

# **Recommendations for Enhancing Destination Marketing Efforts in the Prescott Area**

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# Situational Analysis

The City of Prescott, with an estimated population of 42,000, is located in Yavapai County in central Arizona. Founded in 1864, it was the first Territorial Capital of the State, which is referenced in the community's upcoming sesquicentennial slogan "Where it All Began. Where it All Begins."

The towns of Prescott Valley and Chino Valley, along with the Yavapai-Prescott Tribe, make up a metropolitan area of over 200,000 people, and are partners in the Prescott Area Tourism Coalition (PACT), the officially designated Destination Marketing Organization for the region.

However, there are other organizations and businesses that are attempting to serve as Destination Marketing Organizations in addition to PACT. The Prescott Chamber of Commerce operates the area's Visitor Information Center. A volunteer group of business and community leaders launched the Prescott Area Tourism Committee (PATC) earlier this year to discuss ways to enhance destination marketing efforts and have become active in communicating the region's offerings through social media. The Prescott Downtown Partnership develops and promotes festivals and events. There are at least two for profit websites that offer visitor information for the area. And, in the past couple months, a new, for profit business has located on Courthouse Square, calling itself the Prescott Regional Convention & Visitors Bureau.

Earlier this year, PATC issued a White Paper, entitled the "Prescott Tourism Conundrum," that pointed to the fractionalization of tourism and hospitality interests and organizations in the region. In the document, the following findings were offered:

- Prescott severely underfunds tourism promotion compared to Flagstaff and Sedona.
- Prescott does not receive enough revenue from bed tax to adequately fund promotion in addition to supporting major events with city personnel and equipment.
- Prescott is the majority funder for tourism promotion and receives little to no regional support in return.
- Prescott is the only taxing authority to dedicate a portion of their revenue stream to regional promotion.
- Prescott lacks a singular brand for tourism promotion (there are several).

- Prescott does not have a true Destination Marketing Organization (DMO) and/or a Convention Visitors Bureau (CVB).
- Prescott's official website is not competitive with modern DMO websites.
- Prescott does not have a tourism director who is our voice for the industry.
- Prescott does not have a strong relationship with Arizona Office of Tourism.
- Prescott lacks an industry group sales effort.
- Prescott does not have an international sales effort.
- Tourism (promotion) is experiencing a rapid paradigm shift from conventional print publications to online media and specifically to Social Media such as Twitter, Facebook, YouTube, etc. Prescott's current effort is primarily conventional print media based.

The White Paper suggested that the City of Prescott engage an outside consultant from the Destination Marketing field to analyze the situation and offer recommendations on how the region should move forward more efficiently and effectively in marketing itself to the world. After issuing a Request for Proposals to a number of such industry consultants, the City engaged Zeitgeist Consulting, a leader in Destination Marketing Organization (DMO) governance and operations.

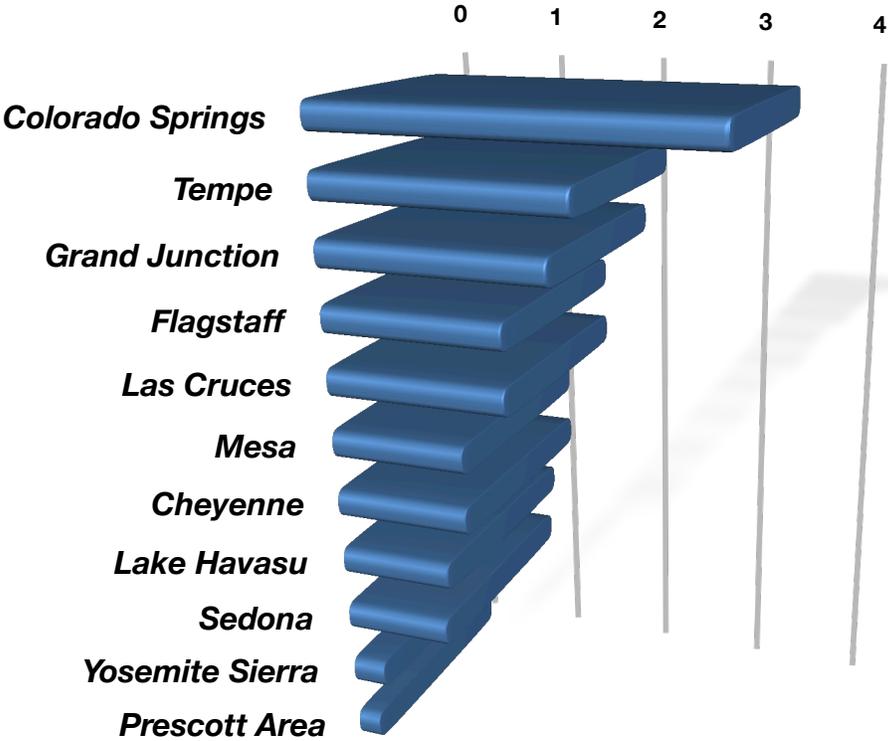
Zeitgeist president Bill Geist traveled to Prescott in December to meet with stakeholders from around the region and from a diverse set of industries and points-of-view. To say that the community is "fractionalized" is an understatement. **In our fifteen years of consulting DMOs, we have never seen a region with so many entities vying for position to lead the marketing efforts of a destination.**

On one hand, it is refreshing to see such passion from so many to market the Prescott area. However, with so many agencies and so many voices, the marketing messages being conveyed lack continuity and compete for attention in an already crowded tourism marketplace. Most marketing experts would agree that a single agency and a single message would be more effective in marketing a destination.

As could be imagined, our conversations with stakeholders from around the area ran the gamut from staunchly supporting PACT to flatly rejecting the job it has done. One thing on which virtually everybody agreed, however, was that the present situation is not in the best interests of the tourism and hospitality industry and the community at large.

While the City has asked our opinion on the best organizational structure for future tourism promotion and marketing, we believe that there is a separate, but related question that isn't being asked, although identified in the "Prescott Tourism Conundrum" White Paper. Is the region investing enough revenue into destination marketing to realistically generate the kind of visibility it expects? Indeed, many of the stakeholders with whom we talked pointed to the budget of PACT in comparison to other competitive destinations. And while budget size isn't everything (especially in this new era of social media), when your competition is outspending you 3 to 1, that's still three times as many impressions and sales calls being made.

