,000 per year. A vacation to Hawai'i for a family of four from the U.S. West is typically around that range. This helps validate the people they are targeting.

Since the beginning of the pandemic, they have been looking at the metric of where Hawai'i ranks as the most desired domestic destination. Traditionally, looking at the total U.S. travelers, Hawai'i has been fifth, sixth, or seventh. But looking among their targets, Hawai'i is tied with New York city. Their target is also to take an international trip in the next twelve months. Almost 80% of their targets anticipate taking an international trip in the next twelve months compared to the average leisure traveler at 34%. Looking at the forecast from DBEDT, the U.S. East and U.S. West will have a flat to negative in terms of forecasted visitation in 2025 compared to 2024. The U.S. East will remain flat compared to 2024 to 2025. Looking at spend the U.S. West, even with less visitation, there is expected to be a slight increase in expenditures, and U.S. East is slightly higher but flat compared to the current year versus the previous year.

In 2019, compared to 2023, the U.S. West and East were large pieces of the pie, but coming out of the pandemic, the U.S. West went from 44% to 52% of overall visitation. The U.S. East grew but not as great a significant change as the West, by 25.2%. For spending, the U.S. West represented about \$6.9 billion in 2019 and almost \$10 billion in 2023. The U.S. East represented \$4.6 billion in 2019 and \$6.2 billion in 2023. For PPPD spending in 2023, the U.S. West was \$226 per day, compared to 2019, \$174, and \$175 in 2019. The U.S. East was slightly higher at \$265.5 in 2019 compared to \$212.60 in 2023.

Ms. Imai spoke about the mindful Hawai'i target traveler. She talked about trends they are seeing about sustainable travel. People are wanting to travel more sustainably.

Some of the barriers include:

- 51% Not enough sustainable options available.
- 49% Want economic incentives to opt for such options.
- 44% do not know where to find such options.
- 39% do not trust that the options are truly sustainable.

She spoke about unlocking the mindful Hawai'i target traveler. They met with Mr. Gionson and some of the media agencies the previous week. They are going through the process of understanding the media landscape to get a briefing on the changes to the landscape and how the media habits are changing.

She spoke about the basic approach:

- Question - understand context, audiences, challenges, and opportunities.
- Solve - leverage data and insights to direct the strategic approach. This is the stage where the whole team develops creative messaging strategies and determines the appropriate media mix.
- Activate - Deliver targeted messaging, monitor, and optimize.
- Impact - Demonstrate impact, learn, and predict performance.

Using media planning tools, they can input some of the demographic information that Mr. Eslinger spoke about earlier into a tool called MRI and create a fuller picture of the target. This is where the team understands the person, brands that resonate with them, where they're going for information and entertainment, and the activities they enjoy.

She spoke about how the media channel mix changes from year to year. Some years are similar, but the current year has a bit of a shift. Digital still has the highest usage for their target. In the past, television was focused on the mid-range, but for the first year, streaming services surpassed linear television. All those channels are fragmented but take over the attention span of their target. In the current year, with the popularity of podcasts, they are becoming more moderate to heavy in usage. They are also working on entering that space to get their messaging there in a way that will resonate with their target audience. Printing still has moderate usage, but its reach has decreased for the last decade.

She spoke about the landscape. She said it is amazing how the television and streaming landscape has evolved over the past several years. She spoke about the social platform evolution chart that shows the tracking of the specific mindful Hawai'i travelers' social media usage throughout the years. She spoke about engagements on social media, whether travelers click on a post, share it, or use it. TikTok continues to dominate as an influencer for them. She said they are monitoring it and need to be in that space.

Lean-back behavior is growing. There is also a combination of organic and paid social media, critical for reaching and inspiring potential travelers.

She gave an overview of the creator process strategy.

- Who are we as the Hawaiian Islands?

- What do we care about?
- What do we want to share with our target?

She spoke about the target audience.

- What world are they living in?
- What is important to them?
- How do we speak to them?

The last part is the media culture:

- What are people talking about?
- What is in the news?

She said they are lucky to have the HTA running the SMARI research study. They are grateful for the feedback they get from the HTA team.

She spoke about media PR. The PR teams' approach to targeting is the same as that of the consumer and travel trade, which targets the mindful Hawai'i target traveler. The PR team worked with OMT to develop the Hot 100 list.

Mr. Eslinger spoke about the travel trade. He said Robin and Gina work closely on the travel trade side. The travel trade function is an extension that helps to educate the travel sellers and helps amplify the messaging and targeting to their clients to build visitation or interest in visitation to Hawai'i. Travel trade continues to maintain long-standing relationships and align with select travel partners and advisors across the continent through:

Training:

- The team is constantly on the road or doing virtual or in-person webinars with consortia and wholesale. They do sales blitz events, which are recorded for on-demand.
- High-touch, culturally rooted FAM tours on all islands

Content Updates & Development:

- Expressly for Travel Professionals (EXTP) emails
- Continue Hawai'i Destination Specialist (HDS) curriculum.

