

# Hawaii's Visitor Industry Development Organization

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## Introduction

Thank you very much for the privilege of addressing you today on the subject of "Hawaii's Visitor Industry Development Organization." I hope that my remarks will be useful for industry. Cheju-do's efforts to establish and develop a thriving tourist

Let me begin by giving my view of Hawaii's visitor industry development organization in a capsule form. I see this organization as being loosely comprised of four major contributors. The Legislature sets policy for the State and funds visitor industry development programs and efforts with money appropriated from the State Treasury and generated from other sources.

The State, primarily through the Department of Business and Economic Development and their Tourism Branch, manages Hawaii's tourism program by carrying out legislative policies, developing objectives and strategies for Hawaii's future, integrating tourism with Hawaii's infrastructure and fragile environment, and developing the economy on a broad basis with emphasis on tourism.

The Hawaii Visitors Bureau (HVB), a private organization funded primarily by the State, markets and promotes Hawaii in America and throughout the world and is involved in planning and strategies to perpetuate and increase the tourist trade.

The School of Travel Industry Management (TIM) in the Business College

of the University of Hawaii at Manoa, also funded largely by the Legislature, educates personnel to work in the visitor industry and provides intellectual, research, consultation, and academic resources to each of the other components in this "development organization."

Before I get into the details of this subject, I'd first like to give you a brief perspective on tourism in Hawaii, its history, and how it affects Hawaii and her people.

Tourism is currently Hawaii's primary industry and largest employer. As an economic provider it has the ability to influence the lives of every Hawaii resident, and as a social factor it bears a close relationship to the character of most of Hawaii's unique communities and physical environments. Concurrently, year round ocean and land based recreational opportunities constitute major attractions for visitors and are prominent features of the Hawaiian life style enjoyed by residents and visitors alike. In order to balance the needs of our visitors and residents, the Legislature, the State, the HVB, and the academic community must take active roles in formulating policy and carrying out objectives related to visitor industry development and protection and enhancement of our precious natural resources. It is this quasi-formal partnership between the Legislature, the State, the Hawaii Visitors Bureau, and the University of Hawaii which you have asked me to talk about today.

The visitor industry in Hawaii began soon after the accounts of Captain James Cook were circulated in Europe and America. The first visitors were sea-going people who used Hawaii for rest and relaxation (R & R) and to refurnish their ships in the late 18th Century. By the early to mid 19th Century, whalers from all over the world were discovering Hawaii and using her as a center of commerce, as well as for R & R. However, whaling declined in the mid 19th Century, and with the invention of steamships, a new breed of pleasure seekers began to arrive. The first hotel in Hawaii was built in 1872 to cater to this increased trade, and annexation of Hawaii by the United States in 1898 stimulated visitor activity even more.

Tourism continued to grow throughout the first quarter of the 20th Century,

as Hawaii became a Territory of the United States, then plummeted with the great stock market crash of 1929. Today's phenomenal visitor growth pattern actually began after World War II. In 1946, only 15,000 visitors reached Hawaii's shores, but by 1986 there were 5.6 million arrivals. So many people visiting four small islands with a permanent population consisting of about one million residents and thousands of United State military personnel and their dependents, indicate that tourism development and population growth should be viewed as interrelated and closely researched, studied, analysed, managed, and controlled if Hawaii is to remain the paradise of the Pacific. To be candid, most members of the development organization would like everyone in the world to visit Hawaii but they would not want many more people to move there.

I will now give you a brief overview of how the Legislature, the State, the HVB, and the TIM School have adopted active roles in the visitor industry since 1959, arguably the most pivotal year in Hawaii's history.

By 1959 the military was relying heavily on Hawaii for R & R, and airline activity from the Mainland United States was increasing dramatically, as was the population of the West Coast of the United States and the popularity of the sport of surfing. Thousands upon thousands of people were flocking to Hawaii to frolic in nature's most perfect setting. The Hawaii Visitors Bureau had already been in existence for several decades as a standing committee of the Chamber of Commerce, but in 1959 they separated from the Chamber and became a virtually autonomous nonprofit organization devoted to marketing Hawaii as a visitor destination. Hawaii also became the fiftieth state of the United States in 1959, and the legislative and executive branches of government began to examine their potential roles in visitor industry development, marketing, and management. The Legislature decided to encourage HVB's marketing and promotional activities and to establish a tourism component in the Executive Branch to concentrate on visitor satisfaction, identify facility needs, and train people to work in the visitor industry.