As the chart below exemplifies, the Prescott Region is being significantly outgunned by its competition. And, to retain chart readability, we left out the DMO budgets of Albuquerque (\$6.8 million), Scottsdale (\$8 million), Tucson (\$8.4 million) and Phoenix (\$14 million). As we believe that funding is as important as the correct organizational structure, we will address this issue, as well, in our set of recommendations.



# Review of Present Destination Marketing Organizations in the Prescott Area

In this section, we will endeavor to identify the strengths and weaknesses of the current “players” engaged in the Marketing of the Prescott Area. These are listed in no particular order, although we will start with the Prescott Area Coalition for Tourism since it is the present “officially” recognized DMO for the region.

## **Prescott Area Coalition for Tourism (PACT)**

Formed ten years ago, PACT is the “official” DMO for the region by virtue of its contract with the city of Prescott, and funding partnership arrangements with Prescott Valley, Chino Valley, the Yavapai Tribe and the Arizona Office of Tourism (AOT). Indeed, there are those that have suggested it was the availability of matching State Grants from the AOT that spurred the region to pull together to form the organization in the first place.

The City of Prescott has historically invested half of its Room Tax collections in PACT’s program of work. That amount declined to 40% in FY 09 and to 31% in FY10...a decrease of over \$100,000 at a time when area businesses need marketing more than ever.

PACT has augmented its budget through aggressively pursuing marketing grants from the AOT, consistently garnering the largest grants possible, given the money available with which to match State funds (\$92,035 in FY10). While adding almost \$100,000 to the budget is a good thing, that it comes in the form of matching funds means that, to accept the money, PACT must use \$92,035 in Room Tax money in the ways that the AOT designates. And, in talking to destination stakeholders, there is growing discontent with the AOT’s directive that grant and match monies be used primarily on print and public relations...and not on internet marketing or social media.

For a number of reasons (mostly, we presume, fiscal), the initial PACT Board of Directors elected not to hire dedicated staff and to, instead, hire a marketing agency to handle the association’s affairs. Since its inception, Susan Schepman & Associates have held the contract and provided public relations, website and marketing services to the organization, as well as performing administrative duties such as grant writing, accounting and visitor information services.

While such an arrangement is not considered common in the Destination Marketing industry, it does have a fairly significant precedent. For roughly 30 years, the Green Bay WI Visitors and Convention Bureau (VCB) engaged a marketing and management firm to run the organization's operations. The VCB Board managed only a contract for services and did not employ a single individual. This was a successful arrangement, in part, because of the larger-than-life stature of the man that ran the management company (it was he that developed several destination attractions, including the Green Bay Packer Hall of Fame...where he is the only non player or coach to be enshrined). Upon the visionary void left by his retirement (and with the City restructuring how it invested Room Tax dollars), the Green Bay VCB adopted the more traditional structure of hiring staff and contracting with an agency for marketing services.

However, such a structure creates a division between the tourism community and the organization. For, despite the title of "Executive Director," Susan Schepman is not perceived by many in the hospitality industry to have a relationship with them. And these tourism business owners, especially in a downturn, want and need an advocate and a partner. Schepman's contract doesn't call for that kind of a relationship...nor should it. PACT hired an agency to market the region...not interface with the industry.

But, such a relationship is a key component in keeping all of the diverse partners in tourism working together, creating packages and supporting each other in the face of the storm. And several of the stakeholders with whom we talked spoke of the urgent need for a Destination Leader; a voice for the tourism and hospitality industry. That isn't currently available from PACT unless the terms of the contract with the City are amended. And, we'd expect that Schepman & Associates would require additional funds for stepping into such a role...which could cut into the dollars currently being used for marketing.

Critics of PACT have pointed to the organization's initial reticence to participate in industry trade shows, social media and group sales as reasons to make a change in DMO. However, given the restrictions mandated by using AOT money and the rapid decline in City funding, these additional marketing initiatives are virtually impossible without cutting back on traditional advertising.

Other critics cite a lack of accountability to the tourism industry as a reason to shift gears. However, the City of Prescott never established performance measures in their agreements with PACT. Thus, in such a vacuum, the PACT Board has been directing Schepman & Associates as it thought best. If performance measures and accountability standards were never established,

it would be wholly unfair to strip PACT of its contract now that “the rules” have seemingly changed.

And, that’s what we see in play here. The recession hit, businesses began to panic and it was easy to point the finger at PACT for the region’s falling numbers. However, if PACT had engaged an Executive Director that was in constant contact with the industry, the organization would have been in a position to react more quickly to the industry’s needs (group business) and suggestions (and entrance into social media). Everybody’s right...and everybody’s wrong.

***Our Bottom Line:*** PACT, through its contract with Schepman & Associates, has produced a significant body of earned media over the past few years. This is the type of media visibility that other destinations only dream of achieving. Dollar for dollar, we believe that PACT has done a creditable job. That it is not the job that the tourism industry now wants and demands must be considered carefully. However, if the industry does not support its DMO, its effectiveness will be extremely compromised.

### **Prescott Area Chamber of Commerce**

The Prescott Area Chamber of Commerce manages one of the destination’s Visitor Information Centers, in their downtown Prescott location. Outside of this service to the visitor, the Chamber apparently has little interest in managing the Destination Marketing Organization for the region, preferring to focus on its core mission of serving its membership. This degree of focus is refreshing as, in many parts of the country, Chambers are attempting to be “something for everyone” in an attempt to regain a sense of relevance. That the Prescott Area Chamber sees the bigger picture is a sign of great leadership and vision.

That the Chamber manages this Visitor Center on behalf of the destination is both an asset and a liability to the destination. The advantage to the region is that the cost of operating a Visitors Center is being borne by the Chamber of Commerce. No tax revenues are being invested in the Chamber for the management and staffing of this important function.

The downside for the destination is that, since the Chamber is a membership organization, businesses that are not members of the Chamber run the risk of not being referred. To be sure, the Chamber assures us that they will refer non-members when there is not an existing member in that business category. But, while we think that Chamber membership is a good investment and a small price to pay for any business that is serious about gaining customers from the Visitor Center’s referrals, it is still a cost that some businesses will say they cannot afford.

And, it's not just a non-member business that may lose out in this scenario. Imagine, for a moment, that one of the top restaurants in town elects to not be a member over a philosophical disagreement over some of the Chamber's advocacy efforts. As there are several restaurant members, the non-member restaurant won't get the referral...and the visitor experience suffers.