Communications:

- Utilize the HDS database.
- Reach qualified travel advisors to encourage HDS course completion.

Mr. Eslinger opened the floor for questions.

Chair Miyasato said that the presentation was very helpful. He apologized to Mr. Arakawa for the impression he may have created at the start of the meeting. Mr. Arakawa thanked everyone for all their work on the presentation.

Sen. Wakai had a question. Mr. Willkom thanked him for his time joining this meeting. Sen. Wakai asked that the ag form filled out by all mainland travelers will migrate from paper to an application. You can now change the questions posed to visitors. What types of questions should be asked to enrich the data gathered by HVCB. Chair Miyasato thanked Sen. Wakai for his promotion to get rid of paper. Now that it is a statute that it can be electronic, he believes that Sen. Wakai will be on the committee working to get it done. The good news is that the statute allows them this. Now, they have to get someone to take the lead on translating the new statute into reality operationally. The airlines are all on board and are grateful to Sen. Wakai for moving this forward.

Mr. Eslinger said from his purview that they need to take a more comprehensive look at the opportunities, but there are specific metrics they use across different instruments. One thing that comes to mind is the intent to return. They have opportunities to evolve the instrument, but it will be a group thing on that side.

7. Presentation and Discussion on the 2025 Canada Maor Market Area Brand and Marketing Strategy, Including Allocation Strategy Prior to Fiscal Year 2025 and 2026 Operating Budget Approval

Mr. Willkom turned the floor over to Mr. Wood.

Mr. Wood thanked everyone for the opportunity. He spoke about the Canadian economic conditions:

- CAD is \$0.73 USD (\$0.75 in Jan.)
- High Inflation (food, fuel, housing)
- High Interest Rates.
- Unemployment is rising slightly to 6.2% despite job availability increases.
- Consumer confidence was low but maintained, and it recently dropped again.
- Some positives:
- They avoided a recession.
- The interest rate is holding at 5.0% - predicted to drop in June... maybe.

This is an acceptance of a new normal – pent-up travel demand for Canadians.

The impact on travel:

- Canadians are still traveling.

- U.S. trips by air are up 20% compared to 2019.
- Non-US trips are now 96% of pre-pandemic volume.
- A recent AMEX study identified Canadians as the second highest trip spend, but spending in Hawai'i is down 7.2% YOY.
- They are maintaining an average Hawai'i length of stay of 11.88 days.
- He spoke about traveler and trade commentary.

What they are hearing:

- There is fire-related hesitancy/uncertainty.
- They consider holding off a year.
- There is a perceived resistance to visitors, which could be related to the initial commentary after the fires.
- There is Mālama confusion and/or hesitancy. Travel agents said customers ask if all guests are required to volunteer, which suggests the messaging has not resonated the way they hoped.
- There are short-term rental questions – popular with Canadians.
- On the travel partner commentary side of things, this is happening:
- Airlines are watching the booking volumes closely and making adjustments.
- WestJet has reduced the Maui lift for the summer but will increase it for fall/winter.

As expected, there is a preference for messaging that leads with the welcoming Aloha Spirit, natural beauty, uniqueness, culture, iconic experiences, etc. He said this feeds into the SWOT analysis from earlier.

Moving forward, this means that the targeting audience is:

- Experience seekers.
- Affluent travelers
- Snowbirds/Retirees
- Romance
- The mindful travelers are the high-spending, high-value, and lifetime valuer travelers.

He spoke the age range and the income range related to that. He said they have evolved concerning their messaging and their positioning. He suggested that, for the 2025 plan, they evolve even more.

He spoke about the mindful travelers & Mālama Phase 2:

- Mālama is more of a supporting message.
- The focus is on the mindful, responsible, regenerative messaging incorporated, not the lead.

- Positive welcoming themes.
- Maui updates to travel trade as necessary and required – wary of reminders, e.g., the Maui fires.
- He spoke about the Brand marketing plan for 2025.
- Under Construction - Preliminary Overall Themes:
- Welcoming Aloha Spirit
- Mindful Travel
- Unique Hawai'i – Culture & Experiences
- Targeted Compelling Iconic Visuals

Mr. Wood spoke about the Brand Marketing Plan 2025:

- PR – There is a renewed focus on the right stories utilizing the right platforms to ensure they reach the desired audience.
- Frequent trade partner engagement. This is crucial.
 - Close monitoring of airlines and tour operators to defend against lift reduction. The airlines need to know they are highly valued for what they take to the market.
- Agent Focus.
 - Bookings from agents: Korea 49%, U.S. 44%, Japan 36%, Canada 34%. They need to ensure the budget and plan for 2025 are allocated correctly and represent the goal the agents play in relation to the bookings coming from the market.
- They need to reinforce the importance of Air Canada and WestJet.