Also in 1959, the educational component later to be known as the School of Travel Industry Management was founded at the University of Hawaii.

In 1970 the Department of Planning and Economic Development (DPED), now

the Department of Business and Economic Development (DBED), was assigned by the Legislature to monitor the visitor industry and develop a comprehensive plan relating to the impact of tourism on the community. In 1971 the idea of a Visitor Industry Council, a marriage between the public and private sectors, emerged, and in 1972 a temporary Visitor Industry Council was established by the Legislature. By 1975, government was considering establishing a ten year plan for tourism, and in 1976 the Legislature passed the Interim Tourism Policy Act calling for DPED to establish a ten-year plan.

By 1978, DPED was studying tourism in depth while the Legislature was expressing the need for DPED to assume a position of leadership in the field. In response, DPED drafted a State Tourism Functional Plan in which the Department of Planning and Economic Development would have the lead role in establishing, nurturing, and managing Hawaii's visitor industry to promote the economic prosperity of the State. The plan was submitted and was eventually approved by the Legislature and signed by the Governor in 1984. All the while, HVB had continued to market Hawaii and TIM had been providing management personnel for the industry as well as needed research and related collaborative services to the Legislature, the State, and HVB.

In 1985, the Legislature gave DPED the responsibility of ensuring that tourism be beneficial to Hawaii's people. In 1986, the Legislature mandated the establishment of a Tourism Impact Management System, and by 1987 the Legislature was funding the HVB through the DBED state agency to the tune of \$15.7 million for the fiscal biennium. Also in 1987, the Hawaii Visitors Bureau and the State's Tourism Program, at the request of the Legislature, was the subject of a management audit by the Legislative Auditor, and DPED (now DBED) was developing their Strategic Plan for Tourism. Both of these documents are important to the understanding of the structure of Hawaii's visitor industry development organization.

## The Development Organization

### Hawaii State Legislature

The Legislature is the chief policy making body in the state government of Hawaii. It has broad oversight over areas such as economic development, transportation, agriculture, health and welfare, and population growth. Its mandate is set forth in the Hawaii State Planning Act, Chapter 226, Hawaii Revised Statutes (HRS), adopted in 1978 and as amended from time to time. Section 226-1, "Findings and purpose," establishes the Legislature's policy making role and authority :

"§226-1 Findings and purpose. The legislature finds that there is a need to improve the planning process in this State, to increase the effectiveness of public and private actions, to improve coordination among different agencies and levels of government, to provide for wise use of Hawaii's resources and to guide the future development of the State.

The purpose of this chapter is to set forth the Hawaii state plan that shall serve as a guide for the future long-range development of the State; identify the goals, objectives, policies, and priorities for the State; provide a basis for determining priorities and allocating limited resources, such as public funds, services, human resources, land, energy, water, and other resources; improve coordination of state and county plans, policies, programs, projects, and regulatory activities; and to establish a system for plan formulation and program coordination to provide for an integration of all major state and county activities."

The Legislature, then, sets policies, goals, objectives, and priorities for the beneficial development of the State, and included under this broad aegis are the executive branch of the state government, the county governments, and even the private sector to the extent that it is involved with decisions which may impact upon the public purpose. Legislative objectives and policies for the visitor industry are found in section 226-8, "Objective and policies for the economy — visitor industry":

“§226-8 Objective and policies for the economic — visitor industry.

- (a) Planning for the State's economy with regard to the visitor industry shall be directed towards the achievement of the objective of a visitor industry that constitutes a major component of steady growth for Hawaii's economy.
- (b) To achieve the visitor industry objective, it shall be the policy of this State to :
- (1) Support and assist in the promotion of Hawaii's visitor attractions and facilities.
  - (2) Ensure that visitor industry activities are in keeping with the social, economic, and physical needs and aspirations of Hawaii's people.
  - (3) Improve the quality of existing visitor destination areas.
  - (4) Encourage cooperation between the public and private sectors in developing and maintaining well-designed, adequately serviced visitor industry and related developments which are sensitive to neighboring communities and activities.
  - (5) Develop the industry in a manner that will continue to provide new job opportunities and steady employment for Hawaii's people.
  - (6) Provide opportunities for Hawaii's people to obtain job training and education that will allow for upward mobility within the visitor industry.
  - (7) Foster a recognition of the contribution of the visitor industry to Hawaii's economy and the need to perpetuate the aloha spirit.
  - (8) Foster an understanding by visitors of the aloha spirit and of the unique and sensitive character of Hawaii's cultures and values.”