Visitor Services is a time-consuming program. Most destination marketers bemoan the resources consumed by this function...but know it is a critically necessary evil. On one hand, that the Chamber is willing and interesting in continuing could be seen as taking this burden off the DMO. However, like the membership conundrum, having Visitor Services completely separate from the DMO will result in mixed messaging. Unless there is exceptional communication between the DMO and Chamber on packages, promotions and special events, Center staff will be hard pressed to communicate a resonant message to the visitor...especially when they are volunteers.

***Our Bottom Line:*** While not appearing interested in taking on Destination Marketing as part of its program of work, the Chamber does see value to its members in continuing to operate its Visitor Information Center. That it does so without government investment allows Room Tax dollars that would normally be consumed in serving visitors to be directed to attracting them. However, that the Visitor Center is membership-focused and separate from the destination's DMO causes a disconnect in messaging.

### **Prescott Area Tourism Committee (PATC)**

Sensing that the tourism economy of the Prescott area was being impacted more severely than that of many in its competitive set, a group of community and business leaders formed a voluntary ad-hoc committee last year, calling itself the Prescott Area Tourism Committee (PATC). Leadership of this group maintain it was never their intention to become an official, not-for-profit DMO...but, rather, to serve as a think tank to come up with solutions to the region's shared pain. PATC researched other destinations and DMOs, looking for best practices and new practices from which to make recommendations to PACT.

From its research and discussions, PATC identified the need for the region to actively pursue the group market (meetings, motorcoach and sports tournaments) and establish a presence in the social media sphere. While it appears there there are differing opinions on what transpired next, they believe that their recommendations were either ignored or not taken seriously by PACT. Regardless, PATC created a Twitter presence for the destination which has grown to over 1,100 followers in just a few months. Since PATC's Twitter page was established, PACT followed and has a page being followed by over 300 people, as well as another 200 Facebook Fans.

PATC leadership says that most of their initial work is done and that, with the exception of its Social Media sub-committee, other sub-committees have ceased meeting. However, with over 1,100 followers and more to do in other social media spaces, some PATC members continue to forge ahead in this new marketing realm.

Our Bottom Line: PATC was born out of necessity and frustration. In the absence of a social media strategy from PACT, it launched an aggressive Twitter presence, garnering 1,100 followers in a few months. However, this is a wholly volunteer effort and, without dedicated funding, its future efforts (should it elect to continue to operate) will be largely in an advocacy role... attempting to communicate the hospitality industry's needs and recommendations to PACT and the City of Prescott. Those recommendations (group sales and social media) appear to have been heard, as PACT's proposed marketing plan for FY11 contains both.

### **Prescott Regional Convention & Visitors Bureau (PRCVB)**

As battle lines were seemingly being drawn last summer between PACT and PATC, Ginny King saw the opportunity to create a semi-full service destination marketing organization that would encompass group sales, visitor information, a central Calendar of Events and itinerary planning. Shortly before Thanksgiving of last year, the PRCVB opened its doors in the historic 1st National Bank on Prescott's lovely Courthouse Square.

What sets the PRCVB apart from other players in the community (and across America) is its establishment as a private for-profit business. To our knowledge, it is the only DMO so structured in the nation, since last year's closing of the Mystic CT Coast & Country organization.

The reason that for-profit DMOs are so uncommon is that most business people are unsophisticated regarding the importance of visitors to their bottom line. They don't understand that visitor dollars touch every business in one way or another...whether directly to a hotel, restaurant or retailer or to the businesses that supply goods and services to the businesses that sell to visitors. And, thus, while every business that benefits from visitor dollars should invest in their DMO to grow those dollars to the community (and their own bottom line), very few do.

That is why local government has had to step in throughout the country to impose Room Taxes to invest in Destination Marketing Organizations. And, while not unheard of, local government tends to struggle with the concept of investing tax revenue in a for-profit venture. Thus, by and far, the most common organizational structure in this country is the 501(c)(6) not-for-profit association DMO, because, outside of professional staff salaries, no

one profits from the revenues that may remain in the DMO's bank account at the end of the fiscal year.

Many of the stakeholders we talked to applauded King's entrepreneurial spirit and drive...but most questioned how the PRCVB could be effective in addressing all facets of a DMO as a wholly private, for-profit venture without an investment of Room Tax dollars. And, sadly, it is that "for-profit" status that is also causing some in the destination to recoil from the concept, as some fear a for-profit CVB will be even more proprietary about the information that it shares and the businesses that are promoted than is the Chamber of Commerce.

In less than two months of operation, it is impossible to yet assess the PRCVB's effectiveness against its mission. It will be months before it will be able to build a viable database for meeting and event planners and motorcoach operators from which to prospect for leads. Its internet and social media sites aren't yet up and, interestingly, possibly to avoid conflict with PACT, the CVB has indicated that it will not be engaged in paid marketing. What the PRCVB has been successful at is establishing a fabulous, high-traffic location, welcoming visitors and assisting them with itinerary building.

As such, they are more of a Receptive Operator (a Destination Concierge) than a true CVB, at this stage of the game. But that is a start...and, it's an important one, because visitors are likely to spend more and stay longer with an assist from the CVB.

***Our Bottom Line:*** We, too, applaud the PRCVB Team's entrepreneurial spirit and drive. And, while we believe that DMOs in the next decade may well be forced to switch to a for-profit organizational model, we question whether businesses in the Prescott Area understand the Return-on-Investment (ROI) that the PRCVB can create for them. Still, the Bureau's location is outstanding and, if it can develop compelling marketing vehicles and live up to its goal of assisting over 3,000 visitors a month through its doors, this may be one of the first successful for-profit CVBs in the nation.

## **The Yavapai Tribe**

While not a true Destination Marketing Organization, the Yavapai Tribe invests more money in its own tourism marketing (and, thus, the region) than all the other agencies' budgets combined. Thus, it is a force with which to be reckoned in the coordination of a brand message to the outside world... because their marketing reaches more consumers than PACT's does.

And, while the generally held belief that Casinos attempt to capture consumers onsite for the duration of their stay, representatives from the Tribe were quick to note that they actually used the diverse attractions throughout the Prescott Area to enhance their marketing message. As there are a lot of gaming options from which consumers can choose, the successful casinos must build upon their strengths. Often times, that is the destination that surrounds the facility.

Indeed, representatives of the Tribe told us that they often bussed their customers into enclaves throughout the region for dining, shopping, nightlife and recreational pursuits...and that attractions in the area made their casino more attractive.