Additionally, within 2025:

- Work towards strategic FAMs to inspire product build. This has been on his radar as there is great growth potential.
- Consumer media that targets the desired audience while reinforcing welcoming themes.
- Strategic Organic & Paid Social reinforcing are key themes supporting buy local, festivals & events, agritourism, and voluntourism. This is crucial and frames the Hawai'i experience.

Chair Miyasato opened the floor for questions, but there were none. He thanked Mr. Wood for the presentation. He said it is becoming clear that smart people are focused on the right things. Sharing the information with the committee and rolling it to the full Board without constantly rehashing what they decided will help make them more efficient. He wants the committee to keep looking forward. They need to solidify the plan and stick to it.

8. Presentation and Discussion on the 2025 Japan Major Market Area Brand and Marketing Strategy, Including Allocation Strategy Prior to Fiscal Year 2025 and 2026 Operating Budget Approval

Mr. Willkom turned the floor over to Mr. Takahata. Mr. Takahata spoke about outbound travel and bookings for Japan. Overall, the number of Japanese departing from Japan YTD in February was 60% recovered compared to 2019. There are ways to get back to pre-pandemic levels, but they are trending in the right direction.

The airlines & FIT see that advance bookings are well underway for affluent and repeat business class travelers. First class seats are filling up and doing well, booking pace-wise. The fuel surcharge will increase 1,500 yen to 22,500 yen one way from June. The airlines continue strengthening their sales and promotion efforts and are trying to get direct bookings to fly to Hawai'i.

The wholesale market depends on travel trade wholesalers supplying 35%-40% of their markets. This was happening before the pandemic as well.

Bookings pace for the summer vacation, Silver Week, and year-end and New Year's holidays are increasing. The pace is picking up for the traditionally busy seasons.

They took a Travel Awareness Survey (7,125 respondents). They found that the lead time for Japanese travelers is around 91+days. They plan to travel between October and December. The length of stay averages five to eight nights, so they are gaining on length of stay for the Japanese market.

He spoke about Golden Week. How the days lined up was not favorable for a productive Golden Week, so people could not take a whole week off. The following year, the days line up slightly better. 520,000 Japanese traveled outbound to foreign destinations during Golden Week. The top destinations are South Korea, Taiwan, Hong Kong, Thailand, Honolulu, and Europe.

Mr. Takahata spoke about the graph on historic first-timers versus repeaters. Japan only took down its COVID restrictions in May 2023, so the country has just finished a year of travel since restrictions were lifted. They are leaning heavily on the repeat traveler to Hawai'i. The first-timer market is a broader market, which they continue to work on.

He spoke about the positioning of Hawai'i. They had the Japan summit during the month, and one of the keynote speakers was from the Expedia Group. Expedia Group was the largest

supplier of the Japanese visitors to Hawai'i in 2023. This is a big company with big data. They are constantly working with them to help position and get the market going. Data has been a big part of what they do and helps them better understand where to head. Some of the data from Expedia showed that if cost was not a factor, Hawai'i would be the number one most desired international destination for Japanese travelers. When looking at what was searched, booked, and converted, Honolulu was in the top three search destinations, but for conversion, Honolulu dropped down to number eight.

Which destinations are people comparing Hawai'i with? Expedia showed that Korea and Hokkaido are the most searched, but that potential customer also looked at Hawai'i on the same day. They also looked up Singapore, Thailand, and Okinawa within one to seven days.

One of the big things for the Japanese economy is the exchange rate. The price sensitivity that comes with it is becoming more evident. He spoke about an index graph from Expedia showing the average daily room rate and the average flight ticket price. Seoul, Bangkok, Taipei, and Paris - their ADR is lower than Honolulu, but the air tickets are higher for the Japanese traveler. So, the Japanese market is getting more price-sensitive. There is a shift from families and multiple adults to couples, which they see as a trend in Expedia as well. The two adult categories are up 10%. Families with kids are down 15%, multiple adults are down 5%, and the solo traveler is flat. According to Expedia, the 3-star and lower hotels are gaining popularity in the Japanese market. Because of the current situation with currency and inflation not only in the U.S. but across the globe, Japanese travelers are becoming more price-sensitive.

He spoke about a package cost comparison. For May, there is not much difference in cost for a four-night trip to Hawai'i versus Paris. Moving into June, Paris gets more expensive going into summer. Australia is gaining ground in Hawai'i and drawing more Japanese visitors. The package cost is considerably less compared to Hawai'i.

