

# Attachment 1



## SUMMER MARKETING SUSTAINABILITY INTERIM REPORT

August 2012

### Overview

In the fall of 2011 the Steamboat Springs City Council requested that the Steamboat Springs Chamber Resort Association (SSCRA) undertake a study to determine how summer marketing funding should be handled in the future. They requested that the report include comparative data from other mountain resort communities as well as a detailed analysis of our current marketing program, opportunities for growth, and alternative funding mechanisms to bridge the gap between our present funding and what we need to be successful moving forward.

### History of the Steamboat Summer Marketing Program

The summer marketing program began in 1986 when the downtown merchants association requested that the City begin marketing the community in the summer months. The merchants agreed to forego their 3.3% vendor fee from City sales tax and requested the City use those funds to develop a summer marketing program. The City then entered into an agreement with the SSCRA to provide those summer marketing services. The total amount of resources dedicated for summer marketing has varied significantly over the last 26 years from a low of \$149,964 in 1986 to a high of \$869,757 in 2000. The percentage of sales tax revenues dedicated to the summer marketing program has also varied significantly over this time period from a low of 2.79% (\$258,675) in 1995 to a high of 6.6% (\$869,757) in 2000. In the last 5 years (2006-2010) the percentage has varied from 3.28% to 3.6%. There were also a number of years, 2000-2005, when the City matched the sales tax revenue that was dedicated to summer marketing with additional general fund revenues. Since the economic recession of 2008 the total amount of revenue dedicated to summer marketing from the city has varied from between \$564,200 to \$600,000.

### Comparative Analysis of Other Mountain Resort Destinations

We completed a very detailed comparative analysis of what other mountain resort communities are doing as it relates to summer marketing as well as how they fund their summer marketing programs. A copy of the survey is provided as Appendix A of this report.

What we found is that it is not easy to compare communities on an apples to apples basis since everyone seems to allocate resources and budget a little differently. Some communities have their summer marketing programs broken out from their overall marketing programs while others have it merged into their year round programs. Others breakout the hard dollars allocated to summer



marketing (contracted expenditures) but keep the salary and overhead expenses within their normal chamber/resort association budgets. One area that we did find some consistency was in the area of how summer and year round marketing was funded. In almost all of the communities surveyed summer marketing was funded through an allocation of a bed or accommodations tax. It should be noted that none of the communities except Crested Butte have a winter air program that is funded through a bed or accommodations tax.

From this comparative analysis it appears that the other mountain resort communities that we compete with on a regular basis spend between \$1,000,000 and \$1,200,000 annually on summer marketing. This compares to our annual marketing budget of between \$500,000 and \$600,000.

## **What our summer marketing program presently includes**

Our 2012 summer marketing program has taken a dramatic shift from prior year programs that relied more on traditional media sources such as newspaper, magazine, and radio/TV advertising, as well as a website reservation program and fulfillment. The 2012 program is focused more towards social media, online advertising, public relations, geo-targeted campaigns, FAM trips and creation of a destination focused website. The 2012 summer marketing program still includes limited print advertising in the Front Range market and in industry specific publications that are targeted towards our biking/water/western heritage focuses. We also continue with our fulfillment component however we are trying to drive that group towards our online marketing tools. Our 2012 program consists of the following elements:

### **Focus**

- Our summer marketing program demographics are as follows:
  - Front Range metro areas including Denver, Fort Collins, Colorado Springs, Grand Junction, and Boulder.
  - Metro drive markets (12 hour) – Cheyenne, Laramie, Omaha, Lincoln, Council Bluffs, Kansas City, Topeka, Lawrence, Wichita, Tulsa, Oklahoma City, Salt Lake City
  - Family Status – household with kids, multi-generational families, and empty nesters
  - Age – 25-65 years old with a strong focus on 45-55 age range
  - Household income - \$75,000-\$150,000
  - Specific interests – people interested in biking, water related activities, and western heritage – we focus on highlighting the attributes that set us apart from other mountain resort towns.



