

The Tourism Advisory Board met on September 20, 2011 at the Sea Bay Hotel. The Mayor & City Council were invited. Those in attendance are as follows:

Melanie Pursel, John Gehrig, Ruth Waters, Tom Perlozzo, Michael James, Susan Jones, Mary Eastman, Malcolm VanKirk, G. Hale Harrison, Councilmen Joe Hall, Jim Hall, Lloyd Martin, Brent Ashley, Councilwoman Margaret Pillas and Mary Knight. Mayor Meehan arrived at the end of the meeting.

Chairwoman Melanie Pursel called the meeting to order and stated that tourism was at a crossroads and TAB felt the need to obtain a third party objective opinion to guide the future of tourism marketing and promotion for Ocean City. Consultant, Joe Lathrop was hired for his vast experience of 25 years, guiding the restructuring of over 120 destinations. Mr. Lathrop began by noting that there are some structural issues which affect function and that there was evidence of structural challenges. He gave the project overview which was a three step process: review existing data, gather additional data through interviews, data synthesis and formulation of recommendation.

He continued the briefing and described the dimensions of successful destination marketing noting the four pieces; product development, marketing, visitor experience and industry community relationship. Continuing, he noted that what happens once a visitor arrives, what they say when they leave and how destination works together are all important pieces of the puzzle and that even if you have a great destination, you must have the right message. The themes which he found evidence of were, lack of trust, "anecdotal city" not data driven, something needs to change and currently convoluted processes. He continued noting that part of the convolution lies in the fact that there are many entities performing tourism marketing duties with no clear leader and no accountability. This makes it difficult to do integrated marketing. Those entities included: City Council, Departments of Tourism, Recreation & Parks, Convention Center, Special Events, CVB, Chamber of Commerce, OCHMRA, City Communications, Ad Agency & TAB.

Next, Mr. Lathrop revealed the sources of data for his briefing which included interviews with key constituents, review of the destination data, tour of the destination, DMAI member profile and his company's experience. He interviewed the entire Mayor and Council, all TAB members, Town Directors of Rec & Parks, Tourism, Convention Center, Special Events and Communications Manager, former city manager, Dennis Dare. He also spoke with business leaders, Buddy Jenkins, Dr. Leonard Berger, Greg Shockley, Glenn Irwin, Margot Amelia, Cliff Sutherland and Andy Malis.

Industry standard Destination Success Indicators were reviewed. They included:

- Total Visitor Expenditures
- Transient Tax Collections
- Occupancy
- REVPAR (revenue per available room)
- Event Attendance
- Length of Stay
- Visitor Satisfaction

And, Demoflush.

Destination Marketing Organization Performance Measures which show how a city's marketing is doing included:

- Return on Investment – what is the city getting for the \$4.5million room tax it invests in advertising
- Group Bookings (bus groups, church groups, sporting groups)

- Convention & Event bookings
- Web Traffic & Conversion
- Amount of Cooperative Resources raised (co-op ads with industry partners)
- Inquiry Conversions
- % of Overhead costs

Next, Mr. Lathrop revealed the Keys to Successful Destination Marketing and how OC rated.

- 1). Maintains a sustainable level of resources. Here, OC is the envy of many as we have dedicated a portion of room tax to advertising. This is the most critical piece. One can question, if we doubled our resource, could we double our return on investment.
- 2). Is apolitical. This means a destination is driven by market conditions and not by opinion. The marketplace should drive the strategy. Here, OC has an issue and there is clearly governmental influence and even political influence by elected officials. He noted that we have no accountability, that we need to collect and analyze more data, measure our performance and not rely on anecdotal opinion of a few people.
- 3). Success is clearly defined for the organization and for the destination. While opinions vary regarding relative success of marketing effort, no data was given in either case. Defined success targets for the DMO were unclear. With so many entities doing marketing, it is impossible to have a clear definition and leader.
- 4). Performance measures in place. Mr. Lathrop stated that measures are not reported and destination metrics were cited. OC needs to define these. This circles back to lack of trust and cooperation.
- 5). Possess research data to track performance and target marketing strategies. This was a real weak spot and that if a marketing organization is doing a good job, they would want to know these results. It was pointed out to Mr. Lathrop, that MGH agency and Department of Tourism had just completed a visitor survey in the last week.
- 6). Works cooperatively with industry and community partners. Having no co-op advertising and integration of marketing is a real missed opportunity and there is virtually no organized effort in place. Another perception of lack of cooperation was, "asked for zip codes but hotels wouldn't respond."
- 7). All marketing functions are fully integrated. OC should have identified market segments and have a plan to reach each segment through advertising, pr, promotions, social media. Integration while critical is difficult to achieve under one organization and when splintered among entities virtually impossible. Room for improvement here as it is much easier if this is all housed under one roof and not splintered among entities.
- 8). Is a Leader in the destination. This is a very critical component to success. One organization/person needs to steer the ship. Leader would say, here's what we'll do, here's what we'll deliver, here's what will result and here's how we'll measure.
- 9). Is not encumbered by membership. Very important that the mission of destination marketing is to solely bring money to town through visitors and that whatever assets exist, these should be used. If key assets are not members then this is encumbering to marketing.
- 10). Functions like a business. Must use resources and deploy for results, be nimble and respond to marketplace quickly. Can't function like a business with no one in charge and accountable.

Mr. Lathrop stated that OC seemed to be in transition and that we need to define ourselves to chase business that fits our destination.

