



VISIT VISALIA & THE REGION'S DESTINATION MARKETING INITIATIVES

Recommendations on Next Steps

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Analysis and
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SITUATIONAL ANALYSIS

Destination Marketing has, over the past decade, emerged as one of the most important community development tools available to local governments to drive Quality of Life and consumer appeal as a future place to live, attend school and start a business.

American cities, counties and regions (if they aspire to future success and sustainability) are in a high-stakes battle for talent and investment...and that can't accrue to a community without a carefully crafted brand and marketing strategies. While Chambers of Commerce and Economic Development Agencies have traditionally been viewed as the organizations best suited for this work, it is increasingly evident that Destination Marketing Organizations (DMOs) play a pivotal role in changing the minds of otherwise disinterested consumers to see a community with fresh eyes. Without a DMO, the work to lure new businesses and residents to town becomes infinitely more difficult.

Currently, the City of Visalia annually invests \$360,000 in the efforts of Visit Visalia (formerly known as the Visalia Convention and Visitors Bureau, or CVB). As such a level of funding is insufficient to materially move the needle in marketing and selling a destination, area hoteliers petitioned the City in 2017 to allow for the creation of a Tourism Marketing District (TMD) to augment the community's ability to more effectively promote the region.

Unlike Transient Hotel Occupancy Taxes (which are levied by government on hotels), TMDs (also referred to as Tourism Business Improvement Districts in some parts of California and the nation) are Assessment programs approved by those businesses being assessed in order to generate revenues that can be applied to a common good. In the case of TMDs, hotels agree to a fixed assessment on occupied rooms in order to create a joint marketing fund to generate even more overnight business. And, as these revenues are an assessment (and not a tax), those being assessed have control over whether the assessment shall continue and how the revenues shall be invested. The Visalia TMD Assessment presently generates roughly \$700,000 annually.

Over the years since the TMD was formed, varying degrees of mistrust on all three sides of this arrangement (CVB, TMD and City) has resulted in disjointed campaigns and brand initiatives. And, there is really no value in re-adjudicating why this dysfunctional situation evolved, except to say that, for whatever reason, the hotel community did not trust that Visit Visalia could fairly balance the expectations of the hotel community and the demands they believed the City was placing on the CVB.

In an attempt to clarify and streamline the relationship between the two entities, Visit Visalia suggested the TMD develop a Memorandum of Understanding to better lay out their expectations for how their investment would be applied within a broader Visit Visalia brand and unified marketing campaign. MOUs and contracts for services are often utilized between DMOs and the TMDs to avoid the type of scenario that has played out in Visalia for the past few years.

In turn, Visit Visalia reached out to DMOProz, a consultancy that specializes in DMO Governance and Operations to advise all three participants on best practices in CVB-TMD relations. Our analysis of the situation and recommendations follow.



FINDINGS

The present working relationship between the City, CVB and TMD leaves much to be desired in terms of efficiency and long-range sustainability. And, while we certainly can understand the genesis of the inefficiencies that exist, we see the opportunity to rapidly develop the Visalia Tourism effort into a well-oiled machine that benefits all three players and the community at large. In our initial analysis, we note the following realities:

A) There exists a lack of destination brand and marketing cohesion in the current operational structure. While there has been recent agreement to utilize the Visit Visalia logo on TMD sponsored marketing, the past few years has seen the TMD make its own marketing decisions, based on recommendations from its advertising agency, MMGY. There appears to be no coordination with Visit Visalia on these decisions, producing annual marketing efforts that are disjointed and lacking in coordination.

B) There exists a lack of agreement as to the goals of Visit Visalia, resulting in an inability to collaborate on the strategies and tactics to be utilized to maximize the investment of TMD revenue. In its contract with the City, Visit Visalia is charged with “providing leadership in marketing the city and the generation of convention sales.” Visit Visalia is further expected to develop “a comprehensive marketing program” and provide convention services for all conventions booked by the CVB. Further, Visit Visalia is expected to develop a marketing program on behalf of the TMD’s Owners Association and achieve a number of numeric goals regarding Group Room Night Leads.

While we appreciate the interest in putting a numerical goal on convention Room Nights, attaching those Room Nights to Leads is an empty number. A DMO could generate Leads of 10,000 Room Nights but, if none of them convert to contracted Room Nights, that’s still zero. Leads are but an indicator of future success, not a marker of achievement.

