

AN ANALYSIS OF THE EFFICACY OF EXPERIENCE SCOTTSDALE FROM A PARADISE VALLEY PERSPECTIVE

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FOREWORD

The Town of Paradise Valley is a small, affluent community in Arizona's Maricopa County. Encompassing an area just over 15 square miles, the town boasts a population of approximately 15,000 people. According to Wikipedia, it is the wealthiest municipality in the State.

Unlike the majority of U.S. communities, 7 of the town's top 10 employers (and all 5 of the top 5) are resorts and hotels, causing the community to be uniquely powered, in large part, by the tourism and hospitality industry.¹ This is both a benefit and a challenge. On the plus side, non-resident taxes generated by these businesses provide for a significant level of municipal services that are not charged back to residents, keeping taxes low and enabling the Town to not impose a Property Tax. However, as we are currently experiencing with the COVID-19 pandemic, this dependence on consumption taxes puts the Town in a precarious position when hotel occupancy drops in to the single digits.

In May 2013, the Town of Paradise Valley and the Scottsdale Convention & Visitors Bureau (dba: Experience Scottsdale) signed a 5-year contract renewal covering the period from July 1, 2015 through June 30, 2020 that included several deliverables. In preparation for contract negotiations with Experience Scottsdale, the Town retained DMOpvoz, a firm that specializes in the Destination Marketing field, to analyze the work of Experience Scottsdale against the contract deliverables and against similar resort and luxury destinations across America.

DMOpvoz initiated its work in February 2020 with a request for pertinent documentation from both the Town and Experience Scottsdale. We were in-market to interview key community leaders, resort managers and the Executive Management Team at Experience Scottsdale the week of March 2, just as COVID-19 began to cause the postponement and cancellations of conventions at the community's resorts.

On the pages that follow, we'll offer up our analysis and recommendations so that the Town of Paradise Valley can make an informed decision on its next contract with Experience Scottsdale to more effectively prepare for the recovery ahead.

¹ Town of Paradise Valley, 2014 Comprehensive Annual Financial Report

ORGANIZATIONAL OVERVIEW

EXPERIENCE SCOTTSDALE

Experience Scottsdale is a 501(c)(6) nonprofit Destination Marketing Organization (DMO) that maintains contracts with the City of Scottsdale and Town of Paradise Valley to conduct destination marketing efforts on behalf of these municipalities. Each year, Experience Scottsdale strives to enhance the local community by promoting the region as a luxury destination for meetings, conventions, events and leisure travel.

Originally founded in 1987 as the tourism arm of the Scottsdale Area Chamber of Commerce, Experience Scottsdale became a standalone organization in 2001. The organization has more than 40 full- and part-time employees, along with a volunteer Board of Directors composed of local hospitality and tourism industry leaders from both Scottsdale and Paradise Valley.

Experience Scottsdale markets the region as a world-class destination through advertisements, promotional campaigns, social media and a variety of marketing and sales tactics. The agency works with meeting planners from around the nation and internationally to secure their event business for area resorts and hotels. The Public Relations staff works to achieve media coverage across North America and select international markets. And, Experience Scottsdale assists travel agents in their efforts to sell the destination to their clients and works to get information about the destination into travel brochures and promotions.

The stated Mission of Experience Scottsdale is to enhance the local community by promoting the Scottsdale area as a luxury destination for meetings, events and leisure travel. The DMO's primary Objectives are to:

- Generate visitor-related economic impact for the Scottsdale market area
- Foster positive relationships with customers and stakeholders
- Run an effective business
- Enhance the long-term health and development of the destination

Primary funding for Experience Scottsdale's \$15 million budget comes from bed-tax revenue collected by Scottsdale resorts and hotels, of which half of the City's bed tax collection is invested in Experience Scottsdale for destination marketing initiatives. This represents 69% of the organization's total operating budget. The remaining bed-tax

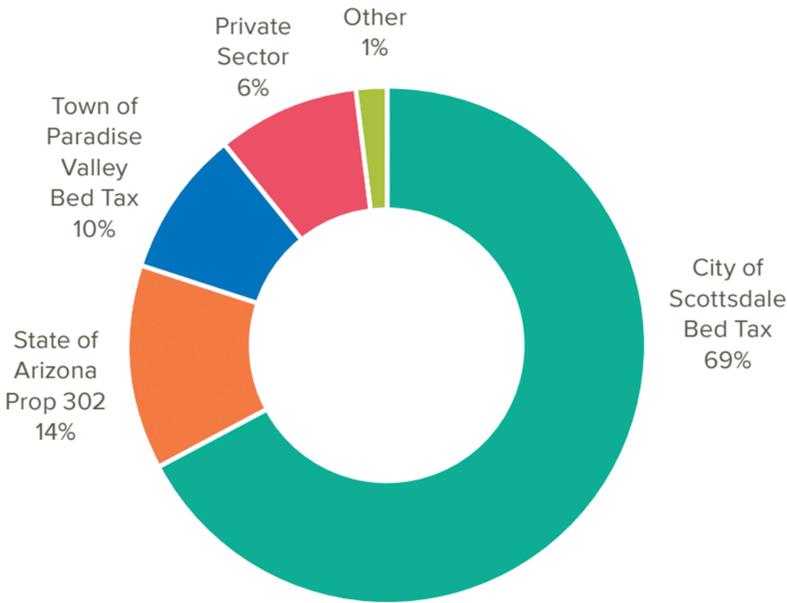
revenue is used for tourism-related capital projects, special events and more by the City of Scottsdale. The City’s contract with Experience Scottsdale is overseen by the City’s Tourism & Events Department and the Tourism Development Commission.

Experience Scottsdale also serves as the DMO for the Town of Paradise Valley. The Town invests 40.9% of its bed-tax collections into a contract for services that delineates expected outcomes and impacts for the Town and its resorts. This represents 10% of the organization’s total operating budget.

