IN SUPPORT OF DESTINATION MARKETING: BUILDING CREDIBILITY[1]

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Destination marketing organizations (DMOs) such as visitor bureaus and chambers of commerce used to be reasonably successful at making their case for an annual allocation of city or county funds based on 1) the importance of tourism to the community; and 2) the excellence and thoroughness of their marketing activities.

Today, due to the budget shortfalls of so many local governments, together with the adoption of modern management methods, justifications need to be more rigorous. They are expected to contain well stated objectives, measurable results, and clear standards of cost-effectiveness. This article, the first in a series, proposes the steps that convention and visitor bureaus, chambers of commerce and other DMOs can take to set up credible measures of the effectiveness and value of their programs.

As we have stated before, the Division of Tourism recommends **against** using county tourism impact estimates to validate marketing program effectiveness. Instead, measures should be adopted which meet the following three tests:

ONE: Goals and objectives should include outcomes that are quantifiable, reflect actual visitor behavior, and specify a time frame.

Would publishing 100,000 brochures be considered a quantifiable objective? As an output, yes; as a result, no. Examples of quantifiable goals and objectives that would reflect the results of an effective marketing program include:

- ⇒ Increase total visitor volume by 5% within two years.
- ⇒ Increase visitor expenditures by 5% within two years.
- ⇒ Increase average length of stay by a half-day within two years.
- ⇒ Increase off-season business by 10 percent within 3 years.
- ⇒ Increase transient occupancy taxes (TOT) by 10% within 3 years.
- ⇒ Increase occupancy rates by 1 percentage point within 2 years.

TWO: Results should be clearly and logically traceable to deliberate marketing actions.

It's no longer sufficient to show that TOT or visitation increased. To make a clear case, you need to show that your actions generated visitation that wouldn't have occurred anyway. As economists would say, you need to demonstrate the *marginal impact*. To do this, you need to have benchmarks. If you are just starting a program, or expanding in any significant way, it's especially important to document the "before" situation. If your budget allows, consultants

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will set up and implement the necessary data collection procedures. Or, given proper guidelines, students and volunteers can often handle the following tasks:

- ⇒ Conduct an inventory of all bona fide visitor accommodations, including total number of rooms, average occupancy rate by season, average number of guests per room, average room rate, percent leisure vs. convention/business.
- ⇒ Compile attendance figures for attractions, wineries, museums and special events, going back as many years as possible. Note any information they may have on actual numbers or estimated percentage of attendees from out-of-town.
- ⇒ Track visitor inquiries and walk-ins.

THREE: The return to the community or region directly attributable to marketing activities must be greater than the cost of the program.

The most compelling way of demonstrating the value of your marketing program is to show that it has a positive Return on Investment (ROI). This concept is borrowed from other industries in which funds invested are compared to net proceeds.

One approach is to first determine what ROI would be reasonable for your organization. You then provide substantiation for selected activities, preferably those that account for a large proportion of your budget. This requires that you calculate the visitor spending necessary to yield local tax revenues exceeding your budget by a sufficient margin, and show that your programs were responsible for attracting a volume of incremental visitors that would produce those expenditures.

For example, if you are trying to satisfy your city or county officials that your tourism program is a sound investment of tax dollars, how many dollars of return would they expect for each tax dollar invested? Usually, $1.50 to $3 returned in local tax revenue for every $1 in local funding would be considered very reasonable.

Once you have your target ROI, multiply the ROI by the annual budget of your program. For example, if your budget is $250,000 and you need a ROI of 2:1, you need to demonstrate that the program generates $500,000 in tax revenue. If your budget is $500,000, you need to demonstrate that your program generates $1 million in tax revenues.

TABLE 1

Program Budget	Desired ROI	Tax Revenue Program Must Generate
$250,000	1.5	$375,000
$250,000	2.0	$500,000
$250,000	2.5	$625,000
$250,000	3.0	$750,000

Now that you know how many tax dollars your program needs to generate, the next thing you need to know is how many dollars of travel spending it takes to generate that level of tax revenue. For this answer, The Division of Tourism's California Travel Impacts By County can help. Using this publication, look up your county's local tax receipts and travel expenditures. We'll assume that even if your DMO represents a city within the county, the county figure will be the most appropriate here.

