

Good morning - my name is Kim Schaller - I am Executive Vice President, Chief Marketing Officer of Hershey Entertainment & Resorts Company. I applaud the vision of Chairman Stern and his Committee in the proposed establishment of the Pennsylvania Tourism Commission. Representative Stern has taken the time with me to try to understand the environment that is facing the private sector. He is invested in elevating Tourism to where it should be as Pennsylvania's second largest industry. I warned him that I would speak openly and he still invited me and turned this microphone on and I thank him very much for this opportunity.

I have been with HE&R for 25 years. I love my job - I am a student of marketing and travel is a personal AND professional passion of mine. A brief overview of who we are - we are a \$300mm entertainment and hospitality company with all of our operations in Central Pennsylvania. We welcome approximately 6mm guests every year as part of a leisure family get-away or as a participant in some sort of business travel. We have over 1800 full time employees and on an annual basis and we process over 10k W-2s due to our significant summer and seasonal holiday activities. We are the largest tax payer in Dauphin County.

Our primary guest markets includes PA, NY, NJ, DC. Nassau and Suffolk counties (Long Island) are our number one and 2 counties in terms of visitation. Our

guest origins data indicates that we have visitation from every state in the union and many foreign countries. We are primarily a drive-destination with an average length of stay of 2.2 days.

The marketing of this State is tied up in politics – no one has a singular vision for how to market this State and it's assets to the traveling public – whether it is the leisure or business traveler. The plans change with each administration – not just minor tactical modifications but radical, wholesale changes.

Marketing is a dynamic discipline that requires vision...consistency...flexibility...clarity. No one should ever underestimate the power of momentum in marketing – it's key to success. A constant rhythm to the messaging is essential to build positive perceptions about a travel destination. It's the regular heartbeat of clear communication that drives results.

The joke about the State's changes of the state tagline are not funny. Hersheypark Happy? Hershey the Sweetest Place on Earth? Consistency is key.

The revolving door of players in the State Tourism office – from internal staffing to external partnerships constantly changing does NOTHING to support the essential ingredients of a long-standing communications plan. With each new personality, new initiatives are set – oft times totally stopping all forward momentum.

The frustration is not only at the State Office level but

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also with the Tourist Promotion Agency (TPA) structure. There are 11 regions and 49 TPAs in total – each vying for their “fair slice of the pie” – regardless of their ability to actually attract the business or leisure traveler. For the most part, TPA’s don’t work together in harmony for the greater good. Every individual who sits at the top of the Travel pyramid in the State for the past 25 years has agreed that the TPA structure *is flawed* yet no progress is made. As a veteran of this game – it’s remarkably frustrating and short sighted.

Pennsylvania is blessed and cursed with its location. Blessed b/c there are over 60 million people all within a 300-mile radius of the center of the State – an enviable statistic for ANY State Tourism Office particularly in these times when there has been a resurgence of drive travel in the wake of 9/11. Cursed b/c Pennsylvania’s target leisure and business travelers reside in the most expensive media markets in the country – NY, Philadelphia, Washington, DC all rank in the top 10 in media costs. The cost to advertise and penetrate those markets with any frequency and depth is excessive. The limited marketing resources are precious and they MUST be used carefully. The strategic media plan AND the creative executions MUST be targeted and consistent.

The constant overhaul in marketing direction, the “stop and start” of markets and messages and the outdated research data – all limit the State’s ability to manage the marketing of the State’s travel product.

I long for the golden age of Tourism marketing for Pennsylvania. To clearly illustrate that I do not have partisan bias - it was during the Casey AND Ridge Administration with Mark Hoy and Barb Chaffee - both were widely praised for their innovative approach to public/private partnerships. Hershey, PA was able to have a presence in the New York Market in 1996 for the first time through a co-op match program - here's how it worked. We put in a \$2 the State put in \$1 - we created the advertising and tagged it with "To learn about Hershey and everything there is to do in Pennsylvania call 1-800 HERSHEY or visit HERSHEY, PA.com". We then built our infrastructure to handle the volume of calls/web hits. In 1997, during peak season that office had 40 agents who handled 800k calls annually at a cost of over a million dollars to run the operation. They provided information and booked reservations at 30 area hotels - not just our 2 hotels. We then shared the leads with the State office of tourism and the regional TPA network. A win-win - Tourism development NOT Corporate Welfare as it was later dubbed.

We changed the face of business in this region -- it was an unqualified success. We dramatically moved the New York market to Hershey, PA, which was an economic windfall for the region at large. Regional hoteliers and businesses involved with servicing the thousands of tourists were THRILLED with the results (and we have a file full of letters to that effect!)

Making the point that OUR efforts have truly worked.

The program peaked in the year 1999 when we were at a million dollars and the state was contributing \$500k for NY and the DC market. We were spending another 3 million on advertising in our other markets - our co-op match program with the State was NY and DC only through 2003. Then the music stopped and the funding ended abruptly leaving. Our momentum ended. We modified the media plans and fast forward we are almost 10 years later working on our own with NO public/private partnership with this great State. We now partner where it makes sense with our local TPA's - Lancaster and Harrisburg. Beyond that, we believe that we are much better equipped to be in charge of our own destiny by using our resources and talents to benefit our employees...our shareholder, the Milton Hershey School...our community and our regional travel partners.

Independence is a good thing - we are a state that was founded on it. It's NOT a good thing in the current environment that we are in where experts have cited that it's collaboration and finding that third alternative through partnerships that will take us all into this complicated, cluttered future.

I know that we have to get the attention of the Governor and I would welcome the opportunity represent the private sector in those discussions. I know that nothing changes until something changes and the formation of a public/private Tourism

Commission will start us on that journey.

**I thank you for your kind attention and enthusiasm
around our industry.**