Another public funding source for Experience Scottsdale is the State of Arizona, via Proposition 302, in which Maricopa County hotel operators and rental car companies collect and remit an additional tax to the State that is then split and invested into numerous projects. This represents 14% of the organization’s total operating budget.

As a membership-based organization with more than 400 members, Experience Scottsdale also utilizes just under \$1 million in private-sector revenue via membership dues and through program participation fees. This represents 6% of the organization’s total operating budget. In addition, the Salt River Pima-Maricopa Indian Community annually invests \$100,000.

REVENUE SOURCES



Source: Experience Scottsdale FY 18-19 Annual Report

In its FY2018-19 Annual Report to the community, Experience Scottsdale listed the following highlights from the operating year just concluded:

- Developed unique and buzz-worthy outdoor campaigns in highly trafficked areas of New York City and Toronto, generating an estimated 40 million advertising impressions (example below).



- Assisted media around the world to help tell the Scottsdale story through editorial placements worth \$48 million in equivalent advertising value (just a few pictured below).



- Booked 625 meetings, conferences and events into the region's hotels and resorts, representing a record-high 202,892 room nights for the year.
- Met with 3,730 travel professionals (event planners, travel agents, etc.) during trade shows, sales missions and product training seminars.

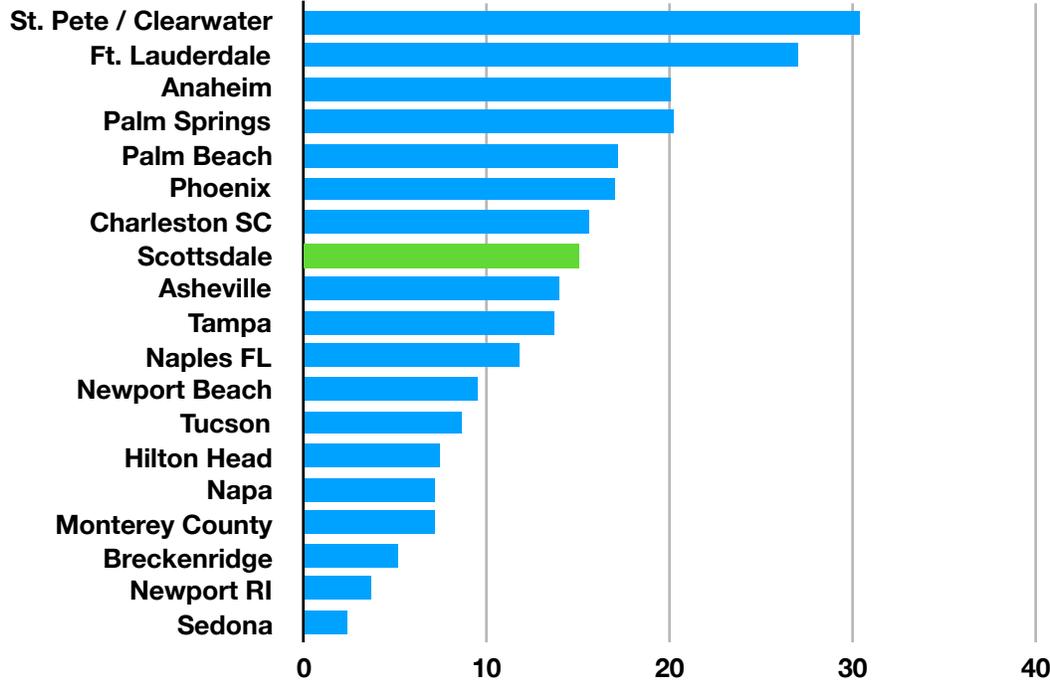
COMPARISONS TO OTHER SIMILAR DESTINATION MARKETING RELATIONSHIPS

As part of our analysis of Experience Scottsdale’s ROI to the Town of Paradise Valley, DMOProz was asked to perform an analysis of how Destination Marketing is addressed and supported in like and competitive destinations. As no two destinations are ever completely alike, DMOs across North America are typically designed to complement each community’s unique assets and infrastructure. Thus, direct comparisons are often difficult to analyze because there are so many variables at play.

That said, we offer these pre-pandemic budget comparisons (all data reported in millions of dollars):

LIKE-DESTINATIONS

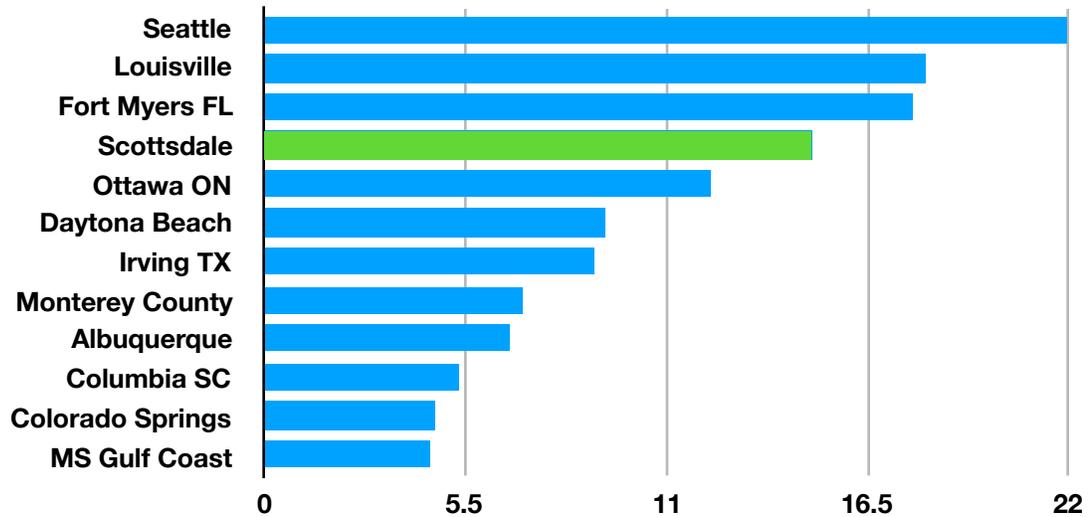
In this comparison, we have identified the DMO budgets of destinations possessing a luxury component (i.e., several spas, resorts, golf courses, high-end retail, etc.):