## Content

- Social media – we have developed a very detailed and sophisticated social media program that includes expansion of our presence on Facebook, Twitter and other social media platforms. The focus of this program is to expand our network of fans and followers within these social media platforms. Using various give-away promotions, we have been able to increase our reach in social media platforms. We are utilizing some consulting expertise in this project to improve our performance.
- Public Relations/Media – the 2012 program includes a new pr/media program that focuses on bringing national journalists to Steamboat to experience our community first hand. We are also increasing our PR presence with the Front Range media (print, tv, radio, etc). Our objective is to get regional and national media to tell the story of Steamboat in the Summertime as well as cover our events.
- Online advertising – we are advertising on a number of regional, national and industry specific (biking) sites. Depending on placement, the objectives of our online ads are to increase brand awareness, promote unique elements of Steamboat, promote events and lodging packages, and always to drive viewers to our website.
- Destination Focused Website – We are doing a complete redesign of the website, [www.steamboatchamber.com](http://www.steamboatchamber.com), from a website that was focused on driving viewers to make a lodging reservation to one that draws the visitor into an emotional experience about Steamboat. Luring them with strong photography, videography, and personal testimonials showcasing the elements that make Steamboat unique which will create an interest for the viewer to dig deeper into the site where the calls to action are located.
- Print/TV/Radio – we continue to utilize these mediums but to a significantly less extent. Our print advertising program is now limited to the Denver/ Front Range market in addition to some limited magazine advertising in trade specific publications that focus on biking.
- Fulfillment – Requests come in throughout the year for more information about Steamboat in the Summertime. The Visitor Center fulfills these requests with our printed Visitor's Guide. 40,000 copies of the Visitor's Guide (winter/summer) are made and also go to all lodging properties, restaurants, and retail establishments in Routt County. We stock the Welcome Centers in Colorado and various Visitors Centers in our drive market with rack brochures and/ or Visitor's Guides. We have completed a minor renovation of the Visitor Center this year.

## Financial

- There presently exist three specific areas where resources for summer marketing are secured.
  - City General Fund Allocation - \$600,000 in 2012
  - City funded Special Event Funding - \$100,000 in 2012. These funds can only be utilized for marketing of new/expanded special events.



- Chamber funding - \$100,000 in 2012. The Chamber expends approximately \$100,000 in marketing its program of summer events.

## **What our summer marketing program should include**

### **Focus**

- Front Range – We continue to see the Front Range metro areas as one of our major summer markets. We envision utilizing a number of marketing tools (online, website, trade shows, social media, group sales) to get our message out to this market.
- Drive market – We plan to dramatically increase our marketing efforts in the 10 – 12 hour drive markets. This would include Kansas, New Mexico, Utah, Wyoming, Nebraska, Oklahoma, Minnesota, and Iowa. This program will utilize geo-targeted marketing where specific areas within these states that have a visitor demographic that aligns with Steamboat would be marketed through our social and online marketing programs.
- Families – We plan to continue to focus a large portion of our marketing efforts towards families.
- Specific interests – people interested in biking, water related activities, and western heritage – We anticipate continuing and expanding our marketing regarding the community attributes that make Steamboat unique over other mountain towns in the west. We plan to expand our effort on attracting visitors that are looking for a unique biking experience. As Bike Town USA continues to expand our community assets in regards to biking, we anticipate allocating more marketing resources towards this visitor demographic. We plan to expand our exposure of our water resources as this is a community asset that is unique in the mountain west. We plan to continue to market our western heritage and the fact that Steamboat is still a real cowboy town.

### **Content**

- Social Media - This medium will continue to expand as there become more opportunities to utilize it as a way to engage with past and potential visitors, we can use it as a way to create specific calls to action that will generate visitor stays.
- Public Relations/Media - We anticipate this component expanding dramatically in the future as we expand the range of writers/journalists/bloggers/media that are exposed to Steamboat. We plan to expand our efforts with the Front Range media to have them do remote broadcasts from our summer events.
- Online Advertising – We project that this medium for reaching potential visitors will increase in future years especially as there become more ways to target certain population demographics that align with our specific target of summer visitor (families, baby boomers, etc). We anticipate this medium will replace the majority of our print advertising program.