***Our Bottom Line:*** Casino Gaming is an attraction that relatively few destinations possess. And yet, it certainly appears from our out-of-market view that past marketing plans have down-played this facet of the destination. As the Tribe has more promotional strength than the destination, every effort should be made to partner with them to align brand messaging and take advantage of their significant marketing muscle.

## **Prescott Downtown Partnership (PDP)**

While not viewing itself as a true Destination Marketing Organization, some of the PDP's activities serve to promote the area...and that contributes to the brand messaging of the region. For instance, if a destination were to promote itself as featuring high-end arts and culture and an organization staged flea markets every weekend, there would be a significant dissidence in the brand identity attracting the visitor and the reality confronting that individual upon arrival.

This is not to say that the arts and crafts markets that PDP manages are wrong for Prescott. It only means that the PDP is in the tourism marketing business too. Indeed, its website welcomes visitors to discover the historic downtown and the PDP does some radio advertising as well.

However, at its core, it is an events management association, deriving much of its revenues from festival and event vendors and ticket and concession

sales. More importantly, it is a downtown enhancement district, supported by dues paying members, most of whom are located downtown and have a stake in its success.

***Our Bottom Line:*** Not that the PDP aspires to be the region's DMO, but its geographic and programming scope is so tightly defined, it could never be expected to transform itself into such an organization. It's focus is exactly where it should be...on developing the product the DMO is expected to sell. Thus, the PDP and the region's DMO must have a strong collaborative relationship to insure that the event mix matches the destination's marketing and that the events are marketed the way PDP needs them to be.

# Potential Structures for Destination Marketing Organizations

The structural designs utilized across the country are as varied as the communities that employ them to increase visitor spending in their destinations. While the majority of today's Destination Marketing Organizations are independent 501(c)(6) not-for-profit associations, there are several other structures that successfully market their regions, as well.

According to Destination Marketing Association International (the Destination Marketing industry's trade association), 65% of DMOs are organized as independent, non-profit agencies. 15% operate as a unit of government. Just over 5% exist as Divisions of Chambers of Commerce.

We see the options before the the Prescott Area as:

- *Continue to designate PACT as the official destination DMO*
- *Contract with another independent 501(c)(6) not-for-profit DMO*
- *Create a DMO as a Department of the City of Prescott*
- *Contract with the Prescott Chamber of Commerce to provide Destination Marketing Services*
- *Contract with the Prescott Regional CVB to provide Destination Marketing Services*

The first four legal structures are currently in play in destinations around the United States. In many cases, the destinations employing such structures are finding success. And, we can make a case for any of the these options. To our knowledge, there are no for-profit DMOs currently in existence. That doesn't mean it is not a potential structure, just that it has not yet caught on around the country.

In making a determination regarding the best structure for a destination, community and business leaders must agree on three basic areas, which can easily differ from city to city. The level of governmental control required, the level of industry support required and marketplace agility all come into play in identifying the best option for a destination.

### **On the Issue of Control**

Since government is investing tax revenues into destination marketing, no other organizational structure provides more control than that of a City Department DMO. There is little doubt that the Mayor and Council will have full authority over their DMO, if it answers directly to them. However, while governments are increasingly adept at public relations, most have little expertise when it comes to marketing and sales. City Department DMOs are increasingly rare as government realizes that its core competency is in providing services...and not sales and marketing. In today's era of social media and internet marketing (complete with consumer reviews of destination attractions), destination marketing is an area that most governments are wise to avoid.

However, governments generally find all the control they need with a well-crafted contract with an independent 501(c)(6) association. Assuming the contract spells out clearly what the expectations are of the DMO and how accountability will be measured, the organization is compelled to follow the contract to the letter, or face loss of future funding. Thus, most units of government realize the control they require without the hassle of setting up a new department.

### **Industry Support and Participation**

The best DMOs have deep, productive and co-operative relationships with their partners in the visitors and hospitality industry. When the successful DMO schedules a site inspection for an event planner, partner businesses jump to provide complimentary rooms, meals and services to help the DMO impress the client so they'll choose the destination. Other DMOs provide co-op advertising opportunities to their industry partners in order to generate additional revenues to expand the advertising reach and frequency of the destination.

An independent DMO can often develop more effective relationships with area businesses that support and benefit from the visitors industry because those businesses know that the DMO is 100% dedicated to their success. There is no question about competing agendas within the organization or a fear that room tax revenues could be utilized for non-tourism related activities (a common charge leveled at parent organizations by subsidiary DMOs). Visitor industry businesses are most engaged with an independent DMO structure.

Many City Department DMOs report difficulty in engaging their visitor and hospitality industry partners to enter into co-operative marketing and sales agreements. In part due to the assumption that government doesn't need or want help or input from the private sector, many businesses have a laissez faire attitude toward government DMOs. And, while not a "deal-killer" for a

DMO, the government department often loses out on hundreds of thousands of dollars in potential private sector revenue to match the City's investment in such a scenario.

In the case of the DMO being a subsidiary of another agency, there is often a philosophical challenge that comes into play. Will the DMO be able to promote businesses that are not members of the parent organization? Likewise, a parent organization that does not require membership for its DMO to provide marketing visibility may face a challenge from its members that choose to drop their affiliation in the face of non-members receiving member benefits.

### **Marketplace Agility**

The most agile Destination Marketing Organization is an independent, 501(c)(6) not-for-profit association. Managed like a private sector business, this type of organization can rapidly respond to changes in the marketplace. As long as budgetary resources are available, stand alone DMO Boards can approve shifts to a destination marketing plan within days of an opportunity presenting itself...or a threat appearing on the horizon.

Other economic development focused agencies, however, are usually just as agile as independent DMOs. They, too, are in competitive environments and are governed by successful individuals from the private sector. However, the inherent challenge of a governance model in which the DMO Board is a subsidiary to a parent organization is that it will eventually chafe under the realization that it does not have the final authority over budget, program and staffing again causes us to support the independent DMO model.

As noted previously, Marketplace Agility is often not in the DNA of government, nor should it be expected to be. The processes that are required to effectively and evenly provide services are often at odds with the rapid response required in the marketplace when competing with other destinations for events or responding to social media opportunities. For this reason, a City DMO is probably the least agile format of the choices in front of the destination.

Clearly, we believe that the structure that answers the preceding issues best is an independent 501(c)(6) not-for profit association...with a carefully constructed contract with the City.