Divide the local tax receipts figure for your county by the travel expenditures for your county. This will give you the **average amount of local tax revenue generated for each dollar of travel expenditure in your county in 1994**. The statewide average for 1994 was $.0178. Using this statewide figure and the example from TABLE 1 you would need to generate $35.1 million dollars in travel expenditures to generate $625,000 in local tax revenue ($625,000 /.0178) to give you a Return on Investment of 2.5:1. Using California Travel Impacts by County, 1991-1994 , we have selected the tourism marketing programs of Anaheim/Orange County, Mariposa County, and Plumas County to demonstrate this calculation. See TABLE 2, below.

TABLE 2

County	Local Tax Receipts	Travel Expenditures	Average Tax Revenue Per Dollar of Tourism Spending
ORANGE	$87,670,000	$3,548,830,000	$.0247
MARIPOSA	6,820,000	317,650,000	.0215
PLUMAS	1,660,000	136,540,000	.0122

Next, calculate the **incremental tax revenue your program must generate** by multiplying your target ROI by your marketing budget. To demonstrate this calculation we'll use our sample counties from TABLE 2 and give them imaginary budgets. We'll assume the Anaheim/Orange County Visitor and Convention Bureau has a tourism marketing budget of $1 million, that Mariposa's is $200,000 and Plumas County has $50,000 and that they need to demonstrate an ROI of 2.5:1. See TABLE 3 below.

TABLE 3

County	Marketing Budget	Return on Investment	Incremental Tax Revenue Program Must Generate
ORANGE	$1,000,000	2.5	$2,500,000
MARIPOSA	200,000	2.5	500,000
PLUMAS	50,000	2.5	125,000

Your next step is to calculate the **total travel expenditures your program must generate** to achieve the target level of local taxes returned. To do this, you divide your county's average tax revenue per dollar of tourism spending (which you figure out by putting **your** budget numbers in Table 2), into the tax revenue your program must generate (which you figure out by putting **your** budget numbers in Table 3).

TABLE 4 demonstrates this calculation for our sample counties.

TABLE 4

County	Incremental Tax Revenue Program Must Generate	Average Tax Revenue Per Dollar of Tourism Spending	Expenditures Program Needs To Generate
ORANGE	$2,500,000	$.0247	$101,214,575
MARIPOSA	500,000	.0215	23,255,814
PLUMAS	125,000	.0122	10,245,902

Now that you know how much spending your program must generate, you will need to know how many visitors at the current average length of stay and/or how many extra visitor days, it takes to generate that much spending. You can use the estimates in TABLE 5 below from Domestic Travel to California, 1994 (or the most recent) unless you have conducted your own visitor profile:

TABLE 5

	Average All CA	Residents	Non-Residents	Visitors to LA	Visitors to SF	Visitors to SD	Visitors to Orange	Small Counties
Av. Per Person Daily Leisure Exp.	$78	$68	$134	$91	$143	$76	$87	$71
Av. Lgth of Stay (incl. day trips)	1.4	1.0	5.2	1.3	1.5	1.5	1.2	1.7

To determine the appropriate number of visitors a program needs to generate in order to achieve the desired level of spending, divide the total expenditures your program needs to generate by the average trip expenditure. TABLE 6 demonstrates this calculation for our sample counties.

TABLE 6

County	Total Expenditures Program Needs to Generate	Per Person Exp. X Av. Length of Stay = Av. Trip Exp.	Number of Visitors Program Needs to Generate
ORANGE	$101,214,575	$87 x 1.2 = $104.4	969,000
MARIPOSA	23,255,814	$71 x 1.7 = 120.7	192,000

PLUMAS	10,245,902	$71 x 1.7=120.7	85,000

Now that you have estimated spending per visit and per day and how many visitors you need, your last step will be to identify and count visitors documented to have been influenced by your program. You can refine your estimates by calculating residents and non-residents separately, or even adding international visitors, depending on your ability to determine how many resulted from your marketing efforts. These are some of the methods you might use: (We'll be discussing these methods in detail in future articles.)

- Tally of coupons redeemed
- Conversion Study, determining the number and expenditures of visitors who decided to visit your destination or extend their planned length of stay after receiving your travel literature (thus being "converted " to a visitor)
- Pre and Post Advertising Survey, to determine the number of visitors who weren't already planning a trip, but who decided to visit after being exposed to your advertising
- Hotel or attraction bookings that can be traced to your activities
- Motorcoach groups directly attributable to contacts made at trade shows, fam tours, or through direct mail
- Measurable increase in certain targeted segments that would not have occurred anyway (such as a marked increase in bicycle tours after advertising for the first time in a cycling magazine)

Using this methodology to determine the results of your destination marketing program will provide the solid documentation you need to show its results and the data will stand up to the most difficult council or board. Try it.