This section of Hawaii law is especially important in that it states the overall objective for tourism for the entire State, including each member of the visitor industry development organization, and sets forth specific policies to meet this objective. It is here that the motives and direction of the industry are formally established and sanctioned. In fact, it could be said that section 226-8 is the genesis of the visitor industry in contemporary times, creating a new birth of perspective, purpose, planning, and priorities.

Section 226-103, “Economic priority guidelines,” complements section 226-8

and establishes the Legislature's priorities for the State relating to promotion of the economic health and quality of the visitor industry :

"§226-103 Economic priority guidelines.

- (b) Priority guidelines to promote the economic health and quality of the visitor industry :
- (1) Promote visitor satisfaction by fostering an environment which enhances the Aloha Spirit and minimizes inconveniences to Hawaii's residents and visitors.
  - (2) Encourage the development and maintenance of well-designed, adequately serviced hotels and resort destination areas which are sensitive to neighboring communities and activities and which provide for adequate shoreline setbacks and beach access.
  - (3) Support appropriate capital improvements to enhance the quality of existing resort destination areas and provide incentives to encourage investment in upgrading, repair, and maintenance of visitor facilities.
  - (4) Encourage visitor industry practices and activities which respect, preserve, and enhance Hawaii's significant natural, scenic, historic, and cultural resources.
  - (5) Develop and maintain career opportunities in the visitor industry for Hawaii's people, with emphasis on managerial positions.
  - (6) Support and coordinate tourism promotion abroad to enhance Hawaii's share of existing and potential visitor markets.
  - (7) Maintain and encourage a more favorable resort investment climate consistent with the objectives of this chapter.
  - (8) Support law enforcement activities that provide a safer environment for both visitors and residents alike."

The Legislature has also provided for the integration and development of the tourist industry and the impact of tourism on the community. Sections 201-13.5 and 201-13.6 express these policies :

"§201-13.5 Integration and development of tourist industry. The director of business and economic development shall plan for the integrated and coordinated

development and expansion of the tourist industry of the State. The director shall investigate and recommend to appropriate governmental officers, agencies, legislative committees and private groups, ways and means of coordinating promotional activities on behalf of tourism with the development of recreational and other facilities for improved tourist development. The director shall also review the expenditure of governmental funds for tourism related activities and shall prepare an annual report on the expenditures, together with any recommendations the director may have, for transmission to the members of the legislature not less than twenty days prior to the convening of each regular legislative session.

“§201-13.6 Tourism impact management system. The director shall establish a system to :

- (1) Monitor the impact of tourism development and activities on the economic, social, and physical environment of the residents of Hawaii ;
- (2) Identify those current and emerging conditions which are having or are likely to have negative effects on residents ;
- (3) Survey and analyze the specific concerns of communities with high tourism impact ;
- (4) Inform appropriate public officials and private parties of the negative effects ;
- (5) Advocate, on behalf of residents and whenever possible, solutions to ameliorate, avoid, or prevent the undesirable effects ; and
- (6) Bring major tourism impact issues to the attention of appropriate legislative bodies.

The director shall publish an annual report which describes the system's application in the preceding year, including the conditions and negative effects identified, the solutions recommended or pursued by responsible agencies or parties, and the results obtained.”

These statutes, taken as a whole, establish the Legislature's authority to develop the major policies, goals, objectives, and priorities which guide the State in development of the State's visitor industry. They also indicate that the



executive branch of the government, while having great input into the Legislature's policy making decisions, is the branch of government entrusted with the responsibility of carrying out these policies and objectives. Because the Legislature also provides the funding to implement state programs appropriate to carry out these policies and objectives, the relationship between the legislative and the executive branches of government must be close and cordial if desired outcomes are to be achieved. This, of course, is true in all areas relating to the public purpose, not just the visitor industry. Both parties must be genuinely concerned with the well-being of the State and its people and strive to find responsible and innovative means to reach appropriate goals. This can only be done through mutual interest and cooperation, and it is this commonality of purpose which holds Hawaii's visitor industry development organization together without formal structure.