## **The Cases Against an Independent DMO**

Opponents of the independent, not-for-profit DMO structure can counter the preceding rationales with a series of rebuttals:

***Unnecessary Duplication of Administrative Costs.*** Especially in the case of Economic Development-focused agencies (and to a lesser degree with City government), a case can be made that there are efficiencies of scale with a subsidiary DMO. Greatly reduced (or waived) rent, shared reception staffing, IT, office machines, etc., and shared administrative or marketing staffing are often offered as rationales for the subsidiary DMO. An effective parent organization CEO could argue that having a DMO CEO would be redundant as s/he could manage the affairs of both agencies, freeing up precious resources to hire additional sales and marketing professionals. And, the ability to save \$100,000 that could be plowed back into marketing is a powerful incentive to consider such an organizational structure.

***The City Needs More Control.*** One of the most common criticisms of the independent DMO is the fear by City leaders that such a structure doesn't provide them with enough control or oversight over the tax revenues being invested in the organization. Clearly, this concern has been borne out with the City Council's present level of unhappiness with PACT. However, this also holds that the City knows how to market the destination, knows the latest social media methods, trade shows to attend and ways to bid sports tournaments. Just because City government is good at a lot of things doesn't mean it's good at everything.

***The City Owns Most of the Tourism Assets.*** And, the reasoning follows that it would be easier to coordinate tournaments, street closings, event services and environmental and outdoor recreation tourism if the DMO Director and the other City Department heads were all playing on the same team. And there is definitely some validity to that, as the Director of the city department Irving TX CVB says that her relationships with other city staff often speeds the approval process on projects and proposals.

However, stakeholders to whom we suggested this rationale took issue with the assumption that "most of the assets" were owned by the City. While it is true that the City owns the infrastructure, the lakes and the lands, many of the manmade attractions are privately held. Thus, the question (as posed earlier) is whether the private sector will actively support a City Department structure.

# Strengths and Weakness of Existing DMOs

A Destination Marketing Organization identifies the strengths of the community and searches to connect with consumers that are attracted to those strengths. While a DMO in one community might target convention planners, another will focus on leisure visitors. It depends on the community...there is no such thing as a “one-size-fits-all” DMO.

To be sure, the vast majority of DMOs/CVBs still pursue the 4 major tourism markets (Meetings, Motorcoach, Sports and Leisure Visitors). However, the mix is different in every market. In Madison WI, the primary focus is the meetings and convention market. Very few resources are directed to the other three markets, not because they are unimportant but, because filling that City's two convention centers is the sole focus of the City and the County...and their respective contracts with the CVB require such a focus.

Yet, an hour away, Rockford IL focuses most of its attention (and resources) on the Sports Market. It has no convention center...but does boast one of the finest soccer complexes in the Midwest. And, an hour from Rockford sits Galena IL, a quaint river town that time has seemingly forgotten. Galena's focus is almost 100% Leisure...because that is *their* strength.

On a larger scale, however, DMOs in many communities are responsible for more than just attracting visitors to the destination. As noted earlier, DMOs are also intimately involved in developing brand awareness and appreciation for the entire community. A Prescott DMO will also be important to the City in this role of encouraging a positive image of the community to increase investment, job growth and quality of life.

Thus, the structure of the Prescott area's official DMO will be predicated on what type of destination the region is, which markets it intends to pursue and how deeply engaged the community expects it to be in the realm of destination development and advocacy.

Each of the existing entities that have a hand in Destination Marketing have certain strengths...and none of them are without weaknesses:

## **Prescott Area Coalition for Tourism (PACT)**

**STRENGTHS:** First off, PACT is an independent non-profit agency on contract with the City of Prescott to provide tourism marketing services. That alone is a significant strength, as noted in the previous section. Its ability to respond to market shifts, represent the tourism industry and coordinate private sector investment is a significant advantage over other organizational structures.

PACT gets high marks for its ability to score a significant amount of earned media in magazine and newspaper coverage of the region. Its print advertising is somewhat pedestrian, but we see that as much a function of trying to stuff too many concepts into an ad as the lack of budget with which to place larger ads. And, while some may say that the successes in print are meaningless, one must keep in mind that traditional media is still an excellent way to drive people to become fans and friends on the web. And, given the AOT restrictions on what the lion's share of the organization's budget could be spent, we believe that the destination has been well served by PACT.

In addition, the in-kind administrative support provided by Schepman & Associates has saved PACT tens of thousands of dollars over the years. Shifting to a different structure or management contract will undoubtedly require additional revenue to support the administrative side of any other organization.

**WEAKNESSES:** By contracting with an outside agency to manage all facets of the organization, PACT has, in essence, forfeited its role of destination leader. Without an Executive Director, the tourism industry has no voice, vision or sense of community. Instead, it has engaged a firm to carry out marketing initiatives on behalf of a destination that, today, is asking for more.

It is because of this lack of connectivity that PACT was not as responsive as it possibly could have been to shift gears when business began to decline during this current recession. At the same time, matching dollars with the AOT resulted in preventing PACT from shifting to a focus on group sales and social media, as some in the industry were recommending, during the current fiscal year.

The PACT Board has been accused by some of being a "closed club" and not responsive to the industry it was designed to serve. Whether it is or is not isn't the question. That we heard it from several quarters means that PACT suffers from a perception problem in the community, possibly exacerbated by the lack of term limits on Board members. Such a tool allows others in the community the opportunity to serve on a Board that many appear to believe is important.

## **Prescott Area Chamber of Commerce**

**STRENGTHS:** For years, the Prescott Area Chamber of Commerce has managed one of the destination's Visitor Information Centers. And, while there are critics that say the volunteers that staff the Center aren't up on the last retail, dining and cultural offerings, the Chamber's longevity in this arena is unmatched. And, that the Center does not consume Room Tax dollars is an advantage to the destination, allowing more money to be invested in marketing to potential new visitors.

**WEAKNESSES:** The Chamber's Visitor Center location, while in the downtown, is not on the Courthouse Square. Thus, it is difficult to locate for many visitors desiring its services. In addition, the fact that the Visitors Center is showing to the world is restricted to Chamber members. While one would expect nothing less, given the lack of government investment in their program, it could provide a limited set of options to consumers that, had they understood the full breadth of the Prescott Area experience, might have stayed longer and evangelized about their visit to more friends.

And, while we admire the Chamber for not having an interest in creating a division of Destination Marketing, it must be listed as a weakness in considering what agency is best suited for the task. That they don't want it, and prefer to focus on their core competency, is such a weakness when it comes to who is best to promote the Prescott Area to visitors.