- Destination Focused Website – We see this part of our marketing program continuing to be a major driver of our summer marketing efforts. Given our redesign of the website in 2012 we anticipate making enhancements in the upcoming years to make the site even more engaging and user friendly. We also anticipate adding several new components to the site that will drive visitors to our member businesses as well as adding several calls to action for lodging, activities and attractions.
- Print/TV/Radio – We anticipate that we will continue to utilize some print advertising but that print will be used as brand awareness, promote events, or target specific interest groups such as biking.
- Fulfillment – We need to make two major changes in the area of fulfillment. First is a major renovation/remodeling of our Visitor Center. The plan is to create a state of the art Visitor Center that would include large LED screens that would highlight, in video, all of our beautiful attractions (Yampa River, Fish Creek Falls, Pearl Lake, etc). The Center would also have computer stations that visitors could use to make lodging/attraction reservations and have tables/chairs for people to sit and look at materials. We also plan to publish a printed Visitor’s Guide and expand the reach of that guide to areas outside Colorado.
- Large Group Sales – We see great potential to expand the number of conferences/meetings/events that come to Steamboat. At present, group sales are handled in the winter by Ski Corp through their group sales department. They also do limited non-summer marketing for group sales but there exists no targeted large group sales effort for Steamboat as a whole. The Steamboat Grand and the Sheraton both have group sales staff but those staffs primarily focus on groups under 500 people. We have seen from other mountain communities (especially Vail) that there is a significant large group sales market that we are not going after. Vail alone had over 300 groups/meetings in 2011 as compared to some 100 that we had in the same year. We envision having a dedicated group sales staff person at the Chamber that would work collaboratively with the Ski Corp and our larger properties to develop a marketing program to go after the larger group/meeting/event market.
- Trade Shows - in the 1980’s-1990’s the SSCRA participated in a number of trade shows. However, as visitors began utilizing the internet for their vacation planning needs we saw a decrease in the number of trade shows that the SSCRA participated in. Although it is true that the visitor is utilizing the internet more for their vacation planning needs, there still exists a number of industry specific trade shows that are well attended and where we believe we can make an impression about Steamboat Springs. We see a number of recreational trade shows in Denver that hit our target market. Those include the Denver Golf Expo, Denver Bike Show, Denver Fly Fishing Expo as well as fishing expos in Las Vegas and Dallas. We also want to explore trade shows that focus on water related recreation like the Denver Boat Show. We anticipate having a large booth display at these shows that markets the total Steamboat in the Summertime experience as we have found that the person that fly fishes or plays golf or bikes is



also a person that would be interested in the other activities/attractions that Steamboat has to offer.

- **Special Event Programming** – the community needs a large special event over the Labor Day weekend that can draw visitors/guests up from the Front Range communities of Denver and Fort Collins. Realistically this scale of event will require some seed funding for the first few years as these events typically lose money for the first few years until they build an audience. We are presently investigating a Labor Day music festival with the Ski Corp that would utilize the new base area as the venue for a major three day music event.

## Financial

- In researching the issue of determining what our long term financial needs are for summer marketing it appears that for Steamboat to competitively market itself would require an annual budget of approximately \$1,000,000 a year. We came to this figure given the research we did on what other mountain communities are dedicating to summer marketing as well as determining what would our financial needs be if we expand marketing program to entail the above mentioned.

## Financial Analysis

- **Present Financial Structure** – at present there are three sources for summer marketing resources. They include:
  - **City General Fund** – The City of Steamboat Springs allocates general fund revenues for the summer marketing program. In recent years that amount has varied between \$585,000 and \$680,000.
  - **Special Event Funding** – The City of Steamboat Springs also provides \$100,000 per year for Special Event Funding. These funds are managed by the SSCRA and are allocated through a committee that reviews application from area special events. These funds can only be utilized for marketing/advertising purposes.
  - **Chamber Funding** – the SSCRA also provide approximately \$100,000 in resources for the marketing of the 5 summer events that it directly produces. (Steamboat Marathon, 4<sup>th</sup> of July Parade, Hot Air Balloon Rodeo, Steamboat All Arts Festival, Wild West Air Fest) A percentage of these resources are in-kind trades with local media outlets.
- **Future financial options** - The committee researched and evaluated a number of future financial options for the continuation and expansion of the summer marketing program. A complete list of the various financial options to fund summer marketing along with an analysis of the pro's and con's of each option is included as Appendix B. It should be noted the financial options to expand the resources for summer marketing do include some form of additional tax whether it