So far we have seen that the Legislature sets policies and guides the State in its role as coordinator, manager, expander, and protector of the visitor industry as well as defender of the environment and well-being of the local population and economy. But what about the HVB? How does it fit into the picture, and what relationship does it have with the Legislature? Chapter 203, HRS, provides the answers:

"§203-1 Duties and conditions. Any law to the contrary notwithstanding, the department of business and economic development may contract with the Hawaii Visitors Bureau. The department may add any additional provisions in the contract which it may deem necessary for effective tourist promotion and development."

"§203-2 Terms and conditions of contract. The contract entered into with the Hawaii Visitors Bureau shall contain the following terms and conditions:

- (1) That the Hawaii Visitors Bureau shall receive any complaints relating to tourist activities from any person who files complaints with the Hawaii Visitors Bureau, shall make a monthly report to the department of business and economic development and shall make these complaints available for the

inspection of all interested parties.

- (2) That no employee or officer of the department of business and economic development shall serve as a member of the Hawaii Visitors Bureau executive board."

This, then, is how the policy making arm of the government, the Legislature, establishes links with the private sector to coordinate and stimulate the economy in terms of the visitor industry: through authorization of a contractual relationship between the executive branch (DBED) and the HVB and providing funding. Historically this contract has always been loose and makes few demands upon HVB to account for its activities or expenditures: however, the relationship between the HVB, the State, and the Legislature is evolving as Hawaii's economic structure and needs change.

No discussion of the Legislature's role in Hawaii's visitor industry development organization would be complete without mention of the Legislature's powers to appropriate state tax dollars and other monies, earmark such funds for specific purposes, and authorize the creation of new positions in the state service for specific projects. This fiscal authority is the source of most of the funds for HVB marketing and promotion activities and for the operations of DBED and the TIM School at the University of Hawaii. Following are a few examples of legislative funding for the visitor industry for fiscal biennium 1987-1989:

1987-88: \$10,937,500 to DPED to fund the HVB's world-wide tourism marketing, advertising, and promotion efforts; \$1,000,000 to enable the State to participate in Expo '88 in Australia; \$120,000 for annual visitor expenditure surveys; and \$72,000 to implement the Tourism Impact Management Plans for the counties of Hawaii, Maui, and Kauai (reference HRS 201-13.6).

1988-89: An additional \$4.3 million for marketing the visitor industry; \$1.3 million to promote Hawaii at the Fukuoka Exposition; and \$500,000 to promote Hawaiian culture and arts. Funds were also provided to promote West Hawaii, Maui, and Kauai as visitor destinations, for computer hardware and software, telecommunications equipment, and computer consultant services for the HVB,

and for additional positions in the State Tourism Office.

In summary, the Legislature impacts at the highest levels across the spectrum of Hawaii's visitor industry development organization. It sets policies, goals, objectives, and priorities for the industry and the economy in general, oversees the actions of the Department of Business and Economic Development to ensure that policies and priorities are carried out effectively and efficiently, and provides the legal basis for contracting with the Hawaii Visitors Bureau to market and promote Hawaii throughout the world. In addition, it provides the funds which allow the development organization, including the State, HVB, and the University, to operate.

#### **Tourism Office, Department of Business and Economic Development**

Much of the mission of the State relating to the visitor industry, as carried out by the Office of Tourism, DBED, is provided in the statutes setting forth the legislative mandate to plan for and develop tourism as a major feature of the economy. Therefore, my remarks in this area will focus on the role of the State in the big picture of visitor industry development and its relationship with the Legislature and the other members of the development organization.

Since 1984, the State has assumed a greater role in giving direction to the industry under the broad guidelines provided by the Legislature in the Hawaii State Plan. Prior to 1984, the State primarily supplemented private industry's marketing and promotional efforts through the HVB contract. However, tourism is becoming much more important to the State's economy, especially with the gradual phasing out of the once dominant sugar and pineapple industries. In the long range, diversification of the economy would be the optimum desirable economic outcome for the State, but for the time being it will realistically have to depend on its visitor industry and make every effort to keep it alive, well, and productive for its people. To accomplish this, the Tourism Branch, with the assistance and cooperation of the Legislature, the HVB, and the University of Hawaii, must marshal all available resources to stimulate economic growth and provide

satisfactory jobs for our citizens.

In 1987, the Legislature, with recommendations from a new executive administration, concluded that it was time to formally reassess the State's role in the visitor industry and its use of resources. Thus was born the DBED Strategic Plan for Tourism, published in February, 1988. According to the Plan, "DBED's Tourism Branch serves as lead agency in meeting the economic and social needs of Hawaii's people through the continued development and enhancement of an effective, satisfying and high quality tourism industry. As the lead agency, the branch must continue its responsibility to monitor conditions, analyze the changing business environment, develop information, and recommend changes based on new and different circumstances."