## **Prescott Area Tourism Committee (PATC)**

**STRENGTHS:** The Prescott Area Tourism Committee appears to have gathered some of the top tourism businesses in the region to discuss the future of the industry. That is a strength that the other players in the game do not possess. From those seminal discussions, through the summer and fall, sprang a number of industry-based recommendations that bear serious consideration.

**WEAKNESSES:** The PATC has no legal bearing. It is but an ad-hoc committee of concerned business leaders and citizens suggesting that the way the Prescott Area is promoted needs to come in line with new, online opportunities. Thus, it is not in a position to hold a contract with City, nor receive AOT grant funds.

### **Prescott Regional Convention & Visitors Bureau (PRCVB)**

**STRENGTHS:** The PRCVB's greatest strength, at the moment, is its sensationally prominent location on Courthouse Square. That alone will likely garner the CVB more foot traffic in its Visitor Information Center than the Chamber of Commerce.

Its other strength is that it is not beholden to Room Tax revenue. Thus, it is not subject to the vagaries of the ever shifting landscape of politics.

**WEAKNESSES:** But, it is the lack of public sector funding that is the PRCVB's downfall. Government's traditional reticence to contract with a for-profit agency may restrict the Bureau's ability to build the kind of budgetary muscle that can compete in today's marketplace.

Thus, we question whether the private sector will invest significant enough funds in the PRCVB to power the kinds of programs it hopes to offer. Group Sales and an aggressive online presence will need at least \$300,000/year to achieve.

And, while we applaud the entrepreneurial spirit behind the PRCVB, its lack of a track record could prevent it from being a viable option.

### **The Yavapai Tribe and the Prescott Downtown Partnership**

**STRENGTHS:** The Tribe's Casino and Meeting Space are significant attractions for the region, as are the events developed and managed by the PDP.

**WEAKNESSES:** Neither entity has the geographic focus to lead a city or regional destination marketing campaign.

# Future Funding Considerations

As noted previously, we believe that just as important a consideration (if not more) than how best to manage future Destination Marketing initiatives is how the City will fund such strategies.

That the allocation of Room Tax dollars from 50% of collections to 31% has occurred over the past two years causes us to question whether the City understands the value of Tourism to its own bottom line. Visitors are vital to the City's budget. A recent study of the impact of tourism in Phoenix shows that it is not just Room Tax collections that benefit a city, but that sales tax and property tax collections drop when visitor levels decline. And, for those cities that sell water as an income stream, water sales decline when visitation drops. And, when visitation levels decline, resident job losses increase.

While we believe the City should be investing all of its Room Tax revenue into its DMO, returning the investment to 50% for the time being would be a good start. However, it won't be enough. PACT's budget is already woefully lower than its competition. If the City wants to change the management structure and add a sales component to its DMO, that will take additional resources. Or, it will require the discontinuation of accepting AOT grant money, which will also necessitate replacing those revenues.

Even if the City were to replace the revenues lost by forgoing the AOT grant, the status quo is not an acceptable plan if the City is serious about increasing visitation to the area. **Quite honestly, to leave a mark in these times with Prescott's competitive set, the City must invest at least \$500,000 in its DMO.**

We understand that utilizing all or most of the Room Tax for destination marketing reduces the amount that is being used for other purposes. However, if those other uses are important to the City, why must they be supported through Room Tax dollars? If there wasn't a Room Tax, the City would surely find another source of revenue.

Likewise, DMOs are not restricted to only utilizing Room Tax revenues. If increasing Visitor spending in a community is important to government, it is incumbent upon that government to direct tax revenue to generate even more tax dollars than it invests. Thus, it makes very little difference what kind of tax revenue is applied to tourism marketing...just that it is.

General Fund revenue spends just like Room Tax funds. And if increasing visitor spending to create jobs, new business start-ups and additional sales and property taxes is important to government, it makes no sense to limit the investment to available Room Tax revenues.

Such a concept is difficult for politicians to support because their constituents don't understand how visitor spending in the community impacts their lives. If they did, investing general fund dollars in visitor acquisition would be a "no-brainer." Which is why it is incumbent upon the destination to hire a CEO that can communicate the opportunity to the community.

Some of Prescott's competitors have significantly larger DMO budgets because they have imposed hospitality taxes on a larger segment of the industry. Prescott should seriously consider whether the imposition of a "Bed, Board and Booze Tax" (BBB) that would include prepared food and beverage could also fund future tourism promotion and development. At just half a penny, such a tax could add \$400,000 to the DMO's budget and would cost residents only 15 cents on a \$30 meal. At a quarter penny, the price to the consumer would be 7.5 cents...and still generate \$200,000.

And, let's be honest, the people that can afford a \$30 meal likely won't be the ones the object to such a tax. It'll be those that live on fast food that protest the loudest. So, to break it down for them, the tax on a Big Mac combo with fries and a drink will be two pennies.

The newly formed consortium of independent restaurateurs (called, appropriately, the "Prescott Independents") reportedly will consider supporting such a tax, as long as the revenues generated are dedicated to destination marketing. Their support will be crucial if such a tax is to succeed at public referendum.

## **ON STAYING REGIONAL**

For the present organization to continue to be a regional body, however, its partners will need to step up to the table. When Prescott is investing up to 50 percent of its annual Room Tax collections, the \$5,000 "contribution" from Prescott Valley and the \$1,000 "contribution" from Chino Valley are simply not equitable. And, while Prescott has gone along with this relationship for years in order to access AOT regional grant money, it has become clear that AOT restrictions on how match and grant monies are used may be more trouble than the grant funds are worth. Thus, Prescott's regional partners have just become expendable.

But, at the same time, they have not. Attractions in Prescott Valley, Chino Valley and at the Tribe's Casino Resort are key components of the overall destination message. To a degree, Prescott needs these additional destination assets to make itself attractive to an even larger consumer base. But, to a greater degree, Prescott Valley and Chino Valley need Prescott to succeed.

Thus, we strongly encourage Prescott Valley and Chino Valley to invest no less than 50% of their Room Tax revenues in Prescott Tourism's program of work. If they choose to not match the City of Prescott's investment, we would advocate that they be dropped from the promotion provided by the Prescott DMO, except where the City believes their presence in its promotional materials best benefits Prescott. In other words, Prescott can claim what it believes enhances its attractiveness...and not be compelled to promote what it does not deem to be of interest.