In his opinion, to function successfully, there are three structural options. For any option, these eight things need to be an important ingredient:

- 1). Market research to drive strategy and measure performance
- 2). Market driven strategy not anecdotal opinion

- 3). Integration of sales and marketing efforts
- 4). Cooperative resource expectations
- 5). Trust must be established
- 6). Bed tax resources must remain dedicated and protected
- 7). Mission is to bring \$\$ to town....delivered by visitors
- 8). Not beholdng to membership

### **Structural Options**

OPTION 1). **Privatization** of marketing by a for-profit company which would contract with the city to provide all sales and marketing functions. Detailed scope would be within a contract and each function would have metric attached. Operations of Convention Center could be included, but this is not the norm. Operations of visitor center could be included. Performance minimums would usually be attached that would call for cancellation as needed. This type of structure represents fewer than 3% of destination marketing organizations.

OPTION 2). Formation of a **non-profit 501©6** where the corporation will be governed by a diverse board of directors with by-laws to dictate how organization functions. City would contract with entity to provide sales & marketing functions which would be detailed in scope. In most cases, DMO wouldn't operate facilities, other than a visitors center. Performance metrics included in contract such as ROI directly resulting from efforts of entity. Out clause in place if non-compliance with performance targets. This represents 75% of destination marketing. Questions would be how does it function, who is in charge, makeup of the Board – how they are appointed/elected.

OPTION 3). **Internal Realignments** keeping the DMO within city government represents 15% of all destination marketing. It would be crucial that all sales and marketing functions be consolidated within the DMO division. Missing pieces would need to be added: market research for strategy and accountability, performance metrics, cooperative resource levels, an overarching strategic plan, industry and community input.

Discussion began after Mr. Lathrop's briefing concluded. Ruth Waters began by stating that we were a resort on many peoples radar, thanks to the DEW Tour. John Gehrig questioned if there was a case study similar to OC and how were they structured. Mr. Lathrop answered that Lake Placid New York came to mind and that it was a 501©6 and with sustainable funding and no membership. He stated that he didn't like the privatization model as they typically aren't long-term successes. Furthermore, he noted that marketing by committee is bad and that marketing strategy must be driven by marketplace measurements. Finally, he said that both the Chamber and HMRA were trade associations serving members and that a DMO exists to bring people to town.

Deb Turk added that the CVB had been in transition and that it now charges \$200 marketing fee to be listed on [www.ococean.com](http://www.ococean.com) and to get convention & group leads. She also stated that her Department of Tourism had taken over the marketing of other departments, such as special events, but the challenge is the reporting structure. As an example, noting that even though Rec & Parks books sporting tournaments, the other side of the building, Special Events, works with private event applicants and they may not to steer clients away from certain dates.

Councilman Joe Hall asked Mr. Lathrop out of the 120 destinations he'd restructured, what was the timeline of doing such. Mr. Lathrop stated that it varied but logistics were approximately 90-120 days, but because of personalities, it could take 2 years to fully restructure.

Deb Turk asked if a 501©6 environment would really help change the dysfunction of other departments not being under that leadership. Mr. Lathrop noted that the 501©6 would be a comprehensive marketing agency, accountability would be to the city via contract and that quarterly planning meetings with other departments would solve some of that. Bottom line, he noted, was that there needs to be a sales plan, a real review of assets, a look at what visitors are saying, data review and that tourism needs to be viewed as an investment.

Councilwoman Mary Knight stated that quantifiable results would be key to constituents. What were results of the other DMO's, did tourism grow? If another destination made a change, what was the performance? Mr. Lathrop noted that structure makes it easier to perform, but that the right people will grow tourism.

If 75% of DMO's are 501©6, John Gehrig asked why most destinations switched. Mr. Lathrop answered because they wanted to function like a business. Michael James added that tourism is OC's economic engine and we need to get it right. Mary Eastman asked that direct question to the Council if TAB was pursuing the right direction even looking at restructuring and that TAB wanted to know that they trusted us to advise them on direction. Councilwoman Margaret Pillas answered that TAB had brought structure to the process and had gotten everyone in the room together and that was important. She continued saying that communication breeds trust and that she wanted whatever was best for OC.

Councilman Jim Hall added that nothing should be done outside of the room that everyone needed to think for a few days and then TAB could come back to report at a work session. G. Hale Harrison asked the Council if either the 501©6 or internal realignment were non-starters or if they made sense. Councilwoman Pillas added that it was clear to her there needed to be strategic planning, discussion of options, maybe realignment, but definitely needing a leader. Councilman Joe Hall added that if internal realignment were the option, isn't that making TAB irrelevant, TAB has no authority and a 501©6 would bring one organization to be in charge.

Councilwoman Mary Knight questioned if a 501©6's marketing plan failed, who is accountable, as then council may have to raise taxes to cover shortfalls. Tom Perlozzo stated the logical step would be to look at all things affected by tourism events and each department's specific duty. And, then to say, if we change structure, will it work and maybe a combination of realignment./501©6 would work. John Gehrig added that everything points back to lack of trust and that it was great to have everyone in the room actually trying to make things better.

Melanie Pursel thanked Joe Lathrop for the briefing and stated that the TAB group was going to discuss more pros and cons with Mr. Lathrop and then report back to the Council with our recommendation. The Council was thanked for attending.

Respectfully Submitted,

Susan L. Jones  
Director, OCHMRA