This is a significant departure from the previous policy of merely funding the HVB and hoping for the best, which has been the modus operandi for the decades when tourism was a minor industry compared to sugar and pineapple, and no one dreamed of five million visitors in one year! Much of the stimulus for this new approach came from the Legislature in the form of the mandates set forth in HRS sections 201-13.5 and 201-13.6 and the guidelines provided in the Hawaii State Plan. Also, this statement serves to illustrate the motivation which guides government, the HVB, and the TIM School in their interactions regarding economic and population goals of the State, which are substantially related when the economy relies to such a large extent on attracting people to enjoy the delights of a very limited land area.

The Strategic Plan has three chief purposes: 1) to reassess and determine the appropriate role for State government in relation to the tourism sector and industry; 2) to plan strategically to influence or direct tourism toward the public good; and 3) to direct the use of the State's resources appropriated for tourism, resources which are small in comparison to the private sector's.

The Strategic Plan also advocates new marketing approaches including the following: 1) attraction of higher spending visitors, not just more visitors; 2) attraction of new visitors who are likely to be repeat customers; 3) attraction of visitors who will come during off peak periods; 4) attraction of visitors from

a mix of states and countries to geographically diversify the visitor base ; and 5) attraction of visitors who will travel to Hawaii during adverse economic times. The new state initiative will seek to upgrade marketing and research, develop the ability to respond quickly to opportunities when they arise, and at the same time seek safeguard on-going activities, programs and resources against potential economic reversals such as "Black Monday" or a major airline strike.

In formulating this Strategic Plan, the State developed several key findings. First, they looked at government's role and found that "tourism is so important in the economy that it must remain healthy and viable for the foreseeable future. Diversification of the economy is desirable to mitigate this economic dependence on a single industry, but for at least the next five to ten years there are no clear alternative sources of revenues and jobs of the magnitude of tourism." In addition, "the State needs to determine the optimum levels of maintenance or growth of tourism which are most beneficial for Hawaii. This is not the same as maximum growth, profits or market share. At present it appears that the best interests of the State lie with moderate, steady rates of growth which are consistent through all seasons and protect the economy against large fluctuations in revenues and employment."

The State's findings relating to use of state resources to develop the visitor industry illustrate the nature of the development organization itself. Again quoting from the Strategic Plan : "State marketing and promotion resources are very small compared to those employed by the private sector, e. g., by airlines, resorts, tour promoters and hotels. Until the 1987 appropriations permitted increased manpower and funding for example, the State Tourism Branch had only two staff members to carry out a wide range of duties." Concurrent with this finding, the State also found that it "now provides over 90% of the support for the Hawaii Visitors Bureau. This support has been effective in projecting a positive image for Hawaii, although at the present time, the effect cannot be measurable — we cannot distinguish HVB results from those achieved by private sector advertising."

Thus the State determined that public funds provided by the Legislature should primarily be used to complement HVB's marketing efforts and increase the personnel

in the Tourism Branch in order to provide appropriate support in such areas as identifying and targeting new markets ; creating good policy and decision-making systems ; managing impacts of tourism on the environment and society ; protecting the industry against threats, contingencies and fluctuations ; and creating positive conditions amenable to the retention and attraction of industry and services. These objectives correspond with the State's original vision circa 1959 and are consistent with State Plan objectives and policies adopted by the Legislature in 1984.

However, the absence of measurable criteria needed to distinguish between HVB and private sector results also occasioned the State to advocate that the HVB apply evaluative techniques to their marketing programs and media advertising, "not so much for the purpose of accountability but as a guide to evaluate the various programs". Suggested measurements included visitor expenditure levels ; visitor count ; off peak season visitor growth ; length of stay ; growth of new markets or opportunity segments receiving marketing funds ; new initiatives ; accomplishments in meeting strategic recommendations per the Strategic Plan ; and visitor industry approval ratings.

The State's role in Hawaii's visitor industry development organization can be satisfactorily summarized by stating the major goals of the Tourism Office as presented in the Strategic Plan :

GOAL 1 : To serve as the central agency in directing tourism planning activities and assist in formulation of state policy.