Of course, should these communities elect not to invest in Prescott Tourism at a meaningful level, it would put the AOT's regional tourism grant into question. However, as was pointed out at one of our focus sessions a) we're only forfeiting \$60,000 if we fail to apply as a region, b) the current AOT restrictions on how the money can be spent makes the grant marginally useful, at best, and c) the loss of the amount our current partners invest is negligible. Thus, the value in continuing the regional approach is somewhat questionable.

This is not to say that regionality is not important...*for it is*. It's just to say that Prescott doesn't need its surrounding partners as much as they need Prescott when it comes to attracting visitors. Thus, surrounding communities need to understand that an equitable investment in the DMO's program of work is necessary for them to reap the rewards of Prescott's marketing efforts.

# Recommendations for the City

After our examination of the factors in play and the forces at work, we believe that the following realities must be considered as the City of Prescott analyzes its options:

- Its investment into Tourism-driven Economic Development is woefully less than its competitive set
- The rate of the City's investment into Tourism development is inequitable with that of its partners in the Prescott Area Coalition for Tourism
- The City stands to forfeit at least \$60,000 in AOT grant money if it were to take the functions of the PACT in-house and become a city-centric DMO
- Many stakeholders in the region's tourism and hospitality industry are unhappy with the current level of productivity of PACT
- While there are concerns about the productivity of PACT, the organization is living up to the expectations of its contract with the City

The City of Prescott's contract with PACT expires on June 30th of this year. The City may or may not put the contract up for bid this Spring with a Request for Proposal (RFP) process, providing an opportunity for organizations to compete for the right to be the City's officially sanctioned DMO.

Should it put the contract up to bid, the City needs to redesign its RFP process to more clearly outline its expectations of the organization that will promote Prescott. If the City no longer wants PACT (or any other organization) to source all of its functions to a third party, it needs to require that any organization responding to the RFP must hire a full-time Executive Director, whose job it is to manage the affairs of the DMO. If the City agrees that there needs to be a group sales component in its DMO, the RFP must require that respondents to the RFP must be prepared to employ a sales professional to be awarded the contract. If the City believes that social media is the future of destination marketing, it must require that respondents have a plan to achieve that goal.

The City holds virtually all of the cards in this situation. If it wants a change, it can achieve that through detailing its expectations in the RFP.

Assuming the City follows such a path, here is how we believe the players in the market should respond:

The **Prescott Downtown Partnership** and the **Yavapai Tribe** are currently, in our view, not qualified to bid on this RFP due to their geographic and programming focus. If either should want to bid on this contract (which we doubt, but would not want to preclude), significant changes to their organizational and programming structure would have to occur quickly.

**The Chamber of Commerce** will need to affirm its lack of interest in adding Destination Marketing to its program of work. Should it decide that it would like to entertain the RFP, it would likely need to design a subsidiary division of the Chamber to fulfill this function.

**The Prescott Regional CVB** will need to enter into discussions with City leadership to determine whether the City would consider (and, if so, under what conditions) contracting with a for-profit business to provide tourism marketing services. If so, it should prepare to bid on the contract if the City goes to RFP this Spring. If the City's response is no, the CVB should look for ways to perform complimentary services with the City's officially sanctioned DMO...or consider shifting its organizational model to become a 501(c)(6) not-for-profit organization.

**The Prescott Area Tourism Committee** should decide whether it should officially file as a 501(c)(6) not-for-profit corporation in order to bid on the upcoming RFP...or remain a volunteer advocacy group.

**The Prescott Area Coalition for Tourism** should take steps to redesign how it is organized in order to be realistically considered to retain the contract in the RFP process. Despite our view that PACT has performed admirable under the circumstances of funding cuts, AOT restrictions and the recession, its image has been so tarnished over the past year that we believe nothing short of reorganization will gain them a renewal of the contract.

Thus, we offer three scenarios of how this could play out:

## **SCENARIO ONE**

### **REORGANIZE PACT**

Our initial recommendation is to reorganize PACT. While some love the organization, we know that even more revile it. We believe that utilizing, but updating, the existing 501(c)(6) organization is the most expedient course for the destination.

We say so because of the following considerations:

- It doesn't require filing for new State and Federal recognition
- It already has a fiduciary relationship with AOT
- The current organization has fiduciary relationships with Prescott Valley, Chino Valley and the Yavapai Tribe that must be continued to access AOT grants

While the legal organization in such a scenario will remain the same, virtually everything else needs to change:

- The name of the organization must change
- The Board should be redesigned to become more diverse and representative
- The Board must hire an Executive Director / CEO to manage the organization and the contract with the City
- The Executive Director / CEO will engage a third-party marketing agency at his/her discretion

We believe the present organization of PACT is sound. It already has buy-in (though inequitable) from three municipalities and the Tribe. It is certified to receive grant funds from the Arizona Office of Tourism. And, it requires the least amount of administrative work to bring to fruition.

However, there is a significant level of rancor being leveled at PACT...to the degree that we believe a fresh start is its only salvation. Thus, we suggest renaming the organization and reseating the Board of Directors. This is not to say the current Board has not done a great job. Instead, the destination needs to know that the organization is freshly constituted and that Board positions are available to more than the initial chosen few.

We would expect several of the existing Board members to continue on to provide continuity in the reconstituted organization. But the destination needs to know that there are fresh faces on the Board to assure that a new dawn has risen and that the “old guard” is no longer in complete control.

Next, the Board must initiate a search for a CEO / Executive Director. One of the common threads we heard as we interviewed stakeholders throughout the community was that the industry needs a leader, a voice and an advocate. And we agree. The Prescott Area has a wealth of destination assets...but what it lacks is someone to connect the dots. And, engaging an experienced industry professional would be a meaningful step in that direction.

This does not mean any disrespect to Schepman & Associates, who have masterfully managed the PACT contract for a decade. It is just that the destination needs to take the next step and engage an individual to lead the industry. We would certainly expect that the new CEO would then let an RFP for an agency to perform creative and PR services for Prescott Tourism. And, if Schepman & Associates is as good as we believe them to be, they'll be on the short list.

If this sounds like rearranging deck chairs on the Titanic, it is not. Where PACT thought it had one primary mission, it really had two. Successful DMOs are not just marketers; they are also destination leaders. DMOs that contract marketing out without understanding their larger role in convening destination partners to work together are missing the boat.

Thus, our first recommendation is for PACT to rename itself, redesign the Board, hire a CEO and then go to RFP for an agency. We would expect, given the industry's desire for group sales and social media, that the CEO would, in turn, hire sales and social media experts to perform those functions. Clearly, this would mean that the organization's budget would need to increase to encompass these new initiatives.