Sources: Destinations International, DMOProz database & Palm Springs Tourism Improvement District 2019-2020 Annual Report

LIKE-HOTEL ROOM INVENTORY

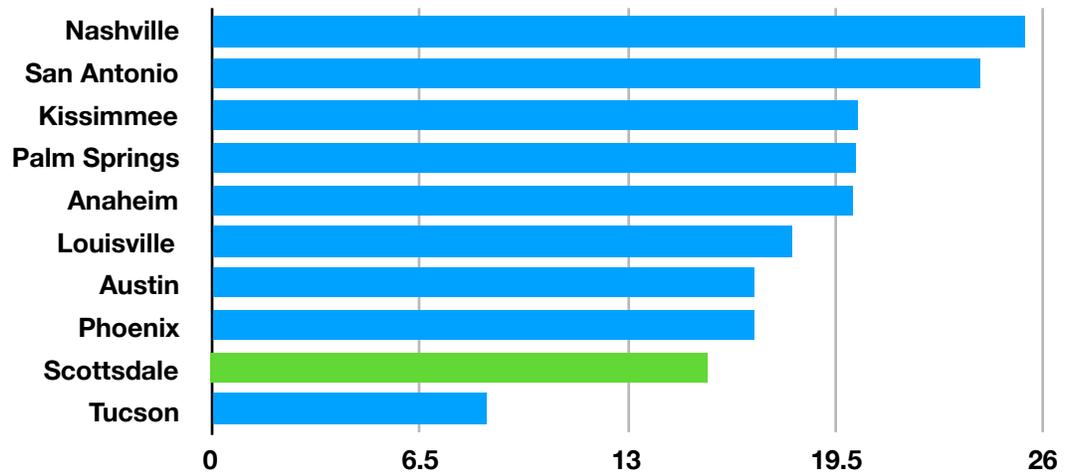
In this comparison, we have identified the DMO budgets of destinations that have a similar number of total hotel rooms (11,500 to 15,500):



Source: Destinations International

EXPERIENCE SCOTTSDALE'S COMPETITIVE SET

In this comparison, we examine the budgets of DMOs that most often compete with Experience Scottsdale for Meeting, Convention and Event business:



Sources: Destinations International, DMOproz database, *San Diego Business Journal* & Palm Springs Tourism Improvement District 2019-2020 Annual Report

RESORT COMMUNITY INVESTMENT IN REGIONAL DMOs

Resort communities will typically invest some or all of their hospitality-related tax revenues in the destination marketing services of a larger DMO if the following conditions exist:

- The larger community has broader name recognition
- The larger community possesses a significantly larger DMO budget than the smaller community would be willing to invest in destination marketing
- The resort community has similar characteristics with the larger community

In the case of Paradise Valley, all three conditions are present. Scottsdale has higher international name recognition than the town. Even if Paradise Valley were to invest 100% of its Room tax revenues into its own destination marketing program, the Experience Scottsdale budget would be three times larger. And, the luxury side of Paradise Valley matches up well to the luxury retail and lodging offerings of Scottsdale. Indeed, for those new to the region, it is almost impossible to discern which community one is in at any point in time.

The larger question being posed as part of this study is whether the level of investment from Bed Tax collections into the program of work of Experience Scottsdale is appropriate. Among the members of Destinations International (the DMO sector's trade association), the average is 48%. However, as their membership skews towards larger destinations, the actual average may be higher, as those generating smaller revenue from Bed Taxes typically invest a higher percentage into destination marketing.

Looking at communities within the competitive set of Experience Scottsdale, we found only a handful of examples where we could discern the amount of Bed Tax being invested by a resort community into a regional DMO such as Experience Scottsdale.

Elsewhere in the Phoenix Metro, The Town of Oro Valley invests 22% of its collections into Visit Tucson's \$8.6 million budget.

The Town of Bluffton SC invests 33.5% (\$250,000) of its annual Bed Tax collections into the work of the Hilton Head Visitors & Convention Bureau. It also invests \$200,000 of its Food & Beverage Tax collections, bringing the total investment in the VCB's program of work to \$450,000, or 6% of the Bureau's budget.

For all 9 communities that make up the service area of Discover Newport RI, 45% of the Room Tax collected is invested in the Organization.

On a national scale, among all members of Destinations International, the median amount of Room Tax that is invested in American DMOs is 36.7% (this includes budgets from \$200,000 to over \$100 million). For DMOs in Experience Scottsdale's budget category, that number increases to 54%. Thus, both Scottsdale and Paradise Valley are fairly close to national averages.

STAFF SIZE VERSUS BUDGET SIZE

In this comparison, we took the 15 DMOs* with budgets within \$2 million of that of Experience Scottsdale (\$13.5 million - \$17.5 million) and compared the head count. The average DMO budget in this comp set was \$15.5 million. The average staff size was 53. This compares to Experience Scottsdale's \$15 million budget with a 40 person staff.

What makes this comparison even more fascinating is that Experience Scottsdale handles a significant amount of their creative (advertising, videos, brochures and collateral and the design of their outdoor advertising) in-house, unlike the majority of DMOs which contract with outside marketing firms for these services.

* DMOs that reported such data to Destinations International

BUDGET BREAKDOWN BY FUNCTIONALITY

Another way to assess DMOs is by comparing how much of the organization's budget is assigned to various functional areas. Because some DMOs dedicate more resources to meeting and convention sales while others are more Consumer focused, drilling down to a granular level seldom produces meaningful results. Indeed, at one point in the past decade, Visit Oakland expended \$0 on Convention Sales, preferring to pursue a strategy of being a "closer" for their hotels on leads their salespeople had developed.

