



ROY COOPER
Governor

ANTHONY M. COPELAND
Secretary

MEMORANDUM

To: N.C. General Assembly – Joint Legislative Economic Development and Global Engagement Oversight Committee
N.C. General Assembly – Fiscal Research Division

From: Susan Fleetwood, Executive Director of Economic Development
David Efird, Acting General Counsel

Date: March 1, 2017

Re: Initial Report on Business Marketing and Advertising

PURPOSE

As part of S.L. 2016-94, the N.C. General Assembly appropriated \$3.75 million to the Department of Commerce for marketing and advertising of the State designed to promote economic development, business development and job recruitment. This is the first time in since the FY 09-11 budget that funds have been provided to the Department specifically targeted to marketing the state as a business destination.

EDPNC MARKETING CAMPAIGN

As the Department of Commerce contracts with the Economic Development Partnership of North Carolina (EDPNC) for business recruitment services, the Department requested that EDPNC submit a proposal to the Department for the expenditure of \$2.25 million for a targeted marketing campaign focused on both domestic and international audiences.

The EDPNC prepared a proposal and presented it to the Department's leadership in September 2016 and the EDPNC was approved to proceed with implementing the program to focus on both building awareness and industry-specific targeting efforts.

An initial report prepared by the EDPNC is attached and provides details about the total overall budget for each programmatic item, as well as expenditures and results to date. As required, a final report will be prepared for submission to the N.C. General Assembly on October 1, 2017.

REMAINING FUNDING

An additional \$1.5 million was retained by the Department, as several additional business marketing efforts were considered. There are three potential options for this funding. First, the Department was initially considering a program to encourage retirees and former/potential business owners to relocate to

the state to start new businesses and contribute to the rural economies throughout the Eastern part of the state. This program would build on research currently being conducted by East Carolina University (ECU) with a grant from Golden LEAF to map the assets of the region and identify key target markets for this retiree population. In fact, the Department requested the EDPNC present a proposal on implementing such a program and \$53,000 was expended on some initial marketing activities focused on retiree attraction. However, given that the ECU report will not be completed until October, when the final report for this initiative is due to the N.C. General Assembly, it is unlikely that the Department will pursue this option further.

Second, the Department is considering focusing on a business marketing strategy that better integrates the websites of the Department and the EDPNC – a key business marketing component. As these are currently independent sites, target audiences may be confused about where to go or how to best understand the benefits and advantages of a North Carolina location. A focus on integrating these two disparate sites may be a strong compliment to the business marketing activities already underway and may strongly heighten business awareness as those seeking information about a state often start their investigation with state government resources. Finally, the Department may consider adding to the existing program being implemented by the EDPNC, especially those elements that are focused on target industries and target geographies

A final decision about the programming for the remaining \$1.45 million is expected to be made by the Department no later than May 1, 2017, so that the details can be incorporated into the final report due to the N.C. General Assembly on October 1, 2017.

INITIAL REPORT ON BUSINESS MARKETING AND ADVERTISING

This initial report, as required by S.L. 2016-94, details funds spent and committed to be spent on marketing and advertising and the early results generated from those activities. A full report will be submitted to the Joint Legislative Economic Development and Global Engagement Oversight Committee and the Fiscal Research Division on October 1, 2017.

MARKETING CAMPAIGN OVERVIEW

Utilizing the \$2.25mm of funds made available for business marketing and advertising, the Economic Development Partnership of North Carolina has developed and implemented a targeted marketing campaign to drive awareness of North Carolina's exceptional business climate among both domestic and international audiences.

- **Marketing Objective:** increase the number of businesses considering relocating or expanding in North Carolina
- **Target Audience:** C-suite executives with site selection responsibilities and/or influence
- **Target Industries:** aerospace & aviation, automotive, food processing & manufacturing, and plastics and chemicals
- **Target Geographies:** Domestic priorities include the Northeast U.S., Illinois, Oregon and California due to their poor business climates (taxes, regulation, cost of living, etc.). International priorities include Canada, South Korea and Japan due to growth in foreign-direct investment opportunities and EDPNC's existing on-the-ground presence in those markets.

The campaign has been constructed to reach the very specific and challenging C-suite audience through a two-pronged approach:

- **Awareness Building:** In all markets, with an increased prioritization in Asia where awareness of North Carolina is lower, use of broader messaging opportunities to tell the North Carolina story through engaging, brand-building tactics that drive awareness and positive associations.
- **Industry-Specific Targeting:** Primarily in the U.S. and Canada, where awareness of North Carolina is higher, use highly relevant and industry-specific thought leadership content to showcase the benefits of North Carolina, delivered through hyper-targeted tactics and outlets.