## **SCENARIO TWO**

### **CONTRACT WITH ANOTHER ORGANIZATION**

Should PACT elect to not pursue our recommendations (or if the City believes PACT is too damaged, even renamed and repurposed, to go on), there is a second scenario that should be pursued. And that is for another organization to bid on the RFP.

That organization could well be the Chamber or the PRCVB. However, the Chamber has indicated a lack of interest and there is a question whether the City would agree to contract for a for-profit organization for tourism promotion services. Without taking either option off the table, we'll focus our thoughts on the formation of a new 501(c)(6) not-for-profit organization.

This new organization will have to decide first and foremost whether \$60,000 of AOT grant funds and meaningful investments by Prescott Valley, Chino Valley and the Tribe are important enough to structure itself as a regional DMO. While some industry stakeholders say that AOT is relaxing its rules on how grant and match money can be spent, designing an organization around a grant program that could disappear at any time seems somewhat foolish...at least at the \$60,000 level.

However, the bigger issue is whether the regional partners are willing to step up to the plate and match the percent of Room Tax collections that Prescott invests. If so, the regional approach is assuredly the way to go. If the regional partners decline, the organization should focus on providing promotional services to Prescott...and market regional attractions if and when it suits its needs to make a sale.

Past this consideration, the new organization should follow the steps we've outlined for the reorganization of PACT. It should engage a diverse and representative Board of Directors that includes both industry and community leaders. It should be prepared to hire an Executive Director upon being awarded the contract. And, it should be prepared to show how its sales and marketing plan will be more effective than PACT.

Even when there is as much division as currently exists in Prescott, unseating the incumbent in an RFP process is never easy. They have a track record...and the challenger does not. They have fiduciary ties to regional partners and the State...the challenger does not.

The new organization must demonstrate how it can meet and exceed the conditions of the RFP to succeed in unseating PACT. For, if it cannot, the City will have no other option but to continue with PACT...or follow Scenario Three.

## **SCENARIO THREE**

### **TAKE TOURISM MARKETING IN-HOUSE**

It may have come to this. Though we recommend that Prescott pursue its tourism future by contracting with a 501(c)(6) not-for-profit association, conditions may be so rancorous that the only solution would be to not go to RFP and take tourism marketing in house.

Doing so would likely eliminate the regional AOT grant and future investments of funding from regional partners and the Tribe. It could limit or eliminate the amount of private sector revenue that could be generated, should the City have prohibitions of such private sector investments into its departments. And, as noted, without a dynamic Director of Tourism (as is the case in Flagstaff and Irving), the City runs the risk of becoming disengaged from its tourism industry.

The City gets the control over the situation that it desires...but that control comes at a price. Where the City can control its not-for-profit DMO through its contract, it is usually unable to micro-manage its staff. A City DMO runs the risk of having every Council member lobbying for marketing their favorite event or attraction, weighing in on the latest marketing idea (when that was new two years ago) or pushing staff to advertise in markets that sound good, but won't produce.

Other than those concerns (which are significant), a City run DMO would certainly be the easiest path. The majority of the stakeholders with whom we talked aren't exactly enamored with the idea...but it would be simpler.

### **THE CONTRACT**

If the City chooses to pursue our primary recommendation to engage a not-for-profit DMO, it must also look to the future with its contract. For, if the RFP process is to continue into the future (and, frankly, very few cities force their DMOs to go through these periodic competitions), the City's contract must lay out performance measures against which the incumbent can be judged. For, without such measures (as is the case today), it is impossible to say whether the DMO is living up to the City's expectations. Such performance measures could be the number of group room nights facilitated by the DMO each year, the increase in the number of subscribers, fans and followers on social media initiatives, the increase in the number of unique visitors to the website, etc. If the City intends to make its DMO be accountable, it needs to identify its expectations.

# Closing Thoughts

In our all too short visit to the Prescott Area, we discovered a great destination, one that deserves to be marketed more effectively and aggressively than it has been over the past few years.

The two primary issues that have conspired to impede the growth of tourism in the Prescott Area are a lack of competitive funding for the officially designated Destination Marketing Organization and the presence of multiple agencies and groups all attempting to fill separate functions of a DMO.

The City of Prescott needs to get serious about arming its DMO with the kind of sales and marketing budget that would make the destination competitive with other destinations that are pursuing the same markets. Increasing the percentage of Room Tax invested in its designated DMO and dedicating funding from a BBB Tax will even the playing field with Prescott's primary competitors.

The solution to the second issue is less cut and dried. All the players that are in the marketplace with competing messages have the right to be there. While it certainly confuses the marketplace, it's a free country. The "non-official" DMOs have the right to exist.

What the City *can* control, however, is where it invests its revenue. And, if it takes our recommendation to significantly increase its funding to its designated DMO, the City will also increase the likelihood that its DMO's message is the one that is dominant.

Of course, we would certainly hope that whatever the ultimate decision, that the Chamber, CVB and the DMO can put aside the acrimony that has held the destination back during these tough economic times. And that any agency that wants to continue in the destination marketing space agrees to align under a common slogan and brand platform. For if "It Feels Right" continues to compete with "Your Stay...Your Way" which continues to compete with "Where History Lives On" which continues to compete with "Everybody's Hometown," the consumer will never have a clear understanding of the destination. And that hurts the entire community.

In addition, destination partners need to understand that, in this new online and mobile driven world, it is a singularity of functions that focuses the consumer on a destination. Multiple websites, blogs and Twitter accounts, all purporting to be "the one" only confuses the target audience for the destination's message. If these various information sources continue in the marketplace, the DMO must integrate and automate these accounts into a single portal, on behalf of the destination.

In order to insure that it gets the Return-on-Investment that it believes it deserves from its DMO, the City must redesign the Request-for-Proposal process this spring to include requirements for respondents. Among those requirements should be the applicant's assurance that it will hire an Executive Director, design its Board of Directors to be more diverse and engaged and outline reporting and accountability functions that will be expected in the contract for services.

Despite its critics, PACT has served the destination well over the years, given what it was asked to do and what it was given to work with. We hope that it takes our recommendations on restructuring in the spirit in which they are being made...in order for them to evolve into the DMO that the Prescott area needs.

Thank you to all the community leaders and stakeholders that took time to talk with us and supply us with supporting documentation. It has been an honor to work with your destination and we look forward to increased tourism and the enhanced Quality of Life it produces for the region.

Bill Geist  
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