

October 27, 2009

Mayor Shepherd and City Council
Kelowna City Hall
1435 Water Street
Kelowna, BC
V1Y 1J4

Dear Mayor and Council,

Tourism Kelowna's Board of Directors has now developed a resolution to support the continuation of the community Destination Marketing Organization model which will be presented to the Minister of Tourism, Cultural and the Arts in mid November.

A critical element of this model is to retain of the option to fund our operations through either an Additional Hotel Room Tax or a similar user-generated funding mechanism such a Destination Marketing Fee. A sustainable funding stream coupled with the industry-driven culture of our organization results in the high levels of accountability, transparency and effectiveness necessary for Tourism Kelowna to positively impact tourism growth for Kelowna.

Council's support of our resolution (see attached) is extremely important for a positive outcome and we respectfully ask Council to consider this request at the November 2, 2009 Council meeting.

Sincerely,



Bill Eager
Chairperson



October 27, 2009

DRAFT

Resolution: Community DMO Model

Be it resolved that the Directors and Officers of the Tourism Kelowna Society fully advocate and support the continuation of the community Destination Marketing Organization model, while retaining the option to fund its operations and activities (in whole or in part) through either an Additional Hotel Room Tax or Destination Marketing Fee governed in its entirety by the Tourism Kelowna Society.



Tourism Kelowna Resolution Backgrounder

October 27, 2009

Contact:

Bill Eager, Chair, Tourism Kelowna
250-979-4530
bill@manteo.com

1. Importance of tourism to Kelowna CMA – Economic Impact Study 2006

- 1.2 million visitors annually
- \$346 million annually in visitor spending
- 5100 full-time equivalent jobs
- \$320 million GDP annually
- \$610 million in Economic output for BC
- 2nd largest employer in Central Okanagan next to Health Care (includes hospitality, F & B, attractions)

2. About Tourism Kelowna

Key Result Areas

1. Destination Marketing
2. Visitor Services Development
3. Destination Management
4. Advocacy

Funding

- 60% of funds come from AHRT (2% tax)
- AHRT funds allow us to leverage our revenues with grants and co-op advertising (60% AHRT, 16% advertising, 15% City of Kelowna, 8.5% prov/fed grants, 0.5% merchandise through Visitor Centre)
- Funds allow us to take a strategic approach to building tourism business for the Central Okanagan (including Kelowna, West Kelowna and Lake Country tourism businesses)

Governance

- Elected Board of Directors from tourism industry (15)
- Hotels hold 7 of 15 seats – have a double majority voting process for approval of budget and marketing plan that ensures hotels support direction
- Report to municipality annually and submit required report to Province annually
- Organization is fully audited on annual basis
- Recognized as a model of best practices for governance and accountability

3. Representation breakdown of businesses - 262 voting stakeholder businesses

- Accommodation – 110
- Restaurants – 22
- Attractions & Activities – 75
- Arts & Entertainment – 21
- Golf – 16
- Wineries & Breweries – 18

4. Accountability

- Annual performance metrics and targets are monitored monthly (see appendix #1)
- On-going evaluation of tourism revenue generation by destination (see appendix #2)
- Analyze organization against best practice operational benchmarks established by the Destination Marketing Association International (% of expense to personnel, % to admin/overhead, % to marketing, etc)
- Continual measurement of advertising and sales results
- Monthly commercial accommodation survey collects industry data from over 80% of the accommodation room base - accurate stats on occupancy, rates, revenues, visitor origins
- Utilize data for strategic marketing development
- Ultimate results accountability is the volume of inquiries we generate for our businesses – we are consistently in the top referring websites to stakeholders
- Renewed AHRT agreement in 2008 with overwhelming support from our hotels (93%). This is a clear indication that we are generating business for them in a manner they value

5. Key roles of Tourism Kelowna

- Communicate the brand of the city externally
- **Make brand consumable for tourists** - generate demand for the experiences of our community and therefore increased visitors and spending
- **Develop and lead domestic marketing for Kelowna** – domestic market represents between 85 -90% of total Kelowna visitation
- **Lead tourism growth strategy:** all tourism businesses are focused on their day to day operations. Tourism Kelowna looks ahead to build new markets/customers over time – something that individual businesses can't do and is critical to building a sustainable tourism economy. Tourism Kelowna has had significant success in the Toronto market with Kelowna now fully supporting 2 non-stop Toronto-Kelowna flights daily.
- **Represent the grassroots and connect them with other layers of the tourism marketing system** to ensure that the Kelowna destination is represented in international markets by the CTC and TBC/MTCA