Initial elements of the campaign began October 1, 2016, with current planned activities extending into the summer of 2017. Funding has enabled EDPNC to add or strengthen a variety of effective marketing tactics including to date:

- Predictive modeling research to expand target prospect lists in key industry sectors
- Business and trade media relations
- Digital advertising

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- Search engine marketing
- Website development and maintenance
- Web-to-Leads program
- Direct print marketing

Future efforts will also include video development and production.

BUDGET OVERVIEW

EDPNC 2016-17 Marketing Communications Budget Recap (February 15, 2017)		Total Budget	Billed To Date
STRATEGIC PLANNING / PROGRAM MANAGEMENT	Strategic planning, predictive modeling and Web-to-Leads research, project management, public relations services, reporting and net direct expenses.	\$311,662.00	\$214,395.00
	<i>International</i>	\$116,375.00	\$77,325.00
	<i>Domestic</i>	\$195,287.00	\$137,070.00
CREATIVE / MEDIA SERVICES	Creative development, production and net out-of-pocket expenses for digital, video and print materials; thought leadership/case study content development; and media strategy, planning and tracking services.	\$363,750.00	\$348,760.00
	<i>International</i>	\$208,750.00	\$203,750.00
	<i>Domestic</i>	\$155,000.00	\$145,010.00
DIGITAL	Development and maintenance for EDPNC.com; paid search campaign management; and eNewsletter program.	\$95,313.00	\$60,018.00
	<i>International</i>	\$1,250.00	\$1,250.00
	<i>Domestic</i>	\$94,063.00	\$58,768.00
MEDIA INVESTMENT	Digital, print and paid search advertising placed on a net basis.	\$1,339,075.00	\$865,517.00
	<i>International</i>	\$848,425.00	\$546,418.00
	<i>Domestic</i>	\$490,650.00	\$319,099.00
OTHER	Buildings & sites database development and maintenance, collateral printing, translation expenses, and photography	\$140,200.00	\$86,188.65
	<i>International</i>	\$75,200.00	\$46,229.58
	<i>Domestic</i>	\$65,000.00	\$39,959.07
GRAND TOTAL		\$2,250,000.00	\$1,574,878.65
	<i>International</i>	\$1,250,000.00	\$874,972.58
	<i>Domestic</i>	\$1,000,000.00	\$699,906.07

INITIAL CAMPAIGN RESULTS

Initial results generated from each of the major campaign tactics are listed below. The dates listed vary based on the most recent available data, and all tactics are still currently running. Results generated over the entirety of the campaign will be available in the full report due October 1, 2017.

Public Relations: (October 1, 2016 – February 24, 2017)

Proactive public relations efforts from October 1, 2016 through February 24, 2017 focused on trade media within four priority industry sectors: aerospace & aviation, automotive, food & beverage

manufacturing, and plastics and chemicals. The effort has expanded EDPNC's outreach to key audiences, and has generated early results of:

- 610,481 impressions
- Placements in *Chem.Info*, *Aerospace Manufacturing & Design*, *Quality Assurance Magazine*, *ProFood World*, *IndustryWeek*, *AgriView*, and *3D Printing Creative*
- Advertising equivalency valued at \$11,668
- Editorial impact valued at \$58,340

Search Engine Marketing (Paid Search): (November 15, 2016 – February 9, 2017)

Paid search efforts – targeted at domestic audiences (U.S. and Canada) – have been split between a broader “Why NC?” campaign that focuses on business in North Carolina as a whole (business climate, infrastructure, workforce, incentives, etc.) and campaigns tailored to specific priority industry sectors.

From November 15, 2016 to February 9, 2017, those campaigns combined to generate:

- 1,098,981 impressions
- 19,100 click-throughs to EDPNC.com
- 1.78% average click-thru-rate (CTR)

Digital Display Advertising: (January 13 – February 12, 2017)

Display advertising placed domestically and internationally (Canada, Japan and South Korea currently) has promoted North Carolina's attractive tax climate, and specifically focused on the reduction of the corporate income tax rate to 3% at the beginning of 2017. Display advertising has thus far generated:

- 8,721,213 impressions
- 16,633 click-throughs to EDPNC.com
- 0.19% average click-through-rate (CTR), compared to the 0.10% category benchmark
 - U.S. placements are driving the highest CTR, at 0.66%