GOAL 2 : To manage the State's tourism marketing, advertising and promotion programs to help maintain a high quality visitor program and to promote optimum growth.

GOAL 3 : To promote the improvement of the tourism physical plant, community acceptance and private sector support of the Hawaii visitor industry.

#### Hawaii Visitors Bureau ( HVB )

"Hawaii is unique among the states in relying on a private organization to implement the State's tourism promotion program. The hoped for benefit in

this arrangement is to have a system in which the State can manage an overall tourism program while the private sector retains the flexibility and freedom to promote tourism in the most efficient and effective manner, without being hampered by official rules and requirements." (Excerpt from the Management Audit of the Hawaii Visitors Bureau and the State's Tourism Program, 1987, Office of the Legislative Auditor, page 63.)

So far we have traced Hawaii's visitor industry development organization from the policy making and funding level ( the Legislature ) to the public action and management level ( the State through the Tourism Office, DBED). Now we will look at the Hawaii Visitors Bureau which for decades has promoted Hawaii's visitor industry through marketing, advertising, radio programs, newsreels, magazine spots, posters, and many other means, and provided most of the images of Hawaii which have attracted visitors to her shores by the millions in the twentieth century.

The HVB originally evolved from the Hawaii Promotion Committee which was organized in 1903 with a membership comprised of two representatives each from the Chamber of Commerce and the Merchants' Association and one selected by the other four members. The Merchants' Association merged with the Chamber of Commerce in 1913 and the Hawaii Promotion Committee became a standing committee which went through several name changes before finally becoming the Hawaii Visitors Bureau in 1945.

The HVB separated from the Chamber of Commerce in 1959 and filed its Charter of Incorporation as a nonprofit corporation with the Territory of Hawaii in April, 1959. Also in 1959, the year Hawaii became the 50th state, the Legislature decided that instead of appropriating funds directly to the HVB as it had for many years, it would appropriate funds to a state agency which would expend the money on a contractual basis with HVB. Today, HVB contracts with DBED for tourism promotion and was funded to the tune of more than \$15,000,000 for the 1987-1989 fiscal biennium, accounting for about 90% of the HVB's total budget.

Some interesting features of this funding relationship are that HVB, by the

nature and contents of its contract with DBED, need not show a profit and, because it is a private rather than a public organization, it is not formally subject to state reviews or controls. Also, it is technically not accountable for its effectiveness. However, because tourism occupies the dominant spot in Hawaii's economy at the present time, the relationships between the HVB, the State, and the Legislature are becoming more important, and the apparent lack of supervision of taxpayers' dollars is destined to change.

The HVB is made up of eight departments and is headed by the President. All eight departments report to the President, while the Market Research, Finance, Meetings and Conventions, Asia-Pacific, Membership, and Visitor Satisfaction Departments, all headed by Vice-Presidents, also report to the Senior Vice-President heading the Marketing Department, the number two management role in the organization. The Senior Vice-President for Marketing reports directly to the President, while the Director of Communications, who is the head of the Public Relations Department, reports both to the President and the Senior Vice President.

HVB's Board of Directors and committee members come from all areas of private industry, government, organized labor, academia, and the general public. They contribute time, resources, and expertise to the HVB on a voluntary basis and help reduce HVB's expenses by contributing services and products such as airline tickets and hotel rooms and by participating in cooperative advertising/promotional activities. HVB also obtains funds from its membership in the form of dues and subscriptions, and has three Chapters and three District Offices on the Neighbor Islands of Hawaii, Maui, and Kauai.

The Chapters are dues paying members which elect their own boards of directors. According to the 1983 HVB bylaws, they were established in order "to ensure that the Neighbor Islands and Regional Districts outside the State of Hawaii have meaningful input into the decision making processes of the Corporation by increasing the membership and participation. Such increased participation will increase the Corporation's effectiveness as a statewide organization." The District Offices, which were established before the Neighbor Island Chapters,



are units of HVB administration and are headed by District Directors, who are HVB employees. The membership in the private sector provides most of the direct services to Hawaii's visitors and constitutes the operations side of the industry as opposed to the development side.