In the inbound situation for 2023 versus 2019, they have not recovered quite 40%. Year to date, in March, looking across the board for expenditures, arrivals, and visitor days, they have recovered about half. The length of stay is growing by 5.5%. Compared to 2019, it costs 60% more for Japanese visitors to visit Hawai'i. There are also increasing surcharges on airlines as well. What is not shown in the presentation is the geopolitical conflicts happening around the world. For air seats, they are about 70% recovered of 2019.

He spoke about the UHERO report. Japanese visitors are recovering as the years progress.

He mentioned the current campaigns through 2024:

- Beautiful Hawai'i
- Yappari Hawai'i
- Romance Promotion
- Golf Promotion
- Made in Hawai'i Promotion
- Digital Marketing
- Public relations
- Private Sector Collaboration
- Consumer Events

Looking forward, they are trying to address the following:

- Uncontrollable factors are expected to remain (JPY/USD exchange rate, U.S. inflation, high air fuel surcharges, and pricing sensitivity)
- Pursue a targeted segmentation approach focusing on mindful and high-value travelers in specific geographic regions to raise the quality of visitors to our state.
- Implement a strategy to stimulate demand by collaborating with airlines, travel agencies, and stakeholders.
- Showcase Hawai'i's brand appeal over competing destinations.
- Collaborate with Meet Hawai'i to drive Edu-tourism and MCI business.
- Japan is the most important international market for Hawai'i - Total expenditure is the highest in the international market.
- Relationships (History, 33 Sister Cities) –
- Business ties

Chair Miyasato opened the floor for discussion.

Mr. McCully asked if Mr. Takahata requested the Expedia data or if they offered it. Mr. Takahata said they invited Expedia to the Japan summit to be a speaker and presented this in a public setting. Mr. McCully said it would be interesting to understand what they are competing against and how they promote Hawai'i. He asked if Expedia could provide a deeper understanding of the mentality of the searchers, and Expedia told him that they suspect that people want to visit Hawai'i but also considered other options. Within 1-7 days of searching Hawai'i, they searched Singapore, which is gaining ground in Hawai'i, Thailand, and Okinawa. He is unsure of the thought process but would follow up on that.

Ms. Varley added that the most important thing for Japanese people is safety, and those destinations are very familiar to the Japanese. Mr. McCully asked her what the Japanese

perception of the safety of Hawai'i is. She said their perception is high. Mr. Takahata would follow up with Expedia about this finding.

Ms. Menor-McNamara asked how Hokkaido, Singapore, Thailand, and Okinawa market themselves and what the key experiences they use to attract visitors. She asked about the yen exchange and heard it would increase even further. She asked if they were considering this for the future. Mr. Takahata said Singapore is only eight hours away from Japan, and their currency situation is similar to the yen. They have natural resources, world heritage sites, retail, etc., so they have many similarities to Hawai'i. Mr. Takahata had asked the Japan Association of Travel Agencies why Singapore is gaining ground in Hawai'i. There are a few factors. The ADR is half compared to Hawai'i. The flight prices are cheaper. Another factor is cost and the value they get for the cost. There is also full accessibility to the world heritage sites. Hawai'i has a challenge for Japanese groups, as there are limits to going into public places. There are a lot of restrictions, such as commercial vehicles not being allowed to enter the beaches, but Singapore is wide open in these instances. It seems that Singapore is highlighting all the restrictions in Hawai'i and building on that to promote itself.

Mr. Takahata said the pivot for marketing is not focusing on cost. They must focus on something that transcends cost, the emotional pivot, and the Buddy Hawai'i campaign, speaking at an emotional level. He said there is a lot of user-generated content that is generated by the repeater market, so this resonates in the first-timer market. They are working with the travel trade and airlines, trying to get around the cost factor.

Sen. Wakai said HTJ is chasing higher-spending visitors, but Japanese travelers are choosing to stay in cheaper Hawai'i hotels. With the devaluation of the yen and increase in fuel surcharge, he asked how realistic it is to believe there will be any noticeable increase in Japanese arrivals and spending for the current year. Mr. Takahata said they get their data and base their reports on the industry and the lawmakers. The data from Expedia shows that for Q3 and Q4, their bookings are increasing for Hawai'i. They base their decision on what the industry and all the data points tell them, and they are confident in what the partners and the data points report back to them.

Chair Miyasato said they are lucky to have all this information available. He said the emotional connection in the Japanese market really matters, and they might have to pivot with sister city relationships.

Mr. Zane echoed what Chair Miyasato said about the hula market and how big that market is. He said what he liked about the hula is they are in the third generation of the same families that

return back and forth. They have generations supporting them. Hawai'i and Japan share a lot of the same values. He mentioned that he enjoyed the report.

9. Adjournment

Mr. Willkom adjourned the meeting at 3:07 p.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sheillane Reyes".

Sheillane Reyes
Recorder