However, we can take a broader approach by keeping the analysis at a higher level on the budget sheet and analyze averages for Personnel, Administrative and Programming. And, as we did, with analyzing total budgets, we'll address each of the three comp sets based on data from Destinations International:

LUXURY COMP SET. In this comparison, we have identified the average budget breakdowns of similar DMOs marketing communities with a luxury component (i.e., several spas, resorts, golf courses, high-end retail, etc.):

	Comp Set: Luxury	Experience Scottsdale
Personnel	36.4%	33.8%
Administrative	7.3%	7%
Programming	56.3%	59.2%

SIMILAR HOTEL INVENTORY. In this comparison, we have identified the average budget breakdowns of DMOs marketing destinations that have a similar number of total hotel rooms (11,500 to 15,500):

	Comp Set: Hotel Rooms	Experience Scottsdale
Personnel	33%	33.8%
Administrative	7.3%	7%
Programming	59.7%	59.2%

EXPERIENCE SCOTTSDALE’S COMPETITIVE SET. In this comparison, we examine the average budget breakdown of DMOs that most often compete with Experience Scottsdale for Meeting, Convention and Event business:

	Comp Set: vs. Scottsdale	Experience Scottsdale
Personnel	36%	33.8%
Administrative	6%	7%
Programming	58%	59.2%

In two of the three views, Experience Scottsdale directs more of its budget to Programming than the average of its competitive set. In the third, that of DMOs with comparable hotel room inventories, the difference is within a half of a percentage point.

Thus, we can confirm that, from a budgetary standpoint, Experience Scottsdale is within industry norms for Personnel and Administrative expenses versus the revenues dedicated to Programming.



EXECUTIVE COMPENSATION VERSUS BUDGET SIZE

In our conversation with Town officials, there was some lingering concern voiced over a media report from last summer regarding executive pay at Experience Scottsdale. An article on azcentral.com reported that the CEO of the organization was the highest paid DMO executive in the Phoenix metropolitan area.

Unfortunately, the analysis performed to reach that conclusion was flawed, as the article added benefits and bonuses to the Experience Scottsdale CEO's salary but only reported base salaries for other DMO CEOs. When looking at base salaries, the CEO of Visit Phoenix earns more than his counterpart in Scottsdale.

According to the top DMO and Hospitality-focused Executive Search firm in the nation, a base salary of \$350,000 is not at all uncommon for a budget size in the \$15 million range. It's even less surprising for an executive with the tenure of the Experience Scottsdale CEO. In 2018, a report on CEO salaries in *the Tennessean* detailed the compensation of DMO executives across the country. In 2016, the CEO of Visit Nashville earned \$792,000; the CEO of Visit Indy earned \$664,887.² The CEO of Experience Scottsdale didn't make the list.

We understand the concern that base salaries do not tell the whole story of executive compensation. However, as benefit packages are often not reported publicly for many DMOs (or reported differently for each agency), it is impossible to drill down beyond base salaries for comparisons.

While \$350,000 may sound like a lot of money to some, salaries in the DMO world are based on supply and demand, not unlike sports and entertainment. There is a reason the Cardinal's Larry Fitzgerald is the highest paid wide receiver of all time;³ few can do what he does on the football field. Effectively managing a high-performance DMO is a skill that is in high demand...and will likely be even more crucial when the country emerges from the pandemic.

² Visit Indy's budget is \$15.4 million with a staff of 65.

³ The National Football League: (nfl.com/news/story/0ap3000000952004/article/the-five-highestpaid-wide-receivers-of-all-time)

ANALYSIS OF AVAILABLE DATA

In our analysis of Experience Scottsdale's Return on Investment to the Town of Paradise Valley we focused our analysis in two primary areas, what we like to call "Hard Data" and "Soft Data."

Hard Data is statistical and typically numeric in nature. Goals were set for Experience Scottsdale; did the organization successfully fulfill those expectations as spelled out in the contract?

Soft Data helps add nuance to the numbers, bringing life to the statistics. For instance, if Experience Scottsdale hosted a FAM trip for 16 high-end corporate meeting planners, they might be able to say that three of them booked for the coming year. However, when the GM of one of Paradise Valley's resorts reports that those three bookings at his property were a direct result of that FAM, that helps bring the numbers to life.

We offer here the following analysis:

THE HARD DATA

The five-year contract between the Town of Paradise Valley and Experience Scottsdale contains a number of expectations between the two entities. In return for its investment of revenues into the DMO, the Town set certain performance measures for Experience Scottsdale to meet or exceed, among them:

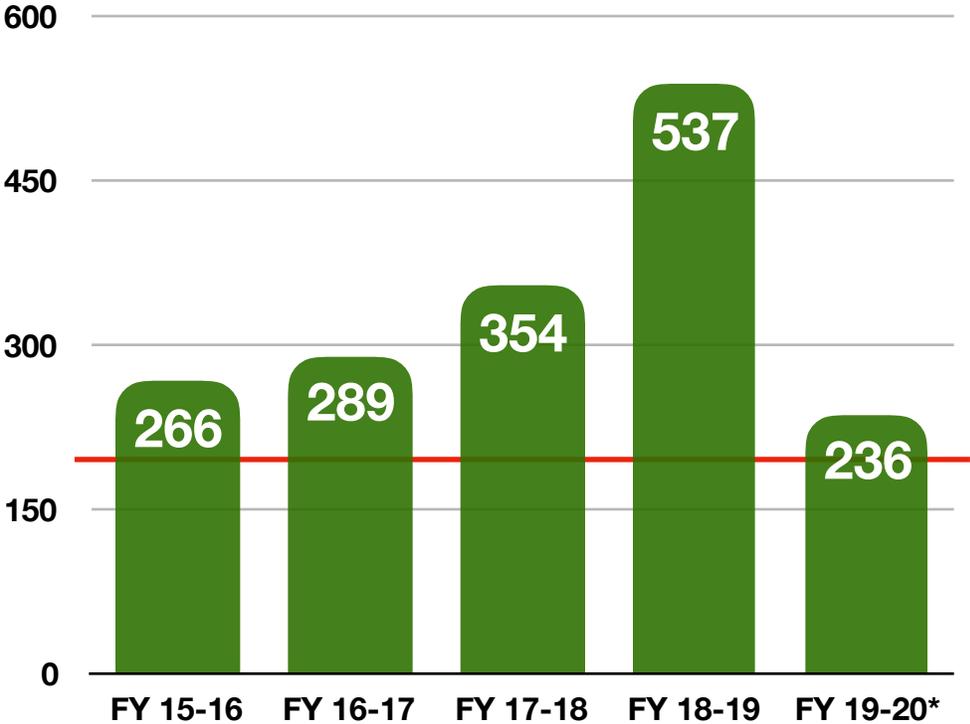
- Generate at least 195 travel articles annually that mention Paradise Valley or its resorts or hotels.
- Generate at least 80 booked meetings annually into Paradise Valley resorts or hotels.
- Develop a \$1 million annual marketing and advertising program to benefit Experience Scottsdale members, including Paradise Valley resorts and hotels.
- Assist Paradise Valley resorts and hotels in generating at least \$40 million in Paradise Valley bed tax and sales tax during the term of the contract.

Additionally, Experience Scottsdale was expected to annually share details of the previously referenced \$1 million marketing and advertising program and provide the Town with quarterly performance reports to include documentation of the expectations above. In addition, an Annual Report was to be distributed to the Town by September 30th of each year.

In our review of performance measures provided by Experience Scottsdale, it is clear that these 5 goals have been more than satisfactorily achieved:

GOAL: Annually generate at least 195 travel articles that mention Paradise Valley and/or its resorts or hotels:

- FY 19-20 Q1 & 2: 236 (estimated media value: \$5.7 million)
- FY 18-19: 537 (estimated media value: \$38.1 million)
- FY 17-18: 354 (estimated media value: \$15.4 million)
- FY 16-17: 289 (estimated media value: \$6.4 million)
- FY 15-16: 266 (estimated media value: \$15.4 million)



* FY 19-20 numbers only represent the first two quarters of the Fiscal Year.

GOAL: Annually facilitate the booking of at least 80 meetings and conferences into Paradise Valley resorts or hotels:

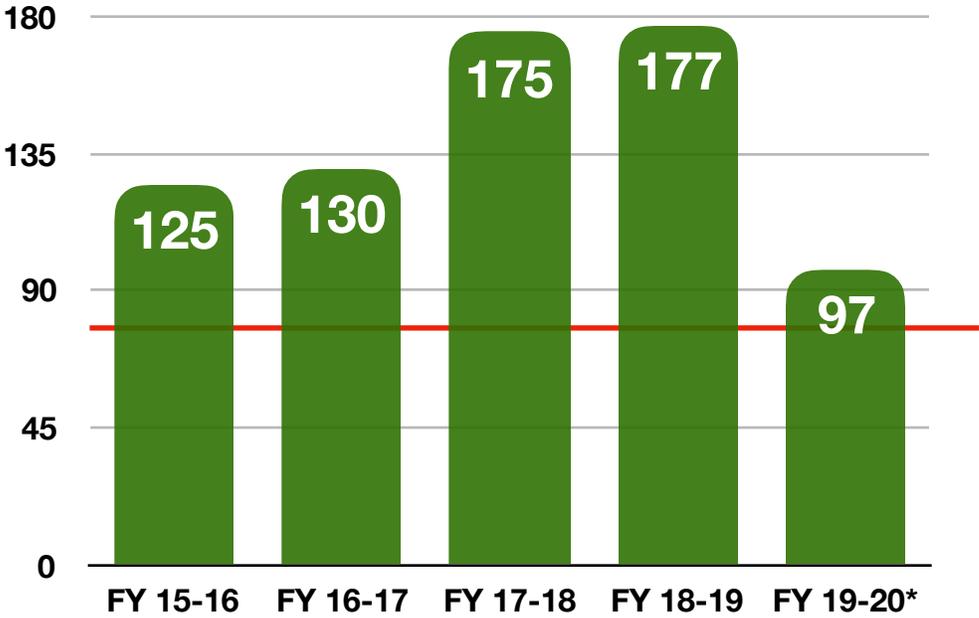
FY 19-20 Q1 & 2: 97 (representing 47,237 room nights with an estimated economic impact of \$13.3 million in visitor spending)

FY 18-19: 177 (representing 45,273 room nights with an estimated economic impact of \$23 million in visitor spending)

FY 17-18: 175 (representing 40,338 room nights with an estimated economic impact of \$19.1 million in visitor spending))

FY 16-17: 130 (representing 34,701 room nights with an estimated economic impact of \$19.4 million in visitor spending)

FY 15-16: 125 (representing 43,323 room nights with an estimated economic impact of \$23.6 million in visitor spending)



* FY 19-20 numbers only represent the first two quarters of the Fiscal Year.

GOAL: Develop a \$1 million annual marketing and advertising program to benefit Experience Scottsdale members, including Paradise Valley resorts and hotels:

FY 19-20: The Experience Scottsdale Marketing Plan included \$1 million in print advertising in *Elite*, *Links*, *Food & Wine* and *En Route* magazines, television ads in Chicago and Los Angeles, radio spots in New York City, Outdoor placements in Toronto and the purchase of Google Pay-Per-Click ads.