6. Value of Tourism Kelowna to tourism stakeholders

- 85-90% of visitation to Kelowna is domestic with the majority of this originating from Western Canada.
- Kelowna's name and brand is well-known in the provinces west of Quebec and therefore the marketing supports this brand – as opposed to a regional brand
- Kelowna's domestic competitive set consists of most other Alberta and BC destinations including other Okanagan communities (Penticton, Osoyoos, Vernon)
- Tourism businesses in Kelowna and area depend on Tourism Kelowna to penetrate this competitive set with effective marketing that increases Kelowna's market share
- This natural competition drives all destinations to excel and become better at what they do which results in increased business throughout BC
- Tourism businesses also depend on Tourism Kelowna to develop new domestic markets resulting in growth of new visitors to Kelowna
- Tourism Kelowna represents the grassroots tourism industry and links it to TBC/MTCA's and CTC's international marketing initiatives
- Tourism Kelowna has the ability to be very nimble and flexible to respond to changing market conditions by adjusting tactics
- Tourism businesses see direct results from Tourism Kelowna's destination marketing investments
 - high volumes of website referrals from Tourism Kelowna as a result of tactical marketing approach
 - meeting and convention bookings
 - sport team bookings
 - exposure in travel media articles resulting in increased direct inquiries

7. HST and the Additional Hotel Room Tax (AHRT) or Destination Marketing Fee (DMF)

- AHRT Implemented in the City of Kelowna in 2004
- 100% invested in destination marketing activities for the Kelowna and area region which consists of the Central Okanagan Regional District. Accommodation properties outside of the City of Kelowna limits, yet still located within the Central Okanagan including West Kelowna and Lake Country, who are not collecting this tax can still be included in all Tourism Kelowna marketing by paying an annual participation fee.
- AHRT or DMF model ensures that Tourism Kelowna is performance based. The better marketing that we do the more tax revenue we receive to re-invest in marketing. This direct connection to our industry is critical and holds us to very high levels of transparency and accountability with our industry driven Board of Directors and stakeholders.
- We have seen **AHRT revenue grow by 26%** in the 4 years of 2005 to 2008
- We believe that this incremental, user pay tax is the appropriate mechanism to generate tourism marketing revenues and it should be maintained with appropriate accountability measures in place.

Appendix #1

Tourism Kelowna Performance Metrics

Source: Tourism Kelowna

Performance Measures	Fiscal Year Sept 2008- Aug 2009				
	2007-08 Actual	2008-09 Actual	Variance year over year actual	2008-09 Target	Variance of Actual to Target
Media					
Press trips held	26	25	-3.8%	28	-10.7%
Number participants	39	38	-2.6%	31	22.6%
Number publications represented	44	54	22.7%	46	17.4%
Total placements	100	156	56.0%	117	33.3%
Circulation	19,433,214	46,766,907	140.7%	25,500,000	83.4%
Advertising equivalency	\$ 1,632,957	\$ 2,730,226	67.2%	\$ 1,200,000	\$ 1,530,226
Consumer					
Advertising investment	\$ 634,244	\$ 773,359	21.9%	\$ 600,000	\$ 173,359
Value of leveraged media	\$ 253,014	\$ 423,310	67.3%	\$ 250,000	\$ 173,310
Total media value	\$ 887,258	\$ 1,196,669	34.9%	\$ 850,000	\$ 346,669
Advertising impressions	70,047,546	89,321,403	27.5%	50,000,000	78.6%
Number unique user sessions	299,821	338,663	13.0%	344,523	-1.7%
Number new users	236,851	273,237	15.4%	270,782	0.9%
Number repeat users	62,970	65,426	3.9%	73,741	-11.3%
Click-throughs to TK website	237,889	292,762	23.1%	270,279	8.3%
Total search engine referrals	175,868	234,847	33.5%	162,167	44.8%
Visitor Centre					
Number of visitors	41,846	36,701	-12.3%	43,800	-16.2%
Number of parties	21,156	18,135	-14.3%	22,800	-20.5%
Inquiries (phone, e-mail, mail, fax)	14,259	11,207	-21.4%	21,000	-46.6%
M&IT					
Meeting, convention & incentive leads	109	106	-2.8%	127	-16.5%
Lead room nights	18,990	14,802	-22.1%	20,325	-27.2%
Sports					
Successful Bids	0	3	300.0%	3	0.0%
New event/camp leads	6	13	116.7%	10	30.0%
Lead room nights	310	8,461	2629.4%	3,500	141.7%

Appendix #2

Room Revenue 2005-2009

Source: Commercial Accommodation Survey Kelowna, Tourism Kelowna