HVB's primary goal is to promote travel to and among the Hawaiian Islands, and its principal activity has been and still is marketing Hawaii in America and throughout the world. The Marketing Department generally concentrates on the following activities : 1) participation in travel workshops and travel trade and consumer shows ; 2) development of literature relating to Hawaii ; 3) production and distribution of travel posters ; 4) production of calendars, etc ; 5) distribution of travel films and cassettes ; 6) promotional tours ; and 7) advertising, which accounts for approximately 75% of the HVB budget. In addition, some marketing activities are carried out by the Meetings and Conventions Department, which does promotion and maintenance and provides on-site assistance and statistics ; the Asia/Pacific Department, which concentrates on Japan, Hong Kong, Taiwan, Singapore, Australia, and New Zealand ; and the Public Relations Department, which generates press releases, articles, photographs, and background material, assists TV and film makers, provides media assistance and sponsorship of foreign media, and archival services.

One element currently missing in the HVB's relationship with the State and the Legislature is comprehensive program monitoring and evaluation to determine whether their marketing efforts are fruitful. Until recent years, this was not considered necessary nor was it encouraged, since tourism was secondary in economic importance to the sugar and pineapple industries and the philosophy of the Legislature and the State was to fund the HVB but allow them maximum flexibility in promoting Hawaii as a visitor destination. Generally, whatever level of visitor activity that HVB was able to generate was acceptable. However, with a biennium budget of \$15 million plus in tax dollars rather than the \$2 to \$4 million that had usually been appropriated, the question of accountability necessarily arises.

Monitoring, evaluation, and measurement are particularly important in marketing programs where it is vital to determine the impact of specific activities and

derive efficacious and efficient strategies which can be qualitatively and quantitatively verified. Some measurements of marketing effectiveness are market share, sales analysis, distribution cost analysis, customer satisfaction, communication effect and sales effect research, and conversion studies ( conversions from inquiries into actual visitors ). HVB is looking at these and other means of evaluating its operations, and it behooves any potential tourist destination to put into place some such mechanism which will reveal how well it is doing and what needs to be done. The trick is to do so without falling into the trap of creating a bureaucratic paper monster which inhibits rather than stimulates the very activity which it is supposed to assist.

So far we have traced Hawaii's visitor industry development organization from the Legislature to the State to the private sector in the form of the Hawaii Visitors Bureau. Next I will briefly describe the University of Hawaii's School of Travel Industry Management which provides trained personnel, research, consultation, scholarship, and other resources to the development organization.

### **School of Travel Industry Management**

In some ways, the School of Travel Industry Management at the University of Hawaii, Manoa, is the most invisible yet important member of Hawaii's visitor industry development organization. It is invisible in the sense that it receives virtually no publicity and what little the community knows about it, outside of the industry itself, is usually wrong or unclear. And it is important in that it provides a steady pool of well-trained management personnel for the industry and is the only organization in the State which is capable of carrying out long-range tourism research, services which it provides to the State, the Legislature, and the HVB/private sector on an operating budget of merely \$800,000 per year. ( This is remarkable when one considers that the U.H. School of Medicine pays nearly \$1 million per year just for malpractice insurance! )

The program itself began in 1959, that pivotal year in which HVB incorporated and Hawaii became a state of the United States.

TIM is an autonomous division of the College of Business Administration at the University of Hawaii which specializes in hotel and restaurant management, tourism, and transportation. Its main objectives are 1) to educate and train those who aspire to management careers in hospitality service and tourism related industries ; 2) to provide continuing education to those seeking upward job mobility in Hawaii's travel industry and to assist countries of the Pacific Basin and other nations in developing their executive manpower resources ; 3) to enhance and increase basic knowledge of travel industry management through research and to apply such research in curriculum development, graduate level training, and in assistance to the industry ; and 4) to maintain a strong bond between the industry and the School through the Internship Program, professional development programs, and other professional activities to strengthen interaction between the business community and education.

Besides teaching and research, TIM offers several professional programs supported by private contributions and gifts which attract participants from countries all over the world. These include the Executive Development Institute for Tourism, the Hawaii International Hotel Institute, and the Professional Program in Tourism Studies. Through its degree and external programs, TIM has more than 1,500 graduates in the field and over 6,500 industry personnel have attended TIM seminars conducted at the Manoa campus or overseas.

As a member of the visitor industry development organization, TIM contributes in the areas of research, education and training, and planning, and in these roles has both formal and informal relationships with the Legislature, the State, and the private sector as represented by the HVB. Aside from the obvious legislative relationship, i. e. funding, TIM is also a primary resource to which the Legislature may turn for information and research on the industry. In addition, TIM regularly carries out education, training, and research functions which are provided in the Hawaii State Plan and the Functional Plan for Tourism.