FY 18-19: The Experience Scottsdale Marketing Plan included \$1 million in print advertising in *Elite*, *Golf Magazine*, *Links*, *Southwest: The Magazine* and *En Route* magazines, print ads in the *New York Times*, television ads in Chicago, Los Angeles and New York City as well as on the Golf Channel and Outdoor placements in Toronto.

FY 17-18: The Experience Scottsdale Marketing Plan included \$1 million in print advertising in *The American Way*, *Golf Magazine* and *Sunset* magazines, print ads in the *New York Times* and *Globe & Mail*, television ads on Canada's Weather Network, Outdoor placements in Vancouver and Los Angeles and the purchase of Google and Facebook ads.

FY 16-17: The Experience Scottsdale Marketing Plan included \$1 million in print advertising in *The American Way*, *Golf Digest* and *Bon Appetit* magazines, television ads on Canadian TV, Outdoor placements in Chicago, Denver and San Francisco and the purchase of Google and Facebook ads.

FY 15-16: The Experience Scottsdale Marketing Plan included \$1 million in print advertising in *Golf Magazine*, *Golf Digest* and *Links* magazines, television ads in Denver, Chicago and on Canadian TV, Outdoor placements in Los Angeles, Chicago and Canada and the purchase of Google and Facebook ads.

The preceding ad placements and marketing strategies are but a fraction of Experience Scottsdale's complete annual Marketing Plan, which (pre-pandemic) annually totals roughly \$7 million in paid media. Indeed, the FY 19-20 plan included the following:

Print advertising:

Arizona Office of Tourism Visitors Guide

Arizona Monthly

Meetings & Convention (national magazine targeting meeting planners)

Meetings Today (national magazine targeting meeting planners)

Convene (national magazine targeting meeting planners)

Connect (national magazine targeting meeting planners)

Ignite (Canadian magazine targeting meeting planners)

Elite Traveler (national magazine targeted to private jet travelers)

T Travel (international travel magazine)

Chicago Magazine (lifestyle magazine for the Chicago metro)

Los Angeles Magazine (lifestyle magazine for the Los Angeles metro)

Golf Magazine (national magazine targeting golfers)

Links (national magazine targeting golfers)

National Geographic Traveler (international magazine for travelers)

Afar (national magazine targeting travelers)

American Way (American Airlines' in-flight magazine)

En Route (Air Canada's in-flight magazine)

Up! (Canada's West Jet in-flight magazine)

Bon Appetit (national lifestyle magazine)

Food & Wine (national lifestyle magazine)

Online Advertising:

USA Today

YouTube

Facebook

Google

Pay Per Click

TV Advertising:

Los Angeles

New York City

Chicago

The Weather Channel / Canada

The Golf Channel

Radio Advertising:

Los Angeles
Calgary
Edmonton
Toronto
Vancouver
Chicago
New York City

Out of Home Advertising:

Los Angeles
Toronto
Chicago
New York City

GOAL: Assist Paradise Valley resorts and hotels in generating at least \$40 million in bed tax and sales tax during the term of the contract (July 2015 through June 2020):

Hotel and Sales Tax revenues related to Meetings and Conventions that Experience Scottsdale helped facilitate for Paradise Valley hotels and resorts between July 2015 and December 2019 are estimated at \$41,729,354, six months prior to the conclusion of the contract period.

GOAL: Provide Quarterly and Annual Reports to the Town of Paradise Valley:

Experience Scottsdale has successfully produced and submitted all quarterly and annual reports to the Town of Paradise Valley during the term of the present contract.



THE SOFT DATA

As part of this analysis, DMOproz interfaced with over 20 community leaders, resort managers and executive staff at Experience Scottsdale to gain an understanding of the value proposition of the Town's relationship with its DMO.

Every resort manager with whom we met told us that having Experience Scottsdale involved in their sales and marketing efforts was a critical component of their success. While such comments regarding support and appreciation could be considered by some to be nothing more than industry peers having each other's backs, we drilled down and asked for specifics. How exactly is this contract for services between the Town and Experience Scottsdale benefiting your resort?

Among the responses:

"Experience Scottsdale is critical for us. We go on sales blitzes with them to secure meetings and convention business. We could never, on our own, do prospective client events like they do."

"Paradise Valley has an image among some convention planners that it is too expensive. But, when we are included in the Experience Scottsdale bids with Scottsdale resorts, we are often chosen because planners realize we're not that much more expensive."

"We can't afford to go to big shows like IMEX. Their "Sight See, Fly Free" program that allows meeting planners to experience the destination is great; it enabled us to land a huge piece of business last year."

"Experience Scottsdale has top talent and tenure and is known industrywide as a high-performance DMO that convention planners trust. We depend on Experience Scottsdale to bring us new and qualified business."

"If the Destination Marketing function for Paradise Valley were to be brought in house, we wouldn't have nearly the same visibility as we do through Experience Scottsdale. \$1.5 million (or which a sizable chunk would be lost to duplicative overhead costs) simply can't compare to a \$15 million budget."

“We understand that the impact of Experience Scottsdale is hard to quantify for some, but we know it is real. Renew the contract? Yes, in a heartbeat.”

“We can’t afford national marketing. They can. We need them.”

“We asked them to help with holiday season marketing, as that was one of our ‘need periods.’ We are up 48% in December thanks to Experience Scottsdale.”

“Having worked in several resort markets around the country during my career, I can honestly say that Experience Scottsdale is the best DMO I’ve ever worked with.”

“Experience Scottsdale’s work to secure the Fiesta Bowl means the teams stay in Paradise Valley and ESPN stays here for the Super Bowl.”

“Experience Scottsdale is responsible for more group business at my property than my national brand’s sales office.”

“As an independent resort, their leads are key. Their FAM trips and site inspections can’t be beat for generating new business.”

“An Experience Scottsdale FAM (familiarization tour with prospective meeting planners that have never experienced a destination) last year netted us three confirmed conventions.”