be on the visitor or on the population as a whole. Several of the financial options recommend an increase in the LMD lodging tax or an increase in the 1% city wide accommodations tax. Other options considered included a 1/8 cent increase in the city sales tax that would be dedicated to summer marketing. Because of the TABOR law all of these options will require a vote of the people in Steamboat Springs or in the LMD to enact.

- **Recommended financial options to consider** – In reviewing the issue of creating a sustainable revenue source for summer marketing it is the recommendation of the Chamber that three financial options be further explored. Those options include the following:
  - **Option One:** An increase in the general sales tax
  - **Option two:** An increase in the LMD tax
  - **Option three:** A combination of increases in the general sales tax, LMD tax and inclusion of a new excise/entertainment tax

It is the Chamber's recommendation that if City Council would like to expand the summer marketing program beyond its present level that it be done in a staged five year program where the new programs are phased in. This format would allow for the logical and timely transition of new events and programs in the overall summer marketing program.

## Summary & Conclusions

There is no question that the summer marketing program has had an enormous positive impact on the City of Steamboat Springs, its businesses and its residents over the last 26 years. City sales tax revenues have increased from \$2.8 to \$17.0 million over that time period. A large part of that increase is the direct result of the increase in the number of summer visitors to our community.

A recent ROI analysis that was completed in 2011 by RRC in Boulder indicated that the return on each dollar spent on summer marketing was \$32/1 which indicates that investing in summer marketing is a good community investment decision.

It is apparent from the comparative analysis of other mountain communities that we are not investing in summer marketing at the same level that as many of these communities. On average those communities invest between \$1.0-1.2 million as compared to \$600,000 in Steamboat.

We are doing a good job with the resources we presently have but there are areas such as large group sales, trade shows, and expansion into major metro drive markets (Omaha, Kansas City, etc) where we are not present and because of that we are losing those potential visitors to other markets. A recent geo-targeted marketing program in Lawrence, Kansas created over 2,000 solid leads which at 5% conversion rate would add 100 family trips to our summer program. This pilot program cost less than \$6,000 to activate. Imagine what we might be able to generate in family trips if we expanded that type of geo-marketing into 10 or 15 metro areas each year. Vail presently sees 300 large group



conferences/meetings each year compared to our 50 to 60 large events. If we could increase our market share by 50% we would add over \$7.5 million into our local economy.

The decision on how to allocate revenue for this critical community program has never been an easy issue for this community to decide. From the onset of the vendor fee to the general sales tax allocation that was, in some years matched by the city, to the recent years where the City Council has had to struggle over how to allocate sales tax revenues for summer marketing while cutting city employee salaries, this has always been a challenging issue.

It would appear that the next logical steps in this process would be as follows:

- To have the Chamber go back and do additional research on the preferred financial option to provide additional funding for summer marketing. This additional research should include components such as:
  - The legal requirements for placing such an issue before the voters
  - A financial analysis of what the funding option might generate at various levels, i.e., ½ % or 1% accommodation tax, 1% entertainment tax, etc.
  - Options for phasing in a new financial revenue source over a period of 5 years
- Develop a detailed 5 year plan that outlines the new/expanded services and programs that are being recommended. This plan would include:
  - Detailed descriptions of each new service/program
  - Detailed financial analysis of each new program/service
  - Creation of measurable metrics for each program/service
  - Development of a 5 year phased program for each new program/service to include:
    - Level of service to be provided (by year)
    - Costs of service by year
    - Benefits provided by year
    - Metrics for measurement of success by year