TIM's research capabilities also benefit DBED and the HVB, both of which lack the academic orientation and time to do long range studies on such subjects as the relationship between agriculture and tourism, land space utilization/tourism,

transportation/tourism, and health/tourism. The TIM Program is also a prime source of professional and management personnel for the State and private sector, and TIM staff regularly sit on crucial committees throughout the development or organization such as the HVB's Marketing Research, Arrival Projection, and Training Committees, DBED's Planning Committee, the State Tourism Training Council, and the State Tourism Functional Plan Advisory Committee.

Additionally, as an integral part of its mission, TIM and its faculty are actively involved in providing community services which meet the needs of the State, the visitor industry and the community in general. These activities include services in response to requests for faculty expertise and services volunteered by faculty members. Activities include review of environmental impact statements in tourism project proposals for Hawaii, and development of research projects such as "Training Needs Assessment of the Visitor Industry" and "Marketing Research Study of the Visitor Industry." TIM is currently studying transpacific air routes and recently completed a study on the cruise industry which should benefit planners and marketers in the visitor industry in Hawaii and throughout the Pacific Basin.

Services also include membership and participation in national and international organizations such as the U.S. Travel and Tourism Administration, the Pacific Asia Travel Association, and the world Tourism Organization, and in the past year TIM has, in conjunction with locally published "ALOHA" magazine, established the Tourism Pacesetter Award to be given annually in recognition of an individual or organization that has enhanced the quality of a Pacific tourism destination.

TIM also has the largest library on travel industry management in the Pacific, all of which was derived from private donations and sources.

In its public service activities, TIM is regarded by both the public and private sectors as one of the more influential University programs in the State as well as the Pacific-Asia region. To a great degree it has gained this recognition with the assistance of an Advisory Board comprised of major visitor industry representatives who have assisted TIM faculty and administration in all their

multi-faceted activities.

With key personnel situated in important positions, the most comprehensive research and library capabilities in the State relating to the visitor industry, a management degree program to service the industry, and a solid tradition of high level community service, TIM is an integral component of the development organization and illustrates the benefits which can be derived from the presence of an academically oriented institution which functions as part of a team devoted to improving the economic outlook for a particular community.

Currently, TIM has a proposal before the University of Hawaii Board of Regents to become autonomous and separate from the Business College. With such freedom, they believe they can contribute even more by adjusting the curriculum to suit Hawaii's particular needs, with emphasis on the humanities, languages, and intercultural disciplines and deemphasis on quantitative subjects which they currently have to stress as part of the Business College. The School administration has maintained that mandatory technical exercises, most of which can now be carried out via floppy disk in the real world, have persuaded many otherwise well-suited youngsters to enter other fields. This is a factor which is worth taking into consideration in developing a new visitor industry.

## Conclusion

Hawaii's visitor industry development organization is loose but harmonious marriage of four major organizations: the Legislature, the State, the Hawaii Visitors Bureau, and the TIM School at the University of Hawaii. Each of these elements can trace its origins to 1959, the year HVB incorporated, TIM was founded, and Hawaii became a state. Each makes vital and unique contributions to the visitor industry, which is the chief economic force and employer in the State. The Legislature funds the state agency (Department of Business and Economic Development) and the TIM School and establishes overall policies, objectives, and priorities for economic development and the development of tourism.

The State has responsibility for planning, management, and environmental concerns relating to a vast tourist industry, oversees and substantially funds the private sector's marketing activities, and provides regulation of the industry when needed. The Hawaii Visitors Bureau markets Hawaii throughout the world, and the TIM School provides invaluable research and consultant services as well as well-trained management level college graduates to work in the industry.

No one agency could accomplish all these tasks for an industry as large and complex as Hawaii's visitor industry, nor could all necessary activities be adequately supervised by one body corporate. It is the informal relationship of the organization, aiming for the well-being and stability of Hawaii's economy and work force while other major industries are being established, embracing complementary goals, and receiving needed assistance from each other in a free and generous exchange of information, talents, and resources, which is the strength of the organization.

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\* Note: All volumes may be located in the libraries of the Hawaii Legislative Reference Bureau, State Capitol, Honolulu, Hawaii; the Department of Business and Economic Development, State of Hawaii; and the School of Travel Industry Management, Business College, University of Hawaii at Manoa.



## Organization Chart

### Hawaii's Visitor Industry Development Organization