“A lead from Experience Scottsdale turned into a feature in the American Airlines in-flight magazine. We certainly could have never purchased that kind of visibility.”

“We could never garner the PR that they provide for us in national magazines.”

“Don’t kill my business by ending this contract. Experience Scottsdale is vital to this community. It would be crazy not to renew. They are totally focused on our “need periods.” Our December occupancy was 73% last year thanks to their promotions. It used to be in the 50s.”

“In the face of the coming recession, we’ll need Experience Scottsdale more than ever to help us recover.”

FINDINGS

Two primary questions are at the root of this study. First, has the town of Paradise Valley benefited from a sufficient return on investment to warrant a continuation of the contract for destination marketing services with Experienced Scottsdale? The other more elusive question is whether the Town is investing an appropriate amount of revenue into the organization's program of work.

To the first question regarding ROI, the answer is a resounding yes. For an investment of \$5.7 million over the past five years, the town has realized over \$41.7 million in bed and sales tax revenue through December of 2019. That is a net return of \$36 million of revenue to Town coffers that Experience Scottsdale had a collaborative hand, along with its hotels and resorts, in generating.

Of all the markets that a DMO pursues, the meetings and convention market is the easiest to track. For every event that brings hundreds of attendees to Paradise Valley, there is a single point of contact. Thus, it is easy for a DMO salesperson to develop a prospect, influence their decision, assist the resort with securing the booking and then follow-up with convention services during the event. By using the internationally embraced Event Impact Calculator (EIC),⁴ the estimated spending attributable to these events can be accurately assessed.

According to a study by Destinations International, roughly 20% of all meeting and convention bookings are influenced in one way, shape or form by a DMO. A Director of Sales at one of Paradise Valley's resort told us that, while they don't track it in such a manner, they firmly believe that 50% of their convention bookings started as leads provided by Experience Scottsdale...and many more events benefited from the incentives and services provided by the organization.

Over the past almost five years of the existing contract with the Town of Paradise Valley, Experience Scottsdale has assisted in the acquisition of 755 Meetings, conventions and events for Paradise Valley resorts. Estimated total revenue from those events is almost \$106 million.

⁴ The EIC, developed by Oxford Economics, is the Economic Impact Calculator endorsed by the DMO Sector's trade association, Destinations International, and used by over 300 DMOs.

Identifying the economic impact of leisure visitors to Paradise Valley (those not connected to an event), is much more elusive to definitively trace back to Experience Scottsdale. But, one would be hard pressed to say that the organization's over 290,000 Facebook followers, 94,300 Twitter followers and 38,600 followers on Instagram aren't regularly inspired to visit by the images, videos and stories they hear from Experience Scottsdale.

Indeed, video can often be one of the most effective marketing tools for destination marketers. Over 1,400 potential visitors viewed its COVID-19 response video in its first three days of release. And, Experience Scottsdale recently hit 796,000 views of the "What You Need Right Now" video (which is twice the average weekly viewers of the CW's "Dynasty").

The cost of researching every leisure travel decision-maker (as opposed to a single meeting planner responsible for booking 200 people into Paradise Valley) is beyond prohibitive. But we do have evidence of the efficacy of Experience Scottsdale's efforts in this market.

Resort Managers with whom we spoke credit Experience Scottsdale for helping produce their best Decembers ever. At a time of the year when convention business becomes scarce, Paradise Valley's hotel occupancy rate was in the mid-50% range. When the resorts asked Experience Scottsdale to help them with this "need period," the organization developed special holiday promotions that increased December occupancy for one resort to 73%.

On the second question of whether the investment level of Paradise Valley is appropriate, the answer is "that depends." The Town's current investment level is 40.9% of Bed Tax revenue into the work of Experience Scottsdale. The City of Scottsdale invests 50% of their collections into the organization's work on behalf of the community.

In these dark days before the recovery from the looming recession, Paradise Valley resorts need Experience Scottsdale more than ever to emerge as quickly as possible from the economic wreckage. Indeed, those resorts that were considering the creation of a Tourism Marketing Assessment program believed that the Town's current investment of Bed Tax revenue on their behalf wasn't enough. Thus, they were searching for a way to arm Experience Scottsdale with additional resources with which to market their properties.

Reducing that investment at this moment in time would likely result in a decrease in visitation and conventions. Coming back from the results of the pandemic, we expect to see communities increase their investment in DMOs (as they are able) because the competition for conventions and visitors will be more cut-throat than ever. And, until the day comes when communities realize that Bed Tax is not the only way Destination Marketing Organizations are funded, further diverting this very special funding stream to other functions of Town government doesn't appear prudent.

The other option before the Town is to discontinue its contract with Experience Scottsdale and take the Destination Marketing function in-house or create its own independent DMO. We strongly advise the Town to not pursue this track for the following reasons:

Even if the Town were to dedicate 100% of its Bed Tax revenues to this new venture, it would forfeit advantages it currently enjoys through Experience Scottsdale. It would start from scratch to build brand equity for a destination of which few have ever heard. It would take a minimum of three years to build the meeting planner and travel and lifestyle writer database with which Experience Scottsdale works...not to mention the long-held relationships that go along with them.

DMOproz has assisted several start-up DMOs over the last 15 years and we can assure the Town that, even with hiring accomplished DMO professionals to manage the operation, it typically takes at least two years for the new organization to have any kind of impact on visitor spending. For an emerging destination, having a new DMO is better than not. But, for an established destination, the losses in convention business alone would be catastrophic to a municipality's budget that relies so heavily on revenues from Tourism.

For its \$1.5 million investment in Experience Scottsdale, the Town of Paradise Valley has benefited from a \$15+ million (pre-COVID) operation...one that has been able to offer the Town international reach, world-wide visibility in key target media markets and a professional Sales team upon which the Resorts rely.