And, while the City might be thus encouraged to change the Room Night goal from Leads to Bookings, it must realize that DMOs are rarely in a position to “book” anything. Convention Centers and Hotels are responsible for booking group business. DMOs are merely the facilitators. Indeed, they play a vital role putting buyer and seller together...but if the Convention Center won’t negotiate on A/V costs and the hotel refuses to negotiate on room rate, the DMO can’t be held responsible for the loss of business.

In our experience working with over 200 DMOs across the Americas over the past 25+ years, the current contract deliverables are an exceptionally tall order for the investment of \$360,000...made even more difficult by a TMD Owner’s Association that doesn’t necessarily agree with many of the terms set forth by the City. Not to mention that, up to present day, the Association hasn’t wanted the CVB to develop a marketing plan on its behalf.

C) City expectations of Visit Visalia to impact Convention Center Sales need additional examination.

Further impacting the issue of DMO responsibility for driving business into the Convention Center is that the Center has reduced its sales force from five salespeople prior to the pandemic to two today, with only one of those individuals focused on landing business that will produce hotel room nights. While we understand the rationale behind a reduction in sales staff during the height of the pandemic (indeed, most convention centers and hotels did), now that the meetings and convention sector has returned, not addressing this opportunity by ramping up sales efforts is puzzling.

Analyzing the Convention Center's operation and productivity was not part of the scope of this assignment. Thus, it is possible that Center management today believes they were staff heavy prior to 2020 and can produce the same ROI with fewer sales people. They may not be able to find qualified salespeople to build the staff back up. And, maybe management researched other destination convention centers during the pandemic and believes a strategic change in how the division of responsibilities should be designed (though they have not discussed such a change with Visit Visalia).

While there are, to be sure, outliers in how Convention Center sales are handled, the majority of convention center sales work in America is handled by the DMO. The typical model holds that the DMO is responsible for booking dates 18 months and out. Once the calendar has been filled with the best possible business available, it falls to the Convention Center sales staff to fill in the remaining dates. In this way, there isn't a duplication of effort in calling upon the same clients and Convention Center staff doesn't inadvertently book a local event two years out that would block the opportunity for the DMO to land a city-wide event that would impact the entire community.

Again, the amount that the City of Visalia invests in its DMO is insufficient in its corresponding expectation that the agency can have a meaningful impact on convention sales. Indeed, the revenue invested in Visit Visalia is what one would expect in a community of 30,000...not almost 150,000 (and one boasting a convention center). If the City is serious about establishing itself as a community attractive to new residents, students and investors, \$360,000 isn't going to be sufficient (and, it never was).

And, regarding the Convention Center, expecting the hotel community to cover Center costs that it's not willing to absorb to secure business through rebates that often come off the hotels' bottom lines is an increasingly unsustainable strategy. For if the hotels decide it's not worth the rebates they pay to secure convention business, they'll switch their business models away from group business to focus on the leisure market. The City and Convention Center would be wise to understand that the hotel community's patience with the current model is wearing thin.

Communities that intend to compete on the national stage for talent and investment must get past the notion that non-resident taxes are the only path forward in powering such initiatives. If it's important to the community, it doesn't really matter from what revenue stream the investment is derived. It just needs to be done.

D) There is concern that the present Visit Visalia Board structure does not accurately represent the interests of the entity that invests the largest amount of revenue into the destination marketing effort. There is some validity to this point. Those that invest the most money should have the most influence on how that money is invested. However, such a belief misses the point in the bigger picture of Destination Marketing.

Indeed, hotels that agree to assess themselves should have a degree of control over how the resulting revenue should be invested. But, that assumes that these representatives understand Destination Marketing. With no disrespect, hoteliers know how to market themselves as hotels; they don't necessarily understand how to market an entire Destination.

Which gets us to the TMD's interest in ensuring their investment meets their expectations. We completely understand their focus in generating overnight stays...and there needs to be an understanding that that is *one* of the goals of Visit Visalia. But, it is not the *only* goal.

Hoteliers need to recognize that today's DMO's role goes beyond the immediate head in a bed; that today's DMO is about marketing the destination to every possible consumer for every possible reason. Getting a consumer into town for the first time may not result in a room night that evening...but, if they find the destination appealing, will result in a weekend stay in the future. Or, a potential investor returning to identify opportunities to start or expand a business; a business that one day could attract hundreds of room nights from associated business interests.