Native Advertising: (January 11 – February 15, 2017)

Native advertising to C-suite audiences in key domestic industry sectors distributed through SmartBrief promotes the appeal of North Carolina's business climate, the new 3% corporate income tax rate effective January 2017, and overall quality life. Results generated from January 11 to February 15, 2017, include:

- 463,596 impressions
- 1,189 click-throughs to EDPNC.com
- 0.26% average click-thru-rate (CTR)

Web-to-Leads: (October 1, 2016 – February 22, 2017)

EDPNC has implemented a Web-to-Leads software on EDPNC.com in an effort to identify specific companies exhibiting a genuine interest in investment in North Carolina. The software allows the study of user behavior through click paths on the site among visitors to EDPNC.com to identify and qualify promising leads for follow up by EDPNC's business development and regional industry teams. From October 1, 2016 to February 22, 2017, the Web-to-Leads software has identified:

- 214 potential company prospects (82 out-of-state relocation prospects, and 132 in-state expansion prospects)

EDPNC.com: (October 1, 2016 – February 16, 2017)

The EDPNC launched a new mobile responsive website, EDPNC.com, in late April 2016 replacing the North Carolina Department of Commerce's ThriveNC.com. In July 2016, Commerce redirected all Business Link North Carolina (BLNC) web activity to EDPNC.com. BLNC is a division within EDPNC. With the enhanced content and user experience of the new site combined with the new marketing activities driving traffic and engagement, the EDPNC.com website has seen tremendous growth in site traffic.

Notable performance metrics for EDPNC.com are included below. Period-over-period comparisons use ThriveNC.com data from October 1, 2015 to February 16, 2016.

- 174,951 sessions, as compared to 58,850 sessions on ThriveNC.com, a 197.28% increase
- 46,221 returning visitors, as compared to 11,975 on ThriveNC.com, a 285.98% increase
- 386,130 page views, as compared to 123,791 on ThriveNC.com, a 211.92% increase
- 2.21 pages per visit, as compared to 2.10 on ThriveNC.com, a 5.24% increase
- 2:27 time on site, as compared to 1:55 on ThriveNC.com, a 27.83% increase
- 56.55% bounce rate, as compared to 65.78% on ThriveNC.com
- 19.25% conversion rate generated from the following conversion metrics:
 - 29,885 downstream clicks
 - 2,076 contacts (click-to-call or click-to-email)
 - 1,371 eNewsletter sign-ups
 - 231 social engagements
 - 122 address / directions
- Top ten visiting states include: North Carolina, New York, Georgia, Florida, California, Virginia, Texas, South Carolina, Illinois and Pennsylvania
- Top five visiting countries include: United States, Canada, Russia, India and Japan

Fortune Magazine Cover Wrap Program

The EDPNC has invested in a six-month (March-August 2017) subscription program with *Fortune* magazine showcasing North Carolina to 3,500 C-level corporate leaders. A custom produced cover wrap on each issue provides a highly targeted vehicle for directly reaching top executives in key EDPNC industries across the U.S., Canada, Japan and Korea, and the high-profile space on the cover negates the risk of being lost within the cluttered environment of the publication. Four pages of advertising real estate within the six issues of *Fortune* provide a strong forum for conveying detailed messaging, including examples of well-known companies who have relocated or expanded their businesses to North Carolina. In addition, the cover wrap program enables the EDPNC to offer North Carolina local and regional economic development offices and organizations co-op advertising placement to cost-effectively expand their own efforts.

To date, two *Fortune* cover wraps have been developed. The first issue features Sierra Nevada Brewing Co.'s second generation brewer Brian Grossman on the cover, a welcoming introductory letter from the EDPNC, a co-op full page ad featuring Carolinas Gateway Partnership, and a full page EDPNC ad promoting the reduction of the corporate income tax rate to 3%. The second issue features Honda Aircraft Company's President & CEO Michimasa Fujino, a letter from Governor Roy Cooper, a co-op full page ad featuring the Greenville, NC Office of Economic Development, Greenville Utilities and the Pitt County Development Commission, and the full page EDPNC corporate income tax rate ad. Future issues

will continue to feature companies from the campaign's four target industry sectors: aerospace & aviation, automotive, food & beverage manufacturing, and plastics & chemicals.

The March issue has just been mailed in late February, and the Web-to-Leads software is also being used here to track and identify magazine recipients who then visit EDPNC.com.