RECOMMENDATIONS

For all the reasons outlined in previous sections of this study, DMOproz strongly recommends renewing the contract with Experience Scottsdale. The benefits to the Town and its lodging community are unmistakable. Especially in the recovery from the current pandemic-induced recession, Experience Scottsdale will be critical in bringing business back to Paradise Valley resorts.

As to the numeric goals that exist in the current contract, we certainly appreciate that there was, at the time, a need to hold Experience Scottsdale accountable and provide an opportunity to the Town to end the contract if minimum standards of productivity were not met. However, it is clear that many of the goals weren't just met but exceeded. The one goal that was closely met was that of ROI...and one must ask, if the DMO had only assisted in generating \$39 million in taxes to the Town, would that have been grounds to exit the contract?

Numeric goals are rarely found in municipal contracts with DMOs because these agencies do not control the product they sell. If one of the larger resorts had decided to close for 6 months for renovations, that \$40 million goal may have been missed through no fault of Experience Scottsdale. The impacts of COVID-19 have certainly slowed the ability to get travel and lifestyle articles about Scottsdale and Paradise Valley resorts placed around the globe.

We believe that the Town should acknowledge that Experience Scottsdale excitedly represents Paradise Valley because it makes Scottsdale a more attractive destination to have a higher concentration of luxury options. That they so exceeded contracted goals for meetings and PR shows they are not working toward specific numeric goals for the Town...they are driven by the goal of "more."

Experience Scottsdale identify Paradise Valley on the cover of its Annual Visitors Guide and Meeting & Travel Planner Guide...but references to the town are rare in much of the agency's marketing. This brand strategy has merit, as Paradise Valley can benefit from Scottsdale's already existing cachet. Indeed, several of the town's lodging properties include the word "Scottsdale" in their name to do just that, some telling us that when they used "Paradise Valley" in their name, they suffered from low internet search-aided traffic.



Despite the research that shows that the majority of visitors think that Paradise Valley and Scottsdale are synonymous, we recognize that the limited visibility of the words "Paradise Valley" in marketing messages, platforms and materials only perpetuates that invisibility.

Rather than including language requiring such use of the words "Paradise Valley" in the contract, we trust that the Town, the Resorts and Experience Scottsdale can work collaboratively together to identify opportunities for more name recognition without confusing the overarching brand.

In our discussion with Town Council members, there was some interest in building into a future contract a provision that would restrict Experience Scottsdale from policy advocacy at the State level. We understand that there may be specific issues in which the agency's interests may not match those of the Town. However, we caution that the interests of Experience Scottsdale and the Town may more often align than not and the agency's ties to other DMOs and State agencies may be an advantage on future policy issues. Rather than build prohibitive language into future contracts, we believe honest dialogue on these issues can more effectively serve the Town's purposes.

Finally, there is the issue of the amount of revenue that is being invested in this contract. While we, again, understand that the increasing amount of revenue involved may seem like a lot of money, we would encourage the Town to view this revenue as revenue that wouldn't have been available without the work of Experience Scottsdale and the Resorts.

As noted in this analysis, the Town has benefited from a net \$36 million in non-resident taxes over the past 5 years thanks to the work of Experience Scottsdale and the community's resorts and hotels. That a percent of revenues is annually reinvested into a program of work to see that net amount continue to grow is good business sense.

Thoughts of an artificial cap when the revenue reaches a certain level doesn't make fiscal sense at this point in time, especially given the need for economic recovery from the results of the pandemic and the fact that additional hotels are in the pipeline. The Town's existing resorts and hotels will need Experience Scottsdale to have a robust budget with which to increase visitation to both bring its current resorts back from the brink but also absorb the new hotel inventory demand on the horizon.

Rather than a cap, the Town may want to consider a sliding scale that allows for an agreed-upon rate of increase each year, with a diminishing percentage of revenues being directed to Destination Marketing when a predetermined threshold has been achieved.

We certainly hope that a new agreement can be secured.



CLOSING THOUGHTS

We are heartbroken for the Town of Paradise Valley and its business community. More so than most across this country, your tourism-dependent economy has been decimated by this nation's response to the COVID-19 pandemic.

When we undertook this assignment, we never imagined our report and recommendations would come at a time in which contemplation of renewing a contract with Experience Scottsdale would take on such new meaning. We were interviewing Paradise Valley resort managers on the day that the first event cancellation came in. The next day, it turned into a growing cascade that, by week's end, was frightening.

Given the substantial loss of revenue to the Town from Tourism-related taxes, there may be those that might believe withdrawing from the contract, in order to redirect Bed Tax funds to "essential services," would be appropriate. May we caution that destination marketing *is* an "essential service" in a community like Paradise Valley.



Resort managers with whom we spoke in early March were eerily prescient when they were predicting a recession on the horizon, a full week before the NCAA and NBA began cancelling games. In our conversations, they said that Experience Scottsdale would be vital in helping them recover...before the word “recovery” was on anyone’s lips.

The Town of Paradise Valley was also prescient when it installed a two-year look-back on delivering contracted revenues to Experience Scottsdale. As uncommon as such a practice is across this nation, the Town now has the funds that virtually no other community has to jump start its DMO. We strongly encourage you to renew this contract to begin your recovery before others can. Through the unusual quirk of your contract, Paradise Valley may well be in a position to build market share while other destinations struggle.

We stand ready to assist wherever we are able.

We would also like to thank Town Manager Jill Keimach and her Team for their assistance in scheduling stakeholder interviews, providing documentation and guidance during this review of Experience Scottsdale. Thanks, too, to the Mayor, Council members and Resort Managers that took time out in the face of the impending storm to meet with us to provide nuance and guidance that went well beyond the numeric aspects of this project.

Here’s hoping we can deliver these findings and recommendations in person.

Bill Geist & Terri White
DMOproz
22 May 2020