Thus, the Board of Directors is not necessarily where hotel interests are realized. If the DMO Board is focused (as it should be) on Organizational and Destinal growth, the real decisions that impact short-term hotel interests will likely come from a Marketing Committee, made up of interested industry partners. Assuming the Board is operating at a 30,000 foot level, the Owner's Association should want to be on the Marketing Committee...not the Board.

And, that frees the Board to be the community advocate that the destination needs. A DMO Board with a majority of hotel representatives makes the organization look like a special interest group. The best DMO Boards are powered by a diverse set of voices from industry sectors (hotel, dining, attractions), arts and culture, financial, healthcare, outdoor recreation, etc. As such, a DMO cannot be pegged as special interest. And, at the same time can send its members out into their spheres of influence to communicate the value of the DMO and the Visitor Economy.

E) If there is not consensus on a future governance and management path for Visit Visalia, the organization will struggle to attract top talent.

Destination Marketing is a rapidly evolving genus of community development. It is also a highly connected sector in which in the best and the brightest in the field are well aware of the DMOs across the country that are “dumpster fires” because of local politics and / or Board dysfunction. Thus, DMOs like Visit Visalia will struggle to land the top talent that can elevate the community’s marketing effort if experienced members of the sector know of the conflict between partners.

In the case of Visit Visalia, we believe that the organization has scored a rare find in its present Executive Director. While there was initial concern that she did not come from tourism and hospitality (and thus could never understand the expectations of the TMD), we have never seen, in our over 25 years of consulting this sector, a non-industry individual gain the level of industry knowledge and awareness that your Director has achieved in such a short period of time. In our conversations with the Director during our visit in October, we felt like we were talking to an industry veteran; so nuanced were our conversations regarding next steps for the destination and the TMD.

Not that personnel decisions should drive the strategic direction of an organization...but losing your present Director will likely plunge Visit Visalia into that reputation where top talent will take a pass on applying for future leadership positions with the organization. Just something to consider in the short term.



RECOMMENDATIONS

As a new year approaches (and with a new Interim CVB Director under contract), this is a perfect time for all parties engaged in the critical task of marketing Visalia to start fresh and look at how this work could be done more effectively. And, we encourage all parties to imagine that they are, indeed, starting from scratch to build the perfect Destination Marketing strategy:

1) There should be one Destination Marketing Organization representing Visalia. While the City contract names Visit Visalia as “the City’s official tourism agency,” the reality has been that the TMD has also be acting as a DMO, engaging its own marketing agency and directing its own marketing initiatives. This is woefully inefficient and results in brand confusion and disjointed marketing. Visit Visalia should be the official DMO for the region.

2) The TMD should contract with Visit Visalia to manage its investment towards a holistic Destination Marketing Strategy. The TMD Owner’s Association should annually meet and agree upon how they would like their funding to be applied toward the goal of driving visitation and events into Visalia. For example, some TMDs desire a split between markets (i.e., 50% conventions and 50% leisure). Others, like Portland OR, made their funding of the DMO contingent on 100% of the revenue being applied toward securing weekend leisure visitation. As the TMD revenues being invested are levied by the hotel community, they have the right to broadly direct where they believe those revenues will have the greatest impact.

While suggestions for specific campaigns can certainly be included in the TMD’s direction to the DMO, the ultimate decision on tactics should be retained by the DMO. That said, the smart DMO will take TMD suggestions seriously (as they are strategic partners)...but cannot be bound by them if they deviate from the Visit Visalia Business Plan.

3) Take the opportunity to reset Visit Visalia as a true Destination Leadership Organization. With new leadership and a fresh approach to a more unified Destination Marketing effort, Visit Visalia should consider the collaborative establishment of new mission, vision and values statements to help guide the future of the organization. This reset should engage the Boards of Visit Visalia and the TMD Owner’s Association as well as a broad cross-section of stakeholders, residents and businesses.

4) The composition of the Visit Visalia Board should be re-imagined to represent a broader cross-section of the community. While we understand the reasoning behind the TMD Owner's Association wanting additional seats on the Visit Visalia Board (based on investment), such a sentiment misunderstands the role of today's DMO Board. Today's Boards rarely "call the shot" when it comes to the investment of revenues and the development of the operational budget. Those decisions more often come from professional staff after significant input from the DMO's Marketing Committee and TMD...and consumer research to back up those decisions. Boards then approve budgets, based upon recommendations from the Marketing Committee and TMD. For TMDs that are concerned that their investment in a DMO will be misguided, their opportunity to ensure that doesn't happen is not at the Board level, but at the Committee level.

Today's Boards are more engaged as destination and organizational advocates, taking a 30,000 foot view...rather than dealing with the details of marketing initiatives which are best handled at the professional staff level. As such, a Board that represents a diverse cross-section of the community is better equipped to advocate for public and private sector infrastructure projects that will make the community more appealing. If the Board is made up of a rainbow of economic and community sectors, Visit Visalia won't be viewed as a special interest group. And, if the Board is so constituted, members from diverse sectors will be able to carry the DMO's message into their areas of influence, building broader community support for the organization.

Which brings us to the subject of the number of City-related representatives presently serving on the Board. Most DMO Boards include a seat for a governmental appointment (typically a Council Member or Executive Management) to ensure a constant liaison between the two entities. And, in some cases, a facility manager is afforded an ex officio seat for the same rationale. But having three City-related seats unnecessarily blocks volunteer leadership opportunities and sends the message that the City is running the DMO. In addition, having a City-related Board member serve as Chair of the organization exacerbates such an appearance.

We believe a top to bottom review of the By-Laws (especially in the areas of Board composition, Officers and Term Limits) should be undertaken in 2024 to ensure both meaningful engagement with the community *and* effective lines of communication with the City and, (if appropriate) the County.

5) The City of Visalia should consider increasing its investment in Visit Visalia. Destination Marketing is critical to a community's growth and Quality of Life. Destination Marketing is key to attracting top workforce talent to a community and aiding Economic Development efforts to attract new companies and families to the region. Thus, investing in the work of Visit Visalia is a worthy consideration for the City as it identifies opportunities to enhance Visalia's desirability beyond simply being a visitor and convention destination. And, as the Convention Center has yet to reconstitute its professional sales staff, it would make some sense to invest a greater level of funding into Visit Visalia to take on the challenge of booking large events into the future.

The hotel community has stepped up and today invests over \$600,000 (and growing) in making Visalia look cool. We believe it makes sense for the City to match that voluntary investment as a way to increase community visibility in the competition in which it finds itself for talent and future investment.

6) The County should consider investing a portion of its Hotel Occupancy Tax into the work of Visit Visalia. We completely understand that the genesis behind TMDs was that local governments in California clawed back Occupancy Tax revenues that were originally intended to power destination marketing to plug budget holes. This was a California-centric phenomenon that has not been replicated across the rest of the nation. Across the other 49 States, governments invest a significant percentage of Occupancy Tax into Destination Marketing and Tourism-related Infrastructure development.

The original intent of the Hotel Occupancy Tax was to market communities to the traveling public and land conventions and events. We believe it is time for California communities to recognize the opportunity to utilize non-resident generated tax revenue to increase awareness and appreciation of their region's to attract visitors, future residents and potential investors.



CLOSING THOUGHTS

The Visalia Tourism Community has a unique opportunity before it.

You've experimented with a dual DMO structure (TMD and CVB) that has, on the outside, produced fairly positive results. But, were those results derived from the past few years of shotgun marketing...or because post-COVID travel patterns favored communities like Visalia? We'll likely never know.

What we do know is that the current process is producing an unnecessary level of internal angst. And, marketing logic would support the notion that a singularly coordinated brand and marketing message should produce greater brand awareness. Indeed, the concept of a Branded House versus a House of Brands comes to mind here. And wouldn't Visalia aspire to be a Branded House that is top of the mind for all consumers?



Not that being an outlier in the way the TMD has chosen to invest its revenues necessarily means it's wrong. But, that so few do should result in a level of self-reflection. What does the TMD need (besides its belief in more Board seats)? What does the City need (and it's not an arbitrary number of Room Night Leads)? Now is the moment that all three parties can have a meaningful conversation regarding next steps forward.

Do the City the County want to meaningfully enter the nationwide competition for visitors, residents and investment? Can the Convention Center be a magnet that attracts first-time visitors to fall in love with the community? Can Visit Visalia become the respected sales and marketing arm for the destination? And what role can and will the TMD Owners Association play in such an initiative?

After contracts and agreements are executed to ensure the next year(s) of Visit Visalia, these questions should be addressed within a broader strategic planning process to more clearly define the DMO's role going forward. And we look forward to the opportunity to advise on future conversations.

Bill Geist